

# **Albaraka Türk Katılım Bankası Anonim Şirketi**

**Consolidated financial statements  
and related disclosures at December 31, 2019  
together with independent auditors' report**

*(Convenience translation of the independent auditors' report and  
financial statements originally issued in Turkish – see section three Note I.b)*

**Convenience Translation of the Independent Auditor's Report originally issued in Turkish  
(See Note 1.b of Section Three)**

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Consolidated Financial Statements**

**Opinion**

We have audited the accompanying consolidated financial statements of Albaraka Türk Katılım Bankası A.Ş. (the "Bank") and its subsidiaries(together will be referred as "the Group"), which comprise the statement of consolidated statement of financial position as at 31 December 2019, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Albaraka Türk Katılım Bankası A.Ş. as at December 31, 2019 and financial performance and consolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations.

**Basis for Opinion**

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities' in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Matter**

The consolidated financial statements of the Bank as at 31 December 2018 was audited by another audit firm, which expressed an unqualified opinion in their report issued on 7 March 2019.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Convenience Translation of the Independent Auditor's Report originally issued in Turkish  
(See Note 1.b of Section Three)

| Key Audit Matter   | How the matter is addressed in our audit  |
|--|---|
| <p><b><i>Financial impact of IFRS 9 "Financial Instruments" standard and recognition of impairment on financial assets and related important disclosures</i></b></p> <p>We considered the impact of IFRS 9 to the financial Statements which outlines the expected credit loss calculations of financial assets as a key audit matter due to:</p> <ul style="list-style-type: none"> <li>- Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements.</li> <li>- There are complex and comprehensive requirements of TFRS 9.</li> <li>- Policies implemented by the Group management regarding expected credit loss calculation include compliance risk to the regulations and other practices.</li> <li>- New or re-structured processes of TFRS 9 are advanced and complex.</li> <li>- Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive</li> <li>- Disclosure requirements of TFRS 9 are comprehensive and complex.</li> </ul> | <p>Our audit procedures included among others include:</p> <ul style="list-style-type: none"> <li>- Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Group's past experience, local and global practices.</li> <li>- Reviewing and testing of new or re-structured processes and systems which are used for the calculation of expected credit losses by involving our IT and Process audit specialists.</li> <li>- Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices.</li> <li>- Involving financial risk management specialists to assess the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and Group's past performance and evaluating the alignment of those forward looking parameters to Group's internal processes.</li> <li>- Assessing the completeness and the accuracy of the data used for expected credit loss calculation.</li> <li>- Testing the mathematical accuracy of expected credit loss calculation on sampling basis.</li> <li>- Evaluating the accuracy and the necessity of post-model adjustments.</li> </ul> |

**Convenience Translation of the Independent Auditor's Report originally issued in Turkish  
(See Note 1.b of Section Three)**

**Responsibilities of Management and Those Charged With Governance for the Consolidated  
Financial Statements**

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

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

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

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

In an independent audit, the responsibilities of us as independent auditors are:

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

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**Convenience Translation of the Independent Auditor's Report originally issued in Turkish  
(See Note 1.b of Section Three)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- In order to provide an opinion on consolidated financial statements, adequate and appropriate audit evidence is obtained about the financial information of the operating segments and entities in the Group. We are responsible for directing, supervising and conducting the Group audit. We are also responsible for the audit opinion that we provide by ourselves.

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

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

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

**Convenience Translation of the Independent Auditor's Report originally issued in Turkish  
(See Note 1.b of Section Three)**

**Report on Other Legal and Regulatory Requirements**

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") numbered 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 – December 31, 2019 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.

2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Emre Çelik.

**Additional paragraph for convenience translation to English**

As explained in detail in Note 1.b. of Section Three, accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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



March 2, 2020  
İstanbul, Türkiye



## CONSOLIDATED FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş. AS OF AND FOR YEAR ENDED DECEMBER 31, 2019

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

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

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

Investments in subsidiaries, real estate investment funds, venture capital investment funds, security funds, joint ventures and associates whose financial statements have been consolidated in this consolidated financial report are as follows:

|    | Subsidiaries                   | Real Estate Investment Funds                                      | Venture Capital Investment Funds                                      | Security Funds  | Joint Ventures                  | Associates |
|----|--------------------------------|---|---|---|---------------------------------|------------|
| 1. | Bereket Varlık Kiralama A.Ş.   | Albaraka Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu | Albaraka Portföy Yönetimi A.Ş. Değer Girişim Sermayesi Yatırım Fonu   | Albaraka Portföy Yönetimi A.Ş. Katılım Hisse Senedi Fonu (Hisse Senedi Yoğun Fon) | Katılım Emeklilik ve Hayat A.Ş. | -          |
| 2. | Albaraka Portföy Yönetimi A.Ş. | Albaraka Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu    | Albaraka Portföy Yönetimi A.Ş. Fintech Girişim Sermayesi Yatırım Fonu | Albaraka Portföy Yönetimi A.Ş. Katılım Fonu                                       | -                               | -          |
| 3. | Insha Gmbh                     | Albaraka Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu | -   | Albaraka Portföy Yönetimi A.Ş. Altın Katılım Fonu                                 | -                               | -          |
| 4. | -                              | Albaraka Portföy Yönetimi A.Ş. Metropol Gayrimenkul Yatırım Fonu  | -   | Albaraka Portföy Yönetimi A.Ş. Kira Sertifikaları Katılım Fonu                    | -                               | -          |

