



Discover the power of participation...

## Presentation

<b>2</b> Our Vision - Our Mission - Our Quality Policy - Core Values	<b>3</b> Corporate Profile	<b>4</b> Financial Highlights	
<b>7</b> Dividend Distribution Proposal / Capital and Shareholding Structure / Amendments on Articles of Incorporation	<b>9</b> Annual General Meeting Agenda	<b>10</b> Albaraka Türk's Milestones	<b>12</b> Chairman's Message 
<b>14</b> General Manager's Message 	<b>17</b> Macroeconomic Overview, The Banking Industry And Participation Banking	<b>21</b> Albaraka Türk in 2012	
	<b>36</b> Annual Report Compliance Opinion		

## Information on the Management and the Corporate Governance Practices

38	Board of Directors
40	Senior Management
42	Auditors of the General Assembly
43	Information on Board of Directors, Auditors of the General Assembly and Senior Management
44	Organization Chart
46	Committees and Committee Meetings Attendance
51	Summary of the Board of Directors' Annual Report
52	Support Services Providers
53	Transactions of the Bank with the Risk Group of Which the Bank is a Member
54	Corporate Governance Compliance Report

## Financial Information and Assessments on Risk Management

63	Summary Financial Information for the Five-Year Period
64	Evaluation on Financial Position, Profitability and Capability to Pay
66	Credit Ratings
67	Auditors' Report
68	Assessment of Internal Control, Internal Audit and Risk Management Systems by the Audit Committee
69	Managers of Internal Audit Systems
70	Independent Auditors' Report for the Year Ended December 31, 2012

## Directory

149	Head Office, Region Representative Offices and Branches
152	Albaraka Banking Group

# By expanding participation banking's horizons, we add strength to the real economy.

Albaraka Türk is the pioneer of interest-free banking in Turkey. Growing day by day, the funds accumulating in the bank's participation accounts flow into the real economy as financing for production and trade and while also accelerating economic development.

As a rising star in today's world, participation banking has been gaining increasingly greater strength in Turkey as well. With its solid shareholder and financial structure, its team of skilled professionals, its use of leading-edge information technology, and its customers' trust and loyalty, Albaraka Türk's looks confidently to the future as it prepares for even better tomorrows and contributes even more to the economic well-being of its country and its people.

## Our Vision - Our Mission - Our Quality Policy - Core Values

### Our Vision

To be the world's best participation bank.

### Our Mission

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

### Our Quality Policy

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

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

### Core Values

#### Partnership

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

#### Focus

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

#### Sincerity

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

#### Solidity

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

#### Social Responsibility

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

## Corporate Profile

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

Albaraka Türk was established in 1985. As Turkey's first participation bank, it continues to distinguish itself by virtue of its more than a quarter-century of experience, its vision, its expert human resources, and its technological competencies.

As the pioneer of interest-free banking in Turkey, Albaraka Türk's mission of financing production and trade in line with the principles of participation banking is reflected in the most effective way possible in all of its activities.

Albaraka Türk is a respected, trusted, and strong member of the Turkish banking industry. The funds that it collects as private current accounts and participation accounts are channeled to the real sector through services such as retail financing, corporate financing, and project-based profit & loss sharing partnerships. Albaraka Türk focuses on continuously creating value for its stakeholders and for Turkey as a whole.

### Albaraka Türk's vision: To become a financial powerhouse in its region

Al Baraka Banking Group (ABG), Albaraka Türk's principal shareholder, is committed to pursuing its efforts to realize its vision of being a financial powerhouse throughout the region in which it is active and which consists primarily of the Gulf, the Middle East, and North Africa.

### A strong shareholder structure

Founded as a joint undertaking of Al Baraka Banking Group, Islamic Development Bank (IDB), and a Turkish industrial group that has been serving its national economy for more than half a century, Albaraka Türk has a strong capital base.

As of 31 December 2012, 66.13% of the bank's shares were held by international shareholders and 10.90% by domestic shareholders while the remaining 22.97% were publicly traded.

### A service provider distinguished by its service approach and quality

Constantly developing its product and service lineup as it takes a proactive approach in order to meet the changing needs and expectations of its customers in keeping with the requirements of modern banking principles, Albaraka Türk's superior service standards are complemented by an approach that embodies both sincerity and cheerfulness.

Albaraka Türk's activities are carried out subject to ISO 9001:2008 certification, the most recent revision of the ISO 9001 Quality Management System specification.

### Experience, Performance, and Trust

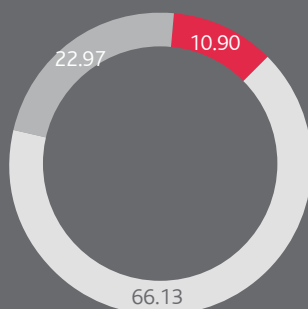
Albaraka Türk's success formula may be summed up within a triangle whose apexes are Experience, Performance, and Trust and on which its customer relationship management approach is based. The long-term relationships that Albaraka Türk enters into with customers are rooted in mutual productivity and they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

### An extensive service network of 137 branches

Albaraka Türk continues to create value for its country and all of its stakeholders through an extensive service network consisting of 136 national branches and alternative delivery channels. The bank also has a branch in the city of Erbil in Northern Iraq.

### Shareholding Structure (%)

Foreign Shareholders Publicly-held Local Shareholders



### The Al Baraka Banking Group

One of the world's leading proponents of interest-free banking, the Al Baraka Banking Group (ABG) supplies retail, corporate, and investment banking products and services within the framework of the principles of participation banking. Conducting its activities through subsidiaries and representatives located across a broad region of the world, ABG serves customers in thirteen countries on three continents through eleven banks and two representative offices.

In addition to Turkey, ABG has banks in Bahrain, Algeria, South Africa, Lebanon, Egypt, Pakistan, Sudan, Syria, Tunisia, and Jordan and as well as representative offices in Indonesia and Libya.

At end-2012, Al Baraka Banking Group had USD 19 billion in total assets, USD 3.8 billion in funds collected, and USD 2 billion in shareholders' equity. The group booked an aggregate profit of USD 235 million in 2012. As of the end of the year, group members were employing 9,398 people at work in 425 branches.

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

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

## Financial Highlights

Total Assets (TL million)

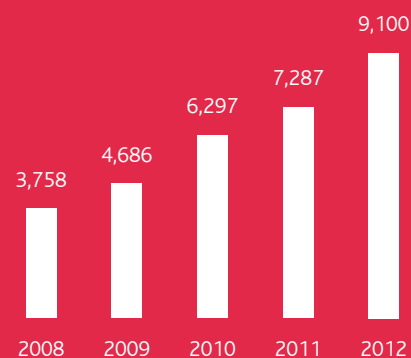
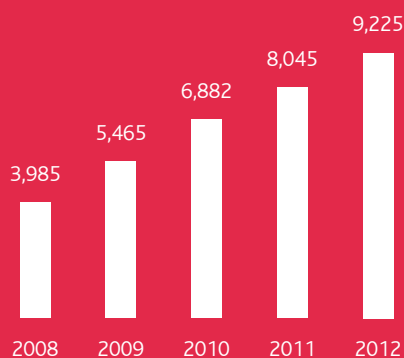
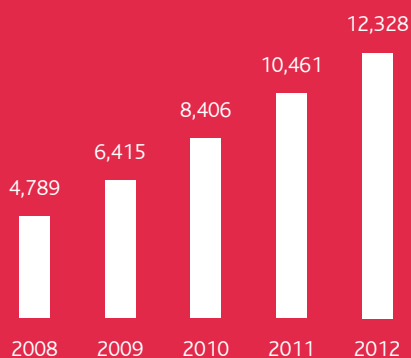
# 12,328

Collected Funds (TL million)

# 9,225

Funded Credits (TL million)

# 9,100



## Key Financial Indicators (TL million)

	2011	2012	Change (%)
Total Assets	10,461	12,328	18
Funded Credits*	7,287	9,100	25
Collected Funds	8,045	9,225	15
Shareholders' Equity	1,004	1,218	21
Net Profit Share Income	386	486	26
Net Fees & Commissions Income	90	113	25
Net Profit	160	192	20
Number of Branches	123	137	11
Number of Personnel	2,601	2,758	6
Funded Credits per Branch	59.2	66.4	12
Collected Funds per Branch	65.4	67.3	3
Funded Credits / Collected Funds (%)	90.6	98.6	

## Key Ratios (%)

	2011	2012
Funded Credits* / Total Assets	69.66	73.82
Collected Funds / Total Assets	76.90	74.83
Return on Equity	17.13	17.02
Return on Assets	1.72	1.71
NPL Ratio	2.31	2.39
Net NPL Ratio	0.18	0.27
NPL Provisions Ratio	92.41	88.82
CAR	12.53	13.03

\* Including financial leasing

Shareholders' Equity (TL million)

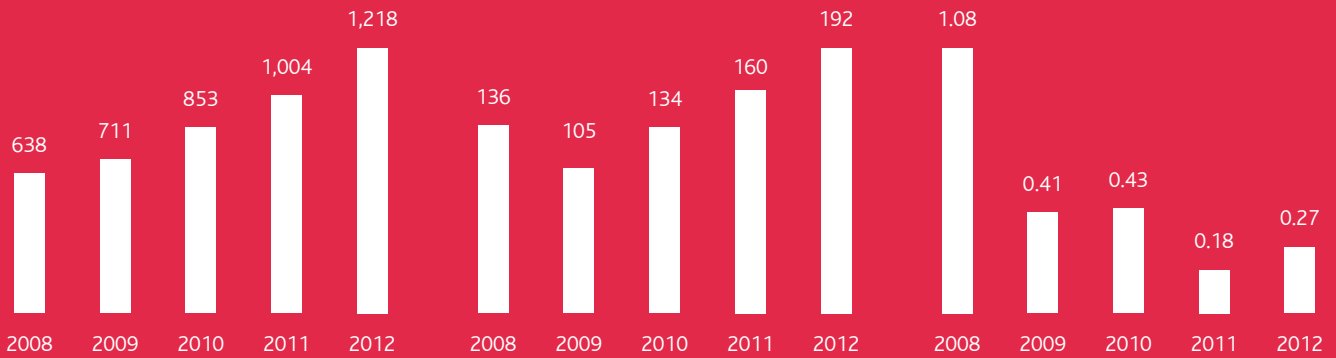
1,218

Net Profit (TL million)

192

Net NPL Ratio (%)

0.27%



The 2012 budget targets set by Albaraka Türk's Board of Directors at its meeting on 29 December 2011 and the performance standings of those targets as of end-2012 are shown below.

#### 2012 Annual Budget Targets (TL thousand) and Performance Standings

	Target	Realization	Realization Rate (%)
Total Assets	12,565,975	12,327,654	98.10
Collected Funds	9,445,826	9,225,018	97.66
Funded Credits*	8,919,483	9,100,063	102.02
Shareholders' Equity	1,154,270	1,218,333	105.55
Net Profit	185,070	191,835	103.66

The 2013 budget targets set by Albaraka Türk's Board of Directors at its meeting on 26 December 2012 and their projected growth rates in 2013 are shown below.

#### 2013 Annual Budget Targets (TL thousand) and Projected Growth Rates

	2012 (realization)	2013 (budget)	Growth Rate (%)
Total Assets	12,327,654	15,456,381	25.38
Collected Funds	9,225,018	11,296,842	22.46
Funded Credits*	9,100,063	11,502,105	26.40
Shareholders' Equity	1,218,333	1,429,420	17.33
Net Profit	191,835	221,095	15.25

\* Including financial leasing

## Financial Highlights

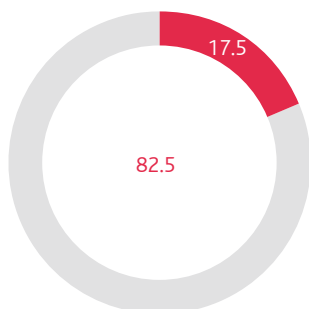
### Albaraka Türk's Position in Sector

Growth (%)	2011			2012		
	Albaraka Türk	Participation Banks	Banking Industry	Albaraka Türk	Participation Banks	Banking Industry
Total Assets	24.4	29.6	21.0	17.8	25.2	12.6
Loans (Funded Credits)*	15.9	23.7	29.1	24.7	24.5	16.4
Deposits (Collected Funds)	16.9	18.5	12.7	14.7	22.2	11.0

Market Shares (%)	2011			2012		
	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	18.6	0.9	4.6	17.5	0.9	5.1
Loans (Funded Credits)*	18.9	1.1	5.6	18.9	1.1	6.0
Deposits (Collected Funds)	20.5	1.2	5.6	19.3	1.2	6.2

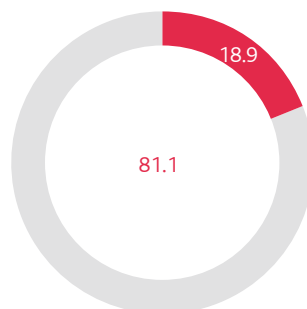
#### Total Assets (%)

■ Albaraka Türk  
■ Other Participation Banks



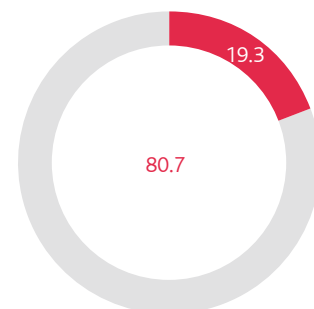
#### Funded Credits\* (%)

■ Albaraka Türk  
■ Other Participation Banks



#### Collected Funds (%)

■ Albaraka Türk  
■ Other Participation Banks



\* Excluding financial leasing



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

### Dividend Distribution Proposal

At a meeting of the Albaraka Türk Board of Directors held on 28 February 2013, it was decided to submit a proposal to the general assembly of shareholders that 2012 year profits be paid to shareholders in the manner indicated below.

	TL
Period Profit	191,834,512.28
Previous Year Profit	890,556.50
Profit	192,725,068.78
First Legal Reserves (-)	9,636,253.44
Net Distributable Profit for the Year	183,088,815.34
First Dividend to Shareholders (Gross)	0
Second Dividend to Shareholders (Gross)	0
Transferred to Extraordinary Retained Earnings	183,088,815.34

### Capital and Shareholding Structure

Shareholding Structure	Amount (TL)	Share (%)
Foreign Shareholders	595,122,444	66.13
Al Baraka Banking Group	486,523,266	54.06
Islamic Development Bank	70,573,779	7.84
Alharthy Family	31,106,364	3.46
Other	6,919,035	0.77
Local Shareholders	98,138,996	10.90
Publicly-held	206,738,560	22.97
Total	900,000,000	100.00

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

### Changes In The Articles Of Association

An extraordinary general meeting of Albaraka Türk was held on 19 June 2012 at which shareholders approved the following changes to the bank's articles of association.

#### AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF ALBARAKA TÜRK KATILIM BANKASI AŞ

##### OLD TEXT

The company's capital

Article 7:

The bank's capital is TRL 539,000,000 (five hundred thirty nine million Turkish liras) and is divided into 539,000,000 registered shares each of which has a par value of TRL 1.00 (one Turkish lira).

TRL 269,500,000 (two hundred sixty nine million five hundred thousand Turkish liras) of the bank's capital has been paid in full and in cash.

Of the TRL 269,500,000 (two hundred sixty nine million five hundred thousand Turkish liras) share capital increase which has been decided upon:

- TRL 158,395,692.34 (one hundred fifty eight million three hundred ninety five thousand six hundred ninety two Turkish liras and thirty four kurush) has been funded at no cost by the capitalization of share premiums;
- TRL 80,750,074.07 (eighty million seven hundred fifty thousand seventy our Turkish liras and seven kurush) has been funded at no cost by the capitalization of prior-year profits;
- TRL 30,354,233.59 (thirty million three hundred fifty four thousand two hundred thirty three Turkish lira and fifty nine corporate) has been funded no cost by the capitalization of extraordinary reserves.

As cover for these capitalized amounts, shareholders have been issued bonus shares in proportion to their existing shareholding interests.

Shares representing the company's capital are to be booked within the framework of normal share registration procedures.

##### OLD TEXT

THE BOARD OF DIRECTORS

Article 15:

The bank's management, the supervision of its business and activities, and the power to represent and bind the bank shall be the responsibility of the board of directors.

The board of directors shall consist of not more than eleven members, of whom at least four and not more than ten shall be elected from shareholders. The general manager shall be an ex officio member of the board, as shall his deputy in his absence, and neither the general manager nor his deputy shall be obliged to be a shareholder in the bank.

No one who is elected to a seat on the board of directors and who is not already a shareholder shall perform any duties unless and until he becomes a shareholder. With the board's consent however, shares may be pledged by an outside party on behalf of any member as security. The general manager is under no obligation to be a shareholder.

The provisions of current law shall apply with respect to the number of shares in and percentage of the bank's capital that each member of the board of directors is obliged to own as well as to the limits thereon and to how these assets are to be adduced.

Boardmembers shall be elected by the general assembly of shareholders from among shareholders for three-year terms of office. A director whose term of office expires may be reelected.

The general assembly of shareholders may dismiss any member of the board of directors at any time. No such dismissal shall entitle any boardmember to any compensation of any manner or form.

Members of the board of directors must possess the qualifications required of them by the Banks Act.

A chairman shall be elected from among the members of the board of directors as shall a deputy to temporarily perform his duties in the chairman's absence.

The board of directors may appoint new members to fill seats which may be vacated whether for reasons of resignation or death or otherwise. A member appointed by the board in this way shall serve only until the very first meeting of the general assembly of shareholders that is held after the appointment takes place. If the appointment is approved at that general meeting, the member so elected shall serve until the end of the normal term of the person he replaced.

Seats on the board of directors which are held by shareholders who are corporate entities may be occupied by more than one of their representatives. However each seat on the board, including those which are occupied by the several representatives of a corporate entity, shall be entitled to only one vote.

In the case of boardmembers who represent corporate entities, the obligation to adduce shares shall be fulfilled by the corporate entities they represent acting in their name and on their account.

##### NEW TEXT

The company's capital

Article 7:

The share capital of the Bank is TL 900,000,000 (Nine Hundred Million) Turkish Lira, divided into 900,000,000 registered nominative shares with a value of TL 1 (One) Turkish Lira each.

TL 539,000,000 (Five Hundred Thirty-nine Million) Turkish Lira of the Bank's share capital is fully paid.

This time TL 361,000,000 (Three Hundred Sixtyone Million) Turkish Lira of the Bank's Capital was increased through following resources:

- a) TL 60,524.20 (Sixty Thousand Five Hundred Twen-ty-Four Turkish Lira and Twenty Kuruş) portion is paid through the share-certificates issued for gratis (bonus), against the revenue attained from Sales of Immovables according to article 5/1 of the Corporate Tax Law Nr 5520 (new).
- b) TL 360,939,475.80 (Three Hundred Sixty Million Nine Hundred Thirty-Nine Thousand Four Hundred Seventy-Five Turkish Lira and Eighty Kuruş) is paid through the share-certificates issued for gratis (bonus), against the Extraordinary Reserves of the Bank.

Against the above-written Capital increase items, the shareholders are supplied with bonus (free) shares prorata to their present shares in the Bank's capital.

The shares representing the Bank's Capital are regis-tered with the Central Registration Agency in line with principles of dematerialization and are monitored from thereon.

##### NEW TEXT

THE BOARD OF DIRECTORS

Article 15:

The management and control of the business and affairs of the Bank and its representation are binding and belong to the Board of Directors ("Board").

Board of Directors shall consist of maximum 12 members including a natural member, the General Manager who is not necessarily a shareholder of the Board, or his Deputy in case of his absence as natural member of the Board, plus minimum 4 but maximum 11 members who shall be elected from among the shareholders.

If such persons who are not shareholders are elected as member of the Board, they cannot act upon this office until they become shareholders. On condition that it is ac-cepted by Board of Directors, shares lodged as collateral could also be deposited by third parties on behalf of any member. The General Manager is not required to be a shareholder.

The current law provisions are applied on the subjects such as the compulsory share quantity and ratio as regards of the capital of the Bank for each Board Member and the limitations of the said shares and the distribution method of the said shares.

The General Assembly shall elect the members for a pe-riod of three years among the shareholders. A member of the Board who has completed his term may be re-elected.

The General Assembly may always dismiss the Board of Directors. The member who has been dismissed from the Board has no right such as indemnity or under any title.

All members of Board of Directors should bear those conditions for General Manager's qualifications that are indicated in the Banking Law.

The Board shall appoint - from among its members - a chairman and a vice chairman who will temporarily as-sume Chairman's tasks during his/her absence.

The Board of Directors may appoint new members to posts that have become vacant because of the resignation, death or any other reason. The members appointed by the Board of Directors shall continue their work until the first General Assembly Meeting after such appointment. The member who has been elected for the vacant post shall complete the remaining term of that vacant post upon approval of the said appointment by the General Assembly.

Shareholders as juridical persons may be represented in Board of Directors by means of more than one member, in which case each member of the Board who is representing the concerned juridical person bears the right for one vote at the Board of Directors.

The obligation to deposit shares on behalf of the Board Members that represent legal persons is executed by these le-gal (juridical) persons.

## Annual General Meeting Agenda

At the 28 February 2013 meeting of the bank's board of directors, the board decided to hold the company's annual general assembly for 2012 on 10:00 A.M. on 29 March 2013 at the company's headquarters located at Saray Mahallesi, Dr. Adnan Büyükdeniz Caddesi No: 6, 34768 Ümraniye, İstanbul in order to discuss and come to decisions on the items shown in the agenda below.

### AGENDA FOR THE ANNUAL GENERAL MEETING OF 29 MARCH 2013

1. Inauguration; formation of Presiding Council.
2. Authorizing the Presiding Council to sign the minutes of the General Assembly meeting.
3. Reading and discussing the annual reports of the Board of Directors, the Board of Auditors and the independent Audit Firm about the fiscal year 2012.
4. Determining Independent Audit Company/Auditor.
5. Reading, discussing and approving the Balance-Sheet and Income Statement.
6. Acquitting the members of the Board of Directors
7. Acquitting the members of the Board of Auditors.
8. Discussing the proposal of Board of Directors about the utilization of profit, its distribution and determining the rates of earning shares.
9. Discussing and deciding on the Board of Directors' proposal about amendment of Bank's Articles of Incorporation according to Turkish Commercial Code and Capital Markets Law.
10. Discussing and deciding the proposal of Board of Directors about the Policy of Working Principles and Practices of General Assembly in line with article 419 of Turkish Commercial Code.
11. Determining the total number of Board of Directors as 12 according the Bank's Articles of Incorporation, and appointing a new director to the Board as the 12th member.
12. Permitting members of the Board of Directors to conduct business with our Bank, in line with articles 395 and 396 of Turkish Commercial Code.
13. Providing the General Assembly with details of our Bank's donations in 2012.
14. Discussing the rights and benefits of the Board members
15. Remarks and requests.

## Albaraka Türk's Milestones



1984

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

1985

- Albaraka Türk commences operations as Turkey's first interest-free banking institution.

1987

- After the Central Branch, the Bank opens its first branch in the Sıhhiye district of Ankara.

1988

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

1992

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

1993

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

1998

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

1999

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

2001

- Despite the fluctuation in the Turkish banking sector, Albaraka Türk continues to grow soundly thanks to the confidence that it inspires in customers.

- Albaraka Türk spearheads the formation of a deposit insurance fund for participation banking.

2002

- The number of branches becomes 24 while total shareholders' equity reaches USD 70 million in value. More attention is given to retail banking.

2003

- The Al Baraka Banking Group is established.

The goal of the SİMURG transformation program that was launched in 2012 is to create a strong future for Albaraka Türk in line with its vision of being the world's best participation bank.



2005

- Under a change made in the Banks Act by Statute 5411, "private finance houses" are reconstituted as "participation banks".
- Albaraka Türk changes its name to Albaraka Türk Katılım Bankası AŞ (Albaraka Türk Participation Bank Inc).

2007

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

2008

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

2009

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

2010

- In order to diversify its funding resources, the company secures its first murabaha syndication, worth USD 240 million.
- The Bank relocates into its new high-tech headquarters building.

- The number of branches reaches 109.

2011

- Organization and system infrastructure projects related to the plan to transform Albaraka Türk and take it into the future were launched and are being successfully carried out.
- Fourteen new branches were opened bringing the total number to 123. Paralleling this growth, the number of employees also reached 2,601.

- The operations centralization process has considerably been completed in an eight-month period.
- The first international branch was opened in the city of Erbil in Iraq.
- The bank's credit cards joined the WorldCard system.

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

2012

- Albaraka Türk's SİMURG transformation program is inaugurated.
- The bank is reorganized according to a regional department and corporate branch structure. Five regional manager units are created and four corporate banking branches are opened.
- Albaraka Türk's USD 350 million murabahah syndication is renewed at USD 450 million, thus retaining its standing as the sector's biggest syndicated loan.

## Chairman's Message



### Weak growth in the EU and USA in 2012 continued to provoke fears about the course of global economic activity.

Financial system problems, growing political uncertainties, rising unemployment, and long-overdue structural reforms were the chief reasons why there was no lessening of fears about the course of the global economy in 2012. Despite the efforts of and the measures taken by authorities in most countries around the world, such frailties as these blunted investors' appetite for risk while growth rates slipped almost everywhere.

Troubled loans on the books of banks in EU countries (which were having sovereign-debt problems of their own), a shortage of funding resources accessible to European banks, and new and more rigid rules about capital adequacy introduced by EU authorities severely worsened the pressures being exerted on Europe's banking system.

Along with the seemingly intractable problems in the EU's economy, markets' uncertainties were also fueled by weak growth and fiscal restrictions in the USA and Japan. Throughout the year, countries' central banks had recourse to monetary policies supporting

efforts to deal with chronic and structural problems. Implemented as they were in an economic environment where inflationary pressures were extremely weak however, such policies proved to be incapable of achieving quite the results that were expected of them. Persistent structural difficulties as well as banks' efforts to shrink their balance sheets also reduced the effectiveness of policy decisions and measures. This situation indeed is one of the most serious obstacles confronting any resumption of growth and it also thwarts any reduction in unemployment.

Unremitting lack of confidence combined with a glut of market liquidity adversely impacted growth and price stability in countries that need to import raw materials. The same process leads to volatilities in capital flows in and out of developing countries and thus destabilizes their financial systems as well.

Weak growth in developed economies affects developing economies by spreading through trade and capital flow channels. The slowdown observed in China's economic growth late in the year had its origins in 2012's shrunken export volumes.

Although the growth picture in the US economy looked moderately better, it was apparent that neither housing prices nor (especially) employment reached the levels desired of them. This led the Fed, American's central bank, to announce its third round of quantitative easing, which announcement was accompanied by a statement that the bank would continue to have recourse to such measures until employment was back to where authorities wanted it to be. Expectations that the tax cuts introduced by the Bush administration would expire at the end of 2012 and that federal government spending cuts would ensue increased the pressure on the US economy. Staving off this so-called "fiscal cliff" proved to be difficult. Prolonged and tough wrangling between Republicans and Democrats finally led to a last-minute deal on January 1st of the new year that provided at least some temporary respite and marginally reduced worries about the US economy.

## By investing increasingly more in a market whose dynamics and potential we have the greatest confidence in, we are making the Al Baraka name familiar to more and more people in Turkey.

According to IMF estimates, global GDP grew by about 3.2% in 2012 and is expected to increase modestly to the 3.5% level in 2013. However the developing economies, of which category Turkey is a member, are seen as likely to repeat their performance during the global economic crisis and should continue growing faster than this overall average rate.

**Although it is affected by short-term global developments, the Turkish economy's inherent growth dynamics are extremely strong.**

For the Turkish economy, 2012 was a year characterized by a process of rebalancing in which the composition of economic growth achieved a much healthier appearance and domestic demand was kept under control in line with authorities' policy preferences. The structure of the country's exports, which remained healthy and made a bigger contribution to total growth, also changed with a smaller share going to the EU and bigger shares going to African and Middle Eastern countries in particular.

At end-2011 Turkey's current account deficit corresponded to 10% of GDP. Twelve months later it was below 7%, although at least some of this decline is attributable to dampened domestic demand.

The policy mix employed by Turkey's central bank (CBRT) was augmented with the addition of tools designed to support financial stability. These proved to be extremely successful. Beginning in 2011, CBRT kept a close watch on changes in investors' appetite for risk and especially on inflationary expectations. These it kept under control through monetary tightening at regular intervals. When it seemed, in the second half of the year, that the process of balancing the economy had gained strength and that inflation was subsiding once again, CBRT increased markets' liquidity supply and gradually reduced funding costs.

Another development that took place in 2012 and inspired cheer in Turkey was the announcement that the country's credit rating had returned to the "investment grade" category for the first time in nearly two decades. This announcement, which Fitch Ratings made in November, is a truly momentous event. Among the chief reasons cited by Fitch for its decision were Turkey's diminished financial risks, a reduction in the level of government debt, and the robustness of its banks.

2012 was also a good year for our own sector as well. Banks stuck to controlled growth policies that paralleled macroeconomic policy. One consequence of this focus was that there was a modest decline in the rate of credit supply growth.

For the Turkish economy, 2013 looks like being a relatively favorable year from the standpoints of its growth, inflation, and current account deficit performance. In keeping with such expectations, it is likely that monetary policy support will continue in 2012 and that a careful watch will be kept on both exports and domestic demand.

**Albaraka Türk had a successful year in 2012.** Albaraka Türk maintained its healthy growth and development under the national and international conditions that I have just briefly outlined.

Our bank seeks to be the world's most successful practitioner of participation banking. In line with its goal of supporting the real economy, in 2012 Albaraka Türk increased its total lendings at a rate that was above the sectoral average. The soundness of our balance sheet was confirmed by non-performing loan (NPL) rates that were below those of the banking industry as a whole and the participation banking sector in particular.

We continued to support our extensive customer base with a panoply of products and services capable of meeting customers' needs at every stage of their economic and commercial endeavors. 2012 was a year in which we increased both our customer numbers and our business volumes in each and every one of our business lines.

Our product and service lineup was designed and is constantly being developed in light of our global and national knowledge and experience. Its primary focus is to ensure that we have the ability to support households and companies in Turkey no matter what their banking needs may be. With 136 branches located all over Turkey and efficient alternative delivery channels, we have a truly national reach that makes it possible for individuals and firms to experience the Albaraka Türk approach to service as embodied in the value of its brand.

Distinguished by our competent human resources, our good management, our strong business acumen, and our sound financial structure, we continue to advance on a course that makes us an even more potent force as we move towards our strategic goals concerning our future in the Turkish market. At this juncture I wish to note that the SİMURG transformation program that we put into effect in 2012 has already begun to make us a much stronger service provider.

While continuing to give us the benefit of their superior performance and excellent efforts, our human resources genuinely and sincerely identify with all of the values represented by the Al Baraka name and they perform their jobs not just with a will but with a passion. Such attitudes on the part of our team are the most important source of the strength that enables us to successfully overcome difficulties, to efficiently manage risks, and—what is most important of all—keep our customers continuously satisfied.

We have the utmost faith in Turkey's growth potential. Turkey's demographics, its social and economic dynamics, and its regionally strategic location make the country a rising star and a market offering a wide range of opportunities in the short, medium, and long terms. Assured of the uninterrupted support of our principal shareholder as we continue to invest increasingly more in a market whose dynamics and potential we have the greatest confidence in, we will go on making the Al Baraka name familiar to more and more people in Turkey.

In closing and speaking on my own behalf as well as that of the Board of Directors, I take this opportunity to express my gratitude to all of my colleagues, our customers, and our business partners for having made our sustainable performance possible.

**Adnan Ahmed Yousif**  
Chairman of the Board of Directors



## General Manager's Message



### **Albaraka Türk's actions are grounded in the principle of sustainable and profitable growth.**

Successfully ringfencing itself from the effects of Europe's ongoing sovereign and non-sovereign debt crisis, the Turkish banking industry performed strongly in 2012.

In the first half of the year, the sector's growth slowed somewhat as it responded to measures being taken by monetary authorities to maintain financial stability. Nevertheless banks continued to defend their capital adequacy and profitability through strategies that enabled them to adapt themselves quickly to the requirements of the business environment.

Since 2007 Albaraka Türk has been advancing steadily along the dimensions of asset quality, profitability, and sustainable growth. The bank's 2012 financial results added yet another star to its roster of success.

Despite upheavals in global markets and slower economic growth in its home market, in 2012 Albaraka Türk increased its assets by 18% to TRL 12.3 billion. This performance is in line with our strategic plan for the year, which called for a 20% rate of year-on growth.

In keeping with its business model of focusing on the small- and medium-sized enterprises (SME) segment and regarding uninterrupted support to the real sector as its duty, Albaraka Türk increased its funded cash credits (cash lendings) to TRL 9.1 billion. This corresponds to a 25% rate of year-on growth, which was higher than the sector's average. Funded credits accounted for a 74% share of the bank's total assets last year.

Albaraka Türk regarded protecting its superior asset quality through effective risk management as another of its high-priority objectives in 2012. Our non-performing loan (NPL) ratio was 2.39%, which was below the averages of both the banking industry as a whole and the participation banking sector in particular. Both our risk management and our rating models are compatible with Basel II criteria and reflect the latest changes therein while our lending processes have undergone end-to-end automatization. With the completion of the customer segmentation project that we are currently involved in, we will be able to raise our asset quality to even higher levels.

Albaraka Türk's funds collected increased by 15% in 2012 and reached TRL 9.2 billion. We further diversified our resource structure with a USD 450 million murabahah syndication that we secured on international markets last year. In a country such as ours whose macroeconomic environment is characterized by a chronic savings gap, non-deposit sources of funding are a matter of importance.

We closed the year with a net profit of TRL 192 million, which corresponds to a year-on rise on the order of 20%. Our operating income was up by 28% to TRL 706 million. Albaraka Türk's strong equity structure was further enhanced by a 21% rise in shareholders' equity, which reached TRL 1.2 billion. Our average return on equity last year was 17%.

At end-2012 Albaraka Türk's capital adequacy ratio stood at 13.03%, which was above the statutory requirement. We are currently working on the formulation and implementation of policies that will boost this ratio even higher.

Both Standard & Poor's and JCR Eurasia Rating announced that they had assigned our bank a long-term foreign currency rating of BB for 2012.

### **We are embarking on a new era with SİMURG.**

Our most important undertaking in 2012 was arguably SİMURG, a program that will be carrying Albaraka Türk, its employees, and its services into the future. The underlying concept of this program is to internalize a cultural transformation at Albaraka Türk that gives it the ability to constantly renew itself through the mobilization of the bank's inherent dynamics. Inaugurated on 7 April 2012,



**The underlying concept of the SİMURG program is to internalize a cultural transformation at Albaraka Türk that gives the bank the ability to constantly renew itself through the mobilization of its inherent dynamics.**

SİMURG is to be carried out in a series of 25 programmed phases. So far 110 SİMURG program workshops have been conducted in cooperation with some of the world's leading business consultancies. Scheduled to run for three years, the goals of SİMURG are to take our core skills and competencies and our customer-focused service approach to higher levels and to give our bank the strong and up-to-date structure that it needs to compete in the international arena.

**Turkey is making the most effective use of international funding opportunities.**

Economic adversities in global markets led to political impasses in the European Union while even giving birth to consequences that could ultimately result in one or more euro-zone countries defaulting.

Albaraka Türk is primarily active in Middle Eastern and North African countries, where the effects of the recent Arab Spring are not just being felt on the political front but are also leading to radical changes in the economic order and the rules that govern it.

In order to bring their economies into better alignment with conjunctural changes, central banks and monetary authorities have been turning to a variety of methods in their efforts to intervene and shore up market confidence. One outcome of this is a serious decline in LIBOR and EURIBOR reference rates, which have dropped to such levels that it becomes economically advantageous for banks in countries (such as Turkey) that must constantly tap international markets for funding to have recourse to credit syndications.

This helps explain why the renewal rate on credit syndications in the Turkish banking industry was on the order of 100% in 2012. Thanks to their robust correspondent relationships, Turkish banks had no trouble renewing their syndicated borrowings.

At a time when the global economy was suffering from seemingly intractable problems, Turkey returned to the club of "investment-grade" countries and the successful performance of its banking industry made Turkish banks' debt instruments the objects of intense interest among foreign banks. The launch of a Turkish sukuk (Islamic bond) market following recent changes in the legal and regulatory framework further increased the existing attention given to Turkish banks in Gulf countries. Despite hefty liquidity surpluses of their own, these countries and their banks nevertheless suffer from high funding costs that make their interbank borrowing and foreign trade finance operations very expensive.

Assuming, as is likely, that Turkish banks' credit ratings will be elevated to investment-grade levels along with their country ratings in 2013, that will give them an even greater advantage from the standpoint of their borrowing costs.

**Albaraka Türk once again had the sector's biggest murabahah syndicated loan.**

The pioneer of participation banking in Turkey, Albaraka Türk's USD 350 million murabahah (Islamic finance) syndication undertaken in 2011 was renewed at USD 450 million, thus retaining the deal's standing as the Turkish banking sector's biggest credit syndication.

A total of 32 banks from 16 countries participated in the one-year trade finance facility signed by Albaraka Türk. Among them were Standard Chartered Bank, Emirates NBD, ABC Islamic Bank, and Noor Islamic Bank. The deal was lead-managed by Al Hilal Bank and Bank Islam Brunei.

This loan is testimony not only to the reputation and respect that Albaraka Türk enjoys among its correspondents and the international banking community but also to their confidence in the Turkish banking system. Since 2010, our bank has tapped international markets for more than USD 1 billion worth of credit that it has put to work for the benefit of the Turkish economy.

**Stronger and increasingly more synergetic relationships with ABG**

In the face of steadily growing global competition, banks and financial institutions are constantly on the lookout for opportunities to prune their banking service costs by cooperating with their peers in ways that exploit the benefits of integration and mutual interests. This process also reveals cross-sale and marketing opportunities and facilitates adaptation to a continuously changing global banking environment.

According to the same business model, banks' operating costs must be kept under control and reduced to the barest minimum while their sources of revenue need to be diversified. Another aspect of this model is that the parties involved should share their knowledge and experience with one another to help reduce their R&D budgets.

The collaborative platform which we have created with Al Baraka Banking Group (ABG) incorporates all of these elements in the most productive way possible.

Our Erbil branch, the first step of our planned international expansion, as well as ABG's extensive and effective presence in the Gulf region provide the solid foundations on which Albaraka Türk's efforts to boost its stature as a regional force are being made.

Clear evidence of the significant synergies arising from our bank's membership in the Al Baraka Banking Group in 2012 is to be seen in the 93% and 48% rises respectively in our export financing and FX transactions, in the top rankings enjoyed by Algeria, Sudan, and Tunisia in our export financing deals, and in the fact that no less than 70% of the more than USD 100 million worth of murabahah credit received last year was either from ABG itself or from other members of the group.

The redrawing of Turkey's export market map to include the Middle East and Gulf supports our ambition to become a regional force.

**Towards a better future...**

We are all going through a transformation that we believe will ready our bank for the future.

Day by day we further develop Albaraka Türk's customer-focus concept and make it an essential element of its corporate culture at every level of the bank.

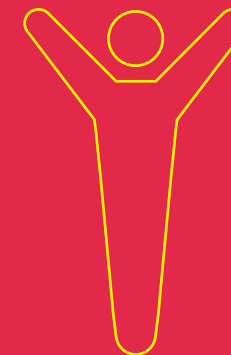
This process makes it possible for us to better read our customers' needs and to satisfy them with innovative products and services while also gaining new customers and increasing customer loyalty.

As Turkey's leading practitioner of participation banking, a business model that is a rising star in today's world and whose presence in our own country is steadily gaining strength, Albaraka Türk intends to make its voice heard and its influence felt even more effectively in the period ahead.

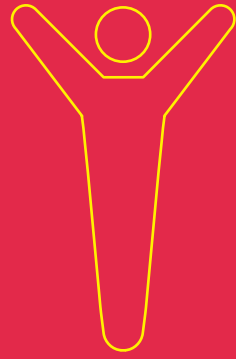
Our ambition is rooted in our robust shareholder and financial structures, in our competent and professional team, in information technology capabilities that make tomorrow accessible today, and in the trust and loyalty of our customers.

I therefore take this opportunity to extend my sincerest thanks to all of our stakeholders for having contributed to our success and for accompanying us on our journey into the future.

**Fahrettin Yahşi**  
General Manager



Sustainable strategies power our growth.



Albaraka Türk constantly develops its product and service lineup as it takes a proactive approach in order to meet the changing needs and expectations of its customers in keeping with the requirements of modern banking principles, It continues to distinguish itself by virtue of its experience and expertise, its vision, and its technological competencies.

## Macroeconomic Overview, The Banking Industry And Participation Banking

**Turkey's current account deficit was brought under control in 2012. In the twelve months to year-end it shrank by 37% to USD 49 billion. An important contributor to this opportune development however was a contraction in the foreign trade deficit brought on by reduced domestic demand.**

### Macroeconomic Overview

2012 was a year replete with developments crucially important for both the global and the Turkish economies. Despite the passage of more than four years, the lingering effects of the global economic crisis continued to make themselves felt deeply throughout the world but especially in the developed countries. Recession and the associated risks experienced by euro-zone countries headed 2012's economic agenda. Despite the country's being somewhat better off by comparison with others, the economic agenda in the United States was preoccupied for quite some time by presidential and congressional election-related issues and by the approaching of a self-imposed "fiscal cliff". For the Turkish economy, it was a momentous year characterized on the one hand by slower economic growth and on the other by a boost in its country credit rating.

Having registered positive growth since the beginning of 2010, many developed countries found themselves back in recession in 2012. Some—mainly euro-zone countries as might be expected but also Japan—reported growth rates that were nearly zero if not actually negative. Contrary to their performance in previous years, many developing economies—of which Turkey is one—also experienced slowdowns in their growth rates. Having distinguished themselves by virtue of their economic recoveries in 2010 and 2011, these countries also suffered considerably from the global economy's malaise in 2012. Even China, now the world's second biggest national economy, witnessed a 7.8% year-on contraction, though that was better than the 9.3% decline it experienced the previous year. In the US economy, last-quarter growth was 1.6% higher than what it had been in 2011. As for 2013, no one anticipates that there will be anything like a serious recovery among the advanced economies, certainly not those in the euro-zone. According to the most recent IMF projections, the US, Japan, and the UK should be able to achieve growth rates on the order of 2%, 1.2%, and 1% respectively in 2013 but euro-zone growth as a whole will shrink by 0.2%.

In 2012 Turkey was unable to achieve the strong economic growth that it experienced in the immediate aftermath of the crisis. This appears to have been due mainly to weaker domestic demand and to moribund markets for its exports. Expressed in

numerical terms this contraction is stark: twelve-month growth in the third quarter plummeted from 9.8% in 2011 to 1.6% in 2012. On a nine-month basis as of the same quarter, the corresponding growth rates are a scarcely better 8.4% and 2.6%. This quite serious contraction in year-to-year growth rates appears to have been caused by a -1.7% "contribution" made to overall growth by domestic demand. That was mitigated somewhat by increasingly more positive contributions made by external demand during the same period. Sharp cuts in private-sector investment also appear to have had a hand in the slower growth. Available last-quarter data suggest now that year-to-year growth in 2012 will be something less than 3%; according to the government's Medium-Term Program it was supposed to have been 4%.

The slowdown in the global economy also stifles employment opportunities. In order to contend with high levels of public debt, the euro-zone's problem-wracked national economies had recourse to spending cuts which, combined with an apparent inability to restart expansion, drove unemployment rates to historically high levels: unemployment throughout the euro-zone as a whole stood at 11.8% at year-end 2012 but in at least one case (Spain) it reached something over 26%. Although the US is relatively better off on this measure, its 7.8% unemployment rate is still too high. Suffering from a slowdown in economic growth, unemployment in Turkey was up slightly (0.3%) year-on and reached 9.4%. Again according to the Medium-Term Program, it was supposed to have been 8.9%.

Turkey's foreign trade reached USD 388 billion in value in 2012. As reported on a December-on-December basis, in 2012 the country's exports increased by 1.4% to USD 12.6 billion, its imports declined by 3.7% to USD 19.8 billion, and its terms of trade performance improved from 60.6% to 63.8%. Turkey's foreign trade deficit in 2012 was 11.6% smaller than what it had been the year before. Much debate was inspired by the unusual surge in gold exports. In December 2011, EU countries bought a 41.7% share of Turkey's exports; in December 2012, that figure was down to 39.2%.

In 2011 the biggest threat to the Turkish economy's stability was deemed to be its current account deficit which, having risen

to 10% of GDP, was seen as making the domestic economy less able to deal with external shocks. The Turkish central bank (CBRT) as well as other policymakers took serious measures to cope with this risk by driving the ratio down. The measures appear to have worked: the current account deficit was brought under control and fell by 37% to the USD 49 billion level. It should be noted however that an important contributor to this happy development was a contraction in the foreign trade deficit brought on by reduced domestic demand. Foreign direct investment inflows in 2012 stood at USD 12 billion as of year-end.

The soundness of the Turkish economy's financial structure has fueled punditry in recent years. Not without cause: at a time when many members of the European Union are themselves unable to satisfy the Maastricht criterion of a public debt / GDP ratio of 60%, Turkey's is well below that. That said, rather slower-than-expected economic growth in 2012 hammered tax revenues. While this appears to be causing problems on the budget side, the overall picture is still a healthy one.

Perhaps the most important development in the domain of public finance in 2012 was the issuance of "leasing certificates" (sukuk / Islamic bonds), a project which had been in the works for many years but never seemed to come to fruition. The Treasury Undersecretariat's issue of these bonds with a face value of USD 1.5 billion generated a five-fold demand among domestic and international investors. 58% of the instruments were sold to buyers in the Middle East with the rest going to Europe (13%), Asia (12%), Turkey (9%), and the USA (8%). All told, the bonds were bought up by 250 investors. A second issue on 2 October 2012 proved to be successful as well. These instruments, denominated in Turkish lira, generated a two-fold level of demand with total sales amounting to TRL 1.6 billion. The global sukuk market is thought to have been worth about USD 140 billion in 2012. With these two issues, Turkey has successfully ventured into it for the first time.

Having previously had to contend with high levels of chronic inflation for many years, over the last decade Turkey achieved considerable success on this front, reducing its year-on rises in prices to the single-digit range. At end-2011 however the inflation

## Macroeconomic Overview, The Banking Industry And Participation Banking

rate stood just over that line and, at 10.45%, it was nearly twice CBRT's 5.9% target. In an effort to stave off this result, CBRT began taking measures to tighten the money supply at midyear 2011 and it continued to implement this policy until around the middle of 2012. The upshot was that inflation was indeed largely brought under control. (Though it was back to 6.2% by the end of the latter year, that was still a bit higher than the CBRT target.) The central bank has announced a 2013 inflation target of 5.3%.

By substantially reining in its current account deficit, the Turkish economy also eliminated one of the biggest reservations occupying the minds of international credit rating agencies. The result was that Fitch Ratings raised Turkey's sovereign rating to BBB-, a long-anticipated development which put the country back in the "investment grade" category. It is likely that another international credit rating agency will raise Turkey's country rating to the same level in 2013.

### Developments in the banking industry and the participation banking sector in 2012 and the outlook for 2013

The steady growth exhibited by the Turkish banking industry for quite some time continued in 2012 as well. During the first half of the year, the expansion in banks' assets and lendings was restrained by mounting euro-zone-related risks and by tight-money policies introduced in the second half of 2011 by CBRT owing to its concerns about inflation. In the second half of 2012 however credit interest rates were driven down and banks' lendings were boosted by CBRT's cutting the upper band of the interest rate corridor and by the world's leading central banks flooding markets with liquidity. Having grown by 4.6% in the first half of 2012, the industry's assets increased by another 7.6% in the second. On a twelve-month basis, the growth rate reached 12.6%.

On the lendings side, the Turkish banking industry completed the year with a 16.4% rate of growth. Looking at the makeup of banks' loans we see that, as of December 2012, 42% of them went to corporate & commercial, 33% went to retail and 25% went to SME customers. Looking at year-to-year comparisons, the corporate & commercial segment's share of total lendings was down by 1.7 percentage points while

the shares going to SME and retail borrowers increased by 1.1 and 0.7 percentage points respectively. The biggest reason for the rise in the SME segment's share is likely to have been a change in the segment's legal definition.

The slowdown in the Turkish economy caused debt-servicing problems among some borrowers. While the gross balance of non-performing loans (NPL) actually fell by 5.1% (TRL 1,020 million in absolute terms) in 2011, it shot up by 23.4% (TRL 4,435 million) in 2012. Last year a total of TRL 15.8 billion worth of fresh additions were made to banks' NPL accounts while TRL 7.3 billion was collected on them and another TRL 3.1 billion worth was written off. The default rate on banks' lendings in 2012 increased from 2.7% to 2.9%. This change in the overall default rate may seem low but one should remember that it includes both the expansion in banks' lending and their dud loan write-offs.

The Turkish banking industry's deposits increased by 11% in 2012, which was below the rate of growth in its credit placements. This comparatively lower growth on the deposits side can be attributed to a slowdown in domestic saving on the one hand and to banks' having more convenient access to alternative sources of funding on the other. The combination of low interest rates and high liquidity fuelled a substantial rise in the resources which banks were able to secure through such means as syndicated loans and debenture issues. In 2012 Turkish banks tapped international markets for a total of USD 110.6 billion, which corresponds to a year-on rise of 13.3%. The decision by Fitch Ratings to raise Turkey's country rating to investment grade level in November last year made it even easier to secure funding from abroad.

Turning now to profitability, the Turkish banking industry had a rather more successful year in 2012 than it did in 2011. Having shrunk by 10.3% in 2011, the industry's aggregate net profit was up by 19.2% in 2012. This performance was due primarily to improvements in banks' net interest margins and it was achieved despite banks' weaker non-interest income/expense balances.

For participation banks, 2012 was a year in which they improved their performance

## BBB-

**Fitch Ratings raised Turkey's sovereign rating to BBB-, a long-anticipated development which put the country back in the investment grade category.**

and increased their banking industry shares on a wide range of measures. In the year to end-2012, participation banks' total assets were up by 25.2%. Such growth boosted this sector's share of the industry's total from 4.6% in 2011 to 5.1% in 2012. Growth on the credits side was also strong and, at 24.5%, it was considerably above the banking industry's average.

While the banking industry as a whole experienced a low (11%) rate of growth in its total deposits, participation banks saw their deposits surge by just over twice that (22.2%). This rise can be attributed both to low deposit interest rates and to the allure of the sector's gold-based accounts. Participation banks' Turkish-lira accounts increased by 18.9% last year while the growth in their foreign-currency accounts was close to twice that at 35.3%.

Participation banks' aggregate net profit increased by 16.4% year-on-year and reached TRL 935 million. The slower growth in profits as compared with the industry as a whole is at least partly attributable to the sector's sparsely-populated portfolios of marketable securities and derivatives.

In 2012 participation banks continued to contribute to national employment. The number of people employed by the sector increased by 1,505 and reached 15,356. Participation banks' share of total banking industry employment rose from 7.09% in 2011 to 7.62% in 2012. Participation banks also increased the total number of their branches by 21% to 829 as of year-end.

The most important development for participation banks in 2012 was the Treasury Undersecretariat's two issues of leasing certificates (sukuk): the first totaling USD 1.5 billion and the second TRL 1.6 billion. These instruments represent a very important step

Although inflation was largely brought under control by CBRT's tight-money policy, the twelve-month rise at end-2012 was 6.2% and still slightly above the bank's target for the year.

in the direction of diversifying participation banks' asset structures and supporting their capital adequacy ratios. Large quantities of them—especially of the second lot—were snapped up by the sector. The issue of some sort of non-interest-bearing security was made necessary by a lack of new revenue-indexed bonds to replace the ones in participation banks' portfolios, the great majority of which had been redeemed. But while it effectively addressed and resolved this problem, the Treasury's leasing certificate issues also attracted so much attention and generated so much demand for them both in Turkey and abroad that the government is almost certain to sanction further issues of them in the future as well.

Leasing certificates are almost certain to be used by participation banks themselves as a way of securing the resources that they need. Fitch Ratings' decision to raise Turkey's country rating to investment-grade level late last year and the likelihood that at least one more rating agency will do the same in 2013 will make it even easier for the country's participation banks to tap international markets for funding by issuing leasing certificates and similar instruments.

The Turkish banking industry looks set to continue growing in 2013 although exactly how much growth there will be is highly dependent not just on the performance of the Turkish economy but also on what sorts of decisions the country's banking authorities take on a variety of issues. Not least of these is the 15% cap on credit supply expansion that CBRT is so insistent on: such a lid will exert serious downward pressure on banks' growth performance in 2013.

A general rule of thumb is that a banking industry's assets grow by about 3-4 times the rate of its country's economic growth. With this in mind, it is likely that the Turkish banking industry will continue growing in 2013 but that its profitability will lag behind what it was in 2012. Ever-lower interest rates will exert additional pressure on margins. All things considered, the industry can expect to see its total assets and its lendings increase somewhere in the 15-18% range. Deposits by contrast are unlikely to increase by anything near that rate. What this means is that banks will have to support their resource growth by issuing debentures like bonds, bills, and so on. Thanks to low interest rates, they will be able to.

#### Banking Industry - Key Financial Indicators (TL million)

	2011	2012	Growth (%)
Total Assets	1,217,695	1,370,642	12.6
Deposits	695,496	771,884	11.0
Loans*	682,893	794,756	16.4
Shareholders' Equity	144,646	181,822	25.7
Non Cash Loans	218,518	241,016	10.3
Net Profit	19,844	23,649	19.2
Number of Branches	10,517	11,066	5.2
Number of Personnel	195,271	201,474	3.2

#### Participation Banks - Key Financial Indicators (TL million)

	2011	2012	Growth (%)
Total Assets	56,148	70,293	25.2
Collected Funds	39,220	47,921	22.2
Funded Credits*	38,538	47,961	24.5
Shareholders' Equity	6,194	7,377	19.1
Non Cash Loans	26,142	26,620	1.8
Net Profit	803	916	14.1
Number of Branches	685	829	21.0
Number of Personnel	13,851	15,356	10.9

\* Excluding financial leasing



We are advancing confidently towards becoming a regional force.



Committed to pursuing its efforts to realize its vision of being a financial powerhouse throughout the region in which its principal shareholder Al Baraka Banking Group (ABG) is active and which consists primarily of the Gulf, the Middle East, and North Africa, Albaraka Türk is expanding its horizons and gearing up for new undertakings.



## Albaraka Türk in 2012

**In 2012 Albaraka Türk took its consistent and healthy growth performance to even higher levels by continuing to collect funds in its participation accounts and lending them to the real sector.**

### Advancing with SİMURG

In 2012 Albaraka Türk launched SİMURG, the official name of the corporate transformation program that it is undertaking to realize its vision of being the world's best participation bank. "Simurg", the name of a mythical flying creature reborn from its own ashes, was also known as the King of the Birds. According to one version of the simurg legend, a band of thirty birds (in Farsi "si" means "thirty" and "murgh" means "bird") set out on a journey in search of a king. Their quest came to an end when they realized that the "ruler" whom they were looking for was actually none other than themselves. For Albaraka Türk, SİMURG is a transformation program encapsulating its efforts to discover itself and its own way to realize its vision.

SİMURG is a constellation of detailed projects encompassing nearly all of Albaraka Türk's internal and external units and processes. A separate Transformation Management Office was set up at the bank to conduct and coordinate the program's many activities. Project teams whose members are drawn from among the personnel of different units of the bank were also formed and charged with working together as they carry out their specific tasks. Through SİMURG, Albaraka Türk seeks to bring about a long term transformation through a linkage of changes that are individually and collectively compatible with the bank's ultimate objectives. The program is expected to run through to the end of 2015.

SİMURG Transformation Program progress in 2012

Four corporate branches were opened and began serving customers in the corporate banking segment.

A commercial marketing department was set up and charged with expanding Albaraka Türk's customer base in the SME segment in line with the bank's strategy of pursuing growth in this business line. Five regional departments that were set up to support this new structure commenced operation.

A performance and career department was set up and charged with realizing Albaraka Türk's superior human resources vision. This department has also commenced operation.

With the completion of customer segmentation projects, Albaraka Türk is now better organized to provide customers with similar needs with the same level of product and service quality. The resulting standardized business processes are now being used by branch personnel.

We reached the final stage of design work related to the reorganization of the sales team. Work is now in progress to complete implementation of all of the called-for changes by the end of 2013.

We reached the final stage in the design of product, channel, and service-level models appropriate to customer groups that have similar needs. Work is now in progress to complete implementation of all of the called-for changes by the end of 2013.

Processes were formulated to allow better management of strategies. A new organizational unit was also created that will be specifically responsible for strategy management. Key performance indicators were defined that will allow corporate performance to be monitored throughout the bank using the Balanced Scorecard (BSC) methodology. These indicators have already been made specific down to the individual unit level. We plan to complete performance management activities that will expand BSC specification down to the employee level by the end of 2013.

We reached the final stage in the design work for projects that will renew the technological infrastructure that is vitally important to the essential realization of the bank's vision. Our plan is to start making the actual changes around the middle of 2013.

In 2013 one of the most important activities to be undertaken under the SİMURG program will be strategic planning in line with Albaraka Türk's medium-term goals and integrating such planning into the bank's budgeting. The transformation process will continue this year with activities related to customer relationship management, alternative delivery channels, credit management, risk management, and funding management. Another important item on our 2013 agenda is change management, which involves making certain that those who are affected by changes understand the changes, identify with them, facilitate them, and reflect them in their own behavior.

## TRL 9.2 billion

**Reflecting the bank's market clout and the confidence which Albaraka Türk enjoys among its customers, total funds collected increased by 15% in 2012 and reached TRL 9,225 million.**

Albaraka Türk's quest for excellence is a journey of self-discovery—a journey that also reveals and reflects the bank's acknowledgement of its responsibilities to its society, to its employees, and to its shareholders as well as to the environment in which we all live.

### 15% growth in funds collected

In 2012 Albaraka Türk took its consistent and healthy growth performance to even higher levels by continuing to collect funds in its participation accounts and lending them to the real sector. Reflecting the bank's market clout and the trust which Albaraka Türk enjoys among its customers, total funds collected increased by 15% in 2012 and reached TRL 9,225 million.

The split between the bank's Turkish-lira and foreign-currency accounts remained at the same 60%/40% level. Participation accounts increased by 20.6% to TRL 7.5 million last year while current accounts were down 5% (on a TRL basis) and amounted to TRL 1.7 billion in value.

19% of funds collected were held in current accounts with profit & loss sharing accounts making up the remaining 81%. 66% of the bank's funds collected at year-end were held in accounts belonging to retail customers.

Albaraka Türk's lendings corresponded to 98.6% of its funds collected in 2012. This is an increase of eight percentage points over the previous year's 90.6% performance. The average term on the bank's Turkish-lira funds collected was 184 days; in the case of foreign-currency funds collected, it was 152 days. The weighted average maturity on all deposit accounts was 172 days. Albaraka Türk's total funds collected correspond to 19.3% of all such funds collected held by participation banks in Turkey.

## Albaraka Türk in 2012

## Collected Funds

	2011		2012		change (%)	
('000)	TL thousand	in USD thousand	TL thousand	in USD thousand	TL thousand	in USD thousand
<b>Turkish Lira Funds</b>	<b>4,797,751</b>	<b>2,551,995</b>	<b>5,535,572</b>	<b>3,109,872</b>	<b>15.38</b>	<b>21.86</b>
Current Accounts	874,539	465,180	777,954	437,053	-11.04	-6.05
Participation Accounts	3,923,212	2,086,815	4,757,618	2,672,819	21.27	28.08
<b>Foreign Currency Funds*</b>	<b>3,246,996</b>	<b>1,727,126</b>	<b>3,689,446</b>	<b>2,072,722</b>	<b>13.63</b>	<b>20.01</b>
Current Accounts	977,776	520,093	980,815	551,020	0.31	5.95
Participation Accounts	2,269,220	1,207,032	2,708,631	1,521,703	19.36	26.07
<b>Total</b>	<b>8,044,747</b>	<b>4,279,121</b>	<b>9,225,018</b>	<b>5,182,594</b>	<b>14.67</b>	<b>21.11</b>
USD/TL		1.880		1.780		

\* Includes the balances of the bank's precious metals deposit accounts..

Share of TL Accounts (%)	59.64	60.01				
Share of FC Accounts (%)	40.36	39.99				
Current Accounts	1,852,315	985,274	1,758,769	988,072	-5.05	0.28
Participation Accounts	6,192,432	3,293,847	7,466,249	4,194,522	20.57	27.34
<b>Total</b>	<b>8,044,747</b>	<b>4,279,121</b>	<b>9,225,018</b>	<b>5,182,594</b>	<b>14.67</b>	<b>21.11</b>
Share of Current Accounts (%)	23.03	19.07				
Share of Participation Accounts (%)	76.97	80.93				

### Albaraka Türk stands by the real sector whatever economic conditions may be.

In line with the essential principles of participation banking, SMEs make up Albaraka Türk's primary customer group. The bank seeks to support the growth and development of these businesses by supplying them with a diversified array of products and services through a comprehensive service platform consisting of a national network of 136 branches along with alternative delivery channels. A high level of customer accessibility enhances Albaraka Türk's reputation as a bank that is close to its customers.

The business model which Albaraka Türk has developed is rooted in the principle of a customer relationship management-focused and trust-based business partnership

approach in which attention is always given to sincere and friendly service. This approach is further strengthened by a commitment to understanding customers and to coming up with solutions that meet their specific needs.

Albaraka Türk conducts its marketing activities with a focus on involving itself on all of customers' banking needs and serving as a conduit for their cash flows. Important as it is to seek out and gain new customers however, it is just as important a principle for the bank to strengthen the loyalty of its customers by entering into long-term, multidimensional relationships with them.

In 2012 Albaraka Türk concentrated on marketing activities that would give it access to a broad customer base extending from SMEs at one end to microbusinesses at the other and thus disperse its exposure to risks.

To further support this base-broadening, marketing teams were reorganized and expanded; corporate branches were opened; regional departments were created and given greater autonomy, credit-decision authority, and augmented staffing.

Five separate regional departments ("Ankara", "Güneydoğu", "İstanbul-1", "İstanbul-2", "İstanbul Anadolu") were created and made responsible for increasing the speed and effectiveness with which Albaraka Türk's products and services are supplied to all of the bank's corporate and commercial customers in their territories. To manage corporate customer service processes more effectively, four corporate branches were opened: 3 in İstanbul and 1 in Ankara.



**The business model which Albaraka Türk has developed is rooted in the principle of a customer relationship management-focused and trust-based business partnership approach in which attention is always given to sincerity and friendly service.**

## Funded Credits

	2011		2012		change (%)	
('000)	TL thousand	in USD thousand	TL thousand	in USD thousand	TL thousand	in USD thousand
Funded Credits*	7,273,906	3,869,099	9,075,183	5,098,417	24.76	31.77
Non-performing loans	171,936	91,455	222,549	125,028	29.44	36.71
Provisions (-)	-158,882	-84,512	-197,669	-111,050	24.41	31.40
<b>Total</b>	<b>7,286,960</b>	<b>3,876,043</b>	<b>9,100,063</b>	<b>5,112,395</b>	<b>24.88</b>	<b>31.90</b>
USD/TL		1.880		1.780		

\* Including financial leasing

### Above-sector growth rates in financing support

Drawing on its strong financing capabilities, Albaraka Türk continues to support its corporate & commercial and its retail segment customers no matter what economic conditions may be.

Consistently registering credit-placement growth rates above sectoral averages, in 2012 Albaraka Türk increased its total funded credits by 25% as compared with 2011, thus bringing their total value to TRL 9.1 billion.

87% of the bank's funded credits were denominated in Turkish liras with the remaining 13% in a foreign currency. At end-2012 the bank's total non-cash credit risk and total risk exposures amounted to TRL 6,355 million and TRL 15,455 million respectively.

The most distinguishing feature of participation banking is that the sector's service providers support the real sector

with all of their resources. This fact is the biggest reason why the ratio of total loans to total assets among participation banks is consistently higher than the banking industry's average. Albaraka Türk's funded credit/total asset ratio of 73.8% is one of the highest of any bank.

### Above-target growth in lending to corporate & commercial customers

With CBRT intervening to rein in credit supply growth, after midyear 2011 the expansion in bank lending followed a more moderate course. Albaraka Türk's credit-placement policy is shaped by economic circumstances, by the requirements of laws and regulations, and by a desire to broaden the bank's risk base by lending to as many firms as possible through marketing that especially targets small- and medium-sized businesses.

In 2012 the growth in the bank's cash loans to corporate & commercial customers exceeded its targets for the year: such

lendings increased from TRL 5.9 billion to TRL 7.7 billion, which corresponds to a year-on rise of just over 30%. Non-cash credit by contrast remained relatively unchanged year-on at TRL 5,239 million.

### Credit Guarantee Fund enhances our credit support abilities.

Credit Guarantee Fund (KGF), a non-profit organization belonging to a number of professional associations and banks, was set up to support SMEs by providing financing collateral and guarantees with the aim of making it easier for such businesses to use credit. As one of KGF's shareholders, Albaraka Türk works closely with the fund. The total volume of the bank's KGF-backed lending grew by 80% year-on in 2012 and reached TRL 150 million. During the same twelve-month period, the number of KGF applications channeled through the bank also increased by 17%.

## KGF-backed Lendings

	31 December 2011	31 December 2012	% change
Risk (TRL 000)	83,147	150,056	80
Collateral (TRL 000)	54,046	100,475	86
KGF applications (number)	269	316	17
Approvals (number)	243	277	14

## Albaraka Türk in 2012

### More effective lending processes from credit investigation to allocation

Work continued during 2012 to further improve all lending processes from credit application and investigation to credit decisions and allocations. To this end:

- The credit information pool was expanded and updated.
- An IT-based automated credit-investigation module was developed.
- Data sets related to the expanded credit-information database were integrated into the bank's mainframe data processing system.
- The credit-information databases were kept up to date through regular checks of published information and announcements about enforcement proceedings, those who have been banned from public tenders or the stock exchange, cautionary attachments, those with unpaid tax or social security obligations, bankruptcy notices, and license cancellations.

A new system was set up to keep track of credit applications and offers. Called "Credit Proposal and Tracking System", this system is now in use and makes it possible to monitor information about firms more reliably, effectively, and productively. Credit Proposal and Tracking System automates and systematizes what used to be a manually-performed review and verification of all information about customers such as their current limits and risks and their payment, debt-servicing, and other performance indicators as well as of their credit histories and anything else that might affect their credit-worthiness. Besides making such information immediately accessible, quantifiable, and reportable, Credit Proposal and Tracking System also incorporates systematic checks that increase the validity and reliability of data. Albaraka Türk's rating model has also been integrated into Credit Proposal and Tracking System, which allows firms' ratings to be taken into account when allocating limits and thus ensures that all available information that might affect the bank's lending decisions is given due consideration. Credit Proposal and Tracking System is also Basel II criteria-compliant.

Credit Proposal and Tracking System will be playing a big role in reducing the time that it takes the bank to finalize credit applications and offers while also significantly improving

asset quality. Albaraka Türk has long had a deserved reputation as a bank that responds quickly to requests for funding and it is one of the Turkish banking industry's leaders by this measure. In 2011 the average time it took to finalize a commercial credit application was 6.86 days; in 2012 this was reduced to 5.74 days. Significantly, this improvement was achieved without any reduction in credit application numbers or credit quality.

Along the same lines, the bank's allocation segmentation procedures were revised with a view to strengthening its customer-focused credit allocation approach.

In order to speed up the processing of credit applications received from the microbusinesses that make up the lower end of the SME segment, a microcredit allocation service previously set up as a part of the Retail Loans Department has been authorized to make within-limit allocations on its own.

### Superior asset quality, low NPL rate

Albaraka Türk's lending policy is informed by the creation of a customer portfolio that is sectorally diversified, balanced, and comprehensive. The portfolio is constantly reviewed to ensure that its risks are spread out and balanced among sectors and action is taken as may be needed to prevent any concentrations of risk. Similar attention is given avoiding concentrations of any other risks to which the bank is exposed such as type of credit or individual customer.

A fundamental tenet of the bank's lending policy is to provide financing to the best firms in each sector so as to ensure the fulfillment of its asset quality, profitability, and productivity targets.

A review of Albaraka Türk's loan portfolio in 2012 shows that its risks were balanced and that its risk concentrations—based on the accounts of its top 100 and 200 customers—were within manageable limits. In the case of the bank's exposure to cash credit risk, the 100 biggest firms accounted for 33% of the total. Albaraka Türk intends to have this below 30% by the end of 2013.

In order to have a loan portfolio that is more balanced from the standpoint of its exposure to borrower type, Albaraka Türk has set a distribution target of 40% corporate, 40% SME, and 20% retail loans (the last of which

## TRL 9.1 billion

**In the year to end-2012, Albaraka Türk's total funded credits increased by 25% and reached a total of TRL 9.1 billion in value.**

include microloans) by the end of 2017. The bank will begin moving in this direction in 2013.

Effective risk management and asset quality policy adherence resulted in Albaraka Türk's strong performance on the NPL front in 2012.

In 2012 the ratio of Albaraka Türk's non-performing loans (defined as the gross value of non-performing assets to total credit placements) was 2.39%. This was below both the participation banking sector's average (3%) and the banking industry's average (2.9%). On the other hand, the bank maintains a fairly high (88.8%) rate of provisioning for such accounts.

Albaraka Türk thus has one of the healthiest loan portfolios in the industry. However in order to further strengthen the makeup of this portfolio, the bank is currently involved in a number of projects whose aim is to improve the speed and quality of its monitoring and collection processes.

The most serious risk to which any bank is exposed in its capacity as a lender is credit risk. One of the projects that Albaraka Türk is undertaking in this area is aimed at quantifying credit risk by means of internal methods. A model is being developed that will allow credit risk exposure in both the SME and the corporate & commercial business lines to be monitored much more effectively.

A new receivables management system is to be brought on stream in 2013 that will make it possible to keep track of and make collections on loans much more quickly and effectively by segmenting credit placements according to their maturities.

**In 2012 the ratio of Albaraka Türk's non-performing loans was 2.39%. This was below both the participation banking sector's average (3%) and the banking industry's average (2.9%). On the other hand, the bank maintains a fairly high (88.8%) rate of provisioning for such accounts.**

### In 2013...

Albaraka Türk's plans for the corporate & commercial segment in 2013 include the following:

- The 20% or so rate of credit growth called for in the strategic plan will be adhered to this year as well; however an effort will be made to achieve somewhat faster growth in the SME segment in line with the bank's strategy of spreading its risks across a wider base.
- New procedures will be introduced in 2013 to make the bank's credit-placement processes more effective. Albaraka Türk's credit-oversight, control, and risk-monitoring techniques are being reviewed. With the completion of the customer segmentation project, segment-specific scoring and rating models will go into use.
- A mechanism for allocating microloans that was introduced in 2012 will go into effect in 2013. Work is currently in progress to automate micro- and retail lending processes as well as the processes involved in making bigger-volume loans in the commercial and SME segments.
- Software is being developed that will allow online database access so that its information may be integrated into the credit allocation process. This will provide the basis for the incorporation of more proactive decision-making mechanisms.

### Cash management products give us access to more customers.

Albaraka Türk seeks to be the main bank through which its corporate and commercial customers channel their collection and payment processes. The bank offers a wide range of high added-value cash management products and services such as checkbooks, salary payments, and automatic payment & collection systems.

Tremendous progress was made in the bill-payment segment in 2012. The total number of such payments made through the bank last year increased more than five-fold and reached 8,012,605 while the total value of such payments increased by 345% to TRL 530 million.

In 2012 Albaraka Türk added customs duty collections, social security premium collections, and online pilgrimage fee

collections to its service lineup. The number of agencies and organizations for which it handles bill payments reached 61.

### Stronger customer-focus in retail marketing.

In the retail banking business line, Albaraka Türk has also successfully completed the process of transforming itself from an operations-focused bank to a marketing- and customer-focused bank.

In line with efforts to expand Albaraka Türk's retail marketing team, training focusing on customer-representative and related issues was provided to bank employees with the result that every branch now has at least two people involved in retail marketing on its staff. In absolute terms, the size of the branch organization's retail marketing team was increased by 23% year-on with the addition of 130 customer representatives and 225 retail marketing specialists.

Albaraka Türk takes the approach of selling the right product and service to the right customer at the right time. The bank's extensive branch network and its high-tech infrastructure enables it to keep track of and analyze its customers' needs and to present them with an individualized range of products and services. Last year the bank also engaged in efforts to increase its cross-selling opportunities and to encourage more intensive use of its alternative delivery channels (ADC) among its customers.

### A home-ownership loan focus in the retail financing segment

Albaraka Türk offers its retail customers a wide range of products with which to finance their purchases of consumer goods,

housing, vehicles, business premises, and land and also to pay for educational fees and home-improvements such as conversion to natural gas central heating. Owing to weaker domestic demand and also to regulatory limits on lending in 2012, there was a 41% drop in the retail financing business line last year.

The total value of the retail loan portfolio amounted to TRL 1,048 million in 2012. By far the biggest share (84%) of that was given to finance purchases of homes. Of the remainder, 4% was for vehicle financing and 1% was in the general purpose loan category while all other lendings made up the remaining 11%. Retail financing accounted for about a 12% share of Albaraka Türk's cash credit risk exposure last year.

During 2012 Albaraka Türk provided its customers with home-ownership financing services under seven profit & loss partnership projects based on proceeds-sharing agreements that it had entered into with various firms. The bank has been highly successful in providing funded credits to finance home purchases through profit & loss partnership projects of this sort. Joint undertakings with building contractors not only present opportunities to lend but also help generate fresh sources of funding.

In addition to profit & loss partnership projects, Albaraka Türk also provided project-based home-ownership financing under agreements with 93 construction firms.

Both system and allocation infrastructures were created for the financing of land privatizations, urban renewal projects, and campaign-based housing projects.

### Retail Financing

(TL 000)	31 December 2011	31 December 2012	change (%)
Housing	844,860	876,416	4
Vehicles	32,199	43,384	35
Consumer credit	5,461	5,418	-1
Other	70,414	122,806	74
<b>Total</b>	<b>952,934</b>	<b>1,048,024</b>	<b>10</b>

## Albaraka Türk in 2012

### In 2013...

Albaraka Türk's plans for the retail financing segment in 2013 include the following:

- The bank will continue to work with building contractors on housing projects.
- More attention will be given to developing financing packages specially designed according to the needs of particular professional groups and in this way to facilitate the bank's access to sources of funding.
- The bank will continue to take part in profit & loss partnership housing projects.
- Greater attention will be given to taking advantage of cross-selling opportunities in project-based activities.
- Financing products for urban renewal projects and land privatizations will be offered.

### Diversification in retail investment products

In 2012 Albaraka Türk began to offer a range of different investment products specially designed to draw retail customers' savings into the system and while also strengthening such customers' loyalty to the bank.

In keeping with current market trends, Albaraka Türk introduced its "Gold Participation Account", a product offered to customers as a way of putting their otherwise idle holdings of gold to work. Another new product launched in collaboration with other participation banks in 2012 was the "Participation Index Exchange Traded Fund", a truly innovative investment opportunity for retail customers.

### POS merchant partner numbers and business volumes increased.

Under the heading of its productivity-based merchant partner activities, Albaraka Türk continued its efforts to increase both the number of its POS terminals and its total POS turnover in 2012.

As of end-2012, the bank's POS turnover amounted to TRL 3.7 billion. Its commission earnings on POS transactions increased by 19% year-on and reached TRL 30.3 million.

The number of Albaraka Türk's POS terminals increased by 17% year-on and reached 14,079. There was significant growth in the relative shares of mobile and especially IP-based POS devices. Last year mobile and IP-based units accounted (by number) for 31% and 24% shares respectively of the bank's overall POS device portfolio.

In keeping with the bank's ongoing efforts to respond quickly and effectively to customers' wishes, the average time required to install a POS device remained 2 days. In 2012 Albaraka Türk also installed contactless POS and Hajj-Umrah fee installment devices

### Albaraka Türk's credit cards are equipped with WorldCard features.

As a member of the WorldCard system, the leader of the credit card sector in Turkey, Albaraka Türk's credit cards are equipped with all of the WorldCard features and privileges that make its customers' lives more convenient.

All of Albaraka Türk's credit cards incorporate state-of-the-art dual-interface contactless (radio-frequency identification) technology that allows them to be used contactless as well as traditional card reading devices. In the year to end-2012, the total number of credit cards issued by Albaraka Türk increased by 48% and reached 92,580 while its credit card turnover grew by 178% and amounted to TRL 250 million.

In the bank's business card line, there was a 33% year-on rise in the total number of cards issued while the turnover generated by such cards increased by 100% to TRL 549 million.

### Credit Cards in Use

	2011	2012	change (%)
Credit Cards	62,592	92,580	48
Business Cards	20,818	27,707	33
Bank Cards	123,937	159,718	29
<b>Total</b>	<b>207,347</b>	<b>280,005</b>	<b>35</b>

# 92,580

**In the year to end-2012, the total number of credit cards issued by Albaraka Türk increased by 48% and reached 92,580.**

### Competitive credit cards for a competitive market

In 2012 Albaraka Türk added new features to its credit cards in its ongoing efforts to provide attractive solutions to customers' needs in what is a highly competitive market.

- 3D Secure certification was completed for all of Albaraka Türk's credit and bank (debit) cards, thus making them safer to use especially for online purchases. A one-time password feature was added to make online transactions more secure.
- The Interbank Card Center's (BKM) security portal is now being used to route transactions.
- The bank credit card and debit card clearing structures were unified by means of a dual message system. This is a project being carried out by BKM and a system which all banks in Turkey must conform to.
- The Instant Print card-printing system was made accessible to all branches, thus allowing Albaraka Türk's cards to be printed as soon as an application made at any branch has been approved. Albaraka Türk credit card, business card, and Hejaz Card customers are automatically covered by personal accident insurance at now extra charge.

**3D Secure certification was completed for all of the Albaraka Türk's credit and bank (debit) cards, thus making them safer to use especially for online purchases. A one-time password feature was added to make online transactions more secure.**

#### In 2013...

Albaraka Türk's plans for the POS and credit card segments in 2013 include the following:

- The POS infrastructure will be virtualized and 3D Secure-compliant POS terminals will go into use.
- Within-limit, installment-based credit card purchases will be automated by means of instructions sent through POS terminals.
- POS terminals will be equipped with an automatic-installment feature.
- POS terminals will be equipped with a refund-authorization feature.
- The bank will begin issuing Platinum cards in line with its customer segmentation project.
- Cardholders will be offered a wider range of services such as "Assistant Package".
- Products specially designed for ABC customers will be introduced.
- A newly-added feature will allow customers to change their billing dates.
- Bank-issued cards will be assigned shadow limits.
- Card-based solutions for transportation-related projects are planned.
- Project development work will be carried out on "closed-circuit" and new business card options for SME customers.

#### QPS at Albaraka Türk

In December 2012, Albaraka Türk and PTT signed an agreement under which Quick Pass System (QPS) toll-payment products could be sold at Albaraka Türk branches.

As a result of this agreement, products that can be used to pay tolls on highways and bridges equipped with the Quick Pass System set up by PPT and the General Directorate of Highways can now be sold at the bank's branches.

As one of the first banks to enter the QPS product business line, Albaraka Türk once again made its name heard in the sector.

#### ADC increase customer satisfaction.

Albaraka Türk seeks to make online banking a powerful channel for the conduct of banking transactions and product and service sales.

#### Online banking

The number of users registered for the bank's retail banking online branch increased by 32% year-on in 2012 and reached 161,743. During the same twelve-month period, the total volume of such online transactions increased by 37% and reached TRL 2.2 billion in value. The number of corporate online branch registered users similarly increased by 22% to 26,489 registered customers whose transactions were up by 21% to TRL 4.7 billion in value.

#### ATM

At end-2012 there were 149 units in Albaraka Türk's ATM network, a number that corresponds to a year-on increase of 11%. Ninety-eight of these units accept deposits. During 2012 the Albaraka Türk ATM network handled 938,286 transactions whose aggregate value amounted to TRL 446.5 million.

# 161,743 registered users

**The number of users registered for the bank's retail banking online branch increased by 32% year-on in 2012 and reached 161,743.**

#### Albaraka Türk Call Center

The number of incoming calls received by the interactive voice system (IVR) at the Albaraka Türk Call Center in 2012 was 516,271, which corresponds to a year-on rise of 26%. The number of incoming calls made with the intention of reaching an operator or sales representative was 498,446, of which 99% were responded to.

The number of incoming calls received by the bank's central telephone exchange was 832,135. 99% or 821,349 of these calls were put through.

200,199 of the calls responded to were finalized by a customer representative. It is calculated that this lightened branches' workloads by 39%. The routing of calls intended for headquarters and branch units through the central exchange helps minimize the number of calls that go unanswered.

#### ADC Users

	2011	2012	% change
Retail online branch	122,898	161,743	32
Corporate online branch	21,729	26,489	22
Telephone banking	85,326	124,255	46
<b>Total</b>	<b>229,953</b>	<b>319,983</b>	<b>39</b>



## Albaraka Türk in 2012

### More active in insurance product sales

Albaraka Türk offers its customers a wide range of insurance and private pension products.

Albaraka Türk's sales of insurance products generated premium revenues amounting to TRL 18 million in 2012, a performance that corresponds to a year-on rise of 11% in such income. The total number of policies sold to customers also increased by 30% and reached 60,463.

Under the heading of private pension products and services, Albaraka Türk offers private pension plans funded by non-interest-bearing sources of revenue through Anadolu Hayat Emeklilik, a life insurance and private pension products and services provider.

Albaraka Türk has entered into agency agreements with Allianz Sigorta, Anadolu Hayat ve Emeklilik, Anadolu Sigorta, Ankara Sigorta, Aviva Sigorta, Generali Sigorta, Güneş Sigorta, Işık Sigorta, Neova Sigorta, and Zürich Sigorta under which the bank and its branches took part in a variety of campaigns to promote the sale of these firms' insurance products.

### In 2013...

Albaraka Türk's plans for ADC and payment system operations in 2013 include the following:

- Efforts to improve IVR performance will continue.
- Corporate telephone banking will be launched.
- The functionality of the bank's ATM units will be enhanced.
- Completion of the ATM Visa Acquirer project will make it possible for foreign-issued Visa cards to be used in the Albaraka Türk ATM network.
- Mobile banking and SMS banking applications will be launched.
- Mobile signatures will go into use.

### Basel II criteria in risk management

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

Albaraka Türk carries out all of its activities under a powerful risk management system which it has structured so as to encompass its information technology processes as much as its managerial and operational processes.

Seeking to have a structure that is strong from the standpoints of asset quality, liquidity, capital adequacy, risk management, and internal control, Albaraka Türk successfully completed its transition to Basel II compliance under a roadmap which itself prepared in line with the one laid out by BRSA and as prescribed in regulations published in the second half of 2012.

### A successful year for financial institutions

In order to meet the international banking needs of its customers with an effective and high-quality service approach, Albaraka Türk works closely with an extensive network of national and international correspondents in relationships that are based on the principles of mutual reciprocity and productivity. During 2012, the bank continued to expand this network by visiting potential correspondents and taking part in international events. As of year-end, Albaraka Türk's correspondent network gave it access to 105 countries and consisted of 918 transaction correspondents and of 49 nostro account correspondents, the latter of whose transactions were denominated in 14 different currencies.

Engaging in an ongoing effort to promote its own products and to foster correspondent relationships as a way of increasing market share, Albaraka Türk invites existing and potential correspondents to send representatives to Turkey to take part in the bank's orientation programs.

Although political upheavals in some of the national markets which are of the highest priority to Albaraka Türk and in which it enjoys the greatest competitive edge have adversely impacted on some of the bank's

## Basel II

**Albaraka Türk successfully completed its transition to Basel II compliance under a roadmap which itself prepared in line with the one laid out by BRSA.**

international correspondent business, efforts were made to avoid any interruption in correspondent relationships in recognition of the fact that the detrimental effects of such changes will be short-lived and that, in the longer term, the changes can only be beneficial to these countries' economies and banking industries.

In line with its medium- and long-term growth strategies, Albaraka Türk intends to continue increasing its international correspondent activities in order to strengthen its relationships with financial institutions especially in the Far East and Africa.

Albaraka Türk's direct lending operations consist of murabahah syndications and agency agreements as well as a variety of existing and newly-introduced interbank instruments. The total volume of the bank's indirect lending in the form of ITFC and SEP credits and murabahah transactions reached TRL 1 billion in 2012.

In 2012 Albaraka Türk adhered to a strategy of seeking out potential correspondents who act as "market makers" (especially in money markets) and who also have global clout in international trade finance. In line with this, the bank approached Deutsche Bank AG, HSBC Bank Plc, Bank of America, and JPMorgan Chase and entry-level relationships were initiated with all of them. For the fourth time, Albaraka Türk attended SIBOS, the annual banking and financial conference organized by the Society for Worldwide Interbank Financial Telecommunication (SWIFT), when it was held in Osaka on 29 September to 1 October 2012. During this event, the bank explored business opportunities in talks with some of the world's leading financial institutions.

**The total volume of Albaraka Türk's foreign trade finance increased by 40% and amounted to USD 14.3 billion. The biggest shares of the bank's export financing was for deals involving Algeria, Iraq, and Syria.**

### **Noteworthy increase in international funding**

2012 was a highly productive year for Albaraka Türk and there was an especially noteworthy increase in the amounts of funding the bank was able to obtain from international sources. Some of the more important developments taking place on this front last year were syndicated loans and agreements signed with the Saudi Export Program (SEP) and with the Islamic Corporation for the Development of the Private Sector (ICD) a subsidiary of Islamic Development Bank (IDB)

In the wake of the USD 350 million murabahah syndication undertaken in 2011, Albaraka Türk authored yet another success in 2012 by increasing the amount of this trade finance facility to a USD 450 million syndication underwritten by a group of 32 banks in 16 countries.

The collaboration between Albaraka Türk and SEP that began in 2008 with the allocation of a 375-day / USD 5 million limit continued last year with the signing of a new agreement on 19 March that increased Albaraka Türk's limit to USD 35 million.

In November, a USD 20 million murabahah agreement was signed with ICD. This limit is to be used by Albaraka Türk to provide operating credit to SMEs on four-year terms with an initial six-month grace period.

Albaraka Türk's strong relationships with some of the world's leading financial institutions will continue to give the bank access to long-term, low-cost funding in the year ahead as well.

### **Albaraka Türk's synergetic relationship with ABG is important to its efforts to become a regional force.**

In the conduct of all of its international banking activities, Albaraka Türk has the benefit both of its membership in Al Baraka Banking Group (ABG), its principal shareholder, and of its dealings with other members of a group whose extensive network of subsidiaries spread out across a broad region is a source of solidarity that is important to the bank's ability to create added value in the services that it offers to its corporate customers.

Albaraka Türk's relationship with ABG is especially important in the areas of joint risk management, compliance with participation banking principles, corporate governance effectiveness, and internal auditing. It also facilitates the bank's ability to tap international sources of financing for its corporate customers and to take care of their foreign trade finance operations faster and at a lower cost. Foremost among the collaborative activities which Albaraka Türk has developed with ABG subsidiaries is murabahah financing that is obtained and used to provide the foreign exchange needed by its corporate and SME customers. The aggregate value of USD and EUR murabahah financing obtained by Albaraka Türk in 2012 amounted to more than USD 100 million, of which no less than 70% was received from ABG and its subsidiaries.

By the same token, ABG subsidiaries give preference to Albaraka Türk in their own customers' foreign trade finance dealings in Turkey and this contributed significantly to the volume of the bank's inward foreign trade finance operations in 2012. Five of the countries in the top ten contributing the biggest shares of this business line were Iraq (13%), Algeria (12%), Sudan (6%), Tunisia (3%), and Jordan (3%). That these are also countries in which ABG subsidiaries are active is evidence of the synergetic benefits accruing to Albaraka Türk as a member of the ABG structure.

### **Our share of foreign trade finance is growing.**

In 2012 there was a substantial increase in the volume of foreign trade finance handled by Albaraka Türk for both its corporate and its SME customers. The bank's export financing last year reached USD 1.5 billion in value, which corresponds to a year-on rise of 93%. Import financing on the other hand was down by 5% year-to-year and amounted to around USD 2.1 billion. Albaraka Türk's FX transactions were up by 48% in 2012 and were worth USD 10.8 billion.

The total volume of Albaraka Türk's foreign trade finance increased by 40% and amounted to USD 14.3 billion. The biggest shares of the bank's export financing was for deals involving Algeria, Iraq, and Syria.

## **USD 450 million**

**Albaraka Türk authored yet another success in 2012 by having the amount of an existing trade finance facility raised to USD 450 million in a syndication that was underwritten by a group of 32 banks in 16 countries.**

In keeping with Albaraka Türk's vision of being the world's best participation bank, the International Operations Department rolled out its Foreign Trade Support Hot Line (ALO DIŞ TİCARET DESTEK HATTI) project, a foreign trade support hotline designed to provide Albaraka Türk branches as well as existing and potential customers with assistance by:

- Showing them how to find the information they might need concerning foreign trade issues
- Making sure they follow correct procedures by providing them with advice and guidance
- Helping them obtain more comprehensive and better-quality service in line with existing and potential expectations and to come up with more effective solutions to their needs
- Achieving high levels of customer satisfaction.

## Albaraka Türk in 2012

### An approach compatible with Turkey's export potential

The value of Turkey's foreign trade with African countries reached USD 17 billion in the first eleven months of 2012, of which USD 12 billion consisted of the country's exports. This is five times higher than what it was a decade ago. Turkey has set its sights on expanding the total volume of its foreign trade with African countries to the USD 50 billion / year level by 2015.

Turkey's participation banks handled USD 69 billion worth of foreign trade finance in the year to end-2012. Albaraka Türk contributed a 20.73% share of that total.

In recent years, Albaraka Türk's share of this financing has been increasing steadily: from 14.04% in 2009 to 16.18% in 2010 and then to 17.40% in 2011.

The ability to take advantage of opportunities through the synergies and collaborations arising from membership in ABG, whose 14 subsidiaries have a presence in 13 countries that are or represent Albaraka Türk's target markets plays a major role in the growth of the bank's market share in this business line.

### Albaraka Türk keeps a close watch on changes in Turkey's export map.

In 2012 Albaraka Türk's attentions were focused particularly on Sub-Saharan Africa. As part of its collaborative agreement with ABG, Albaraka Türk was given responsibility for group business in six countries in this region: Angola, Ethiopia, Ghana, Kenya, Nigeria, and Tanzania. In the conduct of its operations in this territory, priority is being given to Ghana, whose trade with Turkey increase from USD 96.5 million in all of 2010, to USD 250 million in just the third quarter of 2012.

The total volume of all of Albaraka Türk's foreign trade financing with African countries was worth USD 372 million in 2012. The countries sending the biggest shares of its customers' imports were South Africa, Egypt, and Tunisia; the biggest shares of their exports went to Algeria, Sudan, and Tunisia.

### Treasury management reorganization

As a result of organizational changes made in 2012, a Treasury Department was created with the separation of two services (funds management and financial institutions) previously under the responsibility of the Funds Management & Financial Institutions Department.

This reorganization was made necessary both by the requirements of bigger business volumes resulting from the growth in the bank's branch network and by the emergence of an alternative range of products.

Along with this new structure, there were significant developments in Albaraka Türk's treasury operations. The bank's funds management also underwent a reorganization last year. In recognition of the inherently disparate dynamics of the FX and gold trading desks, these two functions along with responsibility for their operational records and oversight were turned over to a back office unit. In addition to these changes, a Money Markets Service was also set up.

The responsibilities of what used to be the Turkish-lira trading desk were expanded and the unit was renamed "Cash Operations Service". Domestic transfers, which used to be under the responsibility of Albaraka Türk's main branch, were reconstituted as a separate service and turned over to the Treasury Department.

### In 2013...

Albaraka Türk's plans for its financial institutions operations in 2013 include the following:

- At least one branch each will be opened in liquidity-rich Gulf countries such as Qatar, Bahrain, and UAE. Albaraka Türk regards this move as a high-priority objective essential both to the diversification of its sources and to its ability to secure longer-term, lower-cost funding for its customers.
- Albaraka Türk will continue to explore opportunities to do business in Balkan countries where there is known to be demand for interest-free banking products.