Bereket One Ltd and Albaraka Sukuk Ltd, which are not a subsidiaries of the Bank but over which the Bank has 100% controlling power, have been included in the consolidation due to the reason that these companies are "Structured Entity".

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

March 2, 2020

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

**Melikşah UTKU**  
General Manager

**Mustafa ÇETİN**  
Assistant General Manager

**Kemaleddin DİLBAZ**  
Financial Reporting Manager

**Mustafa BÜYÜKABACI**  
Chairman of the Audit Committee

**Süleyman KALKAN**  
Member of the Audit Committee

**Mehmet ASUTAY**  
Member of the Audit Committee

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

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**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2019**

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

**SECTION ONE**

**General Information**

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

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

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

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

The Parent Bank together with its consolidated ownerships is referred to as the "Group" in the accompanying consolidated financial statements.

The Parent Bank's head office is located in Istanbul and is operating through 228 (December 31, 2018: 229) local branches and 2 (December 31, 2018: 1) foreign branch and with 3.791 (December 31, 2018: 3.988) staff as of December 31, 2019. The Group has 3.811 (December 31, 2018: 4.005) staff as of December 31, 2019.

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

As of December 31, 2019, 54,06% (December 31, 2018: 54,06%) of the Parent Bank's shares are owned by Albaraka Banking Group located in Bahrain and 7,84% (December 31, 2018: 7,84%) owned by Islamic Development Bank, 25,25% (December 31, 2018: 25,22%) of the shares are publicly traded and quoted at Borsa İstanbul. Rest belongs to different real persons and corporate entities. As of December 31, 2019, the Parent Bank has completed capital increase through rights issues and additional TL 450.000 has been represented under "other capital reserves" since the new capital has not been registered yet. After the registration, Albaraka Banking Group's share will be 36,29% on the issued capital amounts to TL 1.350.000.

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2019**

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

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

| <b>Title</b>                                     | <b>Name and Surname</b>                | <b>Administrative Function and Responsibility</b>                                       | <b>Educational Degree</b> | <b>Ownership Percentage (%)</b> |
|--|--|---|---------------------------|---------------------------------|
| <b>Chairman of the Board of Directors (BOD):</b> | Adnan Ahmed Yusuf ABDULMALEK           | Chairman of BOD   | Master                    | <sup>(*)</sup> 0,0000           |
| <b>Members of BOD:</b>                           | Osman AKYÜZ                            | II. Chairman of BOD   | Bachelor                  | -                               |
|  | İbrahim Fayez Humaid ALSHAMSI          | Member of BOD   | Bachelor                  | <sup>(*)</sup> 0,0000           |
|  | Hamad Abdulla A. ALOQAB                | Member of BOD   | Bachelor                  | <sup>(*)</sup> 0,0000           |
|  | Fahad Abdullah A. ALRAJHI              | Member of BOD   | Bachelor                  | <sup>(*)</sup> 0,0000           |
|  | Süleyman KALKAN                        | Member of BOD   | Bachelor                  | -                               |
|  | Mustafa BÜYÜKABACI                     | Member of BOD   | Master                    | -                               |
|  | Dr. Khaled Abdulla Mohamed ATEEQ       | Member of BOD   | Doctorate                 | -                               |
|  | Prof. Dr. Mehmet ASUTAY                | Member of BOD   | Doctorate                 | -                               |
|  | Wasim Ahmed ABDULWAHAB <sup>(**)</sup> | Member of BOD   | Master                    | -                               |
|  | Prof. Dr. Kemal VAROL                  | Member of BOD   | Doctorate                 | -                               |
|  | Muhammad Zarrug M. RAJAB               | Independent Member of BOD   | Bachelor                  | -                               |
| <b>General Manager:</b>                          | Melikşah UTKU                          | Member of BOD/General Manager   | Master                    | -                               |
| <b>Assistant General Managers:</b>               | Turgut SİMİTÇİOĞLU                     | Assistant General Manager<br>Responsible for Credit Risks                               | Master                    | -                               |
|  | Mustafa ÇETİN                          | Assistant General Manager<br>Responsible for Finance and Strategy                       | Bachelor                  | -                               |
|  | Nevzat BAYRAKTAR <sup>(***)</sup>      | Assistant General Manager<br>Responsible for Sales                                      | Bachelor                  | -                               |
|  | Hasan ALTUNDAĞ                         | Assistant General Manager<br>Responsible for Marketing                                  | Bachelor                  | -                               |
|  | Malek Khodr TEMSAH                     | Assistant General Manager<br>Responsible for Treasury and<br>Financial Institutions     | Master                    | -                               |
|  | Fatih BOZ                              | Assistant General Manager<br>Responsible for Credits                                    | Master                    | -                               |
|  | Volkan Evcil                           | Assistant General Manager<br>Responsible Central Operations                             | Bachelor                  | -                               |
|  | Süleyman ÇELİK                         | Assistant General Manager<br>Responsible for Human Values and<br>Administrative Affairs | Bachelor                  | -                               |
|  | Süleyman ÇELİK (Deputy)                | Assistant General Manager<br>Responsible for Information<br>Technologies                | Bachelor                  | -                               |
| <b>Chief Legal Consultancy</b>                   | Hasan AVŞAR                            | Chief Legal Consultant  | Bachelor                  | -                               |
| <b>Audit Committee:</b>                          | Mustafa BÜYÜKABACI                     | Chairman of Audit Committee   | Master                    | -                               |
|  | Süleyman KALKAN                        | Member of Audit Committee   | Bachelor                  | -                               |
|  | Prof. Dr. Mehmet ASUTAY                | Member of Audit Committee   | Doctorate                 | -                               |