## Synergies with ABG

The ability to take advantage of opportunities through the synergies and collaborations arising from membership in ABG played a major role in the growth of Albaraka Türk's market share.

- Relations with Banque Marocaine du Commerce Extérieur SA (BMCE Bank), a Morocco-based correspondent of Albaraka Türk, will be intensified. This will position Albaraka Türk to explore new niche markets in Sub-Saharan Africa through BMCE's subsidiaries BOA Group and Banque de Développement du Mali SA when economic activity in the region resumes.
- Albaraka Türk will continue to focus on working closely with global actors such as HSBC, Deutsche Bank, JPMorgan, and Bank of America Merrill Lynch who are recognized as "market makers" (especially in money markets) and who also have considerable clout in international banking and foreign trade finance. Relations with such financial institutions will be developed in line with the principle of mutual benefit.
- Within the framework of its strategy of achieving long-term growth and securing long-term funding, Albaraka Türk will be working on sukuk and sub-loans as alternative sources of financing. The bank may begin making use of these financing methods if market conditions prove to be suitable in 2013.



**Under the heading of business continuity, Albaraka Türk's Disaster Recovery Center, an off-premises backup site that goes into operation any time the bank's main systems become unavailable owing to disastrous events, was relocated to another city.**

### **Information technology: The key to transformation at Albaraka Türk**

In order to keep up with the fast-paced changes driven by technology, Albaraka Türk has created and adheres to a structure of four basic tenets in the conduct of its information technology activities. This structure specifies how projects that will have any impact on the bank's business are to be conceived, formulated, and carried out.

#### **IT development and investment highlights in 2012**

- An Enterprise Architecture study was initiated for the purpose of describing the bank's strategies, business processes, and information requirements within a defined framework of information systems and technological infrastructure. The essential objective of this study was to identify the bank's goals, its structure, its operational functions, the systems it uses, and the technologies used in those systems.
- At a time when data management has become more important than ever before, two other projects—Business Intelligence and Data Management—were also launched in order to ensure that the quality of data that is collected meets the needs of business units.
- A Data Security study encompassing the entire IT structure was initiated with the aim of protecting the bank's information from unauthorized access, use, alteration, and disclosure as well as from threats of destruction, damage, and loss.
- The Lotus-based Job Tracking System hitherto used to manage projects and job requests was replaced with KULE, an in-house designed application that conforms to international standards.
- Work was carried out on Solution Valley, an in-house designed application which conforms to Information Technology Infrastructure Library (ITIL) standards and which will replace the Lotus-based Help

Desk hitherto used to manage end-users' problems and requests for support. This system is currently being tested on a pilot-project basis and will be made accessible to all users before the end of 2013 Q1. In the design of Solution Valley, revised business processes were reviewed and improvements were made that will respond to and resolve users' requests faster and more effectively.

- Within the IT department, IT Maturity, IT People, IT Performance Management, and IT Communication projects were launched for the purposes of increasing personnel competencies, strengthening communication, improving the degree to which set objectives are achieved, and contributing to strategies whose aim is to have the best IT personnel, the best IT practices, and the best IT infrastructure at Albaraka Türk.
- Under the heading of business continuity, Albaraka Türk's Disaster Recovery Center, an off-premises backup site that goes into operation any time the bank's main systems become unavailable owing to disastrous events, was relocated to another city. Under the same project, work is currently in progress to expand the scope of the bank's Disaster Recovery Plan systems and applications.
- A Business Service Management (BSM) application was installed under an agreement with Hewlett Packard. BSM makes it possible to take action and deal with problems that may arise in infrastructure or network components without end-users being impacted by such interventions. The scope of the BSM project encompasses modeling and monitoring business services, monitoring infrastructure components and identifying the root causes of problems, and monitoring service and component performance and network traffic. BSM makes it possible for modeled business services to be viewed from the standpoint

## **Data management**

**Business Intelligence and Data Management projects were launched to ensure that the quality of data that is collected meets the needs of business units.**

of end-users and to monitor business service accessibility, performance, and errors in real time. Business services can also be monitored from different locations so that any problems which may arise from location differences can also be identified. At this time, BSM allows parts of the online banking and insurance management systems to be monitored. Work is currently in progress to extend the scope of modeling so as to encompass all business services.

#### **Master Banking System**

Under an agreement with an international consultancy, a study was initiated to determine the adequacy of the existing Master Banking System in light of Albaraka Türk's goals and strategies. This study is currently in progress and will be completed in 2013.

An assessment of the findings of the study so far has already created a significant awareness of the weaknesses as well as the strengths of the Master Banking System as they impact on the IT department specifically and on the bank as a whole.

Upon the completion of this study, an appropriate Master Banking System package will be selected. That will be followed by the initiation and rapid finalization of a project to implement the new system so as to successfully meet the needs of the bank.

## Albaraka Türk in 2012

### The four basic tenants of IT activities and projects

Albaraka Türk's information technology strategies are rooted in four basic tenets that also underlie all of its IT projects and activities. IT strategies, projects, and activities must make it possible for Albaraka Türk to have:

- The best IT personnel
- The best practices
- The best operations
- The best information.

### IT activities in 2012

Under the heading of "The best IT personnel", IT department employees were provided with training to increase their competencies in the areas of:

- Project Management
- Business Analysis Management
- SQL Training
- Relationship management.

IT department personnel also took part in international seminars etc for the same purpose.

Under the heading of "The best practices", the following projects were implemented last year:

- Operation Centralization Phase II
- WorldCard
- Gold-Based Participation Account
- New EFT System
- Quick Pass System (QPS)
- Credit Bureau of Turkey (KKB) Integration
- Fund Transfer Pricing (FTF) Application.

### In 2013...

Albaraka Türk's IT plans in 2013 include the following:

- Changes will be made in the Master Banking System to enable it to better meet the bank's business requirements.
- Data security systems will be brought on line so as to prevent customer- and employee-related information from being used illegally or inappropriately.
- A changeover to a centralized reporting system is planned that will permit the more effective deployment of business intelligence and data management practices.
- The formulation of a governance model is planned that will allow IT units to play a more active role in helping the bank achieve its business objectives.
- The IT services that provide the bank's systems with their functionality will be modeled so as to better reveal their interactions.

### Quality is always our priority.

In order to increase effectiveness, productivity, and quality in the conduct of all of Albaraka Türk's activities, R&D and documentation work is constantly being carried out as needed to make the bank's organizational structure and the activities carried out within that structure more effective and productive and to broaden the implementation and dissemination of modern management techniques.

Albaraka Türk conducts all of its activities subject to ISO 9001 Quality Management System certification.

At year-end 2012 there were 1,013 documents in the Quality Documentation Management System (QDMS). Of these, 202 were newly-composed and added to the system while another 282 underwent revisions last year.

A new quality management program that was purchased to improve QDMS effectiveness and productivity was integrated into the system. This program is now undergoing testing.

## 908

**With the bank's changeover to a regional department / corporate branch organizational structure, in 2012, the number of marketing personnel in Albaraka Türk's employ increased to 908 at 137 branches.**

Newly-hired personnel were provided with twelve modules of Quality Awareness Development Training to bring their quality awareness up to Albaraka Türk standards. Total quality training time amounted to 48 hours (6.5 days).

### Albaraka Türk's employees are its assets.

In line with its vision of being the world's best participation bank, Albaraka Türk is focused on having and developing human resources who are open to change and innovation in order to constantly do better and who are equipped with the knowledge and abilities needed to perform their jobs.

As a bank for which giving importance to people is a reflection of its deep-rooted corporate culture, Albaraka Türk regards its employees as assets that will take the bank into the future. Albaraka Türk shapes all of its human resources practices with an approach that puts people at its center. Albaraka Türk believes that both its existing employees and those who apply for positions at the bank deserve to be treated with the respect that is integral to its corporate culture.

One of the most important developments in human resources taking place at Albaraka Türk last year was unquestionably the bank's changeover to a regional department / corporate branch organizational structure. In 2012, the number of marketing personnel in Albaraka Türk's employ increased from 750 at 123 branches to 908 at 137 branches.

**A total of 157,375 hours of training was provided to personnel throughout the bank in 2012. A total of 12,073 people took part in this training. Average training time per person was 57.70 hours.**

**HR highlights in 2012**

- Young Albaraka Academy was launched. Under this project, whose aim is to discover young minds capable of taking the bank into the future and to enable them to become acquainted with Albaraka Türk, traineeship opportunities are provided to young people who are still in university and are enrolled in the country’s best schools, who are enterprising, and who have a talent for innovation and analytical thought.
- As part of the Young Albaraka Academy project, the academy’s website was launched. Located at [www.gencalbaraka.com](http://www.gencalbaraka.com), the website serves as a platform on which the bank and students can communicate and it has already contributed to Albaraka Türk’s brand recognition.
- Greater attention was given to participating in universities’ career days . Albaraka Türk representatives took part in career-day activities at many of the country’s leading universities.

At year-end 2012, a total of 2,758 people were in Albaraka Türk’s employ. 88% of the bank’s personnel hold a university degree (bachelor’s or higher).

**Albaraka Türk HR awards and recognitions in 2012**

- “Respect For People”: This award is handed out annually by kariyer.net, an internet human resources platform, to recognize, acknowledge, and publicize successful human resources practices. This was the fifth consecutive year that Albaraka Türk has received this award.
- “Best Human Resources Planning”: Based on ratings assigned by academicians from Fatih University, Albaraka Türk received the top award in the “Best Human Resources Planning” category at the 2012 Human Resources Summit.
- “SGK Certificate of Appreciation”: Albaraka Türk received a certificate of appreciation from the Social Security Corporation’s (SGK) İstanbul directorate in recognition of the bank’s superior success based on its regular payment of social security premiums, its diligent mindfulness of employees’ rights, and its timely and error-free fulfillment of SGK requirements.

**Investments in HR**

Albaraka Türk formulates its HR training goals and policies with an eye on instilling and developing knowledge and skills that will support its employees’ personal and professional progression within the framework of the bank’s vision, mission, and strategies.

A total of 157,375 hours of training was provided to personnel throughout the bank in 2012. A total of 12,073 people took part in this training, a figure that corresponds to a year-on rise of 44.65%. Average training time per person was 57.70 hours.

**We value our employees’ ideas.**

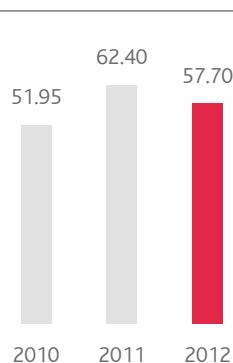
The “Personnel Attitude Survey” was conducted again in 2012 to measure employee satisfaction and to identify what Albaraka Türk personnel expect of the bank. An “Internal Customer Satisfaction Survey” was also conducted to identify areas in which the effectiveness and productivity of communication among bank branches and units need to be improved. Effective use is made of an internal suggestion system at Albaraka Türk, which encourages employees throughout the bank to take part in the system by acknowledging the value of their inputs.

In 2012 a total of 1,058 suggestions were submitted by employees. These submissions were directed to the appropriate units for action to be taken. A total of 198 Corrective & Preventive Action (CPA) tickets were initiated concerning process/program improvements last year.

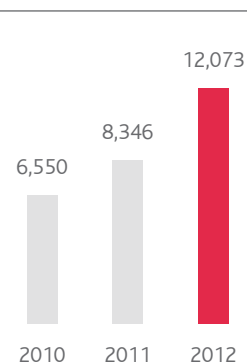
**2012 Recruitment Data**

Branches opened	14
Regional departments opened	5
Net increase in personnel	57
<b>As of 31 December 2012: Total personnel</b>	<b>2,758</b>
<b>Total branches</b>	<b>137</b>
<b>Total regional departments</b>	<b>5</b>

**Training per Personnel (hours)**



**Total Number of Personnel Attended Trainings**



## Albaraka Türk in 2012

### Sustainability approaches and practices

Recognizing that sustainability goes beyond economic viability as a financial institution, Albaraka Türk is mindful of the sustainability of the future as well and therefore contributes to the wellbeing of the social, cultural, and environmental values around it. During 2012 Albaraka Türk successfully carried out a variety of activities in such areas.

### Our headquarters' eco-friendly face supports environmental sustainability.

Through CO<sub>2</sub> emissions-reducing measures resulting from the "intelligent building" features of its headquarters, Albaraka Türk takes part in initiatives to protect the environment.

- Solar film coatings on the building's exterior windows reduces the amount of sunlight reaching the interior, thus requiring less air-conditioning, conserving electricity, and reducing the greenhouse gas emissions that lead to global warming.
- Twenty-eight multifunction peripherals (MFP) equipped with card-readers were installed in common areas of the building to replace 100 photocopiers and printers of 89 different types. As a result of these hardware investments, unnecessary/misplaced printouts are prevented and this results in an estimated saving of 9,000 kgs of paper a year. This corresponds to about 1,800,000 sheets of A4 paper and means that the Albaraka Türk family is preventing the harvesting of an average of 132 trees every year.
- Recycling bins including receptacles for discarded batteries have been installed on each floor of the building. This helps prevent waste from being discharged into the environment while also ensuring that it can be recycled.
- Albaraka Türk has entered into a centralized electricity procurement agreement for its headquarters and branches. In this way, the bank reduces its electricity consumption costs (averaging TRL 3,500,000 / year) by nearly TRL 600,000 or about 16%.
- Water for the upkeep of the building's grounds is supplied from onsite wells. This conserves energy corresponding to the treatment of 167,616 m<sup>2</sup> of water a year on average.
- Water-saving valves installed on all taps in the building reduce the amount of

water used by each person from 24.96 m<sup>2</sup> to 19.92 m<sup>2</sup> or by about 20% a year on average.

- The gasoline-engine vehicles used by headquarters units have been replaced with more eco-friendly diesels under leasing agreements. This reduces the bank's exhaust gas emissions by 47,872 kgs/year.
- GPS automotive navigation systems installed on vehicles used by headquarters units and branches conserve fuel and energy by shortening routes while also helping reduce traffic congestion.

### Our sense of environmental responsibility is also reflected in our business activities.

Contributing to sustainability is also an important consideration in the conduct of business activities at Albaraka Türk. The bank plays an active role in providing financing for a large number of eco-friendly projects such as windfarms and hydroelectric power plants. Albaraka Türk works closely with Development Bank of Turkey in this business line.

### We support social wellbeing through sponsorships.

In its ongoing efforts to contribute to the wellbeing of both its industry and its society, Albaraka Türk acts as a sponsor for about a dozen summits dealing with economic and/or financial issues. One such undertaking was its sponsorship of a symposium conducted in May last year by Marmara University Faculty of Law's Department of Commercial Law that discussed the advent of Turkey's new commercial code. This event provided Albaraka Türk with an opportunity to play host to a distinguished assembly of Supreme Court justices, investigative judges, academicians, attorneys, and law faculty students.

Along with the İstanbul Stock Exchange, Albaraka Türk was again one of the sponsors of the Malaysia-based REDMoney Group's international IFN Roadshow during its appearance in İstanbul on December 6th last year. During the one-day event, a wide range of topics were discussed such as capital markets in Turkey and their development, sukuk issues, and takaful insurance.

In line with its "Equitability Hotline" concept, Albaraka Türk was a supporting sponsor of the 8th ASKON Annual General Assembly

last year. The meeting, which was also attended by Prime Minister Recep Tayyip Erdoğan and by Customs and Trade Minister Hayati Yazıcı, provided an occasion for the business world and government to exchange views on Turkey's role as a regional force and leader.

In October Albaraka Türk was one of the sponsors of "New Ideas, New Products, and Property Rights in a Competitive Economy" at the 4th International Summit of İstanbul Economists organized by the İstanbul Economists Association. Last year the bank also sponsored the publication of a book of papers delivered at the 2011 summit held in İstanbul by the same association and the İstanbul University Faculty of Economics.

In addition to activities related to the banking industry and the business world, Albaraka Türk also contributes to social wellbeing by supporting culture and art. The bank was involved in the conduct, in İstanbul, of the ceremonies commemorating Mevlana Celaleddin Rumi that are held in December every year in Konya.

### We contribute to the community and to culture.

Albaraka Türk and its personnel took part in the 5th annual Kızılay Blood Donation Drive that was organized at the bank's headquarters on September 26th and 27th.

The Albaraka International Calligraphy Competition, which is held every year to promote the traditional art of calligraphy and to acknowledge and reward its leading practitioners, is acknowledged to be one of the most prestigious events of its kind. For the third annual competition, which took place in 2012, 176 works were submitted in five categories. Seventeen of the entries were awarded prizes and another 23 received honorable mentions at the award ceremony that was held on June 12th. A highlight of this event was an unforgettable concert given by Ömer Faruk Tekbilek, one of the greatest living artists of the traditional reed flute.

Albaraka Türk published a book for children presenting a simplified version of the Simurg legend—a tale of discovering oneself and one's own inner strengths.

## With its strong financial structure and superior asset quality, Albaraka Türk will continue to grow in 2013 without upsetting the balance between sustainable growth and profitability.

A revised and expanded edition of Hejaz Railway Photo Album was published. This new edition of the book, the first of which appeared in 1999, contains photographs not included in the original.

In recognition of the reputation accruing to Albaraka Türk as a supporter of traditional calligraphy through the conduct of the Albaraka International Calligraphy Competition, work has begun to create a separate calligraphy section in the bank's library.

### We give our sector the benefit of our experience.

As both the founder and the leader of participation banking in Turkey, Albaraka Türk seeks to make accessible both to its sector and to those future colleagues getting ready to join the sector, all of the knowledge and experience which it has gained through activities that are today pointed to as models of this field of endeavor.

In keeping with such efforts, Albaraka Türk General Manager Fahrettin Yahşi attended last year's economics summit organized by the İstanbul University Economics Club. The subject of the 2012 summit was "Development, Energy, and Rights". Mr Yahşi took part in the summit as a speaker at the second session of the "İstanbul: On the way to becoming a financial center" panel in his capacity as president of the Participation Banks Association. He also spoke to an audience and another economics summit held at Sakarya University Congress Center, at which time he talked about such matters as Turkey's 2023 goals, changes taking place in the country's economy, and current and future attitudes about management, governance, and leadership.

At the 3rd Boğaziçi Regional Partnership Summit held in İstanbul last year, Albaraka Türk General Manager Fahrettin Yahşi took part in a meeting attended by leaders from 42 countries at which he spoke during the "Money as a Resource: Redefining the Rules of the Game" session.

At a conference organized by the International Creative Economy Center, a joint venture of İstanbul Commerce University, the Creative Economy and Industries Program of the United Nations Conference on Trade and Development (UNCTAD), and the İstanbul Chamber of Commerce, Albaraka Türk General Manager

Fahrettin Yahşi spoke to an audience on the subject of "Crisis: The Role of Sustainable Growth and Creative industries".

### Albaraka Türk's expectations for 2013

Albaraka Türk believes that in 2013 the Turkish economy will rebound somewhat as it recovers from the serious contraction that affected it in 2012. It appears that the 4% rate of GDP growth called for in the government's Medium-Term Program will be achievable thanks to CBRT interest rate cuts and to modest improvements in international markets. As the support that the world's central banks give to their national economies through monetary expansion makes itself felt in the real economy and in consumer confidence, it is possible that the actual rate of growth may even be higher than that 4% target.

However the cautiousness exhibited by CBRT on the matter of credit supply expansion poses a serious risk insofar as 2013 growth prospects are concerned. There is a possibility of CBRT raising reserve requirement rates to prevent the economy from overheating, though the rise is unlikely to be anywhere near as high as the one in 2011. Nevertheless, any increase could dampen economic growth.

For the banking industry, interest rate cuts are going to result in slimmer margins owing to competition for deposits. The natural outcome of this is that the surge in profits that was witnessed in 2012 cannot be expected to recur in 2013. However recent improvements in Turkey's credit rating and the expectation that at least one more international rating agency will follow suit in 2013 is likely to make it easier to tap international markets for funding.

In 2012 the participation banking sector registered growth rates in assets, lendings, and deposits that exceeded banking industry averages. 2013 is going to be an important year for participation banks from the standpoint of diversifying their sources of funding. An increased appetite for risk in global markets will stimulate sukuk issues in particular. The government's leasing certificate issues in 2013 will also provide opportunities for participation banks to diversify the asset side of their portfolios while also providing the wherewithal needed for the emergence of a secondary market.

With its strong financial structure and superior asset quality, Albaraka Türk will continue to prosper in 2013 without upsetting the balance between its sustainable growth and profitability. The bank expects that its assets and funded credits will increase by 20% in 2013 while its funds collected should grow on the order of 15%. Efforts will be made to roll over the USD 450 million murabahah syndication that was obtained from international markets last year at an even lower cost this time as well. The bank also has plans to undertake sukuk issues of its own in order to bolster its funding resources.

Profit & loss partnership projects contributed significantly to Albaraka Türk's profitability in the past and have also given the bank much experience in their successful management. Such projects will be important in 2013 as well. Albaraka Türk is the profitable leader of this business line and it intends to remain so.

With 136 branches located all over the country as well as an international branch in Iraq (Erbil) at end-2012, Albaraka Türk plans to open another 15 to 20 branches in 2013. Albaraka Türk will keep its eye firmly on maintaining its high level of service quality in the conduct of its business by undertaking whatever improvements are needed in its technological infrastructure to keep pace with the expansion in its branch network and with the associated growth in its business volumes.

Having enlarged its footprint in the retail banking segment last year, Albaraka Türk plans to continue doing so in 2013 and the years that follow. The bank's retail banking product and service portfolio will be further diversified with new additions such as private pensions and automatic-installment credit cards. This portfolio will be made more accessible to customers through alternative delivery channels. New agreements with service providers etc in 2013 will nourish additional, performance-enhancing momentum in the retail business line.

2013 will be a year in which Albaraka Türk makes substantial and significant progress as it moves towards the realization of its vision of being "The World's Best Participation Bank".



## Annual Report Compliance Opinion



**Güney Bağımsız Denetim ve  
SMMM AŞ**

Büyükdere Cad. Beytem Plaza  
No:22 K:9-10, 34381 - Şişli  
İstanbul - Turkey

Tel: +90 212 315 30 00  
Fax: +90 212 230 82 91  
www.ey.com

To the General Assembly of  
Albaraka Türk Katılım Bankası A.Ş.

We have audited the compliance and consistency of the financial information provided in the annual report of Albaraka Türk Katılım Bankası Anonim Şirketi (the Bank) prepared as of December 31, 2012 with the audit report prepared for the related period then ended. The annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on the audited annual report.

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

In our opinion, financial information included in the accompanying annual report presents fairly, in all material respects, the information regarding the financial position of Albaraka Türk Katılım Bankası A.Ş. as of December 31, 2012 in accordance with the principles and procedures set out by the regulations in conformity with Article 40 of the Banking Act No: 5411, includes a summary report of the Board of Directors and the convenience translations of independent auditor's report originally issued by us in Turkish and is consistent with the convenience translations of audited financial statements and explanatory notes originally issued in Turkish.

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

Metin Canoğulları  
Engagement Partner

March 8, 2013  
İstanbul, Türkiye



## Board of Directors



1



2



3



4



5

### 1- Adnan Ahmed Yusuf ABDULMALEK Chairman

Mr. Adnan Yusuf was born in 1955 in Manama (Bahrain). He studied Administrative Sciences in the Hull University (England) where he also completed his post-graduate degree. He commenced his banking career in 1973 at Habib Bank. He worked at the American Express Bank between 1975 and 1980 as assistant manager of credit transactions. He then held the following positions at Arab Banking Corporation (ABC) from 1980 onwards: Manager of main branch, deputy general manager and vice-chairman, director of global marketing and financial institutions division, head of Arab World division, vice manager of subsidiaries and investments. In 1998 Mr. Yusuf became the chairman of ABC Islamic Bank (EC). He was then appointed as the general manager of Al Baraka Banking Group (ABG) in March 2000. He took office as the CEO of Bahrain Islamic Bank during 2002-04. Since August 2004, he has been working as a board member and CEO of the ABG. In the board of directors of several banks in ABG family, Adnan Yusuf is either a member or chairman. He has been the chairman of the Board of Directors and the Credit Committee of Albaraka Türk since April 2005. Apart from above mentioned positions, Mr. Adnan Yusuf has twice been recipient of the "Islamic Banker of the Year" Award at the World Islamic Banking Conference, in December 2004 and December 2009. He was appointed Chairman of the Union of Arab Banks in April 2007 and re-elected for a further four year term in April 2010.

### 2- Yalçın ÖNER Vice Chairman

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

### 3- Osman AKYÜZ Board Member

He was born in 1954 in the town Yomra (Trabzon). He has obtained his degree from the Faculty of Political Sciences, Ankara University. He has commenced his professional career in 1978 as a tax inspector at the Ministry of Finance. He was then transferred to Sezai Türkeş - Fevzi Akkaya Group as an auditor and financial consultant in 1983. In 1985, he started working as the manager of financial and administrative affairs in Albaraka Türk. Thereafter he worked as the manager of fund allocations (1991-94), assistant general manager (1994-95) and general manager of the Bank (1996-2002). Osman Akyüz is a member of the Credit Committee in our bank since November 2001 and executive (resident) board member since April 2002. Mr. Akyüz also holds a position in the Union of Turkish Participation Banks as secretary general since July 2002, board membership in the Istanbul Chamber of Commerce since April 2005 and board member in the Istanbul Stock Exchange since 2012.

### 4- Ibrahim Fayez Humaid Al SHAMSI Board Member

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

### 5- Prof. Dr. Ekrem PAKDEMİRLİ Board Member

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





6



7



8



9



10



11

#### **6- Hamad Abdulla A. EQAB Board Member**

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

#### **7- Mitat AKTAŞ Board Member**

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

#### **8- Fahad Abdullah A. Al RAJHI Board Member**

He was born in Riyadh, the capital of Saudi Arabia in 1961. Mr. Al-Rajhi was graduated from the Industrial Management Department in King Fahad Petroleum & Minerals University in 1984. He commenced his professional career in 1987 at Al-Rajhi Banking and Investment Corporation as vice manager of the central branch. He was then promoted as manager of the central branch and later on as assistant manager of collaterals department. In the same bank, he was responsible for liaison with government offices and investments. He worked as a board member for Saudi Public Transportation company between 1995 and 2001. He worked as the general manager of treasury and finance department in Al-Rajhi Banking & Investment Corporation until May 2008. Currently, he is the chairman of board of directors of Fahad Abdullah Rajhi Venture Company. He is also a member of board of directors in the Islamic Bank in Bangladesh, Resot Cement at Oman and Najran Cement at UAE, Gulf Merchant Group and Capital Management House at Bahrain. He has been a member of our Board of Directors and the Corporate Management Committee since March 2008.

#### **9- Khalifa Taha HAMOOD Board Member**

He was born in 1952 in Aden/Yemen, graduated from the faculty of Accountancy & Finance of Newcastle Upon Tyne Polytechnic. During 1976 to 87, he was a self-employed accountant in England. He worked as an auditor with Touche Ross & Co in Jeddah between 1987 to 1989. He also worked as senior auditor with Deloitte & Touche in Jeddah and Texas between 1989 to 1992. He joined Whinney Murray & Co (member of Ernst & Young International) in Riyadh and worked as assistant manager between 1992-1996. Later on he joined the Islamic Development Bank (IDB) in Jeddah since 1996 to-date working as senior internal auditor, section head of disbursements, division chief of budget & disbursements and finally as division chief of settlements. He has reached the rank of "Director" in the Islamic Development Bank (IDB). Khalifa Taha Hamood was appointed as member of the Board of Directors in Albaraka Turk since 2011.

#### **10- Hood Hashem Ahmed HASHEM Board Member**

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

#### **11- Fahrettin YAŞI Board Member and General Manager**

Mr. Yaşı was born in Fatsa (Ordu) in 1965. He received his degree from the Department of Management of the Faculty of Political Sciences in Ankara University (1987) and completed his Masters Degree in Banking Department of Social Sciences Institute at Marmara University (Istanbul, 2006). He started his professional career as a sworn auditor for banks in 1987. After working for Ege Bank as an Assistant General Manager between 1996 and 1998, he was appointed as Assistant General Manager to Albaraka Turk in the same year. Between the years of 2005 and 2009, Mr. Yaşı held the position of Deputy Assistant General Manager at Albaraka Turk. He has been the General Manager of Albaraka Turk since November 2009.

## Senior Management



1



2



3



4



5

**1- Fahrettin YAHŞI**  
**Board Member and General Manager**

See page 39 for the CV of Fahrettin YAHŞI

**2- Mehmet Ali VERÇİN**  
**Assistant General Manager**

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

**3- Nihat BOZ**  
**Assistant General Manager**

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

**4- Temel HAZIROĞLU**  
**Assistant General Manager**

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

**5- Bülent TABAN**  
**Assistant General Manager**

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



6



7



8



9

#### **6- Turgut SİMİTÇİOĞLU** **Assistant General Manager**

Born in Erzurum in 1961, Mr. Simitçioğlu received his degree from Education Faculty in King Suud University (Saudi Arabia, 1989). He had master degree on business administration from Fatih University in 2012. He started his professional career as an officer in the central branch of Albaraka Turk (1990) later advancing to Assistant Chief and Chief (1993-1997), Second Manager and Assistant Manager (1997-2001) positions within the same branch. Between 2001 and 2003, he became Vice Manager within the branch and then in the Corporate Banking Department. Mr. Simitçioğlu then became Manager of central branch in 2003 until 2009. In 2009, he was appointed as Assistant General Manager primarily responsible for Risk Follow-UP, Administrative Affairs, Financial Affairs, and Budget and Financial Reporting Departments.

#### **7- Melikşah UTKU** **Assistant General Manager**

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

#### **8- Ayhan KESER** **Assistant General Manager**

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

#### **9- Mahmut Esfa EMEK** **Assistant General Manager**

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

## Auditors of the General Assembly

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

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

### **Osman KARA** **General Assembly Auditor**

He was born in 1947, Diyarbakır. He was graduated from Political Science Faculty of Ankara University. In 1977-1989 period, he worked TÖBANK as assistant inspector, inspector and vice president of department. Later on, He worked as a manager at Albaraka Türk's various branches between 1989 and 2001. He was Board member and Vice President of the board of directors in Kalkınma Bankası between 2003 and 2008.

### **Seyfettin YENİDÜNYA** **General Assembly Auditor**

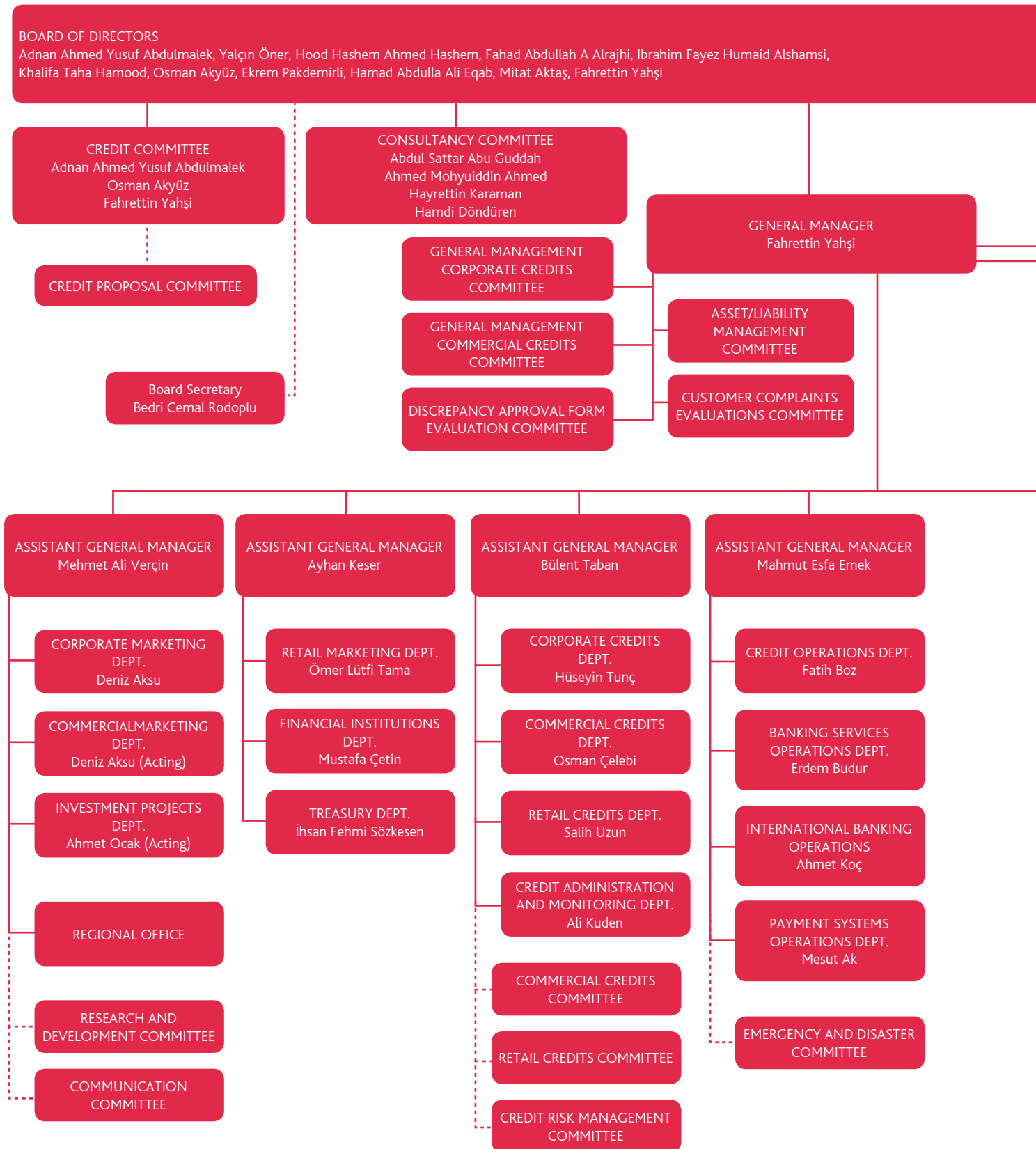
He was born in Sivas in 1936. Mr. Yenidünya was graduated from Finance department of Istanbul Academy of Economics in 1959. He commenced his banking career in 1961 at Türk Ticaret Bankası. Later on he worked in some private firms as inspector, manager and assistant general manager. He was retired in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

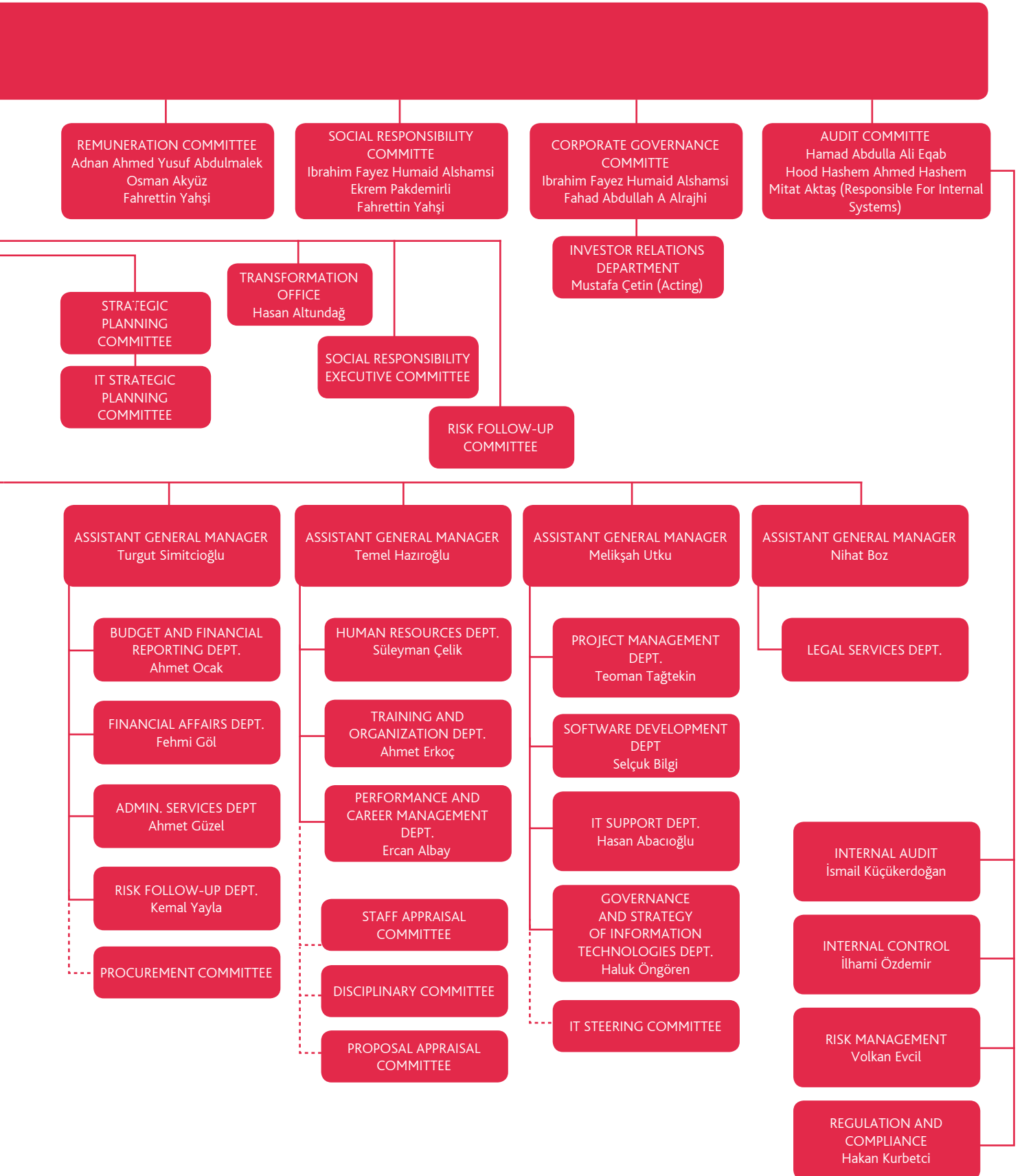
## Information on Board of Directors, Auditors of the General Assembly and Senior Management

Position	Name-Surname	Education	Inception at Work	Experience in Banking Sector	Share (%)
<b>BOARD OF DIRECTORS</b>					
Chairman	Adnan Ahmed Yusuf ABDULMALEK	Masters Degree	2005	39	(*) 0.0000
Vice Chairman	Yalçın ÖNER	Masters Degree	1985	40	0.0006
Board Member	Ibrahim Fayez Humaid ALSHAMSI	Bachelors Degree	2005	42	(*) 0.0000
Board Member	Osman AKYÜZ	Bachelors Degree	1996	26	-
Board Member	Prof. Dr Ekrem PAKDEMİRLİ	PhD Degree	2007	11	(*) 0.0000
Board Member	Mitat AKTAŞ	Masters Degree	2008	28	(*) 0.0000
Board Member	Hamad Abdulla A. EQAB	Bachelors Degree	2008	19	(*) 0.0000
Board Member	Fahad Abdullah A. ALRAJHI	Bachelors Degree	2008	25	(*) 0.0000
Board Member	Hood Hashem Ahmed HASHEM	Bachelors Degree	2011	12	(*) 0.0000
Board Member	Khalifa Taha HAMOOD	Bachelors Degree	2011	16	(*) 0.0000
Board Member	Fahrettin YAHŞİ	Masters Degree	2009	24	-
<b>AUDITORS OF THE GENERAL ASSEMBLY</b>					
Auditor	Prof. Dr. Ateş Arif VURAN	PhD Degree	1986	26	-
Auditor	Osman KARA	Bachelors Degree	2012	30	-
Auditor	Seyfettin YENİDÜNYA	Bachelors Degree	2003	27	-
<b>SENIOR MANAGEMENT</b>					
General Manager	Fahrettin YAHŞİ	Masters Degree	2009	24	-
Assistant General Manager	Mehmet Ali VERÇİN	Bachelors Degree	2005	19	-
Assistant General Manager	Nihat BOZ	Bachelors Degree	2009	26	0.0048
Assistant General Manager	Temel HAZIROĞLU	Bachelors Degree	2003	27	0.0342
Assistant General Manager	Bülent TABAN	Masters Degree	2003	21	-
Assistant General Manager	Turgut SİMİTÇİOĞLU	Masters Degree	2009	23	-
Assistant General Manager	Melikşah UTKU	Masters Degree	2009	9	-
Assistant General Manager	Mahmut Esfa EMEK	Bachelors Degree	2011	25	-
Assistant General Manager	Ayhan KESER	Bachelors Degree	2011	21	-

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

## Organization Chart







## Committees and Committee Meetings Attendance

### 1. CREDIT COMMITTEE

#### A) PURPOSE

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

#### B) ORGANIZATION OF THE COMMITTEE

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

#### Current Members of the Credit Committee:

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

#### C) FUNCTIONS OF THE COMMITTEE

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

In this respect the Committee;

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

#### D) OPERATION PRINCIPLES OF THE COMMITTEE

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

Note: The Credit Committee convened 100 times in 2012 with all members attended.

### 2. AUDIT COMMITTEE

#### A) PURPOSE

The Audit Committee consists of the Board members for assisting the audit and supervision activities of the Board of Directors according to the article 24.6 of the Banking Law.

#### B) ORGANIZATION OF THE COMMITTEE

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

Current Members of the Audit Committee:

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

### C) FUNCTIONS OF THE COMMITTEE

- In the name of the Board, Audit Committee monitors the efficiency and proficiency of the internal systems of the Bank, the functioning of these systems as well as the accounting and reporting systems in framework of the Banking Law and related regulations, and the integrity of the produced data,
- Providing preliminary evaluations to the Board of Directors when selecting the independent firms of auditing, rating, appraising and outsourcing;
- Regularly monitoring the activities of the said companies which are appointed by the Board of Directors and with which contracts are signed;
- Ensuring the consolidated internal auditing of partnerships as per the regulations introduced with respect to the Banking Law, and coordinating their activities.

### D) WORKING PRINCIPLES OF THE AUDIT COMMITTEE

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

Note: The Audit Committee convened 5 times in 2012 with all members attended.

## 3. CORPORATE GOVERNANCE COMMITTEE

### A) PURPOSE

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

### B) ORGANIZATION OF THE COMMITTEE

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

#### Current Members of the Corporate Governance Committee:

President: Ibrahim Fayez Humaid Al SHAMSI, Board Member

Member : Fahad Abdullah A. Al RAJHI, Board Member

### C) FUNCTIONS OF THE COMMITTEE

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

### D) WORKING PRINCIPLES OF THE COMMITTEE

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

**Note:** The Corporate Governance Committee convened 5 times in 2012. All members of the Corporate Governance Committee attended all of the meetings.

## Committees and Committee Meetings Attendance

### 4. REMUNERATION COMMITTEE

#### A) PURPOSE

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

#### B) ORGANIZATION OF THE COMMITTEE

##### Current Members of the Remuneration Committee:

President: Adnan Ahmed Yusuf ABDULMALEK, Chairman

Member : Osman AKYÜZ, Board Member

Member : Fahrettin YAHŞI, Board Member and General Manager

#### C) OPERATION PRINCIPLES OF THE COMMITTEE

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

Note: The Remuneration Committee convened 5 times in 2012. All committee members attended all of the meetings.

### 5. STRATEGIC PLANNING COMMITTEE

#### A) PURPOSE

The committee has been formed for determining the strategic objectives that will realize the Bank's vision starting from the Bank's current position, mission and primary principles and defining, executing, observing and evaluating the strategic targets that will enable achieving these.

#### B) ORGANIZATION OF THE COMMITTEE

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

##### Current Members of the Strategic Planning Committee:

President: Fahrettin Yahşi (General Manager)

Member: Mehmet Ali Verçin (Assistant General Manager)

Member: Temel Hazıroğlu (Assistant General Manager)

Member: Bülent Taban (Assistant General Manager)

Member: Nihat Boz (Assistant General Manager)

Member: Turgut Simitcioğlu (Assistant General Manager)

Member: Melikşah Utku (Assistant General Manager, secretary )

Member: Mahmut Esfa Emek (Assistant General Manager)

Member: Ayhan Keser (Assistant General Manager)

#### C) FUNCTIONS OF THE COMMITTEE

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

#### D) WORKING PRINCIPLES OF THE COMMITTEE

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

Note: The Strategic Planning Committee convened 5 times in 2012. All committee members attended all of the meetings.

### 6. ASSET / LIABILITY MANAGEMENT COMMITTEE

#### A) PURPOSE

The Asset/Liability Management Committee (ALMC) was formed mainly to assess and evaluate the composition of assets and liabilities on the Bank's balance sheet for the purpose of ensuring effective management of the Bank's financials. In this context, ALMC examines all of the resources and the areas in which they are used, the structure of tenor maturity, liquidity levels, foreign currency and pricing risks, credit risks and capital adequacy factors which affect the quality of assets. It also aims to possess the resources that are required for products and services rendered to our customers, readily available, and peruse the factors that could affect our Bank's profitability. The committee also ensures the measures to be taken as a result of its evaluations, perusals and examinations are executed.

#### B) ORGANIZATION OF THE COMMITTEE

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

#### Current Members of the Asset and Liability Committee:

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

#### C) FUNCTIONS OF THE COMMITTEE

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

## Committees and Committee Meetings Attendance

### D) WORKING PRINCIPLES OF THE COMMITTEE

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

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

## 7. SOCIAL RESPONSIBILITY COMMITTEE

### A) PURPOSE

Consultancy committee was founded in order to implement best social responsibility practices by considering core values and social responsibility principles of the Bank.

### B) FUNCTIONS OF THE COMMITTEE

- To evaluate the impact of the Bank's operations on the society
- To review the impacts of the Bank's operations on the society and the cautions related to the impacts.
- To lead the Presidium of Social Responsibility to deliver social responsibility projects which express corporate profile of the Bank that is in harmony with vision and mission statements to the society, stakeholders and shareholders.
- To ensure that the social responsibility projects implemented related to considering core values and social responsibility principles of the Bank.
- To evaluate and resolve the objects of Presidium of Social Responsibility reports.

### C) WORKING PRINCIPLES OF THE COMMITTEE

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

### D) ORGANIZATION OF THE COMMITTEE

The Committee consists of Board Members Ibrahim Fayez Humaid Alshamsi and Fahrettin Yahsi (General Manager) under the presidency of Prof Ekrem Pakdemirli. The one who is appointed by the Committee carries out the reporter and secretariat duty of the Committee. The one is responsible for sustaining and publishing meeting minutes and reports, and coordination in committee operations regarding the guidance of Social Responsibility Committee. The secretary and reporter member do not have voting right.

Note: Social Responsibility Committee convened 1 time in 2012.

## 8. CONSULTANCY COMMITTEE

### A) PURPOSE

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

### B) ORGANIZATION OF THE COMMITTEE

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

#### Current Members of The Consultancy Committee:

President: Abdul Sattar Abu GUDDAH

Member: Ahmed Mohyuiddin AHMED

Member: Hayrettin KARAMAN

Member: Hamdi DÖNDÜREN

Note: Committee convened 4 times in 2012

## Summary of the Board of Directors' Annual Report

Esteemed shareholders:

Welcome to the 28th annual general meeting of our bank.

Before presenting the Board of Directors' and the Statutory Auditors' reports concerning the results of activities in fiscal year 2012 for your consideration and approval, we respectfully greet our shareholders, their representatives, and our guests who have honored this meeting with their presence.

We have recently completed a year in which worries about the global economy continued. For our own country, 2012 was relatively a worse year when we compare with the previous year's good growth performance. However, our bank also had another successful year consisted with its attitudes towards both growth and profitability.

In the year to 31 December 2012:

- Total assets increased by 18% to TL 12,328 million.
- Total collected funds increased by 15% to TL 9,225 million.
- Funded credits\* increased by 25% to TL 9,100 million.
- Non-funded credits\*\* increased by 14% to TL 6,355 million.
- Shareholders' equity increased by 21% to TL 1,218 million.
- Net profit increased by 20% to TL 192 million.

\* Includes financial leasing receivables.

\*\* Excludes revocable commitments.

We exceeded the performance targets set by the Board of Directors to a substantial degree. With the support of you, our valued shareholders, we shall continue to grow soundly in 2013 as well.

We hereby submit for your consideration and approval the balance sheet and profit/loss statement contained in our annual report for 2012.

Respectfully,

The Board of Directors  
Albaraka Türk Katılım Bankası A.Ş.

## Support Services Providers

The Name of the Company	Explanation for Services and Products
Eastern Networks Çözümleri Ticaret A.Ş.	Information Technologies
C/S Enformasyon Teknolojileri Limited Şirketi	Information Technologies
Acerpro Bilişim Çözümleri Yazılım ve Danışmanlık Hizmetle İç ve Dış Tic. Ltd. Şti.	Information Technologies
Kibele İletişim Sistem ve Servisleri Ticaret Limited Şirketi	Information Technologies
ICS Financial Systems Ltd.	Information Technologies
Acerpro Bilişim Çözümleri Yazılım ve Danışmanlık Hizmetleri ve Dış Tic. Ltd. Şti.	Information Technologies
Eastern Networks Çözümleri Ticaret A.Ş.	Swift Service Network Agreement
Eastern Networks Çözümleri Ticaret A.Ş.	Swift Service Network Agreement Supplementary Protocol
Yapı ve Kredi Bankası A.Ş.	Operational Services
Kartek Kart ve Bilişim Teknolojileri Ticaret Limited Şirketi (Smartsoft)	Operational Services
Provus Bilişim Hizmetleri A.Ş.	Operational Services
Bilişim Bilgisayar Hizmetleri Limited Şirketi (Banksoft)	Operational Services
Güzel Sanatlar Çek Basım Ltd. Şti.	Check Printing Agreement
Tümsaş Teknolojik Endüstriyel Bilgisayar Ürünleri, Mühendislik ve Pazarlama A.Ş.	Branch Customer Line Systems
İpoteka Gayrimenkul Yatırım Danışmanlık A.Ş.	Attorney for Real Estate Registering
Kibele İletişim Sistem ve Servisleri Ltd. Şti.	Software for Facility Management Agreement
IBM Global Services İş ve Teknoloji Hizmetleri ve Tic. Ltd. Şti.	IBM Global Services Sustainability and Flexibility of Job
Fu Gayrimenkul Yatırım Danışmanlık Anonim Şirketi	Attorney for Real Estate Registering



## Transactions of the Bank with the Risk Group

Transactions of the Bank that are carried out with its Risk Group of which it is a member includes all banking operations under market conditions and in normal bank-to-client affairs, compatible with the prevailing Bank's Act. Detailed explanation can be found in Section 5 of "31 December 2012 - Unconsolidated Financial Statements and Independent Auditor's Report", under footnote – VII.

## Corporate Governance Compliance Report

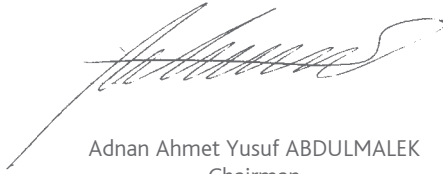
### 1. Declaration of Compliance to Corporate Governance Principles

Multinational companies became more important in the economies by the increasing globalization and cross-border capital flow which caused more transparent and accountable management attitude. Problems of multinational companies have more impact on the overall economy and society ever. That is why OECD published Corporate Governance Principles in 1999 and Turkish Capital Market Board pioneered to implement the principles to the publicly listed companies in 2003. The principles revised in the years and last version (Serial IV No:56) published in 2011.

Albaraka Türk Participation Bank (Albaraka Türk) which visions 'to become the best participation bank in the world' complies with the Corporate Governance Principles which were adopted and declared by the Capital Markets Board (CMB). The Bank has enriched the contents of its annual report and its web site in compliance with the framework of these principles. JCR Eurasia Rating Co rates Albaraka Türk for corporate governance compliance since 2010. Albaraka Türk's corporate governance compliance rating was 8,22 and outlook was positive on 18<sup>th</sup> of October, 2012, details of 4 main topic as seen below;

Shareholders	: 7.73
Public Disclosure and Transparency	: 9.01
Stakeholders	: 8.21
Board of Directors	: 7.62

Shareholders have gained the opportunity to benefit from the Albaraka Türk's website more comprehensively. Activities that are related to the framework of Corporate Governance Principles were also included in this web site.



Adnan Ahmet Yusuf ABDULMALEK  
Chairman



Fahrettin YAHŞI  
General Manager



Ayhan KESER  
Assistant General Manager



Mustafa ÇETİN  
Investor Relations Manager

## PART I - SHAREHOLDERS

### 2. Investor Relations Unit

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

Name Surname	Title	Telephone Number	E-mail Address
Mustafa ÇETİN	Manager	+90 (216) 666 0179	mcetin@albarakaturk.com.tr
Mustafa KARAMEHMETOĞLU	Assistant Manager	+90 (216) 666 0923	mkaramehmetoglu@albarakaturk.com.tr
Mücahit ÖZDEMİR	Associate	+90 (216) 666 0591	mucahitozdemir@albarakaturk.com.tr
Yusuf DİNÇ	Associate	+90 (216) 666 0545	ydinc@albarakaturk.com.tr

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

Financial tables mentioned in the legislation were collected from the relevant departments on a quarterly basis and within the time limits specified by the law and were disclosed primarily through the Public Disclosure Platform (PDP).

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

A total of 41 special material disclosures were made on PDP in transition stage.

A total of 22 investors' visits, 7 of which were abroad, were conducted by the participation of Investor Relations Unit staff and the senior management in 2012.

Within 2012, a total of eighty-five meetings were made both with domestic investment companies and international investment funds. Additionally, inquiries from investors and analysts, which were amounted around 746, were replied via telephone and e-mail correspondence.

### 3. Shareholders' Right to Access Information

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

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

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

- Turkish investor relations site [http://www.albarakaturk.com.tr/yatirimci\\_iliskileri/anasayfa.aspx?](http://www.albarakaturk.com.tr/yatirimci_iliskileri/anasayfa.aspx?)
- English investor relations site [http://en.Albaraka Türk.com.tr/investor\\_relations/homepage.aspx?](http://en.AlbarakaTürk.com.tr/investor_relations/homepage.aspx?)

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

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

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

### 4. Information on General Shareholders' Assembly

The General Shareholders' Assemblies are conducted within the framework of the Banking Law, the Turkish Commercial Law and Capital Markets Law. The Ordinary General Shareholders' Assembly was convened on 29 March 2012. The Ordinary General Shareholders' Assembly was convened with a representation of 62.6 % and all shareholders expressing their intention to participate in these meetings were able to do so.

Again in 2012, an Extraordinary General Meeting held on 19<sup>th</sup> of June. The 7<sup>th</sup> article of Article of Incorporation revised and the capital increased TRL 900,000,000 from TRL 539,000,000 on the GM. Another revision was made about the number of board of member on the 15<sup>th</sup> article and the number of members increased 12 from 11. 67,14 % of the Bank's shareholders participated in the Extraordinary General Meeting.

## Corporate Governance Compliance Report

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

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

The shareholders can exercise their right to make inquiries at the General Shareholders' Assemblies and all such inquiries are handled. There is no limitation in the Articles of Incorporation related to the adoption of decisions for purchasing, selling or renting properties in the General Shareholders' Assemblies. The Bank is subject to public act, dated 28/08/2012 and published in the Official Gazette Number 28395, about Online General Assembly of Companies. Shareholders may attend meetings online.

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

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

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

No request to add subject to the agenda of 19.06.2012 EGM made by the shareholders.

### 5. Voting Rights and Minority Rights

There are no privileges vested in the shares of the Bank. The distribution of capital as of 31 December 2012 is as follows:

#### Capital Distribution of the Bank

Shareholder Type	Share Amount (TRL)	Share (%)
<b>Foreign Shareholders</b>	595,122,444	66.13%
Albaraka Banking Group	486,523,266	54.06%
Islamic Development Bank	70,573,779	7.84%
Alharthy Family	31,106,364	3.46%
Other	6,919,035	0.77%
<b>Local Shareholders</b>	98,138,996	10.90%
<b>Public Shares</b>	206,738,560	22.97%
<b>Total</b>	<b>900,000,000</b>	<b>100.00%</b>

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

Minority rights are appointed to the shareholders who have had one of twenty (5%). Our bank cares minority right strictly. There were no complaints about the issue in 2012.

### 6. Profit Distribution Policy and Time Schedule

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

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

### 7. Transfer of Shares

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

## PART II – PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Company Disclosure Policy

The Bank's disclosure policy presented in the General Meeting and published on The Bank's web-site.

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

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

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

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

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

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

### 9. Special Material Disclosures

In accordance with the CMB's "Communiqué Related to the Disclosure of Special Events to the Public", 41 such disclosures were made. Neither the CMB nor the ISE requested any additional explanation regarding these announcements. The Investor Relations website has a separate section for special material disclosures.

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

### 10. Website of the Company and Its Contents

Albaraka Türk Participation Bank has two separate websites, one in Turkish and the other in English. The websites are accessible from [www.albarakaturk.com.tr](http://www.albarakaturk.com.tr)

All information required by CMB Principles of Corporate Governance is disclosed on our website.

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

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

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

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

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

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

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

## Corporate Governance Compliance Report

### PART III - STAKEHOLDERS

#### 13. Informing Stakeholders

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

#### 14. Participation of Stakeholders in Management

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

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

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

#### 15. Human Resources Policy

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

The Bank's human resources policy is determined and established by any General Management.

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

Basic principles of the human resources policy are the following:

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

## 16. Information on Relations with Customers and Suppliers

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

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

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

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

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

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

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

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

## 17. Social Responsibility

Giving great importance to the support of development of society, Albaraka Türk has continued its efforts in corporate social responsibility in 2012.

Albaraka Türk has continued to give support to the one of the most valuable traditional art, namely Calligraphy in some aspects. Also Bank decided to support new generation artist in this field in order to move the art to the future. Albaraka Türk announced the third Calligraphy Contest in October to bring the respectability it deserves to the art of calligraphy. Participants compete at five categories, competition finalized in the second quarter of year and award ceremony held within June. The contest helps to reach more people who are interested in traditional hand-made art. 176 Object compete in the contest in 5 category and 17 of them ranked. 23 others mansion awarded.

Also in 2012, Albaraka Türk supported a dozen of economics and finance summits as sponsor. One of the summits held by Faculty of Law of Marmara University, Commerce Law Field was in the topic of 'New Commercial Code 6102'. High Judgment Members, judges, academicians, lawyers, and students come together in a platform through the summit.

Albaraka Türk also sponsored Justice Line concepted ASKON' 8<sup>th</sup> Ordinary General Meeting which participated by the Prime Minister and Commerce Minister that brought business and public officer executives together in 2012.

Another important sponsorship was IKDER's (Economists Association) International Istanbul Economists Summit. Also Rumi's 739<sup>th</sup> anniversary of death called 'Seb-i Arus' sponsored by Albaraka Türk.

Red Crescent's 5<sup>th</sup> Blood donation Campaign also held in Albaraka Türk HQ in 26<sup>th</sup> and 27<sup>th</sup> of September, 2012.

Donations are given every year by our Bank to Bereket Foundation that gives scholarship to undergraduate, graduate and doctorate students. Bereket Foundation gave scholarships to a total of 14,459 students.



## Corporate Governance Compliance Report

### PART IV – THE BOARD OF DIRECTORS

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

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

Board Members are elected for a term of maximum three years according to Article 15 of the Articles of Incorporation. The article was revised in the Extra Ordinary General Meeting on 19<sup>th</sup> of June and the number of members of Board of Directors increased from 11 to 12. Members whose office terminates can be elected again. General Manager of the Bank is a natural member of the Board.

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

#### 19. Qualifications of Board Members

The minimum requirements for electing Board Members of the Bank are in compliance with the Corporate Governance Principles of the Capital Market Board, article 4.2. Rules on this subject can be found in the Articles of Incorporation of our Bank. The Bank does not have any Board member who is not in compliance with the minimum qualifications that were listed in the said Corporate Governance Principles.

#### 20. Strategic Targets, Mission and Vision of the Bank

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

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

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

#### 21. Risk Management and Internal Control Mechanism

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

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

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

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

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

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

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

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

### 23. Basis of Board Operations

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

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

According to the Banking Act, the Capital Market Law, the Commercial Codes and related legislations, Board decisions must be signed by the members attending the meeting, within one month. A proposal for the Board to resolve that have done by a member can be signed via circulated resolution according to the Turkish Commercial Code, if a delay could cause risks. The method used by the Bank when needed in the official form.

There is a Secretariat in our Bank to inform members of the Board of Directors and provide communication. Board and its committee's resolutions kept and archived according to legal principles. The resolutions of translations in English are available though there is no legal necessity.

### 24. Prohibition of Transactions with and Competition against the Company

In order to do the activities mentioned in the articles 395 and 396 of the Turkish Commercial Law, permission from the General Assembly is necessary for the Chairman and members of the Board about competing against the Company or having transactions with it, excluding prohibited matters that were explained in the Banking Act and the Turkish Commercial Law.

### 25. Rules of Ethics

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

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

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

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

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

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

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

### 27. Fiscal Rights of the Board

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

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

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

## Financial Information and Assessment on Risk Management

63	Summary Financial Information for the Five-Year Period
64	Evaluation on Financial Position, Profitability and Capability to Pay
66	Credit Ratings
67	Auditors' Report
68	Assessment of Internal Control, Internal Audit and Risk Management Systems by the Audit Committee
69	Managers of Internal Audit Systems
70	Independent Auditors' Report for the Year Ended December 31, 2012

## Summary Financial Information for the Five-Year Period

### Key Financial Highlights (TL thousand)

	2008	2009	2010	2011	2012
Total Assets	4,789,107	6,414,914	8,406,301	10,460,885	12,327,654
Collected Funds	3,985,110	5,464,645	6,881,590	8,044,747	9,225,018
Funded Credits*	3,757,572	4,685,994	6,296,815	7,286,960	9,100,063
Shareholders' Equity	638,102	710,666	852,635	1,004,251	1,218,333
Net Profit	136,242	105,279	134,044	160,155	191,835
Number of Personnel	1,799	1,934	2,175	2,601	2,758
Number of Branches	100	101	109	123	137

### Key Financial Ratios (%)

	2008	2009	2010	2011	2012
Funded Credits* / Total Assets	78.46	73.05	74.91	69.66	73.82
Collected Funds / Total Assets	83.21	85.19	81.86	76.90	74.83
Return on Average Equity	23.49	15.65	17.12	17.13	17.02
Return on Assets	3.08	1.81	1.80	1.72	1.71
NPL Ratio	3.05	3.52	2.95	2.31	2.39
Net NPL Ratio	1.08	0.41	0.43	0.18	0.27
NPL Provisions Ratio	61.64	88.81	85.67	92.41	88.82
CAR	18.12	15.33	14.09	12.53	13.03

\* Including leasing

## Evaluation on Financial Position, Profitability and Capability to Pay

Albaraka Türk increased its assets to TRY 12,328 million in 2012 with an increase of 18% compared to previous year end despite of the turbulence in the global economy.

Carrying on the support it gives to real sector in 2012 as well, Albaraka Türk increased the funded credits which have the largest share in its assets to TRY 9,100 million with an increase of 25% as of 2012 year end compared to the previous year end. Total share of the funded credits in the total asset reached 74%.

The funds collected by the Bank reached TRY 9,225 million with an annual increase of 15% as of 2012 year end. Albaraka Türk diversified its funding base with a murabaha syndication of USD 450 million provided from international markets in 2012.

Maintaining its strong capital structure, Albaraka Türk increased its equities to TRY 1,218 million with an increase of 21% as of 2012 year end compared to previous year end.

Albaraka Türk has recorded net profit of TRY 192 million in 2012 which means an annual increase of 20%. Increasing its operating income to TRY 706 million with a rise of 28% as of 2012 year end compared to previous year end. The Bank brought its net fee and commission income to TRY 133 million with an increase of 26%, and net profit share income to TRY 486 million with an increase of 26%.

Capital adequacy ratio became 13.03 above its legal obligation level as of 2012 year end.

### **Risk Management**

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

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

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

In our Bank's activities for transition into Basel II, the Roadmap of the Banking Regulation and Supervision Agency (BRSA) has been taken as a reference according to which the Roadmap of our Bank has been prepared. Implementation process successfully completed Basel II implemented on 1<sup>st</sup> of July, 2012.

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

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

### **Market Risk**

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

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

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

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

### **Liquidity Risk**

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

Liquidity risk could be caused by such factors as maturity mismatch, deterioration in the quality of assets, unexpected funding outflows, erosion in profitability levels and economic crisis. In order to manage liquidity risk, the Bank monitors the cash flows on a daily basis and takes preventive and improving measures taken so that commitments are met duly in time. The Liquidity risk is also evaluated by ALCO on a weekly basis. Our Bank applies a policy whereby liquid assets are kept in sufficient volumes and qualities in consideration of the minimum liquidity ratios determined by the related regulations and the liquidity experiences of the past in order to meet any liquidity requirement that could arise with unexpected volatilities in the markets.

### **Credit Risks**

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

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

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

### **Operational Risk**

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

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

### **Other Risks**

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

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

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

## Ratings Issued by International Rating Agencies to Albaraka Türk

### Standard&Poor's - August 2012

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

### JCR Eurasia Rating - April 2012

	Foreign Currency	Local Currency	Outlook	Sponsor Support	Stand-alone
Long Term	BB	BB	Stable	2	B
Short Term	B	B	Stable	-	-

### CMBT Corporate Governance Compliance Ratings

#### JCR Eurasia Rating - October 2012

Corporate Governance Compliance	8.22
Shareholders	7.73
Public Disclosure and Transparency	9.01
Stakeholders	8.21
Board of Directors	7.62



## Auditors' Report

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

NAME OF THE COMPANY	ALBARAKA TÜRK KATILIM BANKASI A.Ş.
HEAD OFFICE	ISTANBUL
CAPITAL	TL 900,000,000,- (Nine Hundred Million Turkish Lira)
FIELD OF ACTIVITY	Collecting participation funds; disbursing credits in line with the banking regulations; executing all banking services defined in related regulations and its Articles of Incorporation
Name(s) of auditor(s); his/their term of office; whether he is shareholder or not	Arif VURAN (not shareholder), Osman Kara (not shareholder), Seyfettin YENİDÜNYA (not shareholder) (They were appointed by the General Assembly on 30.03.2011 for a term of office of 3 years.)
Total number of meetings held among auditors, and the Board meetings participated to	11 (eleven)
Depth and dates of audits conducted on the books, documents and accounts of the Company; findings and results	On certain days of every month cash, cheques and receipts have been counted. Entries and documents were scanned on random sampling basis. We did not encounter with any misdeed. There was not any issue evoking criticism.
Total number of counts of liquid assets That were present in the mail cash-box of the company according to Turkish Commercial Law article-353, para-1, section-3; and findings	12 (twelve) times we have conducted them, and found no misdeed at all.
Dates of audits conducted in accordance with Turkish Commercial Law nr.353 Para-1, section-4;and findings;	On certain days of every month books of the company were audited. All types of valuable documents and negotiable instruments were found to be consistent with the records of the company.
Complaints and misdeeds relayed, and : actions taken	We have not received any complaint or claim of misdeed.

We have examined the accounts and transactions of Albaraka Türk Participation Bank A.Ş. for the period between 01.01.2012 and 31.12.2012, in accordance with generally accepted principles and standards of accounting.

It is our opinion that the attached Balance-Sheet of the company as of 31.12.2012, the contents of which are approved by us, and the Profit & Loss Statement for the period between 01.01.2012-31.12.2012 do reflect the true results of activities of this company.

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

Respectfully submitted,

COMMITTEE OF AUDITORS



Arif VURAN



Seyfettin YENİDÜNYA



Osman KARA

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

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

The units within the scope of the Internal Systems are the Board of Inspectors, Presidency of Internal Control, Presidency of Risk Management and Presidency of Regulation And Compliance. All the four units operate under the auspices of the Board Member Responsible for Internal Systems and Board of Directors.

The Board of Inspectors carries out the function of audit that is inclusive of all the activities of the Bank, in which respect, the Board executes the processes of audit, inspection, investigation and inquiry at all the head-office divisions and branches of the Bank.

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

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

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

Presidency of Risk Management carries out the activities of measurement, observation, control and reporting of the risks our bank is exposed to.

For the purpose of internal ratings-based measurement of credit risk which was the most serious risk exposed among the functional activities, studies started together with consultancy firm are in completed and the model covers small enterprises, commercial and corporate segment firms.

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

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

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

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

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

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

## Managers of Internal Audit Systems

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

<b>Name-Surname</b>	<b>Professional Experience (Years)</b>	<b>Duration of Services at Albaraka Türk (Years)</b>	<b>Length of Services in His Area (Years)</b>	<b>Education</b>	<b>Field of Responsibility</b>
İsmail KÜÇÜKERDOĞAN	28	17	10	Bachelor's Degree	Inspection
Volkan EVCİL	22	20	11	Bachelor's Degree	Risk Management
İlhami ÖZDEMİR	16	11	11	Bachelor's Degree	Internal Control
Hakan KURBETÇİ	22	18	3 Months	Bachelor's Degree	Regulation and Compliance

Albaraka Türk Katılım Bankası Anonim Şirketi

## Independent Auditors' Report for the Year Ended December 31, 2012

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

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

We have audited the accompanying unconsolidated balance sheet of Albaraka Türk Katılım Bankası A.Ş. ("the Bank") as of December 31, 2012 and the unconsolidated statement of income, unconsolidated statement of income and expense items accounted under equity, unconsolidated statement of cash flows and unconsolidated statement of changes in shareholders' equity for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

### Disclosure for the responsibility of the Bank's Board of Directors:

The Bank's Board of Directors is responsible for the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error, establishing and maintaining effective internal controls and for selecting and applying appropriate accounting principles to comply with the Regulation on Accounting Applications on Banks and Safeguarding of Documents published on the Official Gazette No. 26333 dated November 1<sup>st</sup> 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, interpretations and circulars published or declared by Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting principles.

### Disclosure for the responsibility of the authorized audit firm:

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our independent audit has been conducted in accordance with the Regulation on Authorization and Activities of Institutions to Conduct Independent Audit in Banks published on the Official Gazette No: 26333 on November 1<sup>st</sup>, 2006 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. During the audit, we have used audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements; which we selected in accordance with our professional judgement by taking into account the effectiveness of the controls over financial reporting process and assessed the appropriateness of the applied accounting policies. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our independent audit opinion stated below.

### Independent Auditors' Opinion:

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Albaraka Türk Katılım Bankası A.Ş. as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles and standards set out as per Article 37 of the Banking Act No: 5411 and other regulations, communiqués, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

### Additional Paragraph for Convenience Translation:

As explained in detail in Note XXIII of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Article 37 of the Banking Act No: 5411 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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



Metin Canoğulları, SMMM  
Engagement Partner

February 28, 2013  
Istanbul, Turkey

Albaraka Türk Katılım Bankası Anonim Şirketi  
**Unconsolidated Financial Report of Albaraka Türk Katılım Bankası A.Ş.**  
**As of and for The Year Ended December 31, 2012**

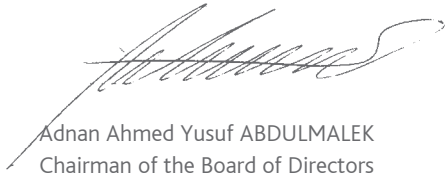
Address of the Bank's headquarter : Saray Mah. Dr. Adnan Büyükdeniz Cad. No:6 34768 Ümraniye/İstanbul  
 Bank's phone number and facsimile : 00 90 216 666 01 01 - 00 90 216 666 16 00  
 Bank's website : www.albarakaturk.com.tr  
 Electronic mail address for contact : albarakaturk@albarakaturk.com.tr

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

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

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

28.02.2013



Adnan Ahmed Yusuf ABDULMALEK  
 Chairman of the Board of Directors



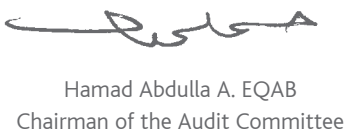
Fahrettin YAŞI  
 General Manager



Turgut SİMİTÇİOĞLU  
 Assistant General Manager



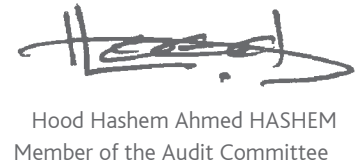
Ahmet OCAK  
 Budget and Financial Reporting Senior Manager



Hamad Abdulla A. EQAB  
 Chairman of the Audit Committee



Mitat AKTAŞ  
 Member of the Audit Committee



Hood Hashem Ahmed HASHEM  
 Member of the Audit Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname/Title : Oya AKDOĞAN/Budget and Financial Reporting Vice Manager  
 Telephone : 00 90 216 666 02 35  
 Facsimile : 00 90 216 666 16 11

## Contents

### Section one

#### General information

I.	History of the Bank including its incorporation date, initial legal status and amendments to legal status	74
II.	Shareholding structure, shareholders having direct or indirect, joint or individual control over the management of the Bank and disclosures on related changes in the current year, if any	74
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	74
IV.	Information on the Bank's qualified shareholders	76
V.	Summary on the Bank's service activities and field of operations	76
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	76
VII.	The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the Bank and its subsidiaries	76

### Section two

#### The unconsolidated financial statements

I.	Balance sheet (Statement of financial position)	78
II.	Statement of off-balance sheet contingencies and commitments	80
III.	Statement of income	81
IV.	Statement of income and expense items accounted under shareholders' equity	82
V.	Statement of changes in shareholders' equity	83
VI.	Statement of cash flows	84
VII.	Statement of profit appropriation	88

### Section three

#### Accounting policies

I.	Explanations on basis of presentation	89
II.	Explanations on strategy of using financial instruments and foreign currency transactions	89
III.	Explanations on forward, option contracts and derivative instruments	90
IV.	Explanations on profit share income and expenses	90
V.	Explanations on fees, commission income and expenses	90
VI.	Explanations on financial assets	91
VII.	Explanations on impairment of financial assets	91
VIII.	Explanations on offsetting of financial instruments	92
IX.	Explanations on sale and repurchase agreements and lending of securities	92
X.	Explanations on assets held for sale and discontinued operations and liabilities related to these assets	92
XI.	Explanations on goodwill and other intangible assets	92
XII.	Explanations on tangible assets	93
XIII.	Explanations on leasing transactions	93
XIV.	Explanations on provisions and contingent liabilities	94
XV.	Explanations on liabilities regarding employee benefits	94
XVI.	Explanations on taxation	94
XVII.	Additional explanations on borrowings	95
XVIII.	Explanations on issued share certificates	95
XIX.	Explanations on acceptances and availed drafts	95
XX.	Explanations on government grants	95
XXI.	Explanations on segment reporting	95
XXII.	Explanations on other matters	95
XXIII.	Additional paragraph for convenience translation	95

## Section four

### Information on financial structure and risk management

I.	Explanations on the capital adequacy standard ratio	96
II.	Explanations on credit risk	99
III.	Explanations on market risk	106
IV.	Explanations on operational risk	108
V.	Explanations on currency risk	108
VI.	Explanations on position risk of equity securities in banking book	110
VII.	Explanations on liquidity risk	110
VIII.	Explanations on securitisation positions	112
IX.	Explanations on credit risk mitigation techniques	112
X.	Explanations on risk management objectives and policies	113
XI.	Explanations on presentation of financial assets and liabilities at fair values	115
XII.	Explanations regarding the activities carried out on behalf and account of other persons	116
XIII.	Explanations on business segments	117

## Section five

### Explanations and notes on the unconsolidated financial statements

I.	Explanations and notes related to assets	117
II.	Explanations and notes related to liabilities	131
III.	Explanations and notes related to off-balance sheet commitments	138
IV.	Explanations and notes related to the statement of income	140
V.	Explanations and notes related to the statements of changes in shareholders' equity	145
VI.	Explanations and notes related to the statement of cash flows	145
VII.	Explanations related to the risk group of the Bank	147
VIII.	Explanations related to domestic, foreign, off-shore branches or investments and foreign representative offices	148
IX.	Explanations related to subsequent events	148

## 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	148
----	--	-----

## Section seven

### Independent Auditors' report

I.	Explanations on independent auditors' report	148
II.	Other notes and explanations prepared by the independent auditors	148



Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

### Section one

#### General information

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

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

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

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

The Bank's head office is located in Istanbul and is operating through 136 (Prior period- 122) local branches and 1 (Prior period- 1) foreign branch and with 2.758 (Prior period- 2.601) staff as of December 31, 2012.

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

As of December 31, 2012, 54,06% of the Bank's shares are owned by Albaraka Banking Group located in Bahrain. 22,97% of the shares are publicly traded and quoted on the Istanbul Stock Exchange.

In the Extraordinary General Meeting dated June 19, 2012, it was decided to increase the paid-in capital from 539.000 TL to 900.000 TL and the share capital increase was registered by the Trade Registry Office on June 27, 2012 and announced on July 2, 2012. There has been no change in the shareholding structure after the share capital increase.

##### 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:

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

Title	Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage (%)
<b>Chairman of the Board of Directors (BOD)</b>	Adnan Ahmed Yusuf ABDULMALEK	Chairman of BOD	Master	(*) 0,0000
<b>Members of BOD</b>	Yalçın ÖNER	Vice Chairman of BOD	Master	0,0006
	İbrahim Fayez Humaid ALSHAMSI	Member of BOD	Bachelor	(*) 0,0000
	Osman AKYÜZ	Member of BOD	Bachelor	-
	Prof.Dr. Ekrem PAKDEMİRLİ	Member of BOD	Doctorate	(*) 0,0000
	Mitat AKTAŞ	Member of BOD	Master	(*) 0,0000
	Hamad Abdulla A. EQAB	Member of BOD	Bachelor	(*) 0,0000
	Fahad Abdullah A. ALRAJHI	Member of BOD	Bachelor	(*) 0,0000
	Hood Hashem Ahmed HASHEM	Member of BOD	Master	(*) 0,0000
	Khalifa Taha HAMOOD	Member of BOD	Bachelor	(*) 0,0000
<b>General Manager</b>	Fahrettin YAHŞİ	Member of BOD/General Manager	Master	-
<b>Assistant General Managers</b>	Mehmet Ali VERÇİN	Corporate Marketing, Commercial Marketing and Project Management	Bachelor	-
	Nihat BOZ	Legal Affairs	Bachelor	-
	Temel HAZIROĞLU	Human Resources, Training and Organization Department, Performance and Career Management.	Bachelor	0,0048
	Bülent TABAN	Corporate Loans, Commercial Loans and Retail Loans, Credit Management & Monitoring Department	Master	0,0342
	Turgut SİMİTÇİOĞLU	Risk Follow up, Administrative Affairs, Financial Affairs and Budget & Financial Reporting	Bachelor	-
	Melikşah UTKU	Software Development, IT Support, Project Management, Governance and Strategy of Information Technologies	Master	-
	Mahmut Esfa EMEK	Credit Operation, Foreign Affairs Operation, Banking Services and Payment System Operation	Bachelor	-
	Ayhan KESER	Financial Institutions, Fund Management, Retail Marketing	Bachelor	-
<b>Audit Committee</b>	Hamad Abdulla A. EQAB	Chairman of Audit Committee	Bachelor	(*) 0,0000
	Hood Hashem Ahmed HASHEM	Member of Audit Committee	Master	(*) 0,0000
	Mitat AKTAŞ	Member of Audit Committee	Master	(*) 0,0000
<b>Auditors</b>	Seyfettin YENİDÜNYA	Auditor	Bachelor	-
	Prof. Dr. Arif Ateş VURAN	Auditor	Doctorate	-
	Osman KARA	Auditor	Bachelor	-

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

Chairman and members of BOD, members of audit committee, general manager and assistant general managers own 0,0396% of the Bank's share capital (Prior period- 0,0396%).

Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

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

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

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

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

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

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

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

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

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

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

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

### VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards with respect to consolidation and Short Explanation About the Institutions Subject to Full or Proportional Consolidation and Institutions which are Deducted from Equity or not Included in These Three Methods:

In the accompanying financial statements, the Bank did not consolidate the financial statements of its subsidiary Bereket Varlık Kiralama A.Ş. and its associate Kredi Garanti Fonu A.Ş. considering the materiality principle and its insignificant influence over the associate, respectively.

### VII. The Existing or Potential, Actual or Legal Obstacles on Immediate Transfer of Equity or Reimbursement of Liabilities Between the Bank and Its Subsidiaries:

Immediate transfer of equity between the Bank and its subsidiaries is not an issue.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries. The Bank charges or pays cost of the services according to the service agreements between the Bank and its subsidiaries.

Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

### Section two

#### The unconsolidated financial statements

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

Albaraka Türk Katılım Bankası Anonim Şirketi  
**Balance Sheet (Statement of Financial Position)**

ASSETS	Notes (Section Five-I)	THOUSAND TURKISH LIRA					
		CURRENT PERIOD (31/12/2012)			PRIOR PERIOD (31/12/2011)		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>(1)</b>	<b>122.743</b>	<b>1.177.900</b>	<b>1.300.643</b>	<b>292.927</b>	<b>758.273</b>	<b>1.051.200</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net)</b>	<b>(2)</b>	<b>6.192</b>	<b>-</b>	<b>6.192</b>	<b>4.802</b>	<b>-</b>	<b>4.802</b>
2.1 Trading Financial Assets		6.192	-	6.192	4.802	-	4.802
2.1.1 Public Sector Debt Securities		-	-	-	-	-	-
2.1.2 Equity Securities		4.609	-	4.609	4.802	-	4.802
2.1.3 Derivative Financial Assets Held for Trading		-	-	-	-	-	-
2.1.4 Other Marketable Securities		1.583	-	1.583	-	-	-
2.2 Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Equity Securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
<b>III. BANKS</b>	<b>(3)</b>	<b>643.330</b>	<b>393.782</b>	<b>1.037.112</b>	<b>409.667</b>	<b>897.805</b>	<b>1.307.472</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>V. FINANCIAL ASSETS-AVAILABLE FOR SALE (net)</b>	<b>(4)</b>	<b>104.749</b>	<b>47.820</b>	<b>152.569</b>	<b>84.540</b>	<b>1.340</b>	<b>85.880</b>
5.1 Equity Securities		-	1.269	1,269	-	1,340	1,340
5.2 Public Sector Debt Securities		104,749	46,551	151,300	84,540	-	84,540
5.3 Other Marketable Securities		-	-	-	-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	<b>(5)</b>	<b>7.907.609</b>	<b>1.150.795</b>	<b>9.058.404</b>	<b>6.567.141</b>	<b>697.669</b>	<b>7.264.810</b>
6.1 Loans and Receivables		7.882.729	1.150.795	9.033.524	6.554.087	697.669	7.251.756
6.1.1 Loans to Risk Group of The Bank		34.262	-	34.262	187	-	187
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		7.848.467	1.150.795	8.999.262	6.553.900	697.669	7.251.569
6.2 Non performing loans		221.404	1.145	222.549	169.477	2.459	171.936
6.3 Specific Provisions (-)		196.524	1.145	197.669	156.423	2.459	158.882
<b>VII. INVESTMENTS HELD TO MATURITY (net)</b>	<b>(6)</b>	<b>356.879</b>	<b>8.936</b>	<b>365.815</b>	<b>411.785</b>	<b>19.077</b>	<b>430.862</b>
<b>VIII. INVESTMENTS IN ASSOCIATES (net)</b>	<b>(7)</b>	<b>4.211</b>	<b>-</b>	<b>4.211</b>	<b>3.000</b>	<b>-</b>	<b>3.000</b>
8.1 Accounted for under Equity Method		-	-	-	-	-	-
8.2 Unconsolidated Associates		4.211	-	4.211	3.000	-	3.000
8.2.1 Financial Associates		4.211	-	4.211	3.000	-	3.000
8.2.2 Non-Financial Associates		-	-	-	-	-	-
<b>IX. SUBSIDIARIES (net)</b>	<b>(8)</b>	<b>50</b>	<b>-</b>	<b>50</b>	<b>50</b>	<b>-</b>	<b>50</b>
9.1 Unconsolidated Financial Subsidiaries		50	-	50	50	-	50
9.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>X. JOINT VENTURES (net)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1 Accounted for under Equity Method		-	-	-	-	-	-
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial Joint Ventures		-	-	-	-	-	-
10.2.2 Non-Financial Joint Ventures		-	-	-	-	-	-
<b>XI. LEASE RECEIVABLES (net)</b>	<b>(10)</b>	<b>41.659</b>	<b>-</b>	<b>41.659</b>	<b>22.150</b>	<b>-</b>	<b>22.150</b>
11.1 Finance Lease Receivables		51.494	-	51.494	27.298	-	27.298
11.2 Operational Lease Receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned Income (-)		9.835	-	9.835	5.148	-	5.148
<b>XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Fair Value Hedge		-	-	-	-	-	-
12.2 Cash Flow Hedge		-	-	-	-	-	-
12.3 Hedge of Net Investment Risks in Foreign Operations		-	-	-	-	-	-
<b>XIII. TANGIBLE ASSETS (net)</b>	<b>(12)</b>	<b>292.493</b>	<b>1.844</b>	<b>294.337</b>	<b>229.071</b>	<b>2.078</b>	<b>231.149</b>
<b>XIV. INTANGIBLE ASSETS (net)</b>	<b>(13)</b>	<b>6.497</b>	<b>555</b>	<b>7.052</b>	<b>4.798</b>	<b>549</b>	<b>5.347</b>
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		6.497	555	7.052	4.798	549	5.347
<b>XV. INVESTMENT PROPERTY (net)</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI. TAX ASSET</b>	<b>(15)</b>	<b>10.400</b>	<b>-</b>	<b>10.400</b>	<b>9.865</b>	<b>-</b>	<b>9.865</b>
16.1 Current Tax Asset		2.482	-	2.482	1.262	-	1.262
16.2 Deferred Tax Asset		7.918	-	7.918	8.603	-	8.603
<b>XVII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net)</b>	<b>(16)</b>	<b>10.714</b>	<b>-</b>	<b>10.714</b>	<b>25.372</b>	<b>-</b>	<b>25.372</b>
17.1 Assets Held for Sale		10.714	-	10.714	25.372	-	25.372
17.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>XVIII. OTHER ASSETS</b>	<b>(17)</b>	<b>37.859</b>	<b>637</b>	<b>38.496</b>	<b>18.276</b>	<b>650</b>	<b>18.926</b>
<b>TOTAL ASSETS</b>		<b>9.545.385</b>	<b>2.782.269</b>	<b>12.327.654</b>	<b>8.083.444</b>	<b>2.377.441</b>	<b>10.460.885</b>

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

Albaraka Türk Katılım Bankası Anonim Şirketi  
Balance Sheet (Statement of Financial Position)

LIABILITIES	Notes (Section Five-II)	THOUSAND TURKISH LIRA					
		CURRENT PERIOD (31/12/2012)			PRIOR PERIOD (31/12/2011)		
		TL	FC	Total	TL	FC	Total
<b>I. FUNDS COLLECTED</b>	<b>(1)</b>	<b>5.535.572</b>	<b>3.689.446</b>	<b>9.225.018</b>	<b>4.797.751</b>	<b>3.246.996</b>	<b>8.044.747</b>
1.1 Funds from Risk Group of The Bank		65.574	165.908	231.482	242.951	109.056	352.007
1.2 Other		5.469.998	3.523.538	8.993.536	4.554.800	3.137.940	7.692.740
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(2)</b>	-	-	-	-	-	-
<b>III. FUNDS BORROWED</b>	<b>(3)</b>	-	<b>1.393.830</b>	<b>1.393.830</b>	-	<b>1.053.290</b>	<b>1.053.290</b>
<b>IV. BORROWINGS FROM MONEY MARKETS</b>		-	-	-	-	-	-
<b>V. SECURITIES ISSUED (net)</b>		-	-	-	-	-	-
<b>VI. MISCELLANEOUS PAYABLES</b>		<b>304.153</b>	<b>12.245</b>	<b>316.398</b>	<b>169.276</b>	<b>7.726</b>	<b>177.002</b>
<b>VII. OTHER LIABILITIES</b>	<b>(4)</b>	-	-	-	-	-	-
<b>VIII. LEASE PAYABLES (net)</b>	<b>(5)</b>	-	-	-	-	-	-
8.1 Finance Lease Payables		-	-	-	-	-	-
8.2 Operational Lease Payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	<b>(6)</b>	-	-	-	-	-	-
9.1 Fair Value Hedge		-	-	-	-	-	-
9.2 Cash Flow Hedge		-	-	-	-	-	-
9.3 Net Foreign Investment Hedge		-	-	-	-	-	-
<b>X. PROVISIONS</b>	<b>(7)</b>	<b>111.101</b>	<b>24.717</b>	<b>135.818</b>	<b>104.193</b>	<b>42.000</b>	<b>146.193</b>
10.1 General Provisions		81.488	21.612	103.100	61.164	11.774	72.938
10.2 Restructuring Reserves		-	-	-	-	-	-
10.3 Reserve for Employee Benefits		19.245	-	19.245	14.307	-	14.307
10.4 Insurance Technical Reserves (net)		-	-	-	-	-	-
10.5 Other Provisions		10.368	3.105	13.473	28.722	30.226	58.948
<b>XI. TAX LIABILITY</b>	<b>(8)</b>	<b>38.256</b>	<b>1</b>	<b>38.257</b>	<b>35.401</b>	<b>1</b>	<b>35.402</b>
11.1 Current Tax Liability		38.256	1	38.257	35.401	1	35.402
11.2 Deferred Tax Liability		-	-	-	-	-	-
<b>XII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net)</b>	<b>(9)</b>	-	-	-	-	-	-
12.1 Assets Held for Sale		-	-	-	-	-	-
12.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>XIII. SUBORDINATED LOANS</b>	<b>(10)</b>	-	-	-	-	-	-
<b>XIV. SHAREHOLDERS' EQUITY</b>	<b>(11)</b>	<b>1.218.406</b>	<b>(73)</b>	<b>1.218.333</b>	<b>1.004.251</b>	<b>-</b>	<b>1.004.251</b>
14.1 Paid-In Capital		900.000	-	900.000	539.000	-	539.000
14.2 Capital Reserves		56.760	(73)	56.687	35.330	-	35.330
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Marketable Securities Valuation Reserve		1.266	(73)	1.193	(1.438)	-	(1.438)
14.2.4 Revaluation Reserve on Tangible Assets		55.522	-	55.522	36.874	-	36.874
14.2.5 Revaluation Reserve on Intangible Assets		-	-	-	(42)	-	(42)
14.2.6 Investment Property Revaluation Reserve		-	-	-	-	-	-
14.2.7 Bonus Shares From Associates, Subsidiaries and Jointly Controlled Entities		-	-	-	-	-	-
14.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
14.2.9 Accumulated Valuation Differences on Assets Held For Sale and Assets of Discontinued Operations		-	-	-	-	-	-
14.2.10 Other Capital Reserves		(28)	-	(28)	(64)	-	(64)
14.3 Profit Reserves		68.920	-	68.920	269.051	-	269.051
14.3.1 Legal Reserves		49.966	-	49.966	39.160	-	39.160
14.3.2 Status Reserves		-	-	-	-	-	-
14.3.3 Extraordinary Reserves		18.954	-	18.954	229.891	-	229.891
14.3.4 Other Profit Reserves		-	-	-	-	-	-
14.4 Profit or Loss		192.726	-	192.726	160.870	-	160.870
14.4.1 Prior Years Profit/(Loss)		891	-	891	715	-	715
14.4.2 Current Year Profit/(Loss)		191.835	-	191.835	160.155	-	160.155
14.5 Minority Interest		-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>		<b>7.207.488</b>	<b>5.120.166</b>	<b>12.327.654</b>	<b>6.110.872</b>	<b>4.350.013</b>	<b>10.460.885</b>