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

<sup>(\*\*)</sup> Resigned on January 22, 2020.

<sup>(\*\*\*)</sup> Resigned on February 14, 2020.

Chairman and members of BOD, members of audit committee, general manager and assistant general managers own 0,0000% of the Parent Bank's share capital (December 31, 2018: 0,0000%).

**IV. Information on the Parent Bank's qualified shareholders:**

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

| <b>Name/Commercial Name</b> | <b>Share amount (nominal)</b> | <b>Share ratio</b>    | <b>Paid shares</b> | <b>Unpaid shares</b> |
|-----------------------------|-------------------------------|-----------------------|--------------------|----------------------|
| Albaraka Banking Group      | 486.523                       | 54,06% <sup>(*)</sup> | 486.523            | -                    |

<sup>(\*)</sup> Shares purchased by the Parent Albaraka Banking Group from Stock Exchange is not included. Related share rate and paid up shares are valid before the capital increase through rights issues completed in December 2019. Since the capital has not been registered yet, the share rates and paid up shares are represented taking the balance sheet balance (TL 900.000) as reference and base. After the registration, Albaraka Banking Group's share will be 36,29% on the issued capital amounts to TL 1.350.000.

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

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

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

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

The Bank may determine the profit rate following operating the participation accounts or estimated rates for investment agencies. The rate of participation accounts' participation to the loss is one hundred percent.

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

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

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

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

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

The Parent Bank did not consolidate its associate Kredi Garanti Fonu A.Ş. through equity method considering the materiality principle and its insignificant influence over the associate, the related associate is carried at cost in the accompanying financial statements. Natura Gıda Sanayi ve Ticaret A.Ş., which is an subsidiary of "Değer Girişim Sermayesi Yatırım Fonu" controlled by the Parent Bank, Inooster Bilgi Teknolojileri A.Ş. and Pedudi Bilişim Teknolojileri A.Ş., Tam Entegre Yazılım A.Ş. and Kronnika Bilgi Teknolojileri A.Ş. which are associates of "Fintech Girişim Sermayesi Yatırım Fonu" controlled by Parent Bank have not been consolidated since they are non-financial subsidiaries and associates, respectively. The Parent Bank consolidated Katılım Emeklilik ve Hayat A.Ş., an entity under common control, and Bereket Varlık Kiralama A.Ş., Insha GmbH, Albaraka Portföy Yönetimi A.Ş. the subsidiaries of the Parent Bank, through equity method and full consolidation method, respectively. Bereket One Ltd, and Albaraka Sukuk Ltd, which are not subsidiaries of the Parent Bank but over which the Parent Bank has 100% controlling power have been included in the consolidation due to the reason that these companies are "Structured Entity". Real Estate Investment Funds "Albaraka Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Metropol Gayrimenkul Yatırım Fonu" and Venture Capital Investment Funds "Albaraka Portföy Yönetimi A.Ş. Değer Girişim

**ALBARAKA TRK KATILIM BANKASI A..**  
**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2019**

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

**VI. Differences between the Communiqu  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 (continued):**

Sermayesi Yatırım Fonu", "Albaraka Portf y Y netimi A.. Fintech Giriim Sermayesi Yatırım Fonu" and other security (investment) funds controlled by the Parent Bank have been consolidated as well.

Due to non-financial partnership, "Albaraka K lt r Sanat ve Yayıncılık A.." and "Albaraka Teknoloji Biliim Sistemleri ve Pazarlama Ticaret A.." which are the subsidiaries of the Parent Bank, have not been consolidated.