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

## Albaraka Türk Katılım Bankası Anonim Şirketi

### Statement of Off-Balance Sheet Commitments

		THOUSAND TURKISH LIRA					
		CURRENT PERIOD (31/12/2012)			PRIOR PERIOD (31/12/2011)		
		TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>						
	<b>I. GUARANTEES AND SURETIES</b>						
1.1.	Letters of Guarantees	2.852.364	1.682.435	4.534.799	2.676.710	1.857.501	4.534.211
1.1.1.	Guarantees Subject to State Tender Law	149.051	15.888	164.939	150.781	60.412	211.193
1.1.2.	Guarantees Given for Foreign Trade Operations	20	795.286	795.306	-	847.504	847.504
1.1.3.	Other Letters of Guarantee	2.703.293	871.261	3.574.554	2.525.929	949.585	3.475.514
1.2.	Bank Loans	-	15.490	15.490	-	43.986	43.986
1.2.1.	Import Letter of Acceptances	-	15.490	15.490	-	43.986	43.986
1.2.2.	Other Bank Acceptances	-	-	-	-	-	-
1.3.	Letter of Credits	6.296	471.537	477.833	-	506.178	506.178
1.3.1.	Documentary Letter of Credits	-	-	-	-	-	-
1.3.2.	Other Letter of Credits	6.296	471.537	477.833	-	506.178	506.178
1.4.	Prefinancing Given as Guarantee	-	-	-	-	-	-
1.5.	Endorsements	-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey	-	-	-	-	-	-
1.5.2.	Other Endorsements	-	-	-	-	-	-
1.6.	Other Guarantees	-	168.039	168.039	225	83.488	83.713
1.7.	Other Collaterals	811	16.309	17.120	9.000	21.026	30.026
	<b>II. COMMITMENTS</b>						
2.1.	Irrevocable Commitments	878.470	263.675	1.142.145	386.011	1.568	387.579
2.1.1.	Forward Asset Purchase Commitments	265.158	263.575	528.733	-	-	-
2.1.2.	Share Capital Commitment to Associates and Subsidiaries	-	-	-	1.000	-	1.000
2.1.3.	Loan Granting Commitments	39.577	-	39.577	18.278	-	18.278
2.1.4.	Securities Underwriting Commitments	-	-	-	-	-	-
2.1.5.	Commitments for Reserve Deposit Requirements	-	-	-	-	-	-
2.1.6.	Payment Commitment for Checks	263.656	-	263.656	190.160	-	190.160
2.1.7.	Tax And Fund Liabilities from Export Commitments	1.043	-	1.043	576	-	576
2.1.8.	Commitments for Credit Card Expenditure Limits	306.032	-	306.032	173.723	-	173.723
2.1.9.	Commitments for Promotions Related with Credit Cards and Banking Activities	323	-	323	45	-	45
2.1.10.	Receivables From Short Sale Commitments	-	-	-	-	-	-
2.1.11.	Payables for Short Sale Commitments	-	-	-	-	-	-
2.1.12.	Other Irrevocable Commitments	2.681	100	2.781	2.229	1.568	3.797
2.2.	Revocable Commitments	-	-	-	-	-	-
2.2.1.	Revocable Loan Granting Commitments	-	-	-	-	-	-
2.2.2.	Other Revocable Commitments	-	-	-	-	-	-
	<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>						
3.1.	Derivative Financial Instruments for Hedging Purposes	-	-	-	-	-	-
3.1.1.	Fair Value Hedge	-	-	-	-	-	-
3.1.2.	Cash Flow Hedge	-	-	-	-	-	-
3.1.3.	Hedge of Net Investment in Foreign Operations	-	-	-	-	-	-
3.2.	Held for Trading Transactions	-	-	-	-	-	-
3.2.1.	Forward Foreign Currency Buy/Sell Transactions	-	-	-	-	-	-
3.2.1.1.	Forward Foreign Currency Transactions-Buy	-	-	-	-	-	-
3.2.1.2.	Forward Foreign Currency Transactions-Sell	-	-	-	-	-	-
3.2.2.	Other Forward Buy/Sell Transactions	-	-	-	-	-	-
3.3.	Other	-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>	<b>18.914.892</b>	<b>2.365.084</b>	<b>21.279.976</b>	<b>14.444.231</b>	<b>1.853.449</b>	<b>16.297.680</b>
	<b>IV. ITEMS HELD IN CUSTODY</b>	<b>1.313.127</b>	<b>662.365</b>	<b>1.975.492</b>	<b>1.130.822</b>	<b>659.393</b>	<b>1.790.215</b>
4.1.	Assets Under Management	-	-	-	-	-	-
4.2.	Investment Securities Held in Custody	72	-	72	-	-	-
4.3.	Checks Received for Collection	626.896	51.715	678.611	397.679	42.873	440.552
4.4.	Commercial Notes Received for Collection	230.109	19.014	249.123	245.203	9.456	254.659
4.5.	Other Assets Received for Collection	105	-	105	105	-	105
4.6.	Assets Received for Public Offering	-	-	-	-	-	-
4.7.	Other Items Under Custody	-	253.338	253.338	72	262.032	262.104
4.8.	Custodians	455.945	338.298	794.243	487.763	345.032	832.795
<b>V.</b>	<b>PLEDGED ITEMS</b>	<b>17.601.765</b>	<b>1.702.719</b>	<b>19.304.484</b>	<b>13.313.409</b>	<b>1.194.056</b>	<b>14.507.465</b>
5.1.	Marketable Securities	444.122	193.889	638.011	231.595	35.609	267.204
5.2.	Guarantee Notes	1.225.294	163.687	1.388.981	976.112	156.319	1.132.431
5.3.	Commodity	485.124	242.477	727.601	427.087	251.412	678.499
5.4.	Warranty	-	-	-	-	-	-
5.5.	Properties	14.424.663	706.303	15.130.966	11.244.768	502.327	11.747.095
5.6.	Other Pledged Items	995.139	376.727	1.371.866	413.604	221.105	634.709
5.7.	Pledged Items-Depository	27.423	19.636	47.059	20.243	27.284	47.527
	<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>	<b>22.652.833</b>	<b>4.982.569</b>	<b>27.635.402</b>	<b>17.516.177</b>	<b>4.367.196</b>	<b>21.883.373</b>

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



Albaraka Türk Katılım Bankası Anonim Şirketi  
Statement of Income

INCOME AND EXPENSE ITEMS	Notes (Section Five-IV)	THOUSAND TURKISH LIRA	
		CURRENT PERIOD (01/01/2012-31/12/2012)	PRIOR PERIOD (01/01/2011-31/12/2011)
<b>I. PROFIT SHARE INCOME</b>	<b>(1)</b>	<b>996.828</b>	<b>769.727</b>
1.1 Profit Share on Loans		966.404	718.310
1.2 Income Received from Reserve Deposits		-	-
1.3 Income Received from Banks		1.712	593
1.4 Income Received from Money Market Placements		-	-
1.5 Income Received from Marketable Securities Portfolio		24.801	48.545
1.5.1 Held-For-Trading Financial Assets		-	-
1.5.2 Financial Assets at Fair Value Through Profit and Loss		-	-
1.5.3 Available-For-Sale Financial Assets		6.126	7.207
1.5.4 Investments Held to Maturity		18.675	41.338
1.6 Finance Lease Income		3.896	2.265
1.7 Other Profit Share Income		15	14
<b>II. PROFIT SHARE EXPENSE</b>	<b>(2)</b>	<b>510.930</b>	<b>384.079</b>
2.1 Expense on Profit Sharing Accounts		479.892	359.921
2.2 Profit Share Expense on Funds Borrowed		30.549	18.370
2.3 Profit Share Expense on Money Market Borrowings		489	5.788
2.4 Profit Share Expense on Securities Issued		-	-
2.5 Other Profit Share Expense		-	-
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>485.898</b>	<b>385.648</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>113.353</b>	<b>90.332</b>
4.1 Fees and Commissions Received		135.585	110.625
4.1.1 Non-Cash Loans		77.846	59.740
4.1.2 Other	<b>(12)</b>	57.739	50.885
4.2 Fees and Commissions Paid		22.232	20.293
4.2.1 Non-Cash Loans		423	424
4.2.2 Other	<b>(12)</b>	21.809	19.869
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>788</b>	<b>-</b>
<b>VI. TRADING INCOME/LOSS(net)</b>	<b>(4)</b>	<b>20.397</b>	<b>21.224</b>
6.1 Capital Market Transaction Income/(Loss)		(175)	346
6.2 Income/(Loss) from Derivative Financial Instruments		-	-
6.3 Foreign Exchange Income/(Loss)		20.572	20.878
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>85.122</b>	<b>55.460</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>705.558</b>	<b>552.664</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>122.412</b>	<b>106.341</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>341.921</b>	<b>244.160</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>241.225</b>	<b>202.163</b>
<b>XII. EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIII. INCOME/(LOSS) ON EQUITY METHOD</b>		-	-
<b>XIV. INCOME/(LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>(8)</b>	<b>241.225</b>	<b>202.163</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>(49.390)</b>	<b>(42.008)</b>
16.1 Provision for Current Taxes		(54.181)	(44.263)
16.2 Provision for Deferred Taxes		4.791	2.255
<b>XVII. NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>(10)</b>	<b>191.835</b>	<b>160.155</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Income from Assets Held For Sale		-	-
18.2 Income from Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
18.3 Income from Other Discontinued Operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Loss from Assets Held for Sale		-	-
19.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-
19.3 Loss from Other Discontinued Operations		-	-
<b>XX. INCOME/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		-	-
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
21.1 Provision for Current Taxes		-	-
21.2 Provision for Deferred Taxes		-	-
<b>XXII. NET INCOME/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII. NET INCOME/LOSS (XVII+XXII)</b>	<b>(11)</b>	<b>191.835</b>	<b>160.155</b>
23.1 Group's Income/Loss		191.835	160.155
23.2 Minority Interest		-	-
Earnings Per Share (Full TL)		0,213	0,178

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

Albaraka Türk Katılım Bankası Anonim Şirketi  
**Statement of Income and Expense Items Accounted Under  
 Shareholders' Equity**

		THOUSAND TURKISH LIRA	
		CURRENT PERIOD (01/01/2012- 31/12/2012)	PRIOR PERIOD (01/01/2011- 31/12/2011)
<b>STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>			
I.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS	3.289	(4.753)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	24.090	11.400
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	354	(382)
V.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-	-
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-	-
VII.	THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	(10)	-
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY IN ACCORDANCE WITH TAS	-	-
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(5.476)	(1.329)
X.	<b>TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)</b>	<b>22.247</b>	<b>4.936</b>
XI.	<b>PROFIT/LOSS</b>	<b>191.835</b>	<b>160.155</b>
11.1	Net change in Fair Value of Marketable Securities (Recycled To Profit/Loss)	-	-
11.2	Part - of Derivatives Designated for Cash Flow Hedge Purposes reclassified and presented in Income Statement	-	-
11.3	Part of Hedge of Net Investments in Foreign Operations reclassified and presented in Income Statement	-	-
11.4	Other	191.835	160.155
XII.	<b>TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)</b>	<b>214.082</b>	<b>165.091</b>

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

Albaraka Türk Katılım Bankası Anonim Şirketi  
Statement of Cash Flows

		THOUSAND TURKISH LIRA		
STATEMENT OF CASH FLOWS		Notes	CURRENT PERIOD (01/01/2012- 31/12/2012)	PRIOR PERIOD (01/01/2011- 31/12/2011)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>				
<b>1.1</b>	<b>Operating Profit Before Changes In Operating Assets And Liabilities</b>		<b>479.835</b>	<b>326.132</b>
1.1.1	Profit Share Income Received		944.634	705.931
1.1.2	Profit Share Expense Paid		(508.708)	(368.685)
1.1.3	Dividend Received		788	-
1.1.4	Fees and Commissions Received		224.593	138.702
1.1.5	Other Income		76.196	43.395
1.1.6	Collections from Previously Written Off Loans	(V-I-5,h2)	27.639	30.960
1.1.7	Payments to Personnel and Service Suppliers		(200.912)	(141.882)
1.1.8	Taxes Paid		(69.531)	(19.042)
1.1.9	Others	(V-VI-3)	(14.864)	(63.247)
<b>1.2</b>	<b>Changes in operating assets and liabilities</b>		<b>(1.189.835)</b>	<b>(313.501)</b>
1.2.1	Net (Increase) Decrease in Available For Sale Financial Assets		(1.390)	(240)
1.2.2	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		-	-
1.2.3	Net (Increase) Decrease in Due From Banks and Other Financial Institutions		(447.756)	(221.744)
1.2.4	Net (Increase) Decrease in Loans		(1.981.802)	(876.994)
1.2.5	Net (Increase) Decrease in Other Assets		44.036	(65.124)
1.2.6	Net Increase (Decrease) in Funds Collected From Banks		-	-
1.2.7	Net Increase (Decrease) in Other Funds Collected		1.165.138	860.521
1.2.8	Net Increase (Decrease) in Funds Borrowed		-	-
1.2.9	Net Increase (Decrease) in Payables		-	-
1.2.10	Net Increase (Decrease) in Other Liabilities	(V-VI-3)	31.939	(9.920)
<b>I.</b>	<b>Net Cash Flow From Banking Operations</b>		<b>(710.000)</b>	<b>12.631</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>II.</b>	<b>Net cash flow from investing activities</b>		<b>(29.805)</b>	<b>(95.260)</b>
2.1	Cash Paid for Acquisition of Jointly Controlled Operations, Associates and Subsidiaries		(1.211)	(1.000)
2.2	Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries		-	-
2.3	Fixed Assets Purchases	(V-I12,13,16)	(60.872)	(72.138)
2.4	Fixed Assets Sales		12.356	17.698
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		(113.299)	(30.000)
2.6	Cash Obtained from Sale of Financial Assets Available for Sale		50.000	-
2.7	Cash Paid for Purchase of Investment Securities	(V-I-6.4)	(300.000)	(50.000)
2.8	Cash Obtained from Sale of Investment Securities	(V-I-6.4)	383.221	40.180
2.9	Other		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>III.</b>	<b>Net cash flow from financing activities</b>		<b>333.893</b>	<b>653.315</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued		936.239	1.038.612
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(602.346)	(371.822)
3.3	Capital Increase		-	-
3.4	Dividends Paid		-	(13.475)
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	(V-VI-3)	<b>2.065</b>	<b>52.392</b>
<b>V.</b>	<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>		<b>(403.847)</b>	<b>623.078</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	(V-VI-i)	<b>1.765.991</b>	<b>1.142.913</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	(V-VI-ii)	<b>1.362.144</b>	<b>1.765.991</b>

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

Albaraka Türk Katılım Bankası Anonim Şirketi  
**Statement of Changes in Shareholders' Equity**

CHANGES IN SHAREHOLDERS' EQUITY	Notes (Section Five)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Status Reserves
<b>PRIOR PERIOD (01/01/2011 - 31/12/2011)</b>							
<b>I. Beginning balance</b>	<b>(V)</b>	<b>539.000</b>	-	-	-	<b>32.441</b>	-
Changes In Period							
Increase/Decrease Related to							
<b>II.</b>	Merger	-	-	-	-	-	-
<b>III.</b>	Marketable Securities Valuation Differences	-	-	-	-	-	-
<b>IV.</b>	Hedging Funds (Effective Portion)	-	-	-	-	-	-
4.1	Cash-Flow Hedge	-	-	-	-	-	-
4.2	Hedge Of Net Investment in Foreign Operations	-	-	-	-	-	-
<b>V.</b>	Tangible Assets Revaluation Differences	-	-	-	-	-	-
<b>VI.</b>	Intangible Assets Revaluation Differences	-	-	-	-	-	-
<b>VII.</b>	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations	-	-	-	-	-	-
<b>VIII.</b>	Foreign Exchange Differences	-	-	-	-	-	-
<b>IX.</b>	Changes Related to the Disposal of Assets	-	-	-	-	-	-
<b>X.</b>	Changes Related to the Reclassification of Assets	-	-	-	-	-	-
<b>XI.</b>	The Effect of Change in Associate's Equity	-	-	-	-	-	-
<b>XII.</b>	Capital Increase	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-
12.2	Internal Sources	-	-	-	-	-	-
<b>XIII.</b>	Share Issue Premium	-	-	-	-	-	-
<b>XIV.</b>	Share Cancellation Profits	-	-	-	-	-	-
<b>XV.</b>	Inflation Adjustment to Paid-in Capital	-	-	-	-	-	-
<b>XVI.</b>	Other	-	-	-	-	-	-
<b>XVII.</b>	Period Net Income/(Loss)	-	-	-	-	-	-
<b>XVIII.</b>	Profit Distribution	-	-	-	-	6.719	-
18.1	Dividends Distributed	-	-	-	-	-	-
18.2	Transfers To Reserves	-	-	-	-	6.719	-
18.3	Other	-	-	-	-	-	-
<b>Closing Balance (I+II+III+...+XVI+XVII+XVIII)</b>		<b>539.000</b>	-	-	-	<b>39.160</b>	-

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

Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Years Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Investments	Hedging Reserves	Accumulated Valuation Differences on Assets Held For Sale and Disc.op.	Total Equity
115.706	-	134.044	335	2.364	28.745	-	-	-	852.635
-	-	-	-	-	-	-	-	-	-
-	-	-	-	(4.753)	-	-	-	-	(4.753)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	11.400	-	-	-	11.400
-	-	-	-	-	-	-	-	-	-
-	(382)	-	-	-	-	-	-	-	(382)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	715	951	(2.995)	-	-	-	(1.329)
-	-	160.155	-	-	-	-	-	-	160.155
114.185	-	(134.044)	(335)	-	-	-	-	-	(13.475)
-	-	-	(13.475)	-	-	-	-	-	(13.475)
114.185	-	-	(120.904)	-	-	-	-	-	-
-	-	(134.044)	134.044	-	-	-	-	-	-
229.891	(382)	160.155	715	(1.438)	37.150	-	-	-	1.004.251

Albaraka Türk Katılım Bankası Anonim Şirketi  
**Statement of Changes in Shareholders' Equity**

CHANGES IN SHAREHOLDERS' EQUITY	Notes (Section Five)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Status Reserves
<b>CURRENT PERIOD (01/01/2012 - 31/12/2012)</b>							
<b>I. Beginning balance</b>	<b>(V)</b>	<b>539.000</b>	-	-	-	<b>39.160</b>	-
Changes In Period							
Increase/Decrease Related to							
<b>II.</b>	Merger	-	-	-	-	-	-
<b>III.</b>	Marketable Securities Valuation Differences	-	-	-	-	-	-
<b>IV.</b>	Hedging Funds (Effective Portion)	-	-	-	-	-	-
4.1	Cash-Flow Hedge	-	-	-	-	-	-
4.2	Hedge Of Net Investment in Foreign Operations	-	-	-	-	-	-
<b>V.</b>	Tangible Assets Revaluation Differences	-	-	-	-	-	-
<b>VI.</b>	Intangible Assets Revaluation Differences	-	-	-	-	-	-
<b>VII.</b>	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations	-	-	-	-	-	-
<b>VIII.</b>	Foreign Exchange Differences	-	-	-	-	-	-
<b>IX.</b>	Changes Related to the Disposal Of Assets	-	-	-	-	-	-
<b>X.</b>	Changes Related to the Reclassification of Assets	-	-	-	-	-	-
<b>XI.</b>	The Effect of Change in Associate's Equity	-	-	-	-	-	-
<b>XII.</b>	Capital Increase	361.000	-	-	-	(61)	-
12.1	Cash	-	-	-	-	-	-
12.2	Internal Sources	361.000	-	-	-	(61)	-
<b>XIII.</b>	Share Issue Premium	-	-	-	-	-	-
<b>XIV.</b>	Share Cancellation Profits	-	-	-	-	-	-
<b>XV.</b>	Inflation Adjustment to Paid-in Capital	-	-	-	-	-	-
<b>XVI.</b>	Other	-	-	-	-	2.824	-
<b>XVII.</b>	Period Net Income/(Loss)	-	-	-	-	-	-
<b>XVIII.</b>	Profit Distribution	-	-	-	-	8.043	-
18.1	Dividends Distributed	-	-	-	-	-	-
18.2	Transfers To Reserves	-	-	-	-	8.043	-
18.3	Other	-	-	-	-	-	-
<b>Closing Balance (I+II+III+... +XVI+XVII+XVIII)</b>		<b>900.000</b>	-	-	-	<b>49.966</b>	-

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

Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Years Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Investments	Hedging Reserves	Accumulated Valuation Differences on Assets Held For Sale and Disc.op.	Total Equity
229.891	(382)	160.155	715	(1.438)	37.150	-	-	-	1.004.251
-	-	-	-	-	-	-	-	-	-
-	-	-	-	3.289	-	-	-	-	3.289
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	24.090	-	-	-	24.090
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	354	-	-	-	-	-	-	-	354
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(360.939)	-	-	-	-	-	-	-	-	-
(360.939)	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(2.824)	-	-	890	(658)	(5.718)	-	-	-	(5.486)
-	-	191.835	-	-	-	-	-	-	191.835
152.826	-	(160.155)	(714)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
152.826	-	-	(160.869)	-	-	-	-	-	-
-	-	(160.155)	160.155	-	-	-	-	-	-
18.954	(28)	191.835	891	1.193	55.522	-	-	-	1.218.333



## Albaraka Türk Katılım Bankası Anonim Şirketi

### Statement of Profit Appropriation

STATEMENT OF PROFIT APPROPRIATION	THOUSAND TURKISH LIRA	
	CURRENT PERIOD (*) (31/12/2012)	PRIOR PERIOD (31/12/2011)
<b>I. Distribution of current year income</b>		
1.1. Current year income (****)	242.116	202.878
1.2. Taxes and duties payable (-)	49.390	42.008
1.2.1. Corporate tax (Income tax)	54.181	44.263
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and legal liabilities (**)	(4.791)	(2.255)
<b>A. Net income for the year (1.1-1.2)</b>	<b>192.726</b>	<b>160.870</b>
1.3. Prior year losses (-)	-	-
1.4. First legal reserves (-)	-	8.043
1.5. Other statutory reserves (-)	-	-
<b>B. Distributable net period income [(A-(1.3+1.4+1.5))] (*)</b>	<b>192.726</b>	<b>152.827</b>
1.6. First dividend to shareholders (-)	-	-
1.6.1. To owners of ordinary shares	-	-
1.6.2. To owners of preferred shares	-	-
1.6.3. To owners of preferred shares (Preemptive rights)	-	-
1.6.4. To Profit sharing bonds	-	-
1.6.5. To owners of the profit/loss sharing certificates	-	-
1.7. Dividend to personnel (-)	-	-
1.8. Dividend to board of directors (-)	-	-
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of preferred shares	-	-
1.9.3. To owners of preferred shares (Preemptive rights)	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To owners of the profit/loss sharing Certificates	-	-
1.10. Second legal reserve (-)	-	-
1.11. Status reserves (-)	-	-
1.12. Extraordinary reserves	-	152.827
1.13. Other reserves	-	-
1.14. Special funds	-	-
<b>II. Distribution from reserves</b>		
2.1. Distributed reserves	-	-
2.2. Second legal reserves (-)	-	-
2.3. Share to shareholders (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of preferred shares	-	-
2.3.3. To owners of preferred shares (Preemptive rights)	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To owners of the profit/loss sharing certificates	-	-
2.4. Share to personnel (-)	-	-
2.5. Share to board of directors (-)	-	-
<b>III. Earnings per share</b>		
3.1. To owners of ordinary shares (***) (Full TL)	0,214	0,298
3.2. To owners of ordinary shares (%)	21,4	29,8
3.3. To owners of preferred shares	-	-
3.4. To owners of preferred shares (%)	-	-
<b>IV. Dividend per share</b>		
4.1. To owners of ordinary shares (Full TL)	-	-
4.2. To owners of ordinary shares (%)	-	-
4.3. To owners of preferred shares	-	-
4.3. To owners of preferred shares (%)	-	-

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

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

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

(\*\*\*\*) Current year income includes previous years profit and current year profit.

Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

### Section three

#### Accounting policies

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

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

The Bank prepares its unconsolidated financial statements and the related explanations and notes in accordance with the Communiqué "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published by the Banking Regulatory and Supervisory Agency (BRSA) per Article 37 of "Accounting and Reporting Rules" of the Turkish Banking Law No 5411, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and the related statements and guidances thereon, other communiqués, pronouncements and explanations about accounting and financial reporting issued by BRSA.

##### b. Accounting policies and valuation principles applied in the preparation of unconsolidated financial statements:

Accounting policies and valuation methods used in the preparation of financial statements have been applied as specified in the related communiqués, pronouncements and regulations of TAS and BRSA. The accounting policies adopted in the preparation of the current year-end financial statements are consistent with those adopted in the preparation of the financial statements as of December 31, 2011. TAS/ TFRS changes (IAS 12 "Income Taxes: Recovery of Underlying Assets (Amendment)", IFRS 7 "Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amendment)") do not have an effect on the Bank's accounting policies, financial position or performance. The accounting policies and valuation principles used in the preparation of unconsolidated financial statements are explained in Notes II and XXII below.

"Communiqué related to Changes in Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated January 23, 2011 and numbered 27824 has set out the financial statement formats for the banks which selected to early adopt TFRS 9 "Financial Instruments" before January 1, 2013. Since the Bank has not chosen to early adopt TFRS 9, the accompanying financial statements have been prepared in accordance with the financial statements in the appendix of "Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337.

The amendments of TAS and TFRS, which have been issued as of the reporting date, are not expected to have a material impact on the accounting policies, financial condition and performance of the Bank, except for TFRS 9 "Financial Instruments". The Bank assesses the impact of TFRS 9 "Financial Instruments".

The unconsolidated financial statements are prepared in accordance with the historical cost basis except for the trading financial assets, securities available for sale and immovables which are reflected at fair values.

The preparation of the unconsolidated financial statements according to TAS requires the Bank's management to make estimates and assumptions related to assets and liabilities in the balance sheet and contingent issues as of the balance sheet date. Such estimates and assumptions include the fair value calculations of the financial instruments, impairment of the financial assets and revaluation of immovables and reviewed periodically and when adjustments are considered necessary they are reflected in the financial statements. The assumptions and estimates used are explained in the related notes.

##### c. Restatement of the financial statements according to the current purchasing power of money:

The BRSA explained with its decision numbered 1623 and dated April 21, 2005 and its circular dated April 28, 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied in the accompanying financial statements starting from January 1, 2005.

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

The Bank creates its strategies on financial instruments considering its sources of financing. The main financing sources consist of current and profit sharing accounts. Other than current and profit sharing accounts, the Bank's most important funding sources are its equity and borrowings from foreign financial institutions. The Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

The Bank's transactions in foreign currencies are accounted in accordance with the TAS 21 "Accounting Standard on the Effect of Changes in Foreign Currency Rates", and converted with the exchange rate ruling at the transaction date into Turkish Lira. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange rates ruling at the balance sheet date announced by the Bank. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

The portion of risk belonging to the profit sharing accounts for foreign currency non-performing loans which were funded from these accounts is evaluated at current foreign exchange rates. The portion of provisions provided for such loans belonging to profit sharing accounts are also evaluated at current foreign exchange rates.

Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

Since the Bank provides full specific provision for the Bank's portion of risk of foreign currency non-performing loans and receivables funded from profit sharing accounts and for the risk of foreign currency non-performing loans and receivables funded by equity, such loans and receivables are translated to Turkish Lira at the current exchange rates instead of exchange rates prevailing at the date of transfer of the balances to non-performing portfolio. Such implementation does not have a positive or negative impact on trading income/loss of the Bank.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial assets into Turkish Lira are included in the income statement.

The balance sheet items of the foreign branch of the Bank included in the financial statements are translated into Turkish lira at the exchange rate ruling at the balance sheet date announced by the Bank. Income statement items are translated into Turkish lira by exchange rate ruling at the transaction date and all exchange differences arising from translation are accounted in other capital reserves under equity according to TAS 21.

Precious metals (gold) accounted under assets and liabilities which do not have fixed maturity are translated into Turkish lira by using the buying rate of gold at the balance sheet date announced by the Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Bank.

### III. Explanations on forward, option contracts and derivative instruments:

The fair values of forward foreign currency purchase-sale transactions are calculated by using discounted cash flow model. Unrealized gains or losses are reflected in 'Gains (Losses) from Derivative Financial Instruments' account in the income statement.

The Bank has no forward and option contracts.

The Bank does not have any derivative financial instruments.

Embedded derivatives are separated from the host contract and accounted for as a derivative under TAS 39 if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. When the host contract and embedded derivative are closely related, embedded derivatives are not separated from the host contract and are accounted according to the standard applied to the host contract.

### IV. Explanations on profit share income and expenses:

#### *Profit share income*

Profit share income is accounted in accordance with TAS 39 "Financial Instruments: Recognition and Measurement" by using internal rate of return method that equalizes the future cash flows of the financial instrument to the net present value. Profit share income is recognized on accrual basis.

Revenues regarding the profit and loss sharing investment projects are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, the Bank retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, inflow of economic benefits associated with the transaction is probable and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans", the profit share accruals of non-performing loans and other receivables are reversed and are recorded as profit share income when collected.

#### *Profit share expense*

The Bank records profit share expenses paid to profit sharing accounts on accrual basis. The profit share expense accrual calculated in accordance with the unit value method on profit sharing accounts has been included under the account 'Funds Collected' in the balance sheet.

### V. Explanations on fees and commission income and expenses:

Other than commission income and fees and expenses for various banking services that are reflected as income/expense when collected/paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction.

In accordance with provisions of TAS, the portion of the commission and fees which are related to the reporting period and collected in advance for cash and non-cash loans granted is reflected to the income statement by using the internal rate of return method and straight line methods, respectively over the commission period of the related loan, respectively. Fees and commissions collected in advance which are related to the future periods are recorded under the account 'Deferred Revenues' and included in 'Miscellaneous Payables' in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share from Loans" in the income statement.

Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

In the correspondence of BRSA dated June 8, 2012 and numbered B.02.1.BDK.0.13.00.0-91.11-12061, it has been stated that there is no objection to recording the commissions received from long term non-cash loans collected in quarterly periods or periods less than a quarter directly as income. Consequently, the Bank records the related non-cash loans commissions directly as income.

### VI. Explanations on financial assets:

The Bank categorizes its financial assets as 'Financial Assets at Fair Value through Profit and Loss', 'Financial Assets Available for Sale', 'Loans and Receivables' or 'Financial Assets Held to Maturity'. Sale and purchase transactions of the financial assets mentioned above are recognized at the settlement dates. The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management taking into consideration the purpose of the investment.

**Financial assets at fair value through profit or loss;** This category has two sub categories: "Trading financial assets" and "Financial assets at fair value through profit and loss".

Trading financial assets are financial assets which are either acquired for generating profit from short-term fluctuations in prices or dealers' margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists.

Financial assets classified in this group are initially recognized at cost which reflects their fair values and are subsequently measured at fair value in the financial statements. All gains and losses arising from these valuations are reflected in the income statement.

The Bank has classified share certificates in its portfolio as trading financial assets and presented them at fair value in the accompanying financial statements.

As of December 31, 2012, the Bank has no financial assets classified as financial assets at fair value through profit or loss except for trading financial assets.

### Financial assets available for sale:

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. After the initial recognition, available for sale securities are measured at fair value and the unrealized gains or losses resulting from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Valuation Reserve" under equity. In case of a disposal of available for sale financial assets, value increases/decreases which have been recorded in the marketable securities valuation reserve under the equity is transferred to income statement. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

### Loans and receivables:

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

Loans and receivables are carried initially at cost including the transaction costs which reflects their fair value; and subsequently recognized at the amortized cost value using the internal rate of return method in accordance with TAS 39 "Financial Assets: Recognition and Measurement". Fees, transaction costs and other similar costs in connection with the collaterals of loans and receivables are paid by the customers and accordingly not included in expense items in the income statement.

Cash loans are accounted in related accounts as specified by the Communiqué "Uniform Chart of Accounts and Explanations".

### Held to maturity financial assets:

Held to maturity financial assets are financial assets that are not classified under 'Loans and receivables' with fixed maturities and fixed or determinable payments where management has the intent and ability to hold until maturity. Held to maturity financial assets are initially recognized at cost including the transaction costs which reflects their fair value, and subsequently carried at amortized cost using the internal rate of return method. Profit share income from held to maturity financial assets is reflected in the income statement.

### VII. Explanations on impairment of financial assets:

At each balance sheet date, the Bank evaluates the carrying amounts of its financial assets or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related amount of impairment.

A financial asset or a group of financial assets incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event (loss events) subsequent to initial recognition of that asset or group of assets; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Any amount attributable to expected losses arising from any future events is not recognized under any circumstances.

If there is objective evidence that the loans granted might not be collected, general and specific provisions for such loans are expensed as 'Provision for Loan Losses and Other Receivables' in accordance with the Communiqué of "Principles and Procedures for the Determination

Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans". Subsequent recoveries of amounts previously written off or provisions provided in prior periods are included in "Other Operating Income" in the income statement. The profit sharing accounts' portion of general and specific provisions for loans and other receivables originated from profit sharing accounts is reflected to the profit sharing accounts.

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present value which is calculated by discounting the projected cash flows in the future with the original profit share rate and the net book value; provision is provided for impairment and the provision is associated with the expense accounts.

If there is objective evidence indicating that the fair value of a financial asset available for sale, for which decreases in the fair value has been accounted in the equity, has been impaired then the total loss which was accounted directly under the equity is deducted from equity and transferred to the income statement.

If there is objective evidence indicating that an unquoted equity instrument which is not carried at fair value because its fair value cannot be reliably measured is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed.

### VIII. Explanations on offsetting of financial instruments:

Financial instruments are offset when the Bank has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously.

There are no such offset of financial assets and liabilities.

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

Securities subject to repurchase agreement are classified as "at fair value through profit or loss", "available-for-sale" and "held-to-maturity" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under "Borrowings from Money Markets" in liabilities and the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under "Profit Share Expense on Money Market Borrowings" in the income statement.

The Bank has no securities lending transactions.

### X. Explanations on assets held for sale and discontinued operations and liabilities related to these assets:

Assets held for sale (or disposal group) are measured at the lower of the carrying amount of assets and fair value less any cost to be incurred for disposal. In order to classify an asset as held for sale, the possibility of sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan designed by an appropriate level of management regarding the sale of the asset to be disposed of together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset shall be actively marketed in conformity with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan.

The Bank has assets that are possessed due to receivables and debtors' obligations to the Bank and classified as assets held for sale. In the case that the Bank has not disposed of such assets within a year of receipt or failed to produce a solid plan for sale of the assets, they are reclassified as fixed assets and are amortized.

A discontinued operation is a part of the Bank's business which has been disposed of or classified as held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Bank has no discontinued operations.

### XI. Explanations on goodwill and other intangible assets:

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Intangible Assets". As of the balance sheet date, there is no goodwill in the financial statements of the Bank. The Bank's intangible assets consist of softwares and intangible rights.

The costs of the intangible assets purchased before December 31, 2004 have been restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. Intangible assets purchased after this date have been recorded at their historical costs. Intangible assets are amortised by the Bank over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Bank's software have been determined as 3 to 4 years and other intangible assets' useful lives have been determined as 15 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 "Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

### XII. Explanations on tangible assets:

The cost of the tangible assets purchased before December 31, 2004 have been restated by inflationary index from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets are recorded at cost less accumulated depreciation and provision for impairment, if any in compliance with the TAS 16 "Tangible Assets" in the financial statements.

As of March 31, 2009, the Bank has made a change in accounting policy and adopted revaluation model for immovables in accordance TAS 16 and reflected the results of appraisal reports prepared by an independent real estate appraiser firm to the financial statements. As of December 31, 2012 the Bank has revalued its immovables and reflected the results of appraisal reports prepared by an independent real estate appraiser firm using comparison of similar items method to the financial statements. The revaluation fund mentioned cannot be distributed as dividend to shareholders. Current period depreciation charge relating to the revaluation has been transferred to retained earnings from revaluation fund reserve in accordance with TAS 16.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates which are expected to have an impact in the current or subsequent periods.

Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated economic useful life of the assets. The annual rates used are as follows:

	%
Buildings	2
Motor vehicles	20 - 25
Furniture, fixture and office equipment	4 - 33
Safe-deposit boxes	2 - 20
Operational lease improvement costs (Leasehold improvements)	Leasing period-5 years

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period. In cases where the leasing period is not certain, the useful life is determined as 5 years. After January 1, 2010 in cases where leasing period is more than 5 years, the useful life is determined as 5 years.

If there is an indication for impairment, the Bank estimates the recoverable amount of the tangible asset in accordance with TAS 36 'Impairment of Assets' and if the recoverable amount is less than its carrying value, provides for an impairment loss.

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

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

### XIII. Explanations on leasing transactions:

#### Transactions as a lessee

Leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases and other leases are classified as operational leases.

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of the balances recorded in the balance sheet as asset and liability is the lower of fair value of the leased asset at the inception of the lease and the present value of the lease payments. Finance charges arising from lease contracts are expensed in the related periods taking into consideration the internal rate of return over the period of the lease.

Assets acquired under finance lease contracts are depreciated over their useful lives and impairment provision is provided in case a decrease in recoverable amount has been determined.

The payments made under operational leases are charged to income statement on a straight line basis over the period of the lease.

#### Transactions as a lessor

The Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Bank presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

### XIV. Explanations on provisions and contingent liabilities:

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans and other receivables, are accounted in accordance with TAS 37: "Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized if; as of the balance sheet date there is a present legal or constructive obligation as a result of past events, it is probable that an outflow resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provision is booked for contingent liabilities originated as a result of past events in the period they arise if it is probable that the liability will be settled and a reliable estimate for the liability amount can be made.

### XV. Explanations on liabilities regarding employee benefits:

#### i) *Defined benefit plans:*

In accordance with existing social legislation, the Bank is required to make severance pay to each employee who has completed over one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The retirement pay provision recognized in the financial statements, is calculated in accordance with TAS 19 "Employee Benefits" by using the "projection method" and based upon factors derived using the Bank's experience with respect to completion of service period and eligibility to receive retirement pay and which is discounted by using the current market yield rate of government bonds at the balance sheet date.

The Bank's employees are not members of any pension fund, foundations, union or other similar entities.

#### ii) *Defined contribution plans:*

The Bank pays defined contribution plans to publicly administered Social Security Funds for its employees. The Bank has no further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

#### iii) *Short term benefits to employees:*

In accordance with TAS 19, vacation pay liabilities are classified as "Short Term Benefits to Employees" and accrued in the period they are earned and are not discounted.

### XVI. Explanations on taxation:

#### **Current tax:**

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

In accordance with the Corporate Tax Law no.5520 published in the Official Gazette no.26205 dated June 21, 2006, the corporation tax rate effective from January 1, 2006 is 20%.

Dividends paid to the resident institutions are not subject to withholding tax. Withholding tax rate on the dividend payments other than these is 15%. Appropriation of the retained earnings to capital is not considered as profit distribution and accordingly is not subject to withholding tax.

The prepaid taxes are calculated based on quarterly profits of the Bank using the corporate rate of 20% which must be announced by the 14th day and paid by the 17th day of the second month following the taxed period. The prepaid taxes can be deducted from the annual corporate tax calculated on the annual corporate income. The remaining prepaid tax, if any after deduction, can be refunded in cash or deducted from other financial liabilities to the government.

75% of the profits generated from the sale of properties and share certificates of which the Bank held possession for two years or more, are tax exempt if added to the capital or accounted under shareholders' equity as a special fund for 5 years according to the Corporate Tax Law.

Income generated by the transfer of properties, share certificates of subsidiaries, founders' shares, preferred shares and preemptive rights owned by corporations under legal follow-up together with their guarantors and mortgagers, which are transferred to banks due to their debts and used for winding up the debts is exempt from corporation tax. Additionally, 75% of the profit generated by sales of above mentioned instruments is also exempt from corporation tax.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In accordance with the last paragraph of the first article of the law dated February 11, 1986 and numbered 3259 "Law related to granting tax exemption to Islamic Development Bank" dividends paid to Islamic Development Bank is exempt from corporate tax. Therefore, dividend distributed to Islamic Development Bank as a shareholder of the Bank is exempt from corporate tax and income tax withholding.



Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns to their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings.

### Deferred tax:

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with TAS 12 "Turkish Accounting Standard for Income Taxes". Deferred tax asset is calculated on all temporary differences other than general loan loss provisions to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis.

Deferred tax liabilities are calculated for all of the temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

### Transfer pricing:

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Disguised Profit Distribution by way of Transfer Pricing". Detailed information for the practice regarding the subject is found in the "General Communiqué on Disguised Profit Distribution by way of Transfer Pricing".

According to the aforementioned regulation, in the case of making purchase or sales of goods or services with related persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not deductible in calculation of corporate tax.

### XVII. Additional explanations on borrowings:

The Bank records borrowings in accordance with TAS 39 'Financial Instruments: Recognition and Measurement'. Borrowings, except for funds collected, are recognized at amortized cost using the effective internal rate of return method in the following periods after the initial recognition. Derivative instruments are accounted with their fair values.

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

### XVIII. Explanations on issued share certificates:

With the decision of Extraordinary General Meeting dated June 19 2012, the Bank increased the paid-in capital from 539.000 TL to 900.000 TL through internal resources (without cash consideration).

### XIX. Explanations on acceptances and availed drafts:

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

### XX. Explanations on government grants:

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

### XXI. Explanations on segment reporting:

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

Segment reporting is disclosed in Section Four, Note XIII.

### XXII. Explanations on other matters:

None.

### XXIII. Additional paragraph for convenience translation:

The effects of differences between accounting principles and standards set out by regulations in conformity with Article 37 of the Banking Act No: 5411 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.



Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

### Section four

#### Information on financial structure and risk management

##### I. Explanations on capital adequacy standard ratio:

Capital adequacy ratio calculations are made in accordance with "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" (Regulation) published in the Official Gazette no.28337 dated June 28, 2012 starting from July 1, 2012. As of December 31, 2012, the Bank's unconsolidated capital adequacy ratio calculated in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" is 13,03%. In accordance with "Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" published in Official Gazette No.28337 dated June 28, 2012 the Bank has not re-calculated capital adequacy ratio of the previous period.

##### a) Risk measurement methods used in the calculation of capital adequacy standard ratio:

Capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", "Regulation on Credit Risk Mitigation Techniques" published in the Official Gazette no.28337 dated June 28, 2012 and the "Regulation on Equities of Banks" published in the Official Gazette no.26333 dated November 1, 2006.

In the calculation of capital adequacy ratio the Bank applies standard method for market risk, basic indicator method for operational risk and standard method for credit risk.

In the calculation of capital adequacy ratio, the data composed from accounting records prepared in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as "trading book" and "banking book" according to the Regulation.

The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortisation or impairment, are taken into account on a net basis after being reduced by the related amortisations and provisions.

In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**b) Information on capital adequacy standard ratio:** Thousand TL, %

	<b>Bank Only</b>							
	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>
<b>Value at Credit Risk</b>	<b>2.037.522</b>	<b>-</b>	<b>901.068</b>	<b>3.431.015</b>	<b>1.593.765</b>	<b>5.158.844</b>	<b>9.697</b>	<b>1.010</b>
<b>Risk Categories</b>								
Conditional and unconditional receivables from central governments or central banks	1.428.573	-	-	55.487	-	1.270	-	-
Conditional and unconditional receivables from regional or local governments	-	-	10.364	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.165	-	890.251	245.929	848	54.103	-	-
Conditional and unconditional receivables from corporates	333.901	-	-	-	-	4.796.615	-	-
Conditional and unconditional retail receivables	83.833	-	-	-	1.592.917	-	-	-
Conditional and unconditional receivables secured by mortgages on property	-	-	453	3.119.129	-	-	-	-
Past due receivables	-	-	-	10.470	-	12.992	697	-
Receivables defined in high risk category by BRSA	489	-	-	-	-	-	9.000	1.010
Securities collateralized by mortgages	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-
Other receivables	189.561	-	-	-	-	293.864	-	-

On the table, the collateralized credit amounts are included to risk weights based on related risk categories.

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**c) Summary information related to capital adequacy standard ratio:**

	<b>Current Period</b>
A Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	661.316
B Capital Requirement for Market Risk (MRCR)	5.234
C Capital Requirement for Operational Risk (ORCR)	66.816
Shareholders' Equity	1.194.026
Shareholders' Equity/((CRCR+MRCR+ORCR)*12.5)*100	13,03%

**d) Details of shareholders' equity accounts:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>CORE CAPITAL</b>		
Paid-in Capital	900.000	539.000
Nominal Capital	900.000	539.000
Capital Commitments (-)	-	-
Inflation Adjustments to Paid-in Capital	-	-
Share Premium	-	-
Share Cancellation Profits	-	-
Reserves	68.892	268.987
Inflation Adjustments to Reserves	-	-
Profit	192.726	160.870
Current Period Net Profit	191.835	160.155
Prior Years' Profits	891	715
Provision for possible losses up to 25% of the core capital	108	2.976
Income on Sale of Equity Shares and Real Estate Property	-	-
Primary Subordinated Debts	-	-
Loss in excess of Reserves (-)	-	-
Current Period Net Loss	-	-
Prior Years' Loss	-	-
Leasehold Improvements on Operational Leases(-)	29.409	17.516
Intangible Assets (-)	7.052	5.388
Deferred Tax Asset Exceeding 10% of the Core Capital (-)	-	-
Amount in excess as per the 3rd Paragraph of the Article 56 of the Banking Law(-)	-	-
<b>Total Core Capital</b>	<b>1.125.265</b>	<b>948.929</b>
	<b>Current Period</b>	<b>Prior Period</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General Loan Loss Reserves	44.750	34.096
45% of the Revaluation Reserve for Movable Fixed Assets	-	(10)
45% of the Revaluation Reserve for Properties	24.985	16.718
Bonus Shares of Investment in Associates, Subsidiaries and Joint Ventures	-	-
Primary Subordinated Loans Excluded in the Calculation of The Core Capital	-	-
Secondary Subordinated Loans	-	-
45% of Marketable Securities Value Increase Fund	537	(1.438)
Indexation Differences For Capital Reserves, Profit Reserves and Retained Earnings (Except Indexation Differences for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-
<b>Total Supplementary Capital</b>	<b>70.272</b>	<b>49.366</b>

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

<b>CAPITAL</b>	<b>1.195.537</b>	<b>998.295</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>1.511</b>	<b>513</b>
Shareholdings in Unconsolidated Banks and Financial Institutions (Domestic, Foreign) in which the Bank Owns Ten Percent or More of Capital	50	-
Shareholdings in Unconsolidated Banks and Financial Institutions (Domestic, Foreign) in which the Bank Owns Less than Ten Percent of Capital which Exceed the Ten Percent Of Bank's Core and Supplementary Capital	-	-
Secondary Subordinated Loans Granted to Banks and Financial Institutions (Domestic, Foreign) or Qualified Shareholders and Placements that Possess the Nature of their Primary or Secondary Subordinated Debt	-	-
Loans Granted Being Non-Compliant with the Articles 50 and 51 of the Banking Law	-	-
The Net Book Value of Properties Exceeding Fifty Percent of Equity and Properties Held for Sale and Properties and Commodity to be Disposed, Acquired In Exchange of Loans and Receivables According to the Article 57 of the Banking Law and Have Not Been Disposed Yet After 5 Years After Foreclosure	802	224
Securitization Positions to be Deducted from Equity	-	-
Other	659	289
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1.194.026</b>	<b>997.782</b>

**e) Approaches for assessment of adequacy of internal capital requirements for current and future activities:**

Charter on Internal Capital Adequacy Policy was prepared in order to define internal capital adequacy evaluation process and capital adequacy policy by the Bank and was approved by the Board of Directors on October 17, 2012. The ultimate aim of such internal capital adequacy policy is to maintain capital adequacy by defining the basic principles that regulate management and implementation of internal capital adequacy, apart from exceptional circumstances.

The Bank within the framework of BRSA regulations and also considering the best practices, ensures the management of internal capital adequacy, pursuant to the volume, qualification and complexity of its operations. The methodology for evaluation of internal capital adequacy is considered an ongoing process and the related future studies are planned in this way.

**II. Explanations on credit risk:**

(1) Credit risk represents the Bank's risk or losses arising from corporate and individual loan customers who have cash or non-cash credit relations with the Bank not fulfilling the terms of their agreements partially or in full. Limit assignment authority primarily belongs to the Board of Directors and based on the authority given by the Board of Directors, the risk limits of the Bank are determined by Head-office Loan Committee, Loan Committee and Board of Directors. Head-office Loan Committee may exercise such authority partially through units of the Bank or branches. Proposal for loans are presented in a written format to the Loan Committee and Board of Directors and are signed by the members of Loan Proposal Committee.

Regarding the credit risk, debtors or group of debtors is subject to risk limitations. Credit limits are determined separately for each individual customer, company, group of companies, and risk groups. While determining credit risk several criteria such as the customers' financial strength, commercial capacities, sectors, geographical areas and capital structure are evaluated collectively.

In accordance with the decision taken by the Board of Directors of the Bank, the Bank cannot grant loans above 15% of its equity to a real person or legal entity. (Exception to this decision is subject to the decision of the Board of Directors.) The Bank focuses to distribute the risk in different sectors evenly; accordingly the branches of the Bank are trying to reach companies from various sectors. In principle each branch tries to distribute overall risk in the branch evenly among sectors and development of the entities in critical sectors are observed.

The credibility of the debtors of loans and other receivables are monitored periodically in accordance with related legislation. The financial documents for loans are obtained, audited and updated as necessary as stipulated in the related legislation. Credit limits of customers are renewed periodically according to the Bank's credit limit renewal procedure. The Bank obtains necessary collaterals for loans and other receivables by analyzing the creditworthiness of corporate and individual loans according to its credit policy. Main collaterals obtained for credit risk are mortgage on real estate, cash blockage, pledges on vehicle and machinery.

Limits defined by the Board of Directors and Loan Committee for each bank are followed-up by Treasury Management on a daily basis for the transactions related with placements or treasury operations like foreign currency purchase and sales with domestic and foreign correspondent banks.

Loans which are past due up to 90 days as of period ends but not impaired are defined as "Past Due Receivables". "General provision" is set aside for these loans in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

Loans which are past due for more than 90 days as of period ends or assessed as impaired based on risk assessment made are defined as "Impaired Loans". "Specific provision" is set aside for these in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

The amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

<b>Risk Categories</b>	<b>Current Period Risk Amount(*)</b>	<b>Average Risk Amount (**)</b>
Conditional and unconditional receivables from central governments or central banks	1.485.330	1.206.023
Conditional and unconditional receivables from regional or local governments	10.364	6.329
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.192.296	1.246.635
Conditional and unconditional receivables from corporates	5.130.516	4.861.021
Conditional and unconditional retail receivables	1.676.750	1.478.025
Conditional and unconditional receivables secured by mortgages on property	3.119.582	3.299.414
Past due receivables	24.159	29.562
Receivables defined in high risk category by BRSA	10.499	4.726
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	-	-
Other receivables	483.425	411.409

(\*) Represents amounts, before risk mitigating factors, after risk conversion factors.

(\*\*) The average risk amount determined by arithmetical average of the values from monthly reports prepared from June 28 2012 (date of publication of "Regulation on Measurement and Assessment of Capital Adequacy of Banks") to end of period.

(2) The Bank does not have derivative financial instruments like options, forwards etc.

(3) Indemnified non-cash loans are subject to the same risk weight as overdue loans. Rescheduled or restructured loans are followed in accordance with the principles of credit risk management and follow-up principle of the Bank. Financial position and commercial operations of those customers are analyzed continuously and the principal and profit payments based on the restructured payment plan are monitored by the related departments.

The Bank considers that long-term commitments are exposed to more credit risk than short-term commitments, and matters such as defining risk limits and obtaining collateral for long-term risks are addressed more extensively as compared to short-term risks.

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

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

Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

(5) Share of cash receivables of the Bank from its top 100 and top 200 cash loan customers in total cash loans is 38% (Prior period - 37%) and 49% respectively.

Share of non- cash receivables of the Bank from its top 100 and top 200 non-cash loan customers in total non-cash loans is 45% (Prior period - 46%) and 58% respectively.

Share of cash and non-cash receivables of the Bank from its top 100 and top 200 loan customers in total of balance sheet and non-cash loans is 33% (Prior period - 33%) and 44% respectively.

(6) The Bank's general provision amount for its credit risk is TL 103.100 (Prior period - TL 72.938).

### (7) Profile on significant risks in significant regions:

	Risk Categories (*)							Total
	1	2	3	4	5	6	7	
<b>Current Period</b>								
Domestic	1.476.394	10.364	886.799	5.075.648	1.673.138	3.098.803	10.499	<b>12.231.645</b>
EU Countries	-	-	156.653	839	862	5.893	-	<b>164.247</b>
OECD countries (**)	-	-	2.905	-	-	-	-	<b>2.905</b>
Off-shore banking regions	-	-	944	994	-	2.627	-	<b>4.565</b>
USA, Canada	-	-	60.337	-	2	9.460	-	<b>69.799</b>
Other countries	8.936	-	84.658	53.035	2.748	2.799	-	<b>152.176</b>
Associates, subsidiaries and jointly controlled entities	-	-	-	-	-	-	-	-
Unallocated assets/liabilities	-	-	-	-	-	-	-	-
	<b>1.485.330</b>	<b>10.364</b>	<b>1.192.296</b>	<b>5.130.516</b>	<b>1.676.750</b>	<b>3.119.582</b>	<b>10.499</b>	<b>12.625.337</b>

(\*) Risk classifications in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" will be used.

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

1-Conditional and unconditional receivables from central governments or central banks

2-Conditional and unconditional receivables from regional or local governments

3-Conditional and unconditional receivables from banks and brokerage houses

4-Conditional and unconditional receivables from corporates

5-Conditional and unconditional retail receivables

6-Conditional and unconditional receivables secured by mortgages on property

7-Receivables defined in high risk category by BRSA

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**Risk Profile according to sectors and counterparties:**

	Sectors/Counterparties	Risk Categories				
		1	2	3	4	5
1	<b>Agriculture</b>	-	-	-	<b>113.629</b>	<b>35.592</b>
1.1	Farming and stockbreeding	-	-	-	82.830	28.913
1.2	Forestry	-	-	-	30.740	6.446
1.3	Fishery	-	-	-	59	233
2	<b>Manufacturing</b>	-	-	-	<b>2.349.204</b>	<b>614.503</b>
2.1	Mining	-	-	-	41.236	7.129
2.2	Production	-	-	-	2.010.556	570.884
2.3	Electricity, gas, water	-	-	-	297.412	36.490
3	<b>Construction</b>	-	-	-	<b>1.457.462</b>	<b>250.748</b>
4	<b>Services</b>	-	<b>10.364</b>	<b>1.192.296</b>	<b>863.270</b>	<b>344.257</b>
4.1	Wholesale and retail trade	-	6.939	-	369.364	128.807
4.2	Hotel, food and beverage services	-	-	-	14.759	16.470
4.3	Transportation and telecommunication	-	-	-	78.026	31.171
4.4	Financial institutions	-	-	1.192.296	190.717	18.683
4.5	Real estate and renting services	-	-	-	71.354	87.207
4.6	Self-employment services	-	3.425	-	91.983	29.558
4.7	Education services	-	-	-	6.829	4.218
4.8	Health and social services	-	-	-	40.238	28.143
5	<b>Other</b>	<b>1.485.330</b>	-	-	<b>346.951</b>	<b>431.650</b>
6	<b>Total</b>	<b>1.485.330</b>	<b>10.364</b>	<b>1.192.296</b>	<b>5.130.516</b>	<b>1.676.750</b>

1-Conditional and unconditional receivables from central governments or central banks

2-Conditional and unconditional receivables from regional or local governments

3-Conditional and unconditional receivables from banks and brokerage houses

4-Conditional and unconditional receivables from corporates

5-Conditional and unconditional retail receivables

6-Conditional and unconditional receivables secured by mortgages on property

7-Past due receivables

8-Receivables defined in high risk category by BRSA

9-Other Receivables

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

Risk Categories				TL	FC	Total
6	7	8	9			
<b>65.634</b>	<b>49</b>	-	-	<b>193.627</b>	<b>21.277</b>	<b>214.904</b>
55.373	2	-	-	146.708	20.410	167.118
10.091	47	-	-	46.555	769	47.324
170	-	-	-	364	98	462
<b>1.516.139</b>	<b>10.699</b>	-	-	<b>3.346.155</b>	<b>1.144.390</b>	<b>4.490.545</b>
22.380	12	-	-	64.809	5.948	70.757
1.410.305	9.167	-	-	3.045.280	955.632	4.000.912
83.454	1.520	-	-	236.066	182.810	418.876
<b>591.316</b>	<b>10.262</b>	-	-	<b>1.681.197</b>	<b>628.591</b>	<b>2.309.788</b>
<b>540.931</b>	<b>1.131</b>	-	-	<b>1.898.820</b>	<b>1.053.429</b>	<b>2.952.249</b>
249.184	1.054	-	-	638.394	116.954	755.348
13.468	52	-	-	13.511	31.238	44.749
41.606	5	-	-	79.073	71.735	150.808
80.050	-	-	-	725.352	756.394	1.481.746
82.483	-	-	-	195.217	45.827	241.044
38.897	20	-	-	145.621	18.262	163.883
5.142	-	-	-	16.126	63	16.189
30.101	-	-	-	85.526	12.956	98.482
<b>405.562</b>	<b>2.018</b>	<b>10.499</b>	<b>483.425</b>	<b>2.368.744</b>	<b>796.691</b>	<b>3.165.435</b>
<b>3.119.582</b>	<b>24.159</b>	<b>10.499</b>	<b>483.425</b>	<b>9.488.543</b>	<b>3.644.378</b>	<b>13.132.921</b>



Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**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 Conditional and unconditional receivables from central governments or central banks	961.448	61.944	-	35.908	426.030
2 Conditional and unconditional receivables from regional or local governments	727	1.258	1.925	4.083	2.371
3 Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
4 Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
5 Conditional and unconditional receivables from international organizations	-	-	-	-	-
6 Conditional and unconditional receivables from banks and brokerage houses	332.508	425.536	352.956	28.424	52.872
7 Conditional and unconditional receivables from corporates	739.149	602.535	864.421	1.190.164	1.734.247
8 Conditional and unconditional retail receivables	270.551	290.303	334.410	370.289	411.197
9 Conditional and unconditional receivables secured by mortgages on property	312.904	313.649	423.821	670.010	1.399.198
10 Past due receivables	-	-	-	-	-
11 Receivables defined in high risk category by BRSA	-	-	-	-	10.499
12 Securities collateralized by mortgages	-	-	-	-	-
13 Securitization positions	-	-	-	-	-
14 Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-
16 Other receivables	-	-	-	-	-
<b>GENERAL TOTAL</b>	<b>2.617.287</b>	<b>1.695.225</b>	<b>1.977.533</b>	<b>2.298.878</b>	<b>4.036.414</b>

(8) While determining risk weights of receivables from banks and receivables from central banks and central governments indicated in the sixth article of "Regulation on Measurement and Assessment of Capital Adequacy of Banks", rating grades obtained from rating agencies commissioned by customers are being used. Other receivables in the regulation are considered as unrated while calculating capital adequacy.

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratio of Banks" are presented below:

Risk Weights											Deductions from Shareholders' Equity
	0%	10%	20%	50%	75%	100%	150%	200%	250%		
1 Amount before credit risk mitigation	1.618.134	-	901.068	3.431.936	1.677.598	5.492.989	10.137	1.059	-	-	1.511
2 Amount after credit risk mitigation	2.037.522	-	901.068	3.431.015	1.593.765	5.158.844	9.697	1.010	-	-	1.511

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**(9)** Amounts of impaired loans and past due receivables, value adjustments and provisions, current period value adjustments and provisions according to sectors or counterparties individually:

Sectors/Counterparties	Loans			
	Impaired Loans	Past Due	Value Adjustments	Provisions
<b>1 Agriculture</b>	<b>6.451</b>	<b>2.242</b>	<b>36</b>	<b>6.319</b>
1.1 Farming and stockbreeding	2.677	1.706	26	2.571
1.2 Forestry	3.517	536	10	3.495
1.3 Fishery	257	-	-	253
<b>2 Manufacturing</b>	<b>68.958</b>	<b>91.567</b>	<b>1.481</b>	<b>57.695</b>
2.1 Mining	2.080	960	12	2.072
2.2 Production	63.226	90.545	1.468	53.455
2.3 Electricity, gas, water	3.652	62	1	2.168
<b>3 Construction</b>	<b>100.348</b>	<b>19.386</b>	<b>359</b>	<b>91.181</b>
<b>4 Services</b>	<b>30.120</b>	<b>32.819</b>	<b>564</b>	<b>26.239</b>
4.1 Wholesale and retail trade	14.486	13.889	219	11.679
4.2 Hotel, food and beverage services	97	645	10	81
4.3 Transportation and telecommunication	3.890	3.763	60	3.662
4.4 Financial institutions	227	263	5	227
4.5 Real estate and renting services	4.504	11.780	225	4.492
4.6 Self-employment services	6.466	992	16	5.648
4.7 Education services	7	238	4	7
4.8 Health and social services	443	1.249	25	443
<b>5 Other</b>	<b>16.672</b>	<b>121.417</b>	<b>2.131</b>	<b>16.235</b>
<b>6 Total</b>	<b>222.549</b>	<b>267.431</b>	<b>4.571</b>	<b>197.669</b>

**10) Information related to value adjustments and credit provisions:**

	Opening Balance	Provision made during the period	Reversal of Provisions	Other Adjustments (*)	Closing Balance
1 Specific Provisions	158.882	92.774 (**)	(49.390) (**)	(4.597)	197.669
2 General Provisions	72.938	30.689	(8)	(519)	103.100

(\*)Determined according to currency differences.

(\*\*) Related balance includes reversal of provisions regarding write-off's in the amount of TL 20.401.

(\*\*\*) Related balance includes reversal of provisions made within the same period in the amount of TL 8.389 .

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

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

	Current period	Prior period
Central Bank of the Republic of Turkey	1.126.363	813.885
Trading financial assets	1.583	-
Due from banks	1.037.112	1.307.472
Available-for-sale financial assets	151.300	84.540
Loans	9.058.404	7.264.810
Held to maturity investments	365.815	430.862
Finance lease receivables	41.659	22.150
Other assets	2.850	4.321
<b>Total balance sheet items subject to credit risk</b>	<b>11.785.086</b>	<b>9.928.040</b>
Contingent liabilities	5.213.281	5.198.114
Commitments	1.142.145	387.579
<b>Total off-balance sheet items subject to credit risk</b>	<b>6.355.426</b>	<b>5.585.693</b>
<b>Total credit risk exposure</b>	<b>18.140.512</b>	<b>15.513.733</b>

**Explanations on credit rating system:**

The Bank assesses the credit quality of customers through rating systems developed for the loan and finance lease customers. The principal criteria used in the such rating systems are the volume of transactions of the customer with the Bank, payment performance of the customer and income generated from the customer.

The table below presents the concentration information of the loans and finance lease receivables classified according to the rating systems:

	Current period	Prior period
Above average	18,59%	18,47%
Average	78,97%	77,25%
Below average	2,44%	4,28%

**III. Explanations on market risk:**

(1) The Bank measures its market risk exposures within the framework of "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in Official Gazette numbered 28337 dated June 28, 2012 by using standardized approach and allocates statutory capital accordingly. On the other hand, market risk is also calculated using internal model methods (VaR) and the results are validated by back test analysis. The VaR is calculated daily by using Variance, Covariance, EWMA, Monte Carlo and historical simulation methods and the results are reported to senior management.

The Board of Directors set the risk limits by taking into account the main risk factors and these limits are periodically revised in accordance with the market conditions and the Bank's strategies. Furthermore, the Board of Directors ensure that, the necessary measures are to be taken by risk management department and top level management in respect of defining, measuring, prioritizing, monitoring and managing the risks exposed by the Bank.

The riskiness of on and off balance sheet positions which will occur due to the market volatility is measured regularly. The information related to market risk taken into consideration in calculation of capital is stated below.

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**a) Information related to market risk:**

	<b>Amount</b>
(I) Capital requirement to be employed for general market risk - standard method	369
(II) Capital requirement to be employed for specific risk - standard method	369
Capital requirement against specific risks of securitisation positions- standard method	-
(III) Capital requirement to be employed for currency risk - standard method	4.496
(IV) Capital requirement to be employed for commodity risk - standard method	-
(V) Capital requirement to be employed for swap risk - standard method	-
(VI) Capital requirement to be employed for market risk of options - standard method	-
(VII) Capital requirement against counterparty credit risks - standard method	-
(VIII) Capital requirement to be employed for market risks of banks using risk measurement model	-
(IX) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI+VII)	5.234
(X) Amount subject to market risk (12,5 X VIII) or (12,5 x IX)	<b>65.425</b>

**b) Average Market Risk Table Concerning Market Risk Calculated as of Month Ends During the Period:**

	Current period			Prior period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	23	137	-	1.847	3.613	-
Share Certificates Risk	640	738	534	6.812	8.713	5.938
Currency Risk	6.086	8.231	4.496	50.064	76.375	35.300
Commodity Risk	-	-	-	-	-	-
Swap Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counterparty Credit Risk	-	-	-	-	-	-
<b>Total Value Subject to Risk</b>	<b>6.749</b>	<b>9.106</b>	<b>5.030</b>	<b>58.723</b>	<b>88.701</b>	<b>41.238</b>

**(2) Information on counterparty credit risk:**

There are no transactions that require calculation of counterparty credit risk.

**(3) Explanations on calculation of capital requirements through a risk measurement model which is permitted to be used by the authorities:**

None.

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**IV. Explanations on operational risk:**

a) Amount subject to operational risk is calculated with the help of basic indicator method according to article fourteen of "Regulation on Measurement and Assessment of Capital Adequacy of Banks". Annual gross profit calculated based on adding net fee and commission income, dividend income except for dividends from subsidiaries and associates, trading gain/loss(net) and other operational income to net profit share income; and deducting the profit/loss from selling assets except from trading accounts, extraordinary income, operating expense due to support services from a bank, main shareholder of the bank and compensations from insurance.

b) In case of using the basic indicator approach, the related information is as below:

	2 PP Value	1 PP Value	CP Value	Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	500.700	418.488	417.124	445.437	15	66.816
Amount subject to Operational Risk (Total*12,5)						835.195

**V. Explanations on currency risk:**

Foreign currency risk arises from the Bank's possible exposure to the changes in foreign currencies.

a) The Bank is exposed to currency risks as a market risk and tries to balance the currency risks by avoiding to keep any long or short positions. The currency risk of the Bank is monitored on a daily basis. Net foreign currency position/shareholders' equity ratio is also controlled on a daily basis. All foreign currency assets, liabilities and foreign currency forward transactions are taken into consideration while capital requirement to be employed for foreign currency risk is calculated. Standard Method used in legal reporting and amount subject to risk is calculated on a monthly basis.

b) The Bank does not have any derivative financial instruments held for hedging purposes.

c) As a result of the uncertainty and volatility in the markets, foreign currency position is kept at a balance, and accordingly, no currency risk is anticipated. The Bank takes necessary measures to keep the currency risk at a minimum level.

ç) Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Bank are as follows:

Full TL	USD	EUR
As of December 31, 2012 - Balance sheet evaluation rate	1,780	2,355
As of December 28, 2012	1,782	2,358
As of December 27, 2012	1,785	2,362
As of December 26, 2012	1,788	2,369
As of December 25, 2012	1,789	2,360
As of December 24, 2012	1,791	2,366

d) The simple arithmetical average of the major foreign exchange buying rates of the Bank for the thirty days before the balance sheet date is full TL 1,778 for 1 USD (December 2011 - full TL 1,858), full TL 2,332 for 1 EURO (December 2011 - full TL 2,447) and full TL 2,121 for 100 JPY (December 2011 - full TL 2,430).

**Foreign currency sensitivity:**

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

The following table details the Bank's sensitivity to a 10% change in the USD and EURO rates. A negative amount indicates a decrease effect in profit/loss or equity of the 10% value decrease/increase of USD and EUR against TL.

% change in foreign currency rate	Effect on profit/loss		Effect on equity	
	Current Period	Prior Period	Current Period	Prior Period
USD 10% increase	21.855	2.783	(28)	(382)
USD 10% decrease	(21.855)	(2.783)	28	382
EURO 10% increase	4.906	199	-	-
EURO 10% decrease	(4.906)	(199)	-	-

## Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

## Information on currency risk of the Bank:

Current Period	EUR	USD	Other FC (*)	Total
<b>Assets</b>				
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	410.423	566.233	201.244	1.177.900
Banks	99.689	189.414	104.679	393.782
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Available-for-sale financial assets	41	47.779	-	47.820
Loans and financial lease receivables(**)	1.102.193	2.676.139	-	3.778.332
Subsidiaries, associates and joint ventures	-	-	-	-
Held-to-maturity investments	-	8.936	-	8.936
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	1.844	1.844
Intangible assets	-	-	555	555
Other assets (***)	483	625	-	1.108
<b>Total assets</b>	<b>1.612.829</b>	<b>3.489.126</b>	<b>308.322</b>	<b>5.410.277</b>
<b>Liabilities</b>				
Current account and funds collected from banks via participation accounts	73.503	250.959	385	324.847
Other current and profit sharing accounts	935.738	2.143.901	284.960	3.364.599
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	547.404	846.426	-	1.393.830
Marketable securities issued	-	-	-	-
Miscellaneous payables	1.989	9.820	436	12.245
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	5.137	19.473	108	24.718
<b>Total liabilities</b>	<b>1.563.771</b>	<b>3.270.579</b>	<b>285.889</b>	<b>5.120.239</b>
<b>Net balance sheet position</b>	<b>49.058</b>	<b>218.547</b>	<b>22.433</b>	<b>290.038</b>
<b>Net off balance sheet position</b>	<b>658.975</b>	<b>1.663.526</b>	<b>31.309</b>	<b>2.353.810</b>
Derivative financial instruments assets	-	-	-	-
Derivative financial instruments liabilities	-	-	-	-
Non-cash loans (****)	658.975	1.663.526	31.309	2.353.810
<b>Prior Period</b>				
Total assets	1.407.285	2.645.611	335.590	4.388.486
Total liabilities	1.405.296	2.617.780	326.937	4.350.012
<b>Net balance sheet position</b>	<b>1.989</b>	<b>27.831</b>	<b>8.653</b>	<b>38.474</b>
<b>Net off balance sheet position</b>	<b>703.997</b>	<b>1.799.721</b>	<b>8.461</b>	<b>2.512.179</b>
Derivative financial instruments assets	-	-	-	-
Derivative financial instruments liabilities	-	-	-	-
Non-cash loans	703.997	1.799.721	8.461	2.512.179

(\*) TL 201.187 of the balance in Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey in other FC column represent precious metals, TL 80.701 of the balance in Banks in other FC column represent precious metals accounts with banks, TL 282.007 of the balance in Other current and profit sharing accounts in other FC column represent precious metals deposits accounts.

(\*\*) The balance includes foreign currency indexed loans and financial lease receivables of TL 2.627.537 (Prior period- TL 2.008.849).

(\*\*\*) Foreign currency indexed receivables from credit sale of assets (Current period- none, prior period- TL 2.068) and foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 471 (Prior period- TL 128) is included in other assets.

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

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**VI. Explanations on position risk of equity securities in banking book:**

The Bank does not have an associate and subsidiary quoted on Istanbul Stock Exchange.

**Realised gains/losses, revaluation surpluses and unrealised gains/losses on equity securities and results included in core and supplementary capitals:**

Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
		Total	Amount included in Supplementary Capital	Total	Amount included In Core Capital	Amount included in Supplementary Capital
1 Private Equity Investments	-	-	-	-	-	-
2 Quoted Shares	-	-	-	-	-	-
3 Other Shares	-	-	-	-	-	-
4 Total	-	-	-	-	-	-

**VII. Explanations on liquidity risk:**

In the banking sector, liquidity risk mainly arises from average maturity of sources being shorter than average maturity of utilizations. The Bank acts in a conservative manner in liquidity management and keeps necessary reserves to meet the liquidity requirements. The Bank utilizes some of its sources in short term foreign investments; receivables from loans are generally collected in monthly installments.

The Bank collects funds through profit/loss sharing accounts for which the profit share rate is not predetermined and repayment of principal is not guaranteed and share of profit/loss on projects funded from these accounts are allocated to such profit/loss sharing accounts. Accordingly, the Bank's assets and liabilities and profit share ratios are compatible.

The Bank covers TL and Foreign Currency (FC) liquidity needs mostly by the funds collected and also utilizes Syndicated Murabaha Loans and wakala borrowings from abroad. Moreover, the Bank takes care to keep the assets in short term liquid assets and prolong average maturity of the liabilities.

The Board of Directors of the Bank monitors both the BRSA liquidity ratios and certain other indicators defined in the liquidity contingency plan on a daily basis. The liquidity sources which will be utilized in case of a potential liquidity shortage are defined in the contingency plans.

As per the BRSA Communiqué "Measurement and Assessment of the Adequacy of Banks' Liquidity", starting from June 1, 2007 the weekly and monthly liquidity ratios for foreign currency assets/liabilities and total assets/liabilities should be minimum 80% and 100%, respectively. Liquidity ratios for the periods ending December 31, 2012 and December 31, 2011 are as follows:

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	239,38	242,35	167,72	180,48
Maximum (%)	345,05	295,33	238,14	213,75
Minimum (%)	117,02	194,66	104,38	155,78
Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	215,68	260,13	128,63	168,02
Maximum (%)	366,84	351,32	212,63	215,69
Minimum (%)	144,68	203,36	80,50	131,33

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**Presentation of assets and liabilities according to their remaining maturities:**

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated (*)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	390.189	910.454	-	-	-	-	-	1.300.643
Banks	1.037.112	-	-	-	-	-	-	1.037.112
Financial Assets at Fair Value Through Profit and Loss	6.192	-	-	-	-	-	-	6.192
Money Market Placements	-	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	1.269	-	1.230	36.771	67.019	46.280	-	152.569
Loans	4.723	1.110.022	1.196.996	3.425.424	3.172.979	165.039	-	9.075.183
Held-To-Maturity Investments	-	-	60.376	5.439	300.000	-	-	365.815
Other Assets	-	198	217	795	1.641	-	387.289	390.140
<b>Total Assets</b>	<b>1.439.485</b>	<b>2.020.674</b>	<b>1.258.819</b>	<b>3.468.429</b>	<b>3.541.639</b>	<b>211.319</b>	<b>387.289</b>	<b>12.327.654</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	73.137	117.711	77.323	51.028	-	-	-	319.199
Other current and profit sharing accounts	1.685.632	1.898.555	696.672	4.248.559	376.401	-	-	8.905.819
Funds provided from other financial institutions	-	430.744	128.176	834.910	-	-	-	1.393.830
Money Market Borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	155.753	10.787	-	-	-	149.858	316.398
Other liabilities	-	24.291	13.969	-	-	-	1.354.148	1.392.408
<b>Total Liabilities</b>	<b>1.758.769</b>	<b>2.627.054</b>	<b>926.927</b>	<b>5.134.497</b>	<b>376.401</b>	<b>-</b>	<b>1.504.006</b>	<b>12.327.654</b>
<b>Net Liquidity Gap</b>	<b>(319.284)</b>	<b>(606.380)</b>	<b>331.892</b>	<b>(1.666.068)</b>	<b>3.165.238</b>	<b>211.319</b>	<b>(1.116.717)</b>	<b>-</b>
<b>Prior period</b>								
Total Assets	1.871.497	1.278.022	1.324.605	2.861.438	2.697.715	125.166	302.442	10.460.885
Total Liabilities	1.852.343	2.323.464	913.271	3.774.717	344.287	-	1.252.803	10.460.885
<b>Net Liquidity Gap</b>	<b>19.154</b>	<b>(1.045.442)</b>	<b>411.334</b>	<b>(913.279)</b>	<b>2.353.428</b>	<b>125.166</b>	<b>(950.361)</b>	<b>-</b>

(\*) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans, are included here. The unallocated other liabilities row consists of equity, provisions and tax liabilities.



## Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**Analysis of financial liabilities based on the remaining contractual maturities:**

The table below is prepared taking into consideration undiscounted amounts of financial liabilities of the Bank and earliest dates required to be paid. The profit share expenses to be paid on funds collected calculated on the basis of account value per unit are included in the table below.

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Current period</b>							
Funds Collected	1.758.769	2.016.266	773.995	4.299.587	376.401	-	9.225.018
Funds Borrowed from Other Financial Institutions	-	438.472	123.889	843.800	-	-	1.406.161
Borrowings from Money Markets	-	-	-	-	-	-	-
<b>Total</b>	<b>1.758.769</b>	<b>2.454.738</b>	<b>897.884</b>	<b>5.143.387</b>	<b>376.401</b>	<b>-</b>	<b>10.631.179</b>
<b>Prior period</b>							
Funds Collected	1.852.343	2.017.722	788.669	3.041.726	344.287	-	8.044.747
Funds Borrowed from Other Financial Institutions	-	288.901	668.102	102.734	-	-	1.059.737
Borrowings from Money Markets	-	-	-	-	-	-	-
<b>Total</b>	<b>1.852.343</b>	<b>2.306.623</b>	<b>1.456.771</b>	<b>3.144.460</b>	<b>344.287</b>	<b>-</b>	<b>9.104.484</b>

**Breakdown of commitment and contingencies according to their remaining contractual maturities:**

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated	Total
<b>Current Period</b>								
Letters of guarantee (*)	2.096.771	199.543	294.033	1.176.899	730.658	36.895	-	4.534.799
Bank acceptances	15.490	-	-	-	-	-	-	15.490
Letters of credit	473.669	1.308	1.524	1.332	-	-	-	477.833
Other commitments and contingencies	-	185.159	-	-	-	-	-	185.159
<b>Total</b>	<b>2.585.930</b>	<b>386.010</b>	<b>295.557</b>	<b>1.178.231</b>	<b>730.658</b>	<b>36.895</b>	<b>-</b>	<b>5.213.281</b>
<b>Prior Period</b>								
Letters of guarantee (*)	2.166.745	293.894	257.191	1.084.813	671.525	60.043	-	4.534.211
Bank acceptances	43.986	-	-	-	-	-	-	43.986
Letters of credit	470.506	30.820	-	3.772	1.080	-	-	506.178
Other commitments and contingencies	-	113.739	-	-	-	-	-	113.739
<b>Total</b>	<b>2.681.237</b>	<b>438.453</b>	<b>257.191</b>	<b>1.088.585</b>	<b>672.605</b>	<b>60.043</b>	<b>-</b>	<b>5.198.114</b>

(\*) Remaining maturities presented for letters of guarantees represents the expiration periods. The correspondent of letters of guarantee has the right to demand the liquidation of the letter when the transaction stated at the letter is not realized.

**VIII. Securitisation Positions:**

None.

**IX. Credit risk mitigation techniques:**

On and off balance sheet offsetting agreements are not utilized.

Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

The risk mitigators that are used in credit process in compliance with Communiqué "The Risk Mitigation Techniques" which is published at June 28, 2012 are stated below:

a) Financial collaterals (Government securities, cash, deposit or participation fund pledge, gold, stock pledge)

b) Guarantees

The credibility of guarantors is monitored and evaluated within the framework of credit revision periods.

Collaterals obtained by the Bank are reviewed and appraised in accordance with related legislation as long as the credit relationship is outstanding.

The appraisal of the mortgages for loans exceeding TL 3.000 or 5% of Bank's shareholders' equity are being made by the firms authorized by BRSA or Capital Market Board.

The Bank monitors other banks' guarantees that are evaluated as risk mitigators within the framework of BRSA regulations on a regular basis and reviews the credibility of banks periodically.

The volatility in real estate market is monitored closely by the Bank and the market fluctuations are considered in credit activities.

### Collaterals in terms of Risk Categories:

The information related to amount and type of collaterals which are applied in the calculation of risk weighted amount of risk categories within the scope of the Communiqué on "The Risk Mitigation Techniques" is provided below.

Risk Categories	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	1.485.330	-	-	-
Conditional and unconditional receivables from regional or local governments	10.364	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.192.296	1.165	-	-
Conditional and unconditional receivables from corporates	5.130.516	333.901	-	53.609
Conditional and unconditional retail receivables	1.676.750	83.833	-	5.757
Conditional and unconditional receivables secured by mortgages on property	3.119.582	-	-	-
Past due receivables	24.159	-	-	-
Receivables defined in high risk category by BRSA	10.499	489	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	483.425	-	-	-

### X. Explanations on Risk Management Objectives and Policies:

The aim of the Bank's Risk management system is basically to ensure identification, measurement, monitoring and controlling of risks exposed, through establishment of policies, implementation procedure and limits for monitoring, controlling and in case of need changing the risk/return structure of future cash flows, and accordingly nature and level of operations.

Basically the Bank is exposed to market, liquidity, credit and strategic risk, reputation risk, and operational risk and determines risk policies, procedures to be implemented, and risk limits approved by Board of Directors for risks that can be quantified. The related limits are monitored, reported and maintained within the set limits by the units under Internal Systems and the related departments in the Bank. Risk Management Unit, organized within the frame of Risk Management regulations, undertakes activities for measuring, monitoring, controlling and reporting risks.

Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

### **Market Risk**

Market Risk reflects the possibility of loss due to fluctuations in the price of marketable securities regarding the position of the marketable securities included in the trading books of the Bank and the possibility of loss due to fluctuations in foreign exchange rates due to foreign exchange assets and liabilities included in balance sheet and off balance sheet.

Exchange rate risk or foreign currency risk included in market risk emerges when there are unexpected exchange rate movements in the foreign currency positions of the Bank included in its balance sheets. Security position risk is the negations in the Bank's revenues and thus shareholders' equity, cash flows, asset quality and finally in meeting the commitments arising from negative movements in security prices included in the Bank's trading accounts.

Within the framework of market risk, the Bank calculates foreign currency position risk, general market risk for security position risk and specific risks via standard method and reports to legal authorities. The Bank also measures the foreign currency position risk by various internal methods for testing purposes. The variations between daily predicted value at risk and actual values and back testing practices are used to determine the accuracy and performance of these tests. The potential durability of portfolio against unpredictable risks that can be exposed is measured by stress tests including stress scenarios.

The Bank continuously monitors the compliance of market risk with the limits determined by legal regulations. The Bank's strategy for the currency risk is keeping it at a balance and not having any short or long position.

### **Liquidity Risk**

The liquidity risk is defined as inability to keep sufficient level of cash to meet cash outflow needs arising from participation accounts that are due and other obligations as a result of cash flow imbalances.

Maturity mismatch, impairment of the asset quality, unpredictable source outflows, decrease in profit and economic crisis situations are the factors that might cause the occurrence of the liquidity risk.

For liquidity risk, cash flows are monitored daily and preventive and remedial precautions are taken to meet obligations on time and in the required manner.

Regarding liquidity risk, in order to meet liquidity needs arising from unpredictable movements in the markets, the Bank prefers to implement the policy of maintaining quality liquid assets in adequate proportion by considering previous liquidity experiences and minimum liquidity adequacy ratios set by legal regulations.

### **Credit Risk**

Credit risk represents the Bank's possibility of losses due to loan customers not fulfilling the terms of their agreements partially or in full. At the same time, this risk includes market value loss arising from the deterioration of the financial position of the counterparty. Within the scope of the definition of the credit risk used, on balance and off balance sheet portfolios are included.

In the Bank, credit allocation authority belongs to the Board of Directors. The Board of Directors takes necessary measures by establishing policies related to allocation and approval of loans, credit risk management policies and other administrative issues; by ensuring implementation and monitoring of these policies. The Board of Directors transferred its credit allocation authority to the Credit Committee and Head-office in line with the policies and procedures defined by the legal regulations. Head-office Credit Committee exercises the credit allocation authority through units of the Bank/regional offices and branches. The Bank grants credits on the basis of limits determined for each individual customer and group of customers separately and core banking system prevents customers' credit risks being in excess of their limits.

The Bank pays attention in order not to result in sectoral concentration that might affect credit portfolio in a negative way. Maximum effort is being made to prevent risks from concentrating on few customers. Credit risk is continuously monitored and reported by units under Internal Systems and other Risk Management divisions. By this way, harmonization of credit risk with credit risk management policy and application standards is maintained.

### **Operational Risk**

Operational risk is defined as the possibility of loss occurring due to insufficient or unsuccessful internal processes, persons and systems or external incidents. Although legal risk and compliance risk are included in this risk group, reputation risk and strategy risk (arising from misjudgments at wrong times) are excluded.

Operational risk is a risk type that exists in all functions of the Bank. It might arise from employee mistakes, an error caused by the system, transactions made based on inadequate or incorrect legal information, information flow failure among levels under Bank organization structure, ambiguity in limits of authorization, structural and/or operational changes, natural disasters, terror and fraud.

Operational risk is categorized under five groups according to its sources: employee risk, technological risks, organization risk, legal-compliance risk and external risks. The Bank takes necessary measures in order to keep operational risk at an acceptable level.

Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

### Other risks

Other risks the Bank is exposed to are strategic risk and reputation risk. The Bank's risk management system, in order to prevent and/or control strategic risks, is prepared against changes in economical, political and socio-political conditions, laws, legislation and similar regulations that could affect the Bank's operations, status and strategies significantly and observes these issues in contingency and business continuity plan implementations.

Reputation risk is defined as events and situations arising from all services, functions and relations of the Bank that would cause to lose confidence in the Bank and damage its image.

The Bank's risk management system in order to prevent and/or control reputation risk, switches on a proactive communication mechanism by giving priority to its customers whenever it is determined that the Bank's reputation or image is damaged. The system, ready for the worst case scenarios in advance, takes into account the level of the relationship between operational risks and reputation risk, its level and its effect.

### XI. Explanations on presentation of financial assets and liabilities at fair value:

#### a. Information on fair value of financial assets and liabilities :

The following table summarizes the carrying values and fair values of financial assets and liabilities. The carrying value represents the acquisition costs and accumulated profit share accruals of corresponding financial assets or liabilities.

The fair values of financial assets and liabilities are calculated based on the following principles:

The fair values of held-to-maturity investments are determined based on market prices.

The fair value of loans and receivables are determined by calculating the discounted cash flows using the current market profit share rates.

Carrying value of funds collected via special current accounts and participation accounts is assumed to approximate their fair value as they are valued at year-end unit values.

Carrying value of funds collected from financial institutions is assumed to approximate fair value as they are short term.

	Carrying value		Fair value	
	Current period	Prior period	Current period	Prior period
<b>Financial Assets</b>				
Money market placements	-	-	-	-
Banks	1.037.112	1.307.472	1.037.112	1.307.472
Financial assets at fair value through profit and loss	6.192	4.802	6.192	4.802
Financial assets available for sale	152.569	85.880	152.569	85.880
Held to maturity investments	365.815	430.862	372.497	430.270
Loans and financial lease receivables	9.100.063	7.286.960	9.321.770	7.141.219
<b>Financial Liabilities</b>				
Funds collected from banks via current accounts and profit sharing accounts	319.199	242.914	319.199	242.914
Other current and profit sharing accounts	8.905.819	7.801.833	8.905.819	7.801.833
Funds provided from other financial institutions	1.393.830	1.053.290	1.393.830	1.053.290
Marketable securities issued	-	-	-	-
Miscellaneous payables	316.398	177.002	316.398	177.002

#### b. Information on fair value measurement recognized in the financial statements:

IFRS 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:

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

<b>Current period</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	4.609	1.583	-	6.192
Public sector debt securities	-	-	-	-
Equity securities	4.609	-	-	4.609
Derivative financial assets held for trading	-	-	-	-
Other	-	1.583	-	1.583
Financial assets- available for sale	-	151.300	-	151.300
Equity securities	-	-	-	-
Public sector debt securities	-	151.300	-	151.300
Other marketable securities	-	-	-	-
<b>Financial liabilities</b>				
Derivative financial liabilities held for trading	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
<b>Prior period</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	4.802	-	-	4.802
Public sector debt securities	-	-	-	-
Equity securities	4.802	-	-	4.802
Derivative financial assets held for trading	-	-	-	-
Other	-	-	-	-
Financial assets- available for sale	-	84.540	-	84.540
Equity securities	-	-	-	-
Public sector debt securities	-	84.540	-	84.540
Other marketable securities	-	-	-	-
<b>Financial liabilities</b>				
Derivative financial liabilities held for trading	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-

**XII. Explanations regarding the activities carried out on behalf and account of other persons:**

The Bank does not perform purchases, sales and custody services on behalf of its customers. The Bank has no fiduciary transactions.

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**XIII. Explanations on business segments:**

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

Current Period	Commercial		Treasury	Undistributed	Total
	Retail	and Corporate			
<b>Total Assets</b>	1.037.855	8.059.144	830.393	2.400.262	12.327.654
<b>Total Liabilities</b>	6.128.377	3.933.215	305.105	1.960.957	12.327.654
Net profit share income/(expense)(*)(**)	(225.759)	662.749	48.353	555	485.898
Net fees and commissions income/(expense)	2.507	104.494	(4.993)	11.345	113.353
Other operating income/(expense)	119	(63.203)	1.301	(296.243)	(358.026)
Profit before tax	(223.133)	704.040	44.661	(284.343)	241.225
Provision for tax	-	-	-	(49.390)	(49.390)
<b>Net profit for the period</b>	<b>(223.133)</b>	<b>704.040</b>	<b>44.661</b>	<b>(333.733)</b>	<b>191.835</b>

Prior Period	Commercial		Treasury	Undistributed	Total
	Retail	and Corporate			
<b>Total Assets</b>	947.662	6.303.834	928.485	2.280.904	10.460.885
<b>Total Liabilities</b>	5.201.944	3.475.683	189.649	1.593.609	10.460.885
Net profit share income/(expense)(*)(**)	(182.777)	504.482	63.943	-	385.648
Net fees and commissions income/(expense)	931	85.435	(2.394)	6.360	90.332
Other operating income/(expense)	(3.190)	(39.051)	609	(232.185)	(273.817)
Profit before tax	(185.036)	550.866	62.158	(225.825)	202.163
Provision for tax	-	-	-	(42.008)	(42.008)
<b>Net profit for the period</b>	<b>(185.036)</b>	<b>550.866</b>	<b>62.158</b>	<b>(267.833)</b>	<b>160.155</b>

(\*) The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Bank.

(\*\*) Since the management uses net profit share income/(expense) as a performance measurement criteria, profit share income and expense is presented net.

**Section five****Explanations and notes on the unconsolidated financial statements****I. Explanations and notes related to assets:****1. a) Cash and balances with the Central Bank of Republic of Turkey (CBRT):**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/foreign currency	56.903	52.220	49.197	58.135
CBRT	65.840	1.060.523	243.730	570.155
Other (*)	-	65.157	-	129.983
<b>Total</b>	<b>122.743</b>	<b>1.177.900</b>	<b>292.927</b>	<b>758.273</b>

(\*) Includes precious metals amounting to TL 65.157 as of December 31, 2012 (Prior period- TL 129.983).

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**b) Information related to CBRT:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	65.840	150.069	243.730	107.457
Unrestricted time deposit	-	-	-	-
Restricted time deposit (*)	-	910.454	-	462.698
<b>Total</b>	<b>65.840</b>	<b>1.060.523</b>	<b>243.730</b>	<b>570.155</b>

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2005/1", banks operating in Turkey are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EURO and standard gold.

The reserve rates for TL liabilities vary between 5% and 11% for TL deposits and other liabilities according to their maturities as of 31 December 2012 (31 December 2011: for all TL liabilities between 5% and 11%). The reserve rates for foreign currency liabilities vary between 6% and 11,5% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2012 (31 December 2011: for all foreign currency liabilities between 6% and 11%).

(\*) As of December 31, 2012, the reserve requirement held in standard gold is TL 136.030 (December 31, 2011: TL 96.627).

**2. a) Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:**

There are no financial assets at fair value through profit and loss subject to repurchase transaction, given as collateral or blocked.

**b) Positive differences on trading derivative instruments table:**

The Bank does not have trading derivative instruments.

**3. a) Information on banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	643.330	147.538	409.667	662.939
Abroad	-	246.244	-	234.866
Foreign head offices and branches	-	-	-	-
<b>Total</b>	<b>643.330</b>	<b>393.782</b>	<b>409.667</b>	<b>897.805</b>

**b) Information on foreign bank accounts:**

	Current period		Prior period	
	Unrestricted amount	Restricted amount	Unrestricted amount	Restricted amount
European Union Countries	156.246	-	98.373	-
USA and Canada	45.590	-	71.705	-
OECD Countries (*)	3.103	-	4.511	-
Off-shore banking regions	411	-	5.463	-
Other	40.894	-	54.814	-
<b>Total</b>	<b>246.244</b>	<b>-</b>	<b>234.866</b>	<b>-</b>

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

**4. Information on financial assets available-for-sale:****a) Information on financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked:**

None (Prior period- None).