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

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

## **SECTION TWO**

### **The consolidated financial statements**

- I. Consolidated balance sheet (Statement of financial position)
- II. Consolidated statement of off-balance sheet
- III. Consolidated statement of profit or loss
- IV. Consolidated statement of profit or loss and other comprehensive income
- V. Consolidated statement of changes in shareholders' equity
- VI. Consolidated statement of cash flows
- VII. Consolidated statement of profit appropriation



**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

| ASSETS  | Notes<br>(Section<br>Five-I) | Audited<br>CURRENT PERIOD<br>December 31, 2019 |                   |                   | Audited<br>PRIOR PERIOD<br>December 31, 2018 |                   |                   |
|---|------------------------------|--|-------------------|-------------------|--|-------------------|-------------------|
|   |                              | TL   | FC                | Total             | TL   | FC                | Total             |
|   |                              |  |                   |                   |  |                   |                   |
| <b>I. FINANCIAL ASSETS (Net)</b>  |                              | <b>3.467.753</b>                               | <b>12.065.923</b> | <b>15.533.676</b> | <b>2.035.734</b>                             | <b>10.169.782</b> | <b>12.205.516</b> |
| <b>1.1 Cash and Cash Equivalents</b>  | <b>(1)</b>                   | <b>2.519.444</b>                               | <b>10.453.621</b> | <b>12.973.065</b> | <b>1.315.576</b>                             | <b>9.803.977</b>  | <b>11.119.553</b> |
| 1.1.1 Cash and Balances with Central Bank   |                              | 1.426.702                                      | 7.369.207         | 8.795.909         | 509.720                                      | 5.408.661         | 5.918.381         |
| 1.1.2 Banks   |                              | 1.109.920                                      | 3.084.627         | 4.194.547         | 822.730                                      | 4.395.605         | 5.218.335         |
| 1.1.3 Money Market Placements   |                              | -  | -                 | -                 | -  | -                 | -                 |
| 1.1.4. Expected Credit Losses (-)   |                              | 17.178   | 213               | 17.391            | 16.874                                       | 289               | 17.163            |
| <b>1.2 Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)</b>                | <b>(2)</b>                   | <b>134.498</b>                                 | <b>437.979</b>    | <b>572.477</b>    | <b>10.472</b>                                | <b>1.997</b>      | <b>12.469</b>     |
| 1.2.1 Government Securities   |                              | 99.148   | 435.174           | 534.322           | 834  | -                 | 834               |
| 1.2.2 Equity Securities   |                              | -  | -                 | -                 | -  | -                 | -                 |
| 1.2.3 Other Financial Assets  |                              | 35.350   | 2.805             | 38.155            | 9.638  | 1.997             | 11.635            |
| <b>1.3 Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)</b> | <b>(3)</b>                   | <b>813.673</b>                                 | <b>1.174.064</b>  | <b>1.987.737</b>  | <b>708.176</b>                               | <b>363.808</b>    | <b>1.071.984</b>  |
| 1.3.1 Government Securities   |                              | 813.658  | 1.150.767         | 1.964.425         | 708.161                                      | 350.353           | 1.058.514         |
| 1.3.2 Equity Securities   |                              | 15   | 23.297            | 23.312            | 15   | 13.455            | 13.470            |
| 1.3.3 Other Financial Assets  |                              | -  | -                 | -                 | -  | -                 | -                 |
| <b>1.4 Derivative Financial Assets</b>  | <b>(5)</b>                   | <b>138</b>                                     | <b>259</b>        | <b>397</b>        | <b>1.510</b>                                 | <b>-</b>          | <b>1.510</b>      |
| 1.4.1 Derivative Financial Assets Measured at Fair Value through Profit/Loss                  |                              | 138  | 259               | 397               | 1.510  | -                 | 1.510             |
| 1.4.2 Derivative Financial Assets Measured at Fair Value through Other Comprehensive Income   |                              | -  | -                 | -                 | -  | -                 | -                 |
| <b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)</b>                                  |                              | <b>16.998.174</b>                              | <b>14.745.234</b> | <b>31.743.408</b> | <b>16.594.878</b>                            | <b>10.208.617</b> | <b>26.803.495</b> |
| <b>2.1 Loans</b>  | <b>(6)</b>                   | <b>17.019.728</b>                              | <b>13.617.465</b> | <b>30.637.193</b> | <b>16.796.658</b>                            | <b>10.265.568</b> | <b>27.062.226</b> |
| <b>2.2 Lease Receivables</b>  | <b>(7)</b>                   | <b>227.356</b>                                 | <b>16.322</b>     | <b>243.678</b>    | <b>375.304</b>                               | <b>4.250</b>      | <b>379.554</b>    |
| <b>2.3 Financial Assets Measured at Amortised Cost</b>  | <b>(4)</b>                   | <b>638.021</b>                                 | <b>1.356.298</b>  | <b>1.994.319</b>  | <b>618.506</b>                               | <b>-</b>          | <b>618.506</b>    |
| 2.3.1 Government Securities   |                              | 638.021  | 1.296.462         | 1.934.483         | 618.506                                      | -                 | 618.506           |
| 2.3.2 Other Financial Assets  |                              | -  | 59.836            | 59.836            | -  | -                 | -                 |
| <b>2.4 Expected Credit Losses (-)</b>   | <b>(6)</b>                   | <b>886.931</b>                                 | <b>244.851</b>    | <b>1.131.782</b>  | <b>1.195.590</b>                             | <b>61.201</b>     | <b>1.256.791</b>  |
| <b>III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>                  | <b>(8)</b>                   | <b>124.196</b>                                 | <b>284</b>        | <b>124.480</b>    | <b>648.970</b>                               | <b>718</b>        | <b>649.688</b>    |
| 3.1 Asset Held for Resale   |                              | 124.196  | 284               | 124.480           | 648.970                                      | 718               | 649.688           |
| 3.2 Assets of Discontinued Operations   |                              | -  | -                 | -                 | -  | -                 | -                 |
| <b>IV. OWNERSHIP INVESTMENTS (Net)</b>  | <b>(9)</b>                   | <b>286.470</b>                                 | <b>-</b>          | <b>286.470</b>    | <b>99.571</b>                                | <b>-</b>          | <b>99.571</b>     |
| <b>4.1 Associates (Net)</b>   |                              | <b>8.258</b>                                   | <b>-</b>          | <b>8.258</b>      | <b>71.647</b>                                | <b>-</b>          | <b>71.647</b>     |
| 4.1.1 Associates Consolidated Under Equity Accounting   |                              | -  | -                 | -                 | -  | -                 | -                 |
| 4.1.2 Unconsolidated Associates   |                              | 8.258  | -                 | 8.258             | 71.647                                       | -                 | 71.647            |
| <b>4.2 Subsidiaries (Net)</b>   |                              | <b>240.236</b>                                 | <b>-</b>          | <b>240.236</b>    | <b>3.540</b>                                 | <b>-</b>          | <b>3.540</b>      |
| 4.2.1 Unconsolidated Financial Investments in Subsidiaries                                    |                              | -  | -                 | -                 | -  | -                 | -                 |
| 4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries                                |                              | 240.236  | -                 | 240.236           | 3.540  | -                 | 3.540             |
| <b>4.3 Joint Ventures (Net)</b>   |                              | <b>37.976</b>                                  | <b>-</b>          | <b>37.976</b>     | <b>24.384</b>                                | <b>-</b>          | <b>24.384</b>     |
| 4.3.1 Joint-Ventures Consolidated Under Equity Accounting                                     |                              | 37.976   | -                 | 37.976            | 24.384                                       | -                 | 24.384            |
| 4.3.2 Unconsolidated Joint-Ventures   |                              | -  | -                 | -                 | -  | -                 | -                 |
| <b>V. TANGIBLE ASSETS (Net)</b>   | <b>(10)</b>                  | <b>1.496.680</b>                               | <b>19.905</b>     | <b>1.516.585</b>  | <b>655.238</b>                               | <b>219</b>        | <b>655.457</b>    |
| <b>VI. INTANGIBLE ASSETS (Net)</b>  | <b>(11)</b>                  | <b>30.538</b>                                  | <b>5.272</b>      | <b>35.810</b>     | <b>31.422</b>                                | <b>5.312</b>      | <b>36.734</b>     |
| 6.1 Goodwill  |                              | -  | 3.970             | 3.970             | -  | 4.000             | 4.000             |
| 6.2 Others  |                              | 30.538   | 1.302             | 31.840            | 31.422                                       | 1.312             | 32.734            |
| <b>VII. INVESTMENT PROPERTY (Net)</b>   | <b>(12)</b>                  | <b>1.419.315</b>                               | <b>-</b>          | <b>1.419.315</b>  | <b>1.074.667</b>                             | <b>-</b>          | <b>1.074.667</b>  |
| <b>VIII. CURRENT TAX ASSET</b>  |                              | <b>1.231</b>                                   | <b>-</b>          | <b>1.231</b>      | <b>3.992</b>                                 | <b>-</b>          | <b>3.992</b>      |
| <b>IX. DEFERRED TAX ASSET</b>   | <b>(13)</b>                  | <b>166.345</b>                                 | <b>-</b>          | <b>166.345</b>    | <b>169.474</b>                               | <b>-</b>          | <b>169.474</b>    |
| <b>X. OTHER ASSETS</b>  | <b>(14)</b>                  | <b>397.149</b>                                 | <b>251.499</b>    | <b>648.648</b>    | <b>481.598</b>                               | <b>41.755</b>     | <b>523.353</b>    |
| <b>TOTAL ASSETS</b>   |                              | <b>24.387.851</b>                              | <b>27.088.117</b> | <b>51.475.968</b> | <b>21.795.544</b>                            | <b>20.426.403</b> | <b>42.221.947</b> |

Along with the Communiqué amending the Communiqué on a Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks in the Official Gazette dated 1 February 2019 and numbered 30673, the formats of the financial statements have been changed. Based on this change, the prior year financial statements are reprepared in order to be consistent with the current period financial statements.