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**b) Information on financial assets available-for-sale:**

	Current Period	Prior Period
Debt securities	151.300	85.226
Quoted on a stock exchange(*)	151.300	85.226
Unquoted	-	-
Share certificates	1.269	1.340
Quoted on a stock exchange	-	-
Unquoted	1.269	1.340
Impairment provision (-)	-	686
<b>Total</b>	<b>152.569</b>	<b>85.880</b>

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

**5. Information on loans and receivables:****a) Information on all types of loans and advances given to shareholders and employees of the Bank:**

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	24.660	77.314	13.341	41.215
Corporate shareholders	23.175	77.314	11.914	41.215
Real person shareholders	1.485	-	1.427	-
Indirect loans granted to shareholders	34.094	10.305	118	38.037
Loans granted to employees	5.275	-	3.743	-
<b>Total</b>	<b>64.029</b>	<b>87.619</b>	<b>17.202</b>	<b>79.252</b>

**b) Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables:**

Cash loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Restructured or rescheduled		Loans and other receivables	Restructured or rescheduled	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Loans</b>	<b>8.759.628</b>	<b>28.868</b>	<b>-</b>	<b>273.896</b>	<b>86.353</b>	<b>14.650</b>
Export loans	157.116	-	-	159	159	-
Import loans	1.145.688	-	-	20.378	4.577	131
Business loans	4.941.934	28.868	-	200.283	61.923	13.126
Consumer loans	987.501	-	-	14.797	1.970	779
Credit cards	140.948	-	-	1.116	-	-
Loans given to financial sector	17.735	-	-	-	-	-
Other (*)	1.368.706	-	-	37.163	17.724	614
<b>Other receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>8.759.628</b>	<b>28.868</b>	<b>-</b>	<b>273.896</b>	<b>86.353</b>	<b>14.650</b>

(\*) Details of other loans are provided below:



## Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

Commercial loans with installments	610.413
Other investment credits	283.129
Loans given to abroad	206.523
Profit and loss sharing investments (**)	119.835
Loans for purchase of marketable securities for customer	180.027
Other	5.942
<b>Total</b>	<b>1.405.869</b>

(\*\*)The related balance represents 10 profit and loss sharing investment projects which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects is done within the framework of the signed contract between the Bank and the counterparty after the cost of the projects is clarified and net profit of projects is determined once the project/stages of the project are completed. In case the transaction subject to the profit and loss sharing investment project results in a loss, the Bank's share of loss is limited with the funds invested in the project by the Bank. In the current period the Bank recognized TL 17.632 (Prior Period - TL 6.996) income in the accompanying financial statements in relation to such loans.

	Extension of Repayment Plan	
	Standard loans and Other receivables	Loans and other receivables under close monitoring
1 or 2 times	28.868	86.353
3, 4 or 5 times	-	-
Over 5 times	-	-
Extension Periods	Standard loans and Other receivables	Loans and other receivables under close monitoring
0 - 6 months	28.868	7.261
6 - 12 months	-	22.197
1 - 2 years	-	23.805
2 - 5 year	-	33.090
5 years and over	-	-

*In accordance with the Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans" published in Official Gazette dated December 30, 2011 and numbered 28158, information related to the loans granted to real persons and legal entities resident in Libya and real persons and legal entities having operations in or for Libya:*

As of December 31, 2012, the Bank does not have any loan receivables arising from rescheduled loans within the scope of related Communiqué.

## c) Maturity analysis of cash loans:

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short term loans and other receivables	3.422.185	-	84.391	34.030
Loans	3.422.185	-	84.391	34.030
Other receivables	-	-	-	-
Medium and long-term loans and other receivables(*)	5.308.575	28.868	88.502	66.973
Loans	5.308.575	28.868	88.502	66.973
Other receivables	-	-	-	-
<b>Total</b>	<b>8.730.760</b>	<b>28.868</b>	<b>172.893</b>	<b>101.003</b>

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

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**ç) Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:**

	Short-term	Medium and long-term	Total
<b>Consumer loans-TL</b>	<b>9.357</b>	<b>989.731</b>	<b>999.088</b>
Housing loans	2.045	873.364	875.409
Vehicle loans	2.247	40.652	42.899
Consumer loans	2.071	1.826	3.897
Other	2.994	73.889	76.883
<b>Consumer loans-FC indexed</b>	<b>-</b>	<b>872</b>	<b>872</b>
Housing loans	-	675	675
Vehicle loans	-	5	5
Consumer loans	-	-	-
Other	-	192	192
<b>Consumer loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Retail credit cards-TL</b>	<b>37.790</b>	<b>4.999</b>	<b>42.789</b>
With installment	15.289	4.731	20.020
Without installment	22.501	268	22.769
<b>Retail credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Personnel loans-TL</b>	<b>1.515</b>	<b>823</b>	<b>2.338</b>
Housing loans	-	332	332
Vehicle loans	36	444	480
Consumer loans	1.479	42	1.521
Other	-	5	5
<b>Personnel loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel credit cards-TL</b>	<b>2.657</b>	<b>280</b>	<b>2.937</b>
With installment	1.095	253	1.348
Without installment	1.562	27	1.589
<b>Personnel credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without-installment	-	-	-
<b>Overdraft account-TL(real person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft account-FC(real person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>51.319</b>	<b>996.705</b>	<b>1.048.024</b>

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

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

	Short-term	Medium and long-term	Total
<b>Commercial installment loans-TL</b>	<b>353.290</b>	<b>101.007</b>	<b>454.297</b>
Business loans	76.133	14.853	90.986
Vehicle loans	82.586	14.869	97.455
Consumer loans	296	-	296
Other	194.275	71.285	265.560
<b>Commercial installment loans-FC indexed</b>	<b>143.230</b>	<b>12.886</b>	<b>156.116</b>
Business loans	38.035	7.466	45.501
Vehicle loans	17.667	737	18.404
Consumer loans	47	-	47
Other	87.481	4.683	92.164
<b>Commercial installment Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Corporate credit cards-TL</b>	<b>89.123</b>	<b>7.215</b>	<b>96.338</b>
With installment	31.058	6.870	37.928
Without installment	58.065	345	58.410
<b>Corporate credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Overdraft account-TL (legal entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft account-FC(legal entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>585.643</b>	<b>121.108</b>	<b>706.751</b>

**e) Allocation of loans by customers:**

	Current Period	Prior Period
Public	648	1.209
Private	9.032.876	7.250.547
<b>Total</b>	<b>9.033.524</b>	<b>7.251.756</b>

**f) Breakdown of domestic and foreign loans:**

	Current Period	Prior Period
Domestic loans	8.827.001	6.997.519
Foreign loans	206.523	254.237
<b>Total</b>	<b>9.033.524</b>	<b>7.251.756</b>

**g) Loans granted to subsidiaries and associates:**

As of the balance sheet date, there are no cash loans granted to subsidiaries and associates.

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**ğ) Specific provisions for loans:**

	Current Period	Prior Period
Loans and receivables with limited collectability	8.101	15.253
Loans and receivables with doubtful collectability	55.894	16.133
Uncollectible loans and receivables	127.444	122.722
<b>Total</b>	<b>191.439</b>	<b>154.108</b>

In addition to specific provision for loans amounting TL 191.439 (Prior period - TL 154.108), provision amounting to TL 6.230 (Prior period - TL 4.774) have been provided for fees and commissions and other receivables with doubtful collectability which sums up to total TL 197.669 (Prior period- TL 158.882). Specific provision for loans amounting to TL 149.959 (Prior period- TL 121.865) represents participation account share of specific provisions of loans provided from participation accounts.

**h) Information on non-performing loans and receivables (net):**

h.1) Non-performing loans and receivables which are restructured or rescheduled:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period			
(Gross amount before specific provisions)	-	-	10.565
Restructured loans and other receivables	-	-	10.565
Rescheduled loans and other receivables	-	-	-
Prior period			
(Gross amounts before special provisions)	-	-	252
Restructured loans and other receivables	-	-	252
Rescheduled loans and other receivables	-	-	-

h.2) Movements of non-performing loans:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Closing balance of prior period	16.753	21.532	128.877
Additions in the current period (+)	51.858	39.307	3.273
Transfers from other categories of non-performing loans (+)	-	52.386	44.555
Transfers to other categories of non-performing loans (-)	52.386	44.555	-
Collections in the current period (-)	5.319	472	19.089
Write offs (-)	7	55	20.339
Corporate and commercial loans	2	21	19.068
Retail loans	5	34	1.151
Credit cards	-	-	120
Other	-	-	-
Closing balance of the current period	10.899	68.143	137.277
Specific provisions (-)	8.101	55.894	127.444
<b>Net balance at the balance sheet</b>	<b>2.798</b>	<b>12.249</b>	<b>9.833</b>

Non-performing loans and receivables in the amount of TL 216.319 (Prior period- TL 167.162) comprise TL 150.335 (Prior period- TL 123.621) of participation account share of loans and receivables provided from participation accounts.

In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability amounting to TL 6.230 (Prior period- TL 4.774). In the current period, collections from fees, commissions and other receivables with doubtful collectability amounted to TL 2.759.

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

h.3) Non-performing loans and other receivables in foreign currencies:

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current period(net):			
Period end balance	-	-	1.145
Specific provision (-)	-	-	1.145
Net balance on balance sheet	-	-	-
Prior period:			
Period end balance	-	-	2.459
Specific provision (-)	-	-	2.459
Net balance on balance sheet	-	-	-

h.4) Gross and net non-performing loans and other receivables per customer categories:

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
<b>Current period (net)</b>	<b>2.798</b>	<b>12.249</b>	<b>9.833</b>
Loans to individuals and corporates (gross)	10.899	68.143	137.277
Specific provision (-)	8.101	55.894	127.444
Loans to individuals and corporates (net)	2.798	12.249	9.833
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (net)	-	-	-
<b>Prior period (net)</b>	<b>1.499</b>	<b>5.400</b>	<b>6.155</b>
Loans to individuals and corporates (gross)	16.753	21.532	128.877
Specific provision (-)	15.254	16.132	122.722
Loans to individuals and corporates (net)	1.499	5.400	6.155
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (net)	-	-	-

**i. Liquidation policy for uncollectible loans and receivables:**

Loans and other receivables determined as uncollectible are liquidated through starting legal follow up and by converting the guarantees into cash.

## Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

**i. Information on "Write-off" policies:**

The write-off policy of the Bank for receivables under follow up is to retire the receivables from assets in case of determination of the inability of collection through follow-up by the decision of Bank management.

Loans and other receivables, which have been deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette No. 26333 dated November 01, 2006, have been written-off per the decision of the Bank management. In 2012, non-performing loans amounting to TL 20.401 were written-off (2011 - TL 37.245).

**j. Other explanations on loans and receivables:**

Aging analysis of past due but not impaired financial assets per classes of financial instruments is stated below:

Current Period	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and Receivables					
Corporate Loans	260.652	64.418	51.354	-	376.424
Consumer Loans	70.696	6.320	4.851	-	81.867
Credit Cards	4.156	942	341	-	5.439
<b>Total</b>	<b>335.504</b>	<b>71.680</b>	<b>56.546</b>	<b>-</b>	<b>463.730</b>
Prior Period	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and Receivables					
Corporate Loans	92.247	123.179	64.873	-	280.299
Consumer Loans	41.117	7.272	12.562	-	60.951
Credit Cards	1.424	323	-	-	1.747
<b>Total</b>	<b>134.788</b>	<b>130.774</b>	<b>77.435</b>	<b>-</b>	<b>342.997</b>

**6. Information on held-to-maturity investments:****6.1) Information on held-to-maturity investments subject to repurchase transactions, given as a guarantee or blocked:**

None (Prior period- None)

**6.2) Information related to government securities held to maturity :**

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities (*)	365.815	430.862
<b>Total</b>	<b>365.815</b>	<b>430.862</b>

(\*) Consists of Sukook certificates issued by the Central Bank of Bahrain amounting to TL 8.937 (Prior period- TL 9.435), income indexed bonds issued by the Undersecretariat of Treasury of Turkey amounting to TL 51.439 (Prior period- TL 421.427) and sukuk certificates issued by the Undersecretariat of Treasury of Turkey amounting to TL 305.439 (Prior Period - None).

**6.3) Information on held-to-maturity investments:**

	Current Period	Prior Period
Debt Securities	365.815	430.862
Quoted on a stock exchange(*)	356.879	421.427
Unquoted	8.936	9.435
Impairment provision(-)	-	-
<b>Total</b>	<b>365.815</b>	<b>430.862</b>

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

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**6.4) Movement of held-to-maturity investments:**

	Current Period	Prior Period
Balance at beginning of period	430.862	376.204
Foreign currency differences on monetary assets	(500)	3.500
Purchases during period	300.000	50.000
Disposals through sales and redemptions	(383.221)	(40.180)
Impairment provision (-)	-	-
Income accruals	18.674	41.338
<b>Closing balance</b>	<b>365.815</b>	<b>430.862</b>

**7. Associates (net):****a) Information on unconsolidated associates:**

Since the Bank does not have the necessary shareholding percentage to become a qualified shareholder and have significant influence over this associate, it has not been consolidated.

Name	Address (City/Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Kredi Garanti Fonu A.Ş	Ankara/Turkey	1,67	-

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the unaudited financial statements as of September 30, 2012.

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
247.800	242.307	3.113	8.322	1	6.695	8.579	-

**b) Information on consolidated associates:**

As of balance sheet date, the Bank does not have consolidated associates.

**8. Information on subsidiaries (net):****a) Information on unconsolidated subsidiaries:**

The Bank has founded Bereket Varlık Kiralama A.Ş on 14.10.2011, the purpose of which is to obtain rental income by taking over the assets of the source institution and leasing them back to the source institution, issue rent certificates based on said rental income and pass on the related assets to source institution by the end of the rental period. Bereket Varlık Kiralama A.Ş has been founded to operate according to rulings of Turkish Trade Law about foundations of incorporations and complying with Communiqué on "Principles Related to Rent Certificates and Asset Leasing Companies "dated 01.04.2010 and numbered 27539 serial : 3 no: 43 published in Official Gazette by Capital Market Board of Turkey and other related regulations, upon BRSA's opinion dated 22.09.2011, numbered B.02,1.BDK.0.13.00.0-91.11-20564 and permission of Capital Market Board of Turkey dated 06.10.2011 numbered 32/923. The capital of the Company is TL 50 comprising 50.000 (full TL) shares with the nominal value of TL 1 (full TL).

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

Name	Address (City/Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Bereket Varlık Kiralama A.Ş.	İstanbul/Türkiye	99,99	99,99

The Bank did not consolidate financial statements of its subsidiary Bereket Varlık Kiralama A.Ş., considering the materiality principle.

The balances of Bereket Varlık Kiralama A.Ş. presented in the table below have been obtained from the unaudited financial statements as of December 31, 2012.

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value	Additional Shareholders' Equity Required
34	34	-	-	-	(16)	-	-	-

**b) Information on consolidated subsidiaries:**

The Bank does not have consolidated subsidiaries as of the balance sheet date.

**9. Information on investments in joint- ventures:**

The Bank does not have investments in joint- ventures as of the balance sheet date.

**10. Information on lease receivables (net):****a) Presentation of remaining maturities of funds lent under finance lease method:**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	24.271	18.722	18.260	15.256
1 to 4 years	26.395	22.155	8.921	6.793
More than 4 years	828	782	117	101
<b>Total</b>	<b>51.494</b>	<b>41.659</b>	<b>27.298</b>	<b>22.150</b>

**b) Information on net investments through finance lease:**

	Current Period	Prior Period
Gross finance lease receivables	51.494	27.298
Unearned finance lease receivable (-)	9.835	5.148
<b>Net receivable from finance leases</b>	<b>41.659</b>	<b>22.150</b>



Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**c) General explanation on finance lease contracts:**

Finance lease contracts are realized in accordance with the related articles of Finance Lease Act numbered 3226. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements.

	Standard loans and Other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Restructured or rescheduled		Loans and other receivables	Restructured or rescheduled	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Finance lease receivables Net)	34.367	-	-	1.480	-	5.812

**11. Information on derivative financial assets for hedging purposes:**

The Bank does not have any derivative financial assets for hedging purposes.

**12. Information on tangible assets:**

Current period	Immovables	Leased tangible assets	Vehicles	Other	Assets held for sale	Total
<b>Cost</b>						
<b>Opening balance: January 1,2012</b>	<b>176.433</b>	<b>-</b>	<b>2.502</b>	<b>96.018</b>	<b>18.585</b>	<b>293.538</b>
Additions	6.478	-	579	33.180	252	40.489
Revaluation differences	24.090	-	-	-	-	24.090
Disposals	-	-	(987)	(4.181)	(3.138)	(8.306)
Impairment losses(-)/Reversal of impairment losses	(266)	-	-	-	3	(263)
Transfers	-	-	-	-	21.153	21.153
<b>Ending balance: December 31,2012</b>	<b>206.735</b>	<b>-</b>	<b>2.094</b>	<b>125.017</b>	<b>36.855</b>	<b>370.701</b>
<b>Accumulated depreciation(-)</b>						
<b>Opening balance: January 1,2012</b>	<b>13.990</b>	<b>-</b>	<b>1.721</b>	<b>46.201</b>	<b>477</b>	<b>62.389</b>
Depreciation expense	3.861	-	363	14.098	630	18.952
Reversal of depreciation of the disposed assets	(32)	-	(887)	(3.963)	(95)	(4.977)
Transfers	-	-	-	-	-	-
<b>Ending balance: December 31,2012</b>	<b>17.819</b>	<b>-</b>	<b>1.197</b>	<b>56.336</b>	<b>1.012</b>	<b>76.364</b>
<b>Total cost at the end of the year</b>	<b>206.735</b>	<b>-</b>	<b>2.094</b>	<b>125.017</b>	<b>36.855</b>	<b>370.701</b>
<b>Total accumulated depreciation at the end of the year</b>	<b>17.819</b>	<b>-</b>	<b>1.197</b>	<b>56.336</b>	<b>1.012</b>	<b>76.364</b>
<b>Closing net book value</b>	<b>188.916</b>	<b>-</b>	<b>897</b>	<b>68.681</b>	<b>35.843</b>	<b>294.337</b>

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

Prior period	Immovables	Leased tangible assets	Vehicles	Other	Assets Held for sale	Total
<b>Cost</b>						
<b>Opening balance: January 1, 2011</b>	<b>158.839</b>	<b>988</b>	<b>3.153</b>	<b>70.248</b>	<b>10.984</b>	<b>244.212</b>
Additions	6.169	-	244	27.694	192	34.299
Revaluation differences	11.400	-	-	-	-	11.400
Disposals	-	-	(895)	(2.912)	(7.758)	(11.565)
Impairment losses(-)/Reversal of impairment losses	25	-	-	-	(154)	(129)
Transfers	-	(988)	-	988	15.321	15.321
<b>Ending balance: December 31, 2011</b>	<b>176.433</b>	<b>-</b>	<b>2.502</b>	<b>96.018</b>	<b>18.585</b>	<b>293.538</b>
<b>Accumulated depreciation(-)</b>						
<b>Opening balance: January 1, 2011</b>	<b>10.522</b>	<b>510</b>	<b>2.018</b>	<b>38.502</b>	<b>336</b>	<b>51.888</b>
Depreciation expense	3.468	-	467	9.489	278	13.702
Reversal of depreciation of the disposed assets	-	-	(764)	(2.300)	(137)	(3.201)
Transfers	-	(510)	-	510	-	-
<b>Ending balance: December 31, 2011</b>	<b>13.990</b>	<b>-</b>	<b>1.721</b>	<b>46.201</b>	<b>477</b>	<b>62.389</b>
<b>Total cost at the end of the year</b>	<b>176.433</b>	<b>-</b>	<b>2.502</b>	<b>96.018</b>	<b>18.585</b>	<b>293.538</b>
<b>Total accumulated depreciation at the end of the year</b>	<b>13.990</b>	<b>-</b>	<b>1.721</b>	<b>46.201</b>	<b>477</b>	<b>62.389</b>
<b>Closing net book value</b>	<b>162.443</b>	<b>-</b>	<b>781</b>	<b>49.817</b>	<b>18.108</b>	<b>231.149</b>

As of December 31, 2012, the Bank has revalued its immovables and revaluation fund of TL 55.522 (Prior period- TL 37.150) net of deferred tax and depreciation, has been reflected in the financial statements. The carrying value of the aforesaid immovables would have been TL 119.781 (Prior period- TL 116.006) if revaluation method had not been adopted.

**13. Information on intangible assets:**

a) Opening and ending book values and accumulated depreciation balances:

	Current Period	Prior Period
Cost	15.872	11.123
Accumulated depreciation(-)	8.820	5.776
<b>Total (net)</b>	<b>7.052</b>	<b>5.347</b>

b) Intangible assets movement between the beginning and end of the period:

	Current Period	Prior Period
Opening balance	4.798	2.173
Additions	5.286	4.859
Disposals (-), net	-	-
Depreciation expense (-)	3.032	1.685
<b>Closing net book value</b>	<b>7.052</b>	<b>5.347</b>

Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

### 14. Information on investment property:

The Bank does not have investment property.

### 15. Information related to deferred tax asset:

As of December 31, 2012, the Bank calculated deferred tax asset of TL 22.910 (Prior period- TL 18.573) and deferred tax liability of TL 14.992 (Prior period- TL 9.970) on all tax deductible/taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods and presented them as net in the accompanying financial statements.

	Current Period	Prior Period
Difference between carrying value and tax base of tangible assets	452	369
Provisions for impairment	175	144
Provisions for retirement and vacation pay liabilities	3.849	2.861
Discount on profit share and deferred commission income	18.364	14.062
Marketable securities valuation reserve	-	360
General reserves for possible losses	22	595
Other	48	182
<b>Deferred tax asset</b>	<b>22.910</b>	<b>18.573</b>
Revaluation reserve of immovables	13.880	9.287
Marketable securities valuation reserve	298	-
Discount on profit share	6	325
Other	808	358
<b>Deferred tax liability</b>	<b>14.992</b>	<b>9.970</b>
<b>Deferred tax asset (net)</b>	<b>7.918</b>	<b>8.603</b>

### 16. Information on assets held for sale and assets of discontinued operations:

Assets held for sale consist of tangible assets which have been acquired due to non-performing loans and are accounted in the unconsolidated financial statements in accordance with the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Assets Held for Sale".

	Current Period	Prior Period
Opening balance	25.372	18.070
Additions	15.097	31.731
Disposals	(8.526)	(9.334)
Transfers (*)	(21.153)	(15.321)
Impairment Provision(-)/Reversal of Impairment Provision	(76)	226
<b>Net closing balance</b>	<b>10.714</b>	<b>25.372</b>

(\*) The balance is transferred to assets to be disposed included in tangible assets.

The Bank has no discontinued operations and assets of discontinued operations.

### 17. Information on other assets:

As of the balance sheet date, the Bank's other assets balance is TL 38.496 (Prior period- TL 18.926) and does not exceed 10% of balance sheet total.

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**II. Explanations and notes related to liabilities:****1. Information on funds collected:****a. Information on maturity structure of funds collected:**

Current Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
<b>I. Real Persons Current Accounts Non-Trade TL</b>	<b>297.366</b>	-	-	-	-	-	-	-	<b>297.366</b>
<b>II. Real Persons Participation Accounts Non-Trade TL</b>	-	<b>644.324</b>	<b>167.469</b>	<b>27.565</b>	-	<b>1.979</b>	<b>2.672.571</b>	-	<b>3.513.908</b>
<b>III. Current Account other-TL</b>	<b>480.588</b>	-	-	-	-	-	-	-	<b>480.588</b>
Public Sector	20.029	-	-	-	-	-	-	-	20.029
Commercial Institutions	444.522	-	-	-	-	-	-	-	444.522
Other Institutions	14.779	-	-	-	-	-	-	-	14.779
Commercial and Other Institutions	94	-	-	-	-	-	-	-	94
Banks and Participation Banks	1.164	-	-	-	-	-	-	-	1.164
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	167	-	-	-	-	-	-	-	167
Participation Banks	997	-	-	-	-	-	-	-	997
Other	-	-	-	-	-	-	-	-	-
<b>IV. Participation Accounts-TL</b>	-	<b>94.543</b>	<b>189.076</b>	<b>124.733</b>	-	<b>70.901</b>	<b>764.457</b>	-	<b>1.243.710</b>
Public Sector	-	10	-	-	-	-	1	-	11
Commercial Institutions	-	89.667	168.640	122.391	-	70.900	613.103	-	1.064.701
Other Institutions	-	4.866	19.398	2.342	-	1	147.804	-	174.411
Commercial and Other Institutions	-	-	1.038	-	-	-	-	-	1.038
Banks and Participation Banks	-	-	-	-	-	-	3.549	-	3.549
<b>V. Real Persons Current Accounts Non-Trade FC</b>	<b>230.163</b>	-	-	-	-	-	-	-	<b>230.163</b>
<b>VI. Real Persons Participation Accounts Non-Trade FC</b>	-	<b>294.512</b>	<b>138.365</b>	<b>23.133</b>	-	<b>3.671</b>	<b>1.306.992</b>	-	<b>1.766.673</b>
<b>VII. Other Current Accounts FC</b>	<b>537.895</b>	-	-	-	-	-	-	-	<b>537.895</b>
Residents in Turkey-Corporate	441.060	-	-	-	-	-	-	-	441.060
Residents Abroad-Corporate	24.863	-	-	-	-	-	-	-	24.863
Banks and Participation Banks	71.972	-	-	-	-	-	-	-	71.972
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	70.668	-	-	-	-	-	-	-	70.668
Participation Banks	1.304	-	-	-	-	-	-	-	1.304
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Participation Accounts other- FC</b>	-	<b>73.073</b>	<b>214.095</b>	<b>48.170</b>	-	<b>55.232</b>	<b>482.137</b>	-	<b>872.707</b>
Public sector	-	-	-	-	-	-	-	-	-
Commercial institutions	-	15.609	115.773	796	-	-	401.512	-	533.690
Other institutions	-	354	28.589	3	-	-	26.731	-	55.677
Commercial and Other Institutions	-	56	50	-	-	-	40.720	-	40.826
Banks and Participation Banks	-	57.054	69.683	47.371	-	55.232	13.174	-	242.514
<b>IX. Precious Metals Deposits</b>	<b>212.757</b>	-	<b>68.744</b>	<b>225</b>	-	-	<b>282</b>	-	<b>282.008</b>
<b>X. Participation Accounts Special Fund Pools TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Participation Accounts Special Fund Pools - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>1.758.769</b>	<b>1.106.452</b>	<b>777.749</b>	<b>223.826</b>	-	<b>131.783</b>	<b>5.226.439</b>	-	<b>9.225.018</b>

## Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

Prior Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
<b>I. Real Persons Current Accounts Non-Trade TL</b>	<b>256.870</b>	-	-	-	-	-	-	-	<b>256.870</b>
<b>II. Real Persons Participation Accounts Non-Trade TL</b>	<b>-</b>	<b>959.512</b>	<b>186.448</b>	<b>48.152</b>	-	<b>1.493</b>	<b>1.810.383</b>	-	<b>3.005.988</b>
<b>III. Current Account other-TL</b>	<b>617.669</b>	-	-	-	-	-	-	-	<b>617.669</b>
Public Sector	6.342	-	-	-	-	-	-	-	6.342
Commercial Institutions	572.780	-	-	-	-	-	-	-	572.780
Other Institutions	8.028	-	-	-	-	-	-	-	8.028
Commercial and Other Institutions	33	-	-	-	-	-	-	-	33
Banks and Participation Banks	30.486	-	-	-	-	-	-	-	30.486
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	288	-	-	-	-	-	-	-	288
Participation Banks	30.198	-	-	-	-	-	-	-	30.198
Other	-	-	-	-	-	-	-	-	-
<b>IV. Participation Accounts-TL</b>	<b>-</b>	<b>81.447</b>	<b>110.046</b>	<b>108.186</b>	-	<b>15.413</b>	<b>602.132</b>	-	<b>917.224</b>
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	71.337	100.187	108.125	-	15.411	570.964	-	866.024
Other Institutions	-	10.110	8.782	61	-	2	27.885	-	46.840
Commercial and Other Institutions	-	-	-	-	-	-	40	-	40
Banks and Participation Banks	-	-	1.077	-	-	-	3.243	-	4.320
<b>V. Real Persons Current Accounts Non-Trade FC</b>	<b>150.611</b>	-	-	-	-	-	-	-	<b>150.611</b>
<b>VI. Real Persons Participation Accounts Non-Trade FC</b>	<b>-</b>	<b>398.158</b>	<b>159.273</b>	<b>34.591</b>	-	<b>3.807</b>	<b>854.517</b>	-	<b>1.450.346</b>
<b>VII. Other Current Accounts FC</b>	<b>502.352</b>	-	-	-	-	-	-	-	<b>502.352</b>
Residents in Turkey-Corporate	392.011	-	-	-	-	-	-	-	392.011
Residents abroad-Corporate	72.958	-	-	-	-	-	-	-	72.958
Banks and Participation Banks	37.383	-	-	-	-	-	-	-	37.383
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	28.792	-	-	-	-	-	-	-	28.792
Participation Banks	8.591	-	-	-	-	-	-	-	8.591
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Participation Accounts other- FC</b>	<b>-</b>	<b>50.890</b>	<b>128.436</b>	<b>116.681</b>	-	<b>7.283</b>	<b>515.584</b>	-	<b>818.874</b>
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	34.928	59.555	206	-	-	453.025	-	547.714
Other Institutions	-	1.132	10.886	37.926	-	-	20.162	-	70.106
Commercial and Other Institutions	-	124	1.160	-	-	-	29.045	-	30.329
Banks and Participation Banks	-	14.706	56.835	78.549	-	7.283	13.352	-	170.725
<b>IX. Precious Metals Deposits</b>	<b>324.813</b>	-	-	-	-	-	-	-	<b>324.813</b>
<b>X. Participation Accounts Special Fund Pools TL</b>	<b>-</b>	-	-	-	-	-	-	-	<b>-</b>
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
<b>XI. Participation Accounts Special Fund Pools -FC</b>	<b>-</b>	-	-	-	-	-	-	-	<b>-</b>
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>1.852.315</b>	<b>1.490.007</b>	<b>584.203</b>	<b>307.610</b>	-	<b>27.996</b>	<b>3.782.616</b>	-	<b>8.044.747</b>

Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

### b) Saving deposits and other deposits accounts insured by Saving Deposit Insurance Fund:

b.1) Exceeding the limit of Insurance Fund:

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of Insurance Fund:

	Under the guarantee of Insurance		Exceeding the guarantee of Insurance	
	Current Period	Prior Period	Current Period	Prior Period
Real persons' current and participation accounts not subject to trading transactions	-	-	-	-
Turkish Lira accounts	1.704.459	1.556.243	2.102.987	1.701.920
Foreign currency accounts	629.491	598.409	1.638.371	1.326.994
Foreign branches' deposits subject to foreign authorities insurance	-	-	-	-
Off-shore deposits under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except foreign branches) from current and participation accounts denominated in Turkish Lira or foreign currency up to a limit of maximum TL 50 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law Numbered 5411.

b.2) Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance:

The head office of the Bank is in Turkey.

b.3) Funds collected which are not under the guarantee of insurance fund:

Funds collected of real persons which are not under the guarantee of insurance fund:

	Current Period	Prior Period
Foreign Branches' Profit Sharing Accounts and Other Accounts	6.265	399
Profit Sharing Accounts and Other Accounts of Controlling Shareholders and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	-	-
Profit Sharing Accounts and Other Accounts of Chairman and Members of Board Of Directors or Managers, General Manager and Assistant General Managers and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	4.701	5.673
Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	-	-
Profit Sharing Accounts in Participation Banks Established in Turkey in order to engage solely in Off-Shore Banking Activities	-	-

### 2. Information on derivative financial liabilities held for trading:

The Bank has no derivative financial liabilities held for trading.

### 3. Information on borrowings:

The Bank has obtained a Syndicated Murabaha Loan amounting to USD 293.200.000 and EUR 124.500.000 with a maturity of one year. The loan agreement has been signed on September 11, 2012.

As of December 31, 2012, the Bank has wakala borrowings in the amount of USD 181.629.432 and EUR 107.413.509 obtained from foreign banks in accordance with investment purpose wakala contracts.

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**a) Information on banks and other financial institutions:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from CBRT	-	-	-	-
Loans from domestic banks and institutions	-	-	-	17.235
Loans from foreign banks, institutions and funds	-	1.393.830	-	1.036.055
<b>Total</b>	<b>-</b>	<b>1.393.830</b>	<b>-</b>	<b>1.053.290</b>

**b) Maturity analysis of funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	-	1.393.830	-	1.053.290
Medium and Long-Term	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1.393.830</b>	<b>-</b>	<b>1.053.290</b>

**c) Additional disclosures on concentration areas of Bank's liabilities:**

The Bank does not have concentration on customer or sector group providing funds.

**4. Breakdown of items in other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and breakdown of items which constitute at least 20% of grand total:**

As of balance sheet date, other liabilities (excluding off balance sheet commitments) do not exceed 10% of the balance sheet total.

**5. Lease payables:****a) Information on finance lease transactions:**

a.1) Information on financial lease agreements:

The Bank has no obligation from finance lease operations as of balance sheet date.

a.2) Explanations on the changes in agreements and new obligations originating from these changes:

None.

a.3) Explanations on the obligations originating from finance leases:

None.

**b) Explanations on operational leases:**

The Bank has rented some branches, warehouses, storage and some of the administrative vehicles through operational lease agreements. The Bank does not have any overdue liabilities arising on the existing operational lease agreements.

The rent payments resulting from the operational leases which the Bank will pay in future periods are as follows:

	Current Period	Prior Period
Less than a year	18.825	14.406
1 to 4 years	54.320	41.865
Over 4 years	49.550	39.233
<b>Total</b>	<b>122.695</b>	<b>95.504</b>

**6. Information on hedging derivative financial liabilities:**

The Bank does not have hedging derivative financial liabilities.

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**7. Information on provisions:****a) Information on general provisions:**

	Current Period	Prior Period
<b>General provision for</b>	<b>103.100</b>	<b>72.938</b>
<b>I. Group loans and receivables (Total)</b>	<b>85.480</b>	<b>57.181</b>
Participation Accounts' Share	55.007	34.711
Bank's Share	30.473	22.470
Others	-	-
<b>Additional provision for loans and receivables with extended maturities for loans and receivables in Group I</b>	<b>1.087</b>	<b>663</b>
<i>Participation Accounts' Share</i>	924	565
<i>Bank's Share</i>	163	98
<i>Others</i>	-	-
<b>II. Group loans and receivables (Total)</b>	<b>5.552</b>	<b>5.559</b>
Participation Accounts' Share	3.343	4.131
Bank's Share	2.209	1.428
Others	-	-
<b>Additional provision for loans and receivables with extended maturities for loans and receivables in Group II</b>	<b>5.105</b>	<b>210</b>
<i>Participation Accounts' Share</i>	3.273	131
<i>Bank's Share</i>	1.832	79
<i>Others</i>	-	-
<b>Non-cash loans</b>	<b>12.068</b>	<b>10.198</b>
<b>Others</b>	<b>-</b>	<b>-</b>

**b) Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:**

As of December 31, 2012, provision for foreign exchange losses on foreign currency indexed loans amounting to TL 20.540 (Prior period- TL 5.644) has been offset against the loans included in the assets of the balance sheet.

**c) Information on specific provisions for non-cash loans that are not indemnified and converted into cash:**

As of December 31, 2012, the Bank has provided specific provisions amounting to TL 10.053 for non-cash loans that are not indemnified and converted into cash (Prior period - TL 9.879).

**ç) Other provisions:****ç.1) Information on general reserves for possible losses:**

	Current Period	Prior Period
General Reserves for Possible Losses	108	2.976
<b>Total</b>	<b>108</b>	<b>2.976</b>

**ç.2) Information on nature and amount of other provisions exceeding 10% of total provisions:**

	Current Period	Prior Period
Provision for unindemnified non-cash loans	10.053	9.880
Payment commitments for checks	2.225	1.970
Provisions allocated from profit shares to be distributed to profit sharing accounts(*)	963	43.998
Provision for promotions related with credit cards and promotion of banking services	124	124
General reserves for possible losses	108	2.976
<b>Total</b>	<b>13.473</b>	<b>58.948</b>

(\*) Represents participation accounts' portion of specific provisions, general provisions and Saving Deposits Insurance Fund premiums provided in accordance with the article 14 of Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans".



Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**d) Information on provisions for employee rights:**

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 14.850 (Prior period- TL 10.602) and vacation pay liability amounting to TL 4.395 (Prior period - TL 3.705), totaling to TL 19.245 (Prior period - TL 14.307). The Bank has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%)	8,6	10,0
Estimated increase rate of salary ceiling (%)	5,0	5,1
Rate used in relation to possibility of retirement (*) (%)	71,8	77,3

(\*) The rate has been calculated depending on the years of service of the employees; the rate presented in the table represents the average of such rates.

Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	Current Period	Prior Period
Prior period ending balance	10.602	8.856
Provisions made in the period	9.204	3.729
Actuarial gain/(loss)	(2.899)	(639)
Paid during the period	(2.057)	(1.344)
<b>Balance at the end of the period</b>	<b>14.850</b>	<b>10.602</b>

**8. Information on taxes payable:****a) Explanations on current tax liability:**

a.1) As of December 31, 2012, the Bank's corporate tax payable is TL 13.969 (Prior period- TL 15.750) after offsetting prepaid corporate tax.

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	13.969	15.750
Taxation on securities income	6.393	5.082
Taxation on real estate income	305	260
Banking insurance transaction tax	4.818	5.783
Foreign exchange transaction tax	-	-
Value added tax payable	527	310
Other	7.463	3.709
<b>Total</b>	<b>33.475</b>	<b>30.894</b>

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

## a.3) Information on premiums:

	Current Period	Prior Period
Social security premiums-employee	2.163	2.007
Social security premiums-employer	2.161	2.077
Bank pension fund premium- employees	-	-
Bank pension fund premium- employer	-	-
Pension fund membership fees and provisions-employees	-	-
Pension fund membership fees and provisions- employer	-	-
Unemployment insurance-employee	153	141
Unemployment insurance-employer	305	282
Other	-	-
<b>Total</b>	<b>4.782</b>	<b>4.507</b>

## b) Information on deferred tax liability:

The Bank does not have net deferred tax liability as of the balance sheet date.

## 9. Liabilities for assets held for sale and discontinued operations:

None.

## 10. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:

None.

## 11. Information on shareholders' equity:

## a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	900.000	539.000
Preferred stock	-	-

## b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank and if so, amount of the registered share capital ceiling:

Registered capital system is not applied at the Bank.

Share Capital System	Paid in Capital	Ceiling
Share Certificate Equivalence	900.000	-

## c) Information on the share capital increases during the period and their sources; other information on increased capital in the current period:

Date of Increase	Amount Increased	Cash	Profit Reserves Used in the Increase	Capital Reserves Used in the Increase
27.06.2012	361.000	-	361.000	-

## ç) Information on share capital increases from capital reserves during the current period:

There is no share capital increase from capital reserves during the current period.

## d) Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments:

There are no capital commitments till the end of the last fiscal year and following interim period.

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**e) Estimated effects on the shareholders equity of the Bank, of predictions to be made by taking into account previous period indicators regarding the Bank's income, profitability and liquidity, and uncertainties regarding such indicators:**

The Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through capital increase or transfer to reserves. Moreover, the Bank's shareholders' equity is invested in liquid and earning assets.

**f) Information on privileges given to stocks representing the capital:**

There is no privilege given to stocks representing the capital.

**g) Information on marketable securities valuation reserve:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Valuation difference (*)	1.193	-	(1.438)	-
Foreign exchange difference	-	-	-	-
<b>Total</b>	<b>1.193</b>	<b>-</b>	<b>(1.438)</b>	<b>-</b>

(\*) The amount represents the net balance after deferred tax liability.

**III. Explanations and notes related to off-balance sheet commitments:****1. Explanations on off balance sheet commitments:****a) Type and amount of irrevocable loan commitments:**

	Current Period	Prior Period
Forward Asset Purchase Commitments	528.733	-
Share capital commitment to associates and subsidiaries	-	1.000
Loan granting commitments	39.577	18.278
Payment commitments for checks	263.656	190.160
Tax and funds liabilities arising from export commitments	1.043	576
Commitments for credit card limits	306.032	173.723
Commitments for promotions related with credit cards and banking activities	323	45
Other irrevocable commitments	2.781	3.797
<b>Total</b>	<b>1.142.145</b>	<b>387.579</b>

**b) Type and amount of possible losses and commitments arising from off-balance sheet items:**

b.1) Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:

	Current Period	Prior Period
Guarantees	4.534.799	4.534.211
Acceptances	15.490	43.986
Letters of credit	477.833	506.178
Other guaranties and sureties	185.159	113.739
<b>Total</b>	<b>5.213.281</b>	<b>5.198.114</b>

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

b.2) Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period	Prior Period
Letters of guarantees	4.534.799	4.534.211
Long standing letters of guarantees	2.854.776	2.866.374
Temporary letters of guarantees	496.096	514.815
Advance letters of guarantees	275.550	316.178
Letters of guarantees given to customs	173.679	191.214
Letters of guarantees given for obtaining cash loans	734.698	645.630
Sureties and similar transactions	185.159	113.739
<b>Total</b>	<b>4.719.958</b>	<b>4.647.950</b>

c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Guarantees given for obtaining cash loans	734.698	645.630
With original maturity of 1 year or less	410.984	420.991
With original maturity of more than 1 year	323.714	224.639
Other non-cash loans	4.478.583	4.552.484
<b>Total</b>	<b>5.213.281</b>	<b>5.198.114</b>

c.2) Sectoral risk concentration of non-cash loans:

	Current period				Prior period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>123.945</b>	<b>4,34</b>	<b>10.567</b>	<b>0,45</b>	<b>62.105</b>	<b>2,31</b>	<b>7.701</b>	<b>0,31</b>
Farming and stockbreeding	61.924	2,17	10.233	0,43	54.032	2,01	941	0,04
Forestry	62.019	2,17	200	0,01	8.064	0,30	6.760	0,27
Fishery	2	-	134	0,01	9	0,00	0	0,00
<b>Manufacturing</b>	<b>817.564</b>	<b>28,59</b>	<b>924.033</b>	<b>39,26</b>	<b>720.975</b>	<b>26,84</b>	<b>1.032.790</b>	<b>41,12</b>
Mining	24.956	0,87	6.001	0,25	11.854	0,44	38.135	1,52
Production	533.485	18,66	643.662	27,35	529.404	19,71	638.029	25,40
Electricity, gas and water	259.123	9,06	274.370	11,66	179.717	6,69	356.626	14,20
<b>Construction</b>	<b>1.135.882</b>	<b>39,72</b>	<b>554.037</b>	<b>23,54</b>	<b>1.201.297</b>	<b>44,73</b>	<b>671.679</b>	<b>26,74</b>
<b>Services</b>	<b>446.690</b>	<b>15,62</b>	<b>541.914</b>	<b>23,03</b>	<b>410.950</b>	<b>15,30</b>	<b>420.471</b>	<b>16,73</b>
Wholesale and retail trade	125.907	4,40	111.703	4,75	125.595	4,68	103.355	4,11
Hotel, food and beverage services	5.843	0,20	40.611	1,73	6.032	0,22	62.422	2,48
Transportation and telecommunication	39.603	1,38	47.122	2,00	28.549	1,06	30.314	1,21
Financial Institutions	60.543	2,12	199.754	8,49	77.291	2,88	129.033	5,14
Real estate and renting services	98.867	3,46	35.007	1,49	52.593	1,96	33.653	1,34
Self-employment services	11.918	0,42	90.738	3,85	12.364	0,46	13.383	0,53
Education services	14.072	0,49	82	0,00	14.702	0,55	856	0,03
Health and social services	89.937	3,15	16.897	0,72	93.824	3,49	47.455	1,89
<b>Other</b>	<b>335.390</b>	<b>11,73</b>	<b>323.259</b>	<b>13,72</b>	<b>290.608</b>	<b>10,82</b>	<b>379.538</b>	<b>15,10</b>
<b>Total</b>	<b>2.859.471</b>	<b>100,00</b>	<b>2.353.810</b>	<b>100,00</b>	<b>2.685.935</b>	<b>100,00</b>	<b>2.512.179</b>	<b>100,00</b>

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

c.3) Information on the non-cash loans classified in Group I and Group II:

	I st Group		II nd Group	
	TL	FC	TL	FC
<b>Non-cash loans</b>	<b>2.796.240</b>	<b>2.326.007</b>	<b>63.231</b>	<b>27.803</b>
Letters of guarantee	2.789.133	1.657.947	63.231	24.488
Bank acceptances	-	15.490	-	-
Letters of credit	6.296	468.222	-	3.315
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	811	184.348	-	-

**2. Explanations on derivative transactions:**

The Bank does not have any derivative financial instruments.

**3. Explanations on contingent assets and liabilities:**

The Bank has made a provision amounting to TL 108, as presented under "Other Provisions" note in Section Five Note II.7.ç, for the lawsuits opened by various real persons and legal entities against the Bank with high probability of realization and cash outflows and. Although there are other ongoing lawsuits against the Bank, the Bank considers the probability of a negative result in ongoing litigations resulting in cash outflows as remote.

**4. Explanations on services rendered on behalf of third parties:**

The Bank has no operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions

**IV. Explanations and notes related to the statement of income:****I. Information on profit share income:****a) Information on profit share income received from loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Profit share received from loans (*)</b>	<b>903.594</b>	<b>62.810</b>	<b>677.115</b>	<b>41.195</b>
Short Term Loans	395.017	8.091	259.730	8.390
Medium and Long Term Loans	502.727	54.342	407.934	32.404
Loans Under Follow up	5.850	377	9.451	401
Premiums Received from Resource Utilization Support Fund	-	-	-	-

(\*) Includes fees and commission income on cash loans.