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

| LIABILITIES   | Notes<br>(Section<br>Five-II) | Audited<br>CURRENT PERIOD<br>December 31, 2019 |                   |                   | Audited<br>PRIOR PERIOD<br>December 31, 2018 |                   |                   |
|---|-------------------------------|--|-------------------|-------------------|--|-------------------|-------------------|
|   |                               | TL   | FC                | Total             | TL   | FC                | Total             |
|   |                               |  |                   |                   |  |                   |                   |
| <b>I. FUNDS COLLECTED</b>   | <b>(1)</b>                    | <b>14.672.926</b>                              | <b>25.066.274</b> | <b>39.739.200</b> | <b>11.695.466</b>                            | <b>16.843.865</b> | <b>28.539.331</b> |
| <b>II. FUNDS BORROWED</b>   | <b>(2)</b>                    | <b>100.219</b>                                 | <b>1.691.379</b>  | <b>1.791.598</b>  | <b>220.698</b>                               | <b>3.168.852</b>  | <b>3.389.550</b>  |
| <b>III. BORROWINGS FROM MONEY MARKETS</b>   |                               | <b>18.237</b>                                  | <b>-</b>          | <b>18.237</b>     | <b>771.957</b>                               | <b>-</b>          | <b>771.957</b>    |
| <b>IV. SECURITIES ISSUED (Net)</b>  | <b>(3)</b>                    | <b>2.519.419</b>                               | <b>-</b>          | <b>2.519.419</b>  | <b>1.405.143</b>                             | <b>1.753.909</b>  | <b>3.159.052</b>  |
| <b>V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS</b>                                   |                               | <b>-</b>                                       | <b>-</b>          | <b>-</b>          | <b>-</b>                                     | <b>-</b>          | <b>-</b>          |
| <b>VI. DERIVATIVE FINANCIAL LIABILITIES</b>   | <b>(4)</b>                    | <b>504</b>                                     | <b>345</b>        | <b>849</b>        | <b>1.545</b>                                 | <b>-</b>          | <b>1.545</b>      |
| 6.1 Derivative Financial Liabilities at Fair Value through Profit or Loss                               |                               | 504  | 345               | 849               | 1.545  | -                 | 1.545             |
| 6.2 Derivative Financial Liabilities at Fair Value through Other Comprehensive Income                   |                               | -  | -                 | -                 | -  | -                 | -                 |
| <b>VII. LEASE PAYABLES</b>  | <b>(5)</b>                    | <b>287.755</b>                                 | <b>12.905</b>     | <b>300.660</b>    | <b>-</b>                                     | <b>-</b>          | <b>-</b>          |
| <b>VIII. PROVISIONS</b>   | <b>(6)</b>                    | <b>134.069</b>                                 | <b>1.627</b>      | <b>135.696</b>    | <b>90.111</b>                                | <b>769</b>        | <b>90.880</b>     |
| 8.1 Restructuring Reserves  |                               | -  | -                 | -                 | -  | -                 | -                 |
| 8.2 Reserve for Employee Benefits   |                               | 100.138  | -                 | 100.138           | 73.897                                       | -                 | 73.897            |
| 8.3 Insurance Technical Reserves (Net)  |                               | -  | -                 | -                 | -  | -                 | -                 |
| 8.4 Other Provisions  |                               | 33.931   | 1.627             | 35.558            | 16.214                                       | 769               | 16.983            |
| <b>IX. CURRENT TAX LIABILITY</b>  | <b>(7)</b>                    | <b>69.726</b>                                  | <b>4.874</b>      | <b>74.600</b>     | <b>55.407</b>                                | <b>3.181</b>      | <b>58.588</b>     |
| <b>X. DEFERRED TAX LIABILITY</b>  |                               | <b>-</b>                                       | <b>-</b>          | <b>-</b>          | <b>-</b>                                     | <b>-</b>          | <b>-</b>          |
| <b>XI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>             | <b>(8)</b>                    | <b>-</b>                                       | <b>-</b>          | <b>-</b>          | <b>-</b>                                     | <b>-</b>          | <b>-</b>          |
| 11.1 Assets Held for Sale   |                               | -  | -                 | -                 | -  | -                 | -                 |
| 11.2 Assets of Discontinued Operations  |                               | -  | -                 | -                 | -  | -                 | -                 |
| <b>XII. SUBORDINATED LOANS</b>  | <b>(9)</b>                    | <b>-</b>                                       | <b>1.375.164</b>  | <b>1.375.164</b>  | <b>-</b>                                     | <b>1.204.297</b>  | <b>1.204.297</b>  |
| 12.1 Loans  |                               | -  | 1.375.164         | 1.375.164         | -  | 1.204.297         | 1.204.297         |
| 12.2 Other Debt Instruments   |                               | -  | -                 | -                 | -  | -                 | -                 |
| <b>XIII. OTHER LIABILITIES</b>  | <b>(10)</b>                   | <b>1.281.404</b>                               | <b>207.875</b>    | <b>1.489.279</b>  | <b>1.380.164</b>                             | <b>75.001</b>     | <b>1.455.165</b>  |
| <b>XIV. SHAREHOLDERS' EQUITY</b>  | <b>(11)</b>                   | <b>3.995.233</b>                               | <b>36.033</b>     | <b>4.031.266</b>  | <b>3.557.148</b>                             | <b>(5.566)</b>    | <b>3.551.582</b>  |
| 14.1 Paid-In Capital  |                               | 900.000  | -                 | 900.000           | 900.000                                      | -                 | 900.000           |
| 14.2 Capital Reserves   |                               | 1.344.905                                      | -                 | 1.344.905         | 845.976                                      | -                 | 845.976           |
| 14.2.1 Share Premium  |                               | -  | -                 | -                 | -  | -                 | -                 |
| 14.2.2 Share Cancellation Profits   |                               | -  | -                 | -                 | -  | -                 | -                 |
| 14.2.3 Other Capital Reserves   |                               | 1.344.905                                      | -                 | 1.344.905         | 845.976                                      | -                 | 845.976           |
| 14.3 Accumulated Other Comprehensive Income or Expenses that will not be Reclassified to Profit or Loss |                               | 243.404  | -                 | 243.404           | 234.708                                      | -                 | 234.708           |
| 14.4 Accumulated Other Comprehensive Income or Expenses that will be Reclassified to Profit or Loss     |                               | 76.995   | 36.033            | 113.028           | 33.499                                       | (5.566)           | 27.933            |
| 14.5 Profit Reserves  |                               | 1.430.839                                      | -                 | 1.430.839         | 1.301.198                                    | -                 | 1.301.198         |
| 14.5.1 Legal Reserves   |                               | 136.641  | -                 | 136.641           | 134.313                                      | -                 | 134.313           |
| 14.5.2 Status Reserves  |                               | -  | -                 | -                 | -  | -                 | -                 |
| 14.5.3 Extraordinary Reserves   |                               | 1.294.198                                      | -                 | 1.294.198         | 1.166.885                                    | -                 | 1.166.885         |
| 14.5.4 Other Profit Reserves  |                               | -  | -                 | -                 | -  | -                 | -                 |
| 14.6 Profit or Loss   |                               | (158.346)                                      | -                 | (158.346)         | (20.297)                                     | -                 | (20.297)          |
| 14.6.1 Prior Years Profit/(Loss)  |                               | (248.391)                                      | -                 | (248.391)         | (178.311)                                    | -                 | (178.311)         |
| 14.6.2 Current Year Profit/(Loss)   |                               | 90.045   | -                 | 90.045            | 158.014                                      | -                 | 158.014           |
| 14.7 Minority Shares  |                               | 157.436  | -                 | 157.436           | 262.064                                      | -                 | 262.064           |
| <b>TOTAL LIABILITIES</b>  |                               | <b>23.079.492</b>                              | <b>28.396.476</b> | <b>51.475.968</b> | <b>19.177.639</b>                            | <b>23.044.308</b> | <b>42.221.947</b> |