**b) Information on profit share income received from banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	-	-	-	-
Domestic Banks	1.199	-	593	-
Foreign Banks	-	513	-	-
Head Offices and Branches Abroad	-	-	-	-
<b>Total</b>	<b>1.199</b>	<b>513</b>	<b>593</b>	<b>-</b>

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**c) Information on profit share income received from marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From financial assets held for trading	-	-	-	-
From financial assets at fair value through profit or loss	-	-	-	-
From financial assets available-for-sale	5.782	344	7.207	-
From held-to-maturity investments	18.503	172	40.659	679
<b>Total</b>	<b>24.285</b>	<b>516</b>	<b>47.866</b>	<b>679</b>

**ç) Information on profit share income received from associates and subsidiaries:**

The Bank has not received profit share income from associates and subsidiaries.

**2. Explanations on profit share expenses:****a) Information on profit share expense paid to funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	-	30.549	-	18.370
CBRT	-	-	-	-
Domestic banks	-	218	-	146
Foreign banks	-	30.331	-	18.224
Head offices and branches abroad	-	-	-	-
Other institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>30.549</b>	<b>-</b>	<b>18.370</b>

**b) Profit share expense paid to associates and subsidiaries:**

There is no profit share expense paid to associates and subsidiaries of the Bank.

**c) Profit share expenses paid to marketable securities issued:**

There is no profit share expense paid to marketable securities of the Bank.

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**ç) Distribution of profit share expense on funds collected based on maturity of funds collected:**

Account name	Profit sharing accounts						Accumulated profit sharing account	Total
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	More than 1 year		
TL								
Funds collected from banks through current and profit sharing accounts	-	14	-	-	-	356	-	370
Real persons' non-trading profit sharing accounts	64.908	14.233	3.021	-	129	198.488	-	280.779
Public sector profit sharing accounts	1	77	-	-	-	127	-	205
Commercial sector profit sharing accounts	5.662	12.834	6.073	-	1.255	53.832	-	79.656
Other institutions profit sharing accounts	688	1.746	25	-	-	6.077	-	8.536
<b>Total</b>	<b>71.259</b>	<b>28.904</b>	<b>9.119</b>	<b>-</b>	<b>1.384</b>	<b>258.880</b>	<b>-</b>	<b>369.546</b>
FC								
Banks	1.472	2.563	1.878	-	1.358	589	-	7.860
Real persons' non-trading profit sharing accounts	13.116	5.234	1.025	-	131	44.549	-	64.055
Public sector profit sharing accounts	-	-	-	-	-	-	-	-
Commercial sector profit sharing accounts	1.150	7.480	9	-	4.285	20.010	-	32.934
Other institutions profit sharing accounts	31	1.132	147	-	-	4.002	-	5.312
Precious metals deposits	-	183	1	-	-	1	-	185
<b>Total</b>	<b>15.769</b>	<b>16.592</b>	<b>3.060</b>	<b>-</b>	<b>5.774</b>	<b>69.151</b>	<b>-</b>	<b>110.346</b>
<b>Grand total</b>	<b>87.028</b>	<b>45.496</b>	<b>12.179</b>	<b>-</b>	<b>7.158</b>	<b>328.031</b>	<b>-</b>	<b>479.892</b>

**3. Information on dividend income:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From trading financial assets	788	-	-	-
From financial assets at fair value through profit and loss	-	-	-	-
From available for sale financial assets	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>788</b>	<b>-</b>	<b>-</b>	<b>-</b>

**4. Explanations on trading income/loss (net):**

	Current Period	Prior Period
<b>Income</b>	<b>2.090.743</b>	<b>2.532.463</b>
Income from capital market transactions	-	346
Income from derivative financial instruments	-	-
Foreign exchange income	2.090.743	2.532.117
<b>Loss (-)</b>	<b>2.070.346</b>	<b>2.511.239</b>
Loss on capital market transactions	175	-
Loss on derivative financial instruments	-	-
Foreign exchange losses	2.070.171	2.511.239
<b>Trading income/loss (net)</b>	<b>20.397</b>	<b>21.224</b>

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**5. Explanations related to other operating income:**

	Current Period	Prior Period
Reimbursement for communication expenses	1.976	997
Reimbursement for bank statement expenses	1.348	1.167
Reversal of prior year provisions	73.779	44.942
Income from sale of assets	5.935	6.648
Cheque book charges	659	656
Other income	1.425	1.050
<b>Total</b>	<b>85.122</b>	<b>55.460</b>

**6. Provisions for loan losses and other receivables of the Bank:**

	Current Period	Prior Period
<b>Specific provisions for loans and other receivables</b>	<b>84.385</b>	<b>58.038</b>
Loans and receivables in III. Group	33.715	35.705
Loans and receivables in IV. Group	40.712	8.393
Loans and receivables in V. Group	6.834	11.671
Doubtful commission, fee and other receivables	3.124	2.269
<b>General provision expenses</b>	<b>30.689</b>	<b>20.834</b>
<b>Provision expenses for possible losses</b>	<b>1</b>	<b>2.906</b>
General provision expenses	-	186
Provision expenses for possible losses	-	186
<b>Impairment losses on marketable securities</b>	<b>-</b>	<b>-</b>
Financial assets at fair value through profit and loss	-	-
Financial assets available for sale	-	-
<b>Impairment losses on associates, subsidiaries, joint ventures and held to maturity investments</b>	<b>-</b>	<b>-</b>
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
<b>Other</b>	<b>7.337</b>	<b>24.377</b>
<b>Total</b>	<b>122.412</b>	<b>106.341</b>

TL 63.675 (Prior period- TL 42,507) of the total specific provisions provided for loan and other receivables amounting to TL 84.385 (Prior period- TL 58,058) is the participation accounts portion of specific provision provided for loans and other receivables.

TL 20.035 (Prior Period- TL 7.064) of the total general loan loss provisions provided for loan and other receivables amounting to TL 30.689 (Prior Period- 20.834 TL) is the participation accounts portion of general loan loss provision provided for loans and other receivables.



Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**7. Information on other operating expenses:**

	Current Period	Prior Period
Personnel expenses	201.416	141.882
Provision for retirement pay liability	4.248	1.746
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	266	-
Depreciation expenses of tangible assets	18.153	13.530
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	3.077	1.685
Impairment provision for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	100	237
Depreciation expenses of assets to be disposed	630	278
Impairment expenses of assets held for sale and assets of discontinued operations	101	31
Other operating expenses	66.552	53.035
Operating lease expenses	26.323	19.617
Maintenance expenses	3.600	3.007
Advertisement expenses	7.145	6.155
Other expenses	29.484	24.256
Loss on sale of assets	189	391
Other	47.189	31.345
<b>Total</b>	<b>341.921</b>	<b>244.160</b>

**8. Explanations on income/loss from continued operations before taxes:**

As the Bank does not have any discontinued operations, there is no explanation related to income/loss from discontinued operations before taxes.

The Bank's income before tax increased by 19% compared to prior period and is realized as TL 241.225. Income before tax comprises net profit share income in the amount of TL 485.898 and fees and commission income in the amount of TL 113.353. Total other operating expenses amount to TL 341.921.

**9. Explanations on tax provision for continued and discontinued operations:**

Tax provision for continued operations:

	Current Period	Prior Period
Income before tax	241.225	202.163
Tax calculated with tax rate of 20%	48.245	40.433
Other additions and disallowable expenses	4.882	3.574
Deductions	(3.737)	(1.999)
Tax calculated	49.390	42.008

Since the Bank does not have any discontinued operations, there is no tax provision for discontinued operations.

**10. Explanations on net income/loss from continued and discontinued operations:**

The Bank has no discontinued operations. Net income for the period has been realized as TL 191.835 (Prior period - TL 160.155) by deducting tax provision expense amounting to TL 49.390 (Prior period - TL 42.008) from profit from continued operations amounting to TL 241.225 (Prior period - TL 202.163).

Albaraka Türk Katılım Bankası Anonim Şirketi

## Notes Related to Unconsolidated Financial Statements As at December 31, 2012

(Currency - Thousand Turkish Lira)

### 11. Explanations on net income/loss:

a. The nature and amount of certain income and expense items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period:

None.

b. The effect of the change in accounting estimates to the net income/loss; including the effects on the future period:

None.

c. Income/loss of minority interest:

None.

12. Components of other items which constitute at least 20% of the total of other items, if the total of other items in income statement exceed 10% of the total of income statement:

Other Fees and Commissions Received	Current Period	Prior Period
Member firm-POS	30.274	28.572
Commissions on money orders	5.610	4.440
Credit cards commissions and fees	3	43
Other	21.852	17.830
<b>Total</b>	<b>57.739</b>	<b>50.885</b>

Other Fees and Commissions Paid	Current Period	Prior Period
Clearing room	89	4.540
Funds borrowed	7.429	4.911
Member firm-POS	6.123	5.449
Credit cards commissions and fees	4.330	2.615
Other	3.838	2.354
<b>Total</b>	<b>21.809</b>	<b>19.869</b>

### V. Explanations and notes related to the statement of changes in shareholders' equity:

a) There is no declaration of dividends made subsequent to the balance sheet date, and prior to the announcement of the financial statements.

Decision related to the dividend distribution will be taken in the General Assembly. General Assembly has not been held as of the date of finalization of the accompanying financial statements.

b) "Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are recognized in the "Marketable securities valuation reserve" account under equity, until the financial assets are sold, disposed of or impaired at which time they are transferred to the statement of income.

c) Revaluation funds related to tangible and intangible assets and foreign exchange differences arising from translation of tangible and intangible assets of foreign branch of the Bank are accounted under equity in revaluation reserve on tangible assets and revaluation reserve on intangible assets.

d) Foreign exchange differences arising from translation of income statement of foreign branch of the Bank are accounted in other capital reserves.

### VI. Explanations and notes related to the cash flows statement:

a) Components of cash and cash equivalents and accounting policy applied in their determination:

"Cash" is defined as cash in vault and foreign currency cash, money in transit, checks purchased, unrestricted balance with the Central Bank and demand deposits at banks. "Cash equivalents" is defined as money market placements and time deposits at banks with original maturities less than three months.

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

(i). Cash and cash equivalents at the beginning of the period:

	Current Period	Prior Period
<b>Cash</b>	<b>458.519</b>	<b>411.946</b>
Cash in TL/foreign currency	107.332	74.457
Cash in transit	-	-
CBRT	351.187	337.489
<b>Cash equivalents</b>	<b>1.307.472</b>	<b>730.967</b>
Domestic banks	1.072.606	637.044
Foreign banks	234.866	93.923
<b>Total cash and cash equivalents</b>	<b>1.765.991</b>	<b>1.142.913</b>

(ii). Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
<b>Cash</b>	<b>325.032</b>	<b>458.519</b>
Cash in TL/foreign currency	109.123	107.332
Cash in transit	-	-
CBRT	215.909	351.187
<b>Cash equivalents</b>	<b>1.037.112</b>	<b>1.307.472</b>
Domestic banks	790.868	1.072.606
Foreign banks	246.244	234.866
<b>Total cash and cash equivalents</b>	<b>1.362.144</b>	<b>1.765.991</b>

**2. Cash and cash equivalent items which are restricted for the usage of the Bank by legal or other limitations:**

Restricted time deposits held at the Central Bank of Turkey are not considered as cash and cash equivalent items.

**3. Explanation about other cash flow items and the effect of the changes in foreign exchange rates on cash and cash equivalents:**

The "Others" item under "Operating profit before changes in operating assets and liabilities" amounting to TL (-) 14.864 (Prior period- TL (-) 63.247) mainly comprises other operating expenses excluding personnel expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 31.939 (Prior period - TL (-) 9.920) mainly comprises changes in miscellaneous payables, other liabilities and taxes and other duties payable.

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately as TL 2.065 as of December 31, 2012 (Prior period - TL 52.392).

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**VII. Explanations related to the risk group of the Bank:**

1. Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses related to the period:

**a. Current period:**

Risk Group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and other receivables</b>						
Balance at the beginning of the period	-	-	8	-	179	38.037
Balance at the end of the period	-	-	9	-	34.253	10.305
<b>Profit share and commission income received</b>	-	-	-	-	450	196

**b. Prior period:**

Risk Group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and other receivables</b>						
Balance at the beginning of period	-	-	5	-	99	27.442
Balance at end of period	-	-	8	-	179	38.037
<b>Profit share and commission income received</b>	-	-	-	-	5	100

**c.1. Information on current and profit sharing accounts of the Bank's risk group:**

Risk Group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect Shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Current and profit sharing accounts</b>						
Balance at the beginning of period	41	-	1.360	775	350.647	367.085
Balance at the end of period	33	41	1.647	1.360	229.835	350.647
<b>Profit share expense</b>	-	-	214	51	10.290	21.195

(\*) As of December 31, 2012 wakala borrowings obtained from risk group of the Bank through investment purpose wakala contracts amount to USD 148.629.432 and EURO 76.113.509 (Prior Period-104.534.953 USD and 70.538.802 EURO). The profit share expense relating to such borrowings for the period between January 1, 2012 - December 31, 2012 is TL 10.944 (Prior period-2.597 TL).

**c.2. Information on forward and option agreements and other similar agreements with related parties:**

The Bank does not have forward and option agreements with the risk group of the Bank.

As of December 31, 2012; the Bank has paid TL 8.320 (Prior period- TL 5.982) to top management.

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes Related to Unconsolidated Financial Statements As at December 31, 2012**

(Currency - Thousand Turkish Lira)

**VIII. Explanations related to domestic, foreign and off-shore branches or investments and foreign representative offices:****1. Information on the domestic and foreign branches and representative offices of the Bank:**

	Number	Number of Personnel		Total Assets (thousand TL)	Statutory Share Capital
Domestic Branches	136	1.806			
			<b>Country</b>		
Foreign Representation Office	-	-			
Foreign Branches	1	10	Iraq	36.013	USD 7.000.000
Off-Shore Branches	-	-			

**2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure:**

In 2012, the Bank has opened 14 domestic branches.

**IX. Explanations related to subsequent events:**

Based on the "Communiqué on the Amendment to the Communiqué on Reserve Requirements" published in the Official Gazette dated February 20, 2013 numbered 28565; the reserve rates has been determined between 5% and 11,5% for TL deposits and other liabilities according to their maturities, the reserve rates for foreign currency liabilities has been determined between 6% and 12,5% for foreign currency deposit and other foreign currency liabilities according to their maturities to be effective March 1,2013.

**Section six****I. Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification:**

None.

**Section seven****Independent auditors' report****I. Explanations on independent auditors' report:**

The Bank's unconsolidated financial statements as of and for the year ended December 31, 2012 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a Member Firm of Ernst & Young Global Limited) and the independent auditors' report dated February 28, 2013 is presented at the beginning of the financial statements and related notes.

**II. Other notes and explanations prepared by the independent auditors:**

None.

## Directory

### Head Office

**Albaraka Türk Katılım Bankası A.Ş.**  
Dr. Adnan Büyükdenez Cad. No:6  
34768 Ümraniye / İSTANBUL  
Tel: (216) 666 01 01  
Fax: (216) 666 16 00  
Trade Register Number  
206671-154214

### Region Representative Offices

**İstanbul Anatolian Region Representative Office**  
Kozyatağı Mah. Saniye Ermutlu  
Sok. No:6 Şaşmaz Plaza Kat:12 D:24  
Kozyatağı / İSTANBUL  
Tel: (216) 464 81 00  
Fax: (216) 666 16 33

**İstanbul Europe 1<sup>st</sup> Region Representative Office**  
Büyükdere Cad. No: 78-80 Akabe  
Ticaret Merkezi Kat: 10  
Mecidiyeköy - Şişli / İSTANBUL  
Tel: (212) 347 68 58  
Fax: (216) 666 16 31

**İstanbul Europe 2<sup>nd</sup> Region Representative Office**  
Çoban Çeşme Sanayi Cad: No: 44  
Nishistanbul Yenibosna / İSTANBUL  
Tel: (212) 603 60 18  
Fax: (216) 666 16 32

**Ankara Region Representative Office**  
Kızılelma Mah. Anafartalar Cad.  
No: 59 Ulus / ANKARA  
Tel: (312) 311 00 43  
Fax: (216) 666 16 34

**Southern Anatolia Region Representative Office**  
İncilipınar Mh. Nişantaşı Sok.  
No: 11 FH İşmerkezi Asma Kat  
No: 4 Şehitkamil / GAZİANTEP  
Tel: (342) 215 04 32  
Fax: (216) 666 16 35

### İstanbul Branches

**Merkez Branch**  
Dr. Adnan Büyükdenez Cad. No:6  
34768 Ümraniye / İSTANBUL  
Tel: (216) 666 02 02  
Fax: (216) 666 17 01

**Karaköy Branch**  
Haraççı Ali Sokak No:2  
Karaköy Meydanı  
34420 Beyoğlu / İSTANBUL  
Tel: (212) 252 56 87  
Fax: (216) 666 17 05

**Kadıköy Branch**  
Rıhtım Cad. No:44  
34716 Kadıköy / İSTANBUL  
Tel: (216) 414 31 63  
Fax: (216) 666 17 11

**İncirli Branch**  
İncirli Cad. No:106  
34740 Bakırköy / İSTANBUL  
Tel: (212) 542 02 22  
Fax: (216) 666 17 12

**Bayrampaşa Branch**  
Abdi İpekçi Cad. No:75/77  
34030 Bayrampaşa / İSTANBUL  
Tel: (212) 612 52 21  
Fax: (216) 666 17 13

**Fatih Branch**  
Macar Kardeşler Cad. No:30  
34080 Fatih / İSTANBUL  
Tel: (212) 635 48 96  
Fax: (216) 666 17 15

**Ümraniye Branch**  
Alemdağ Cad. No:10-12 Ümraniye  
34764 Ümraniye / İSTANBUL  
Tel: (216) 443 66 35  
Fax: (216) 666 17 18

**Sultanhamam Branch**  
Marpuççular Sk. No:26  
34110 Eminönü/İSTANBUL  
Tel: (212) 519 64 30  
Fax: (216) 666 17 23

**İkitelli Branch**  
İkitelli Organize Sanayi Bölgesi  
Atatürk Cad. No:72/C  
34306 Başakşehir/İSTANBUL  
Tel: (212) 671 28 10  
Fax: (216) 666 17 24

**Pendik Branch**  
23 Nisan Cad. No:16/A  
34890 Pendik/İSTANBUL  
Tel: (216) 483 65 05  
Fax: (216) 666 17 25

**Merter Branch**  
Keresteciler Sitesi Fatih Cad. No:24  
34169 Merter, Güngören / İSTANBUL  
Tel: (212) 637 84 10  
Fax: (216) 666 17 26

**Beyüzeyler Branch**  
Eski Edirne Asfaltı No:349-351  
34045 Bayrampaşa / İSTANBUL  
Tel: (212) 477 61 90  
Fax: (216) 666 17 27

**Bağcılar Branch**  
Osmangazi Cad. No:23  
34560 Bağcılar / İSTANBUL  
Tel: (212) 434 23 28  
Fax: (216) 666 17 28

**Beylikdüzü Branch**  
Yavuz Sultan Selim Bulvarı  
Perla Vista AVM No: C-73  
34520 Beykent - Beylikdüzü / İST.  
Tel: (212) 871 00 45  
Fax: (216) 666 17 30

**Üsküdar Branch**  
Mimar Sinan Mah. Hakimiyet-i  
Milliye Cad.  
Molla Eşref Sok. No: 17 - 17 / A  
Üsküdar / İSTANBUL  
Tel: (216) 532 89 39  
Fax: (216) 666 17 35

**Sahrayıcedit Branch**  
Şemsettin Günaltay Cd. No:250/A  
34735 Kadıköy / İSTANBUL  
Tel: (216) 302 16 32  
Fax: (216) 666 17 36

**İmes Branch**  
İmes Sanayi Sitesi, A-Blok 104.Sk.  
No:2 34776 Y.Dudullu, Ümraniye /  
İSTANBUL  
Tel: (216) 590 09 90  
Fax: (216) 666 17 37

**Zeytinburnu Branch**  
Semiha Şakir Cad. No:15  
34025 Zeytinburnu / İSTANBUL  
Tel: (212) 510 10 22  
Fax: (216) 666 17 39

**Güneşli Branch**  
Gülbahar Cad. No:22/B  
34212 Güneşli / İSTANBUL  
Tel: (212) 474 03 03  
Fax: (216) 666 17 40

**Sultanbeyli Branch**  
Abdurrahman Gazi Mah.  
Bosna Bulvarı No: 4  
Sultanbeyli / İSTANBUL  
Tel: (216) 419 37 00  
Fax: (216) 666 17 41

**Maltepe Branch**  
Bağdat Caddesi No:403/A  
34394 Maltepe / İSTANBUL  
Tel: (216) 370 14 70  
Fax: (216) 666 17 43

**Çağlayan Branch**  
Vatan Cad. No:15/C  
34403 Çağlayan, Kağıthane /  
İSTANBUL  
Tel: (212) 246 06 11  
Fax: (216) 666 17 44

**Şirinevler Branch**  
Mahmutbey Cad. No:15  
34191 Şirinevler, Bahçelievler /  
İSTANBUL  
Tel: (212) 551 81 51  
Fax: (216) 666 17 48

**Levent Sanayi Branch**  
Eski Büyükdere Cad. No:49/A  
34416 4.Levent, Kağıthane /  
İSTANBUL  
Tel: (212) 278 25 00  
Fax: (216) 666 17 49

**Avclar Branch**  
Namık Kemal Cad. No:37/A  
34310 Avclar / İSTANBUL  
Tel: (212) 509 05 24  
Fax: (216) 666 17 53

**Kartal Branch**  
Ankara Cad. No:92  
34860 Kartal / İSTANBUL  
Tel: (216) 473 60 05  
Fax: (216) 666 17 56

**Kavacık Branch**  
Fatih Sultan Mehmet Cad.  
Beşler Plaza, B-Blok No:38/1  
34810 Kavacık / İSTANBUL  
Tel: (216) 680 27 33  
Fax: (216) 666 17 57

**Sefaköy Branch**  
Ahmet Kocabıyık Sk. No:13/A  
34295 Sefaköy / İSTANBUL  
Tel: (212) 580 32 00  
Fax: (216) 666 17 58

**Laleli Branch**  
Ordu Cad. No:56  
34130 Laleli, Fatih / İSTANBUL  
Tel: (212) 528 70 70  
Fax: (216) 666 17 71

**Bahçelievler Branch**  
Eski Edirne Asfaltı  
Ömrür Sitesi B1-Blok No:30  
34180 Bahçelievler / İSTANBUL  
Tel: (212) 642 00 44  
Fax: (216) 666 17 75

**Esenler Branch**  
Atışalanı Cad. No:46/B  
34220 Esenler / İSTANBUL  
Tel: (212) 508 49 99  
Fax: (216) 666 17 80

**Hasanpaşa Branch**  
Fahrettin Kerim Gökay Cad.  
Ergür İş Merkezi No:1  
34722 Hasanpaşa, Kadıköy / İST.  
Tel: (216) 336 55 40  
Fax: (216) 666 17 81

**İstoç Branch**  
İstoç Ticaret Merkezi, 3. Ada No:77  
34218 Mahmutbey, Bağcılar /  
İSTANBUL  
Tel: (212) 659 68 70  
Fax: (216) 666 17 83

**Topçular Branch**  
Rami Kışla Cad. Vaytaşlar Plaza No:58  
34055 Topçular, Eyüp / İSTANBUL  
Tel: (212) 613 85 74  
Fax: (216) 666 17 84

**Kozyatağı Branch**  
Üsküdar Cad. Saniye Ermutlu Sk.  
Şaşmaz Plaza No:6  
34742 Kozyatağı, Kadıköy / İST.  
Tel: (216) 384 28 22  
Fax: (216) 666 17 85

**Osmanbey Branch**  
Halaskargazi Cad. No:111  
34363 Şişli / İSTANBUL  
Tel: (212) 231 81 65  
Fax: (216) 666 17 86

**Altunizade Branch**  
Kısıklı Cad. Aköz İş Merkezi A-Blok  
No:2 Altunizade, Üsküdar / İSTANBUL  
Tel: (216) 651 74 94  
Fax: (216) 666 17 92

**Gaziosmanpaşa Branch**  
Çukurçeşme Cad. No:5  
34245 Gaziosmanpaşa / İSTANBUL  
Tel: (212) 563 54 10  
Fax: (216) 666 17 93

**Sultançiftliği Branch**  
Eski Edirne Asfaltı No:672/B  
34270 Sultangazi / İSTANBUL  
Tel: (212) 475 53 40  
Fax: (216) 666 17 94

**Hadımköy Branch**  
Kıraç Tem Bağlantı Yolu No:196  
34522 Kıraç, Esenyurt / İSTANBUL  
Tel: (212) 886 19 10  
Fax: (216) 666 17 98

**Bakırköy Çarşı Branch**  
İstanbul Cad. Dantelacı Sk. No:7  
34142 Bakırköy / İSTANBUL  
Tel: (212) 583 66 33  
Fax: (216) 666 17 99

**Güngören Branch**  
Posta Cad. No:109/1  
34164 Güngören / İSTANBUL  
Tel: (212) 539 03 80  
Fax: (216) 666 18 01

## Directory

<b>Sancaktepe Branch</b>	Eski Ankara Cad. No:50/A 34785 Sancaktepe / İSTANBUL Tel: (216) 622 55 00 Fax: (216) 666 18 04
<b>Maslak Branch</b>	Büyükdere Cad. No:257-G Maslak / İSTANBUL Tel: (212) 276 01 11 Fax: (216) 666 18 09
<b>Mecidiyeköy Branch</b>	Büyükdere Cad. No:80 34460 Mecidiyeköy, Şişli / İSTANBUL Tel: (212) 347 16 10 Fax: (216) 666 18 10
<b>Arnavutköy Branch</b>	Fatih Cad. Kadakal İş Merkezi No:15/B 34276 Arnavutköy / İSTANBUL Tel: (212) 597 67 57 Fax: (216) 666 18 12
<b>Esenyurt Branch</b>	Doğan Araslı Cad. Hanplas İş Merkezi No:150 34510 Esenyurt / İSTANBUL Tel: (212) 699 33 99 Fax: (216) 666 18 13
<b>Alibeyköy Branch</b>	Atatürk Cad. No:21 34100 Eyüp / İSTANBUL Tel: (212) 627 43 33 Fax: (216) 666 18 17
<b>Kurtköy Branch</b>	Ankara Cd. No:322 Kurtköy, Pendik / İSTANBUL Tel: (216) 378 14 39 Fax: (216) 666 18 20
<b>Büyükkçekmece Branch</b>	Mimar Sinan Cad. Cami Sk. No:1 34500 Büyükkçekmece / İSTANBUL Tel: (212) 881 57 01 Fax: (216) 666 18 21
<b>Çekmeköy Branch</b>	Mecidi Mah. Aşkın Sk. No:27/C Sancaktepe / İSTANBUL Tel: (216) 420 63 63 Fax: (216) 666 18 22
<b>Küçükköy Branch</b>	Hekimsuyu Cad. No:7 Küçükköy 34180 Gaziosmanpaşa / İSTANBUL Tel: (0212) 618 11 80 Fax: (216) 666 18 24
<b>Kaynarca Branch</b>	Cemal Gürsel Cad. No:175 Kaynarca, Pendik / İSTANBUL Tel: (216) 397 07 10 Fax: (216) 666 18 27
<b>Kocamustafapaşa Branch</b>	Kocamustafapaşa Cd. No:186 Kocamustafapaşa, Fatih / İSTANBUL Tel: (212) 587 89 89 Fax: (216) 666 18 29
<b>Anadolu Kurumsal Branch</b>	Kozyatağı Mah. Saniye Erimutlu Sok. No:6 Şaşmaz Plaza Kat:12 D:25 Kozyatağı / İSTANBUL Tel: (216) 445 05 50 Fax: (216) 666 18 30
<b>Avrupa Kurumsal Branch</b>	Büyükdere Cad. No: 78-80 Akabe Ticaret Merkezi Kat: 10 Mecidiyeköy - Şişli / İSTANBUL Tel: (212) 347 13 53 Fax: (216) 666 18 31
<b>Küçükbakkalköy Branch</b>	Küçükbakkalköy Mah. Fevzipaşa Cad. No: 45 Ataşehir / İSTANBUL Tel: (216) 576 89 99 Fax: (216) 666 18 33
<b>Trakya Kurumsal Branch</b>	Evrân Mah. Koçman Cad. No: 54 B Blok 2. Kat İşyeri No: 22 Güneşli / Bağcılar İSTANBUL Tel: (212) 550 16 65 Fax: (216) 666 18 36

## Branches in Other Cities and Towns

<b>Ankara Branch</b>	Atatürk Bulvarı No:57/A 06410 Sıhhiye /ANKARA Tel: (312) 430 53 20 Fax: (216) 666 17 02
<b>İzmir Branch</b>	Fevzipaşa Bulvarı No:51 35210 Konak / İZMİR Tel: (232) 441 21 61 Fax: (216) 666 17 03
<b>Bursa Branch</b>	İnönü Cad. No:27 16010 BURSA Tel: (224) 220 97 60 Fax: (216) 666 17 04
<b>Konya Branch</b>	Mevlana Cad. No:5 42030 Karatay / KONYA Tel: (332) 350 19 77 Fax: (216) 666 17 06
<b>Kayseri Branch</b>	Vatan Cad. No:26 38040 Melikgazi / KAYSERİ Tel: (352) 222 67 91 Fax: (216) 666 17 07
<b>Adana Branch</b>	İnönü Cad. No:85 01060 Seyhan / ADANA Tel: (322) 363 11 00 Fax: (216) 666 17 08
<b>Gaziantep Branch</b>	Suburcu Cad. No:4 27400 Şahinbey / GAZİANTEP Tel: (342) 230 91 68 Fax: (216) 666 17 09
<b>Samsun Branch</b>	Kaptanağa Cad. No:12 55030 İlkadım / SAMSUN Tel: (362) 435 10 92 Fax: (216) 666 17 10
<b>Siteler Branch</b>	Karacakaya Cad. No:73/1 06160 Siteler / ANKARA Tel: (312) 353 49 50 Fax: (216) 666 17 14
<b>Malatya Branch</b>	İnönü Cad. No:14 44100 MALATYA Tel: (422) 326 04 20 Fax: (216) 666 17 16
<b>K.Maraş Branch</b>	Yusuflar Mah. Hacı Arıoğlu Cad. No: 28/A KAHRAMANMARAŞ Tel: (344) 225 49 26 Fax: (216) 666 17 17
<b>İzmit Branch</b>	Alemdar Cad. No:17 41100 KOCAELİ Tel: (262) 323 37 72 Fax: (216) 666 17 19
<b>Adapazarı Branch</b>	Atatürk Bulvarı No:39 ADAPAZARI Tel: (264) 277 91 41 Fax: (216) 666 17 20
<b>Antalya Branch</b>	Milli Egemenlik Cad. No:36/5-6 07100 Muratpaşa / ANTALYA Tel: (242) 247 46 12 Fax: (216) 666 17 21
<b>Balıkesir Branch</b>	Anafartalar Cad. No:15 10100 BALIKESİR Tel: (266) 243 73 33 Fax: (216) 666 17 22
<b>Konya Sanayi Branch</b>	Ankara Cad. No:133 42060 Selçuklu / KONYA Tel: (332) 238 21 25 Fax: (216) 666 17 29
<b>Ostim Branch</b>	100. Yıl Bulvarı No:1 06370 Ostim, Yenimahalle / ANKARA Tel: (312) 385 79 01 Fax: (216) 666 17 31
<b>Diyarbakır Branch</b>	İnönü Cad. No:19 21300 Sur / DİYARBAKIR Tel: (412) 224 75 30 Fax: (216) 666 17 32

<b>Denizli Branch</b>	2. Ticari Yol No:43 20100 DENİZLİ Tel: (258) 242 00 25 Fax: (216) 666 17 33
<b>Gebze Branch</b>	Atatürk Cad. No:29/B 41400 Gebze / KOCAELİ Tel: (262) 641 15 82 Fax: (216) 666 17 34
<b>Uludağ Branch</b>	Ankarayolu Cad. No:73 Yıldırım / BURSA Tel: (224) 272 59 00 Fax: (216) 666 17 38
<b>Balgat Branch</b>	Ceyhun Atıf Kansu Cad. No:100/Ü 06520 Balgat, Çankaya / ANKARA Tel: (312) 472 40 30 Fax: (216) 666 17 42
<b>Kayseri Sanayi Branch</b>	Osman Kavuncu Cad. No:112/A 38010 KAYSERİ Tel: (352) 336 63 66 Fax: (216) 666 17 45
<b>Şanlıurfa Branch</b>	Kadri Eroğan Cad. No:22 63100 ŞANLIURFA Tel: (414) 313 01 58 Fax: (216) 666 17 46
<b>Karabağlar Branch</b>	Yeşillik Cad. No:473 35400 Karabağlar / İZMİR Tel: (232) 237 27 81 Fax: (216) 666 17 47
<b>Eskişehir Branch</b>	Sakarya Cad. No:45/A 26130 Tepebaşı / ESKİŞEHİR Tel: (222) 231 36 66 Fax: (216) 666 17 50
<b>Büsan Konya Branch</b>	Kosgeb Caddesi No:1/F Büsan Özel Organize Sanayi Bölgesi 42050 Karatay / KONYA Tel: (332) 345 40 40 Fax: (216) 666 17 51
<b>Sivas Branch</b>	Sirer Cad. No:28 58070 SİVAS Tel: (346) 224 00 90 Fax: (216) 666 17 52
<b>Erzurum Branch</b>	Orhan Şerifsoy Cad. Özlem İş Merkezi A-Blok No:2 25100 ERZURUM Tel: (442) 213 24 76 Fax: (216) 666 17 54
<b>Trabzon Branch</b>	Kahramanmaraş Cad. No:35/B TRABZON Tel: (462) 321 66 06 Fax: (216) 666 17 55
<b>Etilik Branch</b>	Yunus Emre Cad. No:5/A-B 06010 Etilik / ANKARA Tel: (312) 325 91 91 Fax: (216) 666 17 59
<b>Elazığ Branch</b>	Hürriyet Cad. No:35/B 23100 ELAZIĞ Tel: (424) 212 47 24 Fax: (216) 666 17 60
<b>Düzce Branch</b>	İstanbul Cad. No:3/A 81010 DÜZCE Tel: (380) 512 08 51 Fax: (216) 666 17 61
<b>Afyon Branch</b>	Milli Egemenlik Cad. No:14/A 03100 AFYONKARAHİSAR Tel: (272) 214 10 14 Fax: (216) 666 17 62
<b>Çorum Branch</b>	İnönü Cad. No:23 19000 ÇORUM Tel: (364) 224 19 11 Fax: (216) 666 17 63
<b>Sincan Branch</b>	Ankara Cad. No:23/2 06930 Sincan / ANKARA Tel: (312) 270 99 88 Fax: (216) 666 17 64

<b>Van Branch</b>	Cumhuriyet Cad. No:124 65100 VAN Tel: (432) 212 17 12 Fax: (216) 666 17 65	<b>Aksaray Branch</b>	Bankalar Cad. No:32 68100 AKSARAY Tel: (382) 212 12 71 Fax: (216) 666 17 91	<b>Şehitkamil Branch</b>	Prof. Muammer Aksoy Bulvarı No:19/E 27090 Şehitkamil / GAZİANTEP Tel: (342) 215 36 51 Fax: (216) 666 18 19
<b>Aydın Branch</b>	Hükümet Bulvarı No:11 09100 AYDIN Tel: (256) 213 48 38 Fax: (216) 666 17 66	<b>Nilüfer Branch</b>	Nilüfer Caddesi İzmir Yolu Üzeri Küçük Sanayi Girişi No: 4 BURSA Tel: (224) 443 74 00 Fax: (216) 666 17 95	<b>Bolu Branch</b>	İzzet Baysal Cad. No:85 14100 BOLU Tel: (374) 218 12 92 Fax: (216) 666 18 23
<b>Manisa Branch</b>	Mustafa Kemal Paşa Cad. No:14 45020 MANİSA Tel: (236) 238 93 00 Fax: (216) 666 17 67	<b>Küçüksaat Branch</b>	Sefaözlür Cad. No:3/E 01060 Seyhan / ADANA Tel: (322) 351 20 00 Fax: (216) 666 17 96	<b>Karaman Branch</b>	İsmetpaşa Cd. No:22/B KARAMAN Tel: (338) 213 91 00 Fax: (216) 666 18 25
<b>Osmaniye Branch</b>	Atatürk Cad. No:164 80010 OSMANIYE Tel: (328) 813 71 71 Fax: (216) 666 17 68	<b>Bornova Branch</b>	Mustafa Kemal Cad. No:20/E 35040 Bornova / İZMİR Tel: (232) 342 43 23 Fax: (216) 666 17 97	<b>Adıyaman Branch</b>	Gölbashi Cad. Sıddık Efendi Pasajı No:13 ADİYAMAN Tel: (416) 213 60 84 Fax: (216) 666 18 26
<b>Yalova Branch</b>	Yalı Cad. No:19/A 77100 YALOVA Tel: (226) 812 23 80 Fax: (216) 666 17 69	<b>İskenderun Branch</b>	Mareşal Fevzi Çakmak Cad. No:4 31200 İskenderun / HATAY Tel: (326) 614 68 60 Fax: (216) 666 18 00	<b>Keçiören Branch</b>	Kızılarpınarı Cd. No:104/A Keçiören / ANKARA Tel: (312) 314 14 14 Fax: (216) 666 18 28
<b>Mersin Branch</b>	İstiklal Cad No:33 33060 MERSİN Tel: (324) 237 85 60 Fax: (216) 666 17 70	<b>Mevlana Branch</b>	Taşkapı Medrese Cad. No:2/A-2/B-2/202 Meram / KONYA Tel: (332) 350 00 42 Fax: (216) 666 18 02	<b>Başkent Kurumsal Branch</b>	Ceyhun Atıf Kansu Cad. Başkent Plaza No: 106 Kat: 12 D:42-45 Balgat - Çankaya / ANKARA Tel: (312) 474 09 09 Fax: (216) 666 18 32
<b>Batman Branch</b>	Diyarbakır Cad. No:58 72070 BATMAN Tel: (488) 215 26 42 Fax: (216) 666 17 72	<b>Bakanlıklar Branch</b>	Tunus Cad. No:6/A 06800 Kavaklıdere, Çankaya / ANKARA Tel: (312) 417 70 33 Fax: (216) 666 18 03	<b>Konya Organize Sanayi Branch</b>	Konya Org. Sanayi Bölgesi Kırım Cad. No:20 Selçuklu / KONYA Tel: (332) 239 21 76 Fax: (216) 666 18 34
<b>Kastamonu Branch</b>	Cumhuriyet Cad. No:46/B 37100 KASTAMONU Tel: (366) 212 88 37 Fax: (216) 666 17 73	<b>Karabük Branch</b>	Hürriyet Cad. Beyaz Saray İşhanı No:151/A 78100 KARABÜK Tel: (370) 415 66 33 Fax: (216) 666 18 05	<b>Giresun Branch</b>	Hacı Mikdat Mah. Fatih Cad. No: 28 GİRESUN Tel: (454) 213 30 01 Fax: (216) 666 18 35
<b>Isparta Branch</b>	Cumhuriyet Cad. No:11 32100 İSPARTA Tel: (246) 223 47 42 Fax: (216) 666 17 74	<b>Şaşmaz Branch</b>	2488 Cad. (Eski 6.Cad.) No:16 3/C 06790 Şaşmaz, Etimesgut / ANKARA Tel: (312) 278 32 42 Fax: (216) 666 18 06	<b>International Branch</b>	
<b>Karadeniz Ereğli Branch</b>	Erdemir Cad. No:233/B 67300 Kdz.Ereğli / ZONGULDAK Tel: (372) 322 84 14 Fax: (216) 666 17 76	<b>İvedik Branch</b>	İvedik Organize Sanayi Bölgesi Melih Gökçek Bulvarı No:18/3 06378 Yenimahalle / ANKARA Tel: (312) 394 70 05 Fax: (216) 666 18 07	<b>Erbil Branch</b>	Hewa Grup Ofisi Karşısı 60. Cadde İskan / ERBİL / İRAK 60Mt. Street. Across to Hewa Group İskan / ARBİL / İRAQ Tel: +964.750.370.98.90 Mobile: +964.750.163.96.59
<b>Rize Branch</b>	Cumhuriyet Cad. No:105H 53100 RİZE Tel: (464) 214 27 67 Fax: (216) 666 17 77	<b>Çanakkale Branch</b>	Çarşı Cad. No:135 17100 ÇANAKKALE Tel: (286) 214 40 82 Fax: (216) 666 18 08		
<b>Tokat Branch</b>	Gaziosmanpaşa Bulvarı No:167 60100 TOKAT Tel: (356) 214 69 66 Fax: (216) 666 17 78	<b>Kayseri Org. Sanayi Branch</b>	Organize Sanayi Bölgesi 12 Cad. OSB Ticaret Merkezi No:5/22 38070 Anbar, Melikgazi / KAYSERİ Tel: (352) 321 42 82 Fax: (216) 666 18 11		
<b>Adana Barkal Branch</b>	Turhan Cemal Beriker Bulvarı Adana İş Merkezi A-Blok No:25 01100 Seyhan / ADANA Tel: (322) 429 78 78 Fax: (216) 666 17 79	<b>Çiğli Branch</b>	Anadolu Caddesi No:780 35640 Çiğli / İZMİR Tel: (232) 386 10 13 Fax: (216) 666 18 14		
<b>Çorlu Branch</b>	Salih Omurtak Cad. No:34/C 59850 Çorlu / TEKİRDAĞ Tel: (282) 673 66 10 Fax: (216) 666 17 82	<b>Çallı Branch</b>	Namık Kemal Bulvarı No:7 Kepez / ANTALYA Tel: (242) 344 45 05 Fax: (216) 666 18 15		
<b>Ümitköy Branch</b>	Seyfi Saltoğlu Cad. No:35/7 06810 Çayyolu, Yenimahalle / ANKARA Tel: (312) 241 60 00 Fax: (216) 666 17 87	<b>Kayapınar Branch</b>	Kayapınar Cd. Yeni Sebze Hali Ka- vşağı Rema Sitesi A-Blok No:30 Kayapınar / DİYARBAKIR Tel: (412) 251 31 33 Fax: (216) 666 18 16		
<b>Ordu Branch</b>	Süleyman Felek Cad. No:73 52100 ORDU Tel: (452) 214 73 51 Fax: (216) 666 17 88	<b>Gebze Org. San. Branch</b>	Gebze Güzeller Organize Sanayi Bölgesi Atatürk Bulvarı No:2/B Gebze / KOCAELİ Tel: (262) 751 20 28 Fax: (216) 666 18 18		
<b>Ulus Branch</b>	Anafartalar Cad. No:59 06250 Altındağ, Ulus / ANKARA Tel: (312) 324 65 70 Fax: (216) 666 17 89				
<b>Turan Güneş Branch</b>	Turan Güneş Bulvarı No:54/B 06500 Çankaya / ANKARA Tel: (312) 443 07 65 Fax: (216) 666 17 90				



## Directory

### Albaraka Banking Group

#### Albaraka Türk Katılım Bankası A.Ş., Türkiye

Saray Mah. Dr Adnan Büyükdenez Caddesi  
No: 6 34768 Ümraniye İstanbul, Türkiye  
Ticaret Sicil Numarası: 206671  
Tel: +90 216 666 01 01  
Fax: +90 216 666 16 00  
www.albarakaturk.com.tr

#### Jordan Islamic Bank

P.O. Box 926225, Amman 11190, Jordan  
Tel: + 9626 567 7377  
Faks: + 9626 566 6326  
www.jordanislamicbank.com

#### Al Baraka Banking Group Representative Office, Indonesia Founded 2008

Ravindo Building, 10th Floor, Jalan Kebon Sirih, No. 75,  
Jakarta Pusat 10340, Indonesia  
Tel: +62 21 316 1345  
Fax: +62 21 316 1074  
www.albaraka.com

#### Al Baraka Bank (Pakistan) Limited

162, Bangalore Town, Main Shahrah-e-Faisal,  
Karachi, Pakistan  
Tel: +92 21 34315851  
Fax: +92 21 34546465  
www.albaraka.com.pk

#### Al Baraka Islamic Bank B.S.C.

Al Baraka Tower, P.O. Box 1882,  
Manama, Kingdom of Bahrain  
Tel: +973 17 535 300  
Fax: +973 17 533 993  
www.albaraka.bh

#### Al Baraka Bank Tunisia

88, Avenue Hedi Chaker 1002,  
Tunis, Tunisia  
Tel: +21671 790000  
Fax: +21671 780235  
www.albarakabank.com.tn

#### Al Baraka Banking Group Representative Office, Libya (Under Formation)

Trepoli Tower, Tower1 Floor 14, Office No.144  
P.O. Box 93271, Tripoli, Libya  
Tel: +218 (21) 336 2310 +218 (21) 336 2311  
Fax: +218 (21) 336 2312  
www.albarakalibya.com.ly

#### Banque Al Baraka D'Algerie S.P.A.

Hai Bouteldja Houidef, Villa No.1, Rocade Sud, Ben  
Aknoun, Algiers, Algeria  
Tel: +213 21 91 64 50 to 55  
Fax: +213 21 91 64 58  
www.albaraka-bank.com

#### Al Baraka Bank Limited

2 Kingsmead Boulevard, Kingsmead Office Park,  
Stalwart Simelane Street, Durban 4001,  
South Africa  
Tel: +2731 364 9000  
Fax: +2731 364 9001  
www.albaraka.co.za

#### Al Baraka Bank Sudan

AL Baraka Tower, P.O. Box 3583, Qasr ST, Khartoum,  
Sudan  
Tel: +249183 780 688  
Fax: +249183 788 585  
www.albaraka.com.sd

#### Al Baraka Bank Syria s.a.

Alshahbinder Street, P.O. Box 100, Damascus, Syria  
Tel: +963 11 443 78 20  
Fax: +963 11 443 78 10  
www.albarakasyria.com

#### Al Baraka Bank Lebanon S.A.L

2nd Floor, Center Verdand 2000, Rashid Karamah Street,  
Verdan, Beirut, Lebanon  
Tel: +9611 808008  
Fax: +9611 806499  
www.al-baraka.com

#### Al Baraka Bank Egypt

60, Mohie Eddin Abu Elezz Street, P.O. Box 455,  
Dokki, Giza, Egypt  
Tel: +2023 748 1222  
Fax: +2023 761 1436/7  
www.albaraka-bank.com.eg