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**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF OFF- BALANCE SHEET**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

| STATEMENT OF OFF-BALANCE SHEET   | Notes<br>(Section<br>Five-III) | Audited                             |                   |                    | Audited                           |                   |                   |
|--|--------------------------------|-------------------------------------|-------------------|--------------------|-----------------------------------|-------------------|-------------------|
|  |                                | CURRENT PERIOD<br>December 31, 2019 |                   |                    | PRIOR PERIOD<br>December 31, 2018 |                   |                   |
|  |                                | TL                                  | FC                | Total              | TL                                | FC                | Total             |
| <b>A. OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>                                 |                                | <b>6.884.242</b>                    | <b>5.792.399</b>  | <b>12.676.641</b>  | <b>6.476.432</b>                  | <b>5.967.594</b>  | <b>12.444.026</b> |
| <b>I. GUARANTEES AND SURETIES</b>  | <b>(1)</b>                     | <b>5.128.502</b>                    | <b>5.302.936</b>  | <b>10.431.438</b>  | <b>4.655.835</b>                  | <b>5.389.862</b>  | <b>10.045.697</b> |
| 1.1. Letters of Guarantees   |                                | 5.099.099                           | 3.619.295         | 8.718.394          | 4.625.551                         | 3.949.014         | 8.574.565         |
| 1.1.1. Guarantees Subject to State Tender Law                                      |                                | 697.926                             | 62.581            | 760.507            | 569.981                           | 58.456            | 628.437           |
| 1.1.2. Guarantees Given for Foreign Trade Operations                               |                                | 15                                  | 835.718           | 835.733            | 399                               | 966.333           | 966.732           |
| 1.1.3. Other Letters of Guarantee  |                                | 4.401.158                           | 2.720.996         | 7.122.154          | 4.055.171                         | 2.924.225         | 6.979.396         |
| 1.2. Bank Loans  |                                | -                                   | 14.463            | 14.463             | -                                 | 39.338            | 39.338            |
| 1.2.1. Import Letter of Acceptances  |                                | -                                   | 14.463            | 14.463             | -                                 | 39.338            | 39.338            |
| 1.2.2. Other Bank Acceptances  |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| 1.3. Letter of Credits   |                                | 257                                 | 1.329.663         | 1.329.920          | 7.980                             | 1.221.635         | 1.229.615         |
| 1.3.1. Documentary Letter of Credits   |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| 1.3.2. Other Letter of Credits   |                                | 257                                 | 1.329.663         | 1.329.920          | 7.980                             | 1.221.635         | 1.229.615         |
| 1.4. Prefinancing Given as Guarantee   |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| 1.5. Endorsements  |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| 1.5.1. Endorsements to the Central Bank of Turkey                                  |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| 1.5.2. Other Endorsements  |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| 1.6. Other Guarantees  |                                | -                                   | 339.515           | 339.515            | -                                 | 170.661           | 170.661           |
| 1.7. Other Collaterals   |                                | 29.146                              | -                 | 29.146             | 22.304                            | 9.214             | 31.518            |
| <b>II. COMMITMENTS</b>   | <b>(1)</b>                     | <b>1.722.506</b>                    | <b>389.607</b>    | <b>2.112.113</b>   | <b>1.553.305</b>                  | <b>315.080</b>    | <b>1.868.385</b>  |
| 2.1. Irrevocable Commitments   |                                | 1.722.506                           | 389.607           | 2.112.113          | 1.553.305                         | 315.080           | 1.868.385         |
| 2.1.1. Asset Purchase and Sale Commitments   |                                | 47.797                              | 389.607           | 437.404            | 161.878                           | 315.080           | 476.958           |
| 2.1.2. Share Capital Commitment to Associates and Subsidiaries                     |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| 2.1.3. Loan Granting Commitments   |                                | 262.517                             | -                 | 262.517            | 215.439                           | -                 | 215.439           |
| 2.1.4. Securities Underwriting Commitments   |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| 2.1.5. Commitments for Reserve Deposit Requirements                                |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| 2.1.6. Payment Commitment for Cheques  |                                | 631.606                             | -                 | 631.606            | 537.673                           | -                 | 537.673           |
| 2.1.7. Tax And Fund Liabilities from Export Commitments                            |                                | 10.381                              | -                 | 10.381             | 6.906                             | -                 | 6.906             |
| 2.1.8. Commitments for Credit Card Expenditure Limits                              |                                | 769.342                             | -                 | 769.342            | 630.690                           | -                 | 630.690           |
| 2.1.9. Commitments for Promotions Related with Credit Cards and Banking Activities |                                | 335                                 | -                 | 335                | 332                               | -                 | 332               |
| 2.1.10. Receivables From Short Sale Commitments of Marketable Securities           |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| 2.1.11. Payables for Short Sale Commitments of Marketable Securities               |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| 2.1.12. Other Irrevocable Commitments  |                                | 528                                 | -                 | 528                | 387                               | -                 | 387               |
| 2.2. Revocable Commitments   |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| 2.2.1. Revocable Loan Granting Commitments   |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| 2.2.2. Other Revocable Commitments   |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| <b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>                                       | <b>(2)</b>                     | <b>33.234</b>                       | <b>99.856</b>     | <b>133.090</b>     | <b>267.292</b>                    | <b>262.652</b>    | <b>529.944</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   |                                | 33.234                              | 99.856            | 133.090            | 267.292                           | 262.652           | 529.944           |
| 3.2.1. Forward Foreign Currency Buy/Sell Transactions                              |                                | 33.234                              | 41.953            | 75.187             | 27.630                            | 25.097            | 52.727            |
| 3.2.1.1. Forward Foreign Currency Transactions-Buy                                 |                                | 27.547                              | 10.149            | 37.696             | 27.630                            | -                 | 27.630            |
| 3.2.1.2. Forward Foreign Currency Transactions-Sell                                |                                | 5.687                               | 31.804            | 37.491             | -                                 | 25.097            | 25.097            |
| 3.2.2. Other Forward Buy/Sell Transactions   |                                | -                                   | 57.903            | 57.903             | 239.662                           | 237.555           | 477.217           |
| 3.3. Other   |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| <b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>                                      |                                | <b>72.616.853</b>                   | <b>16.137.385</b> | <b>88.754.238</b>  | <b>68.732.410</b>                 | <b>13.762.534</b> | <b>82.494.944</b> |
| <b>IV. ITEMS HELD IN CUSTODY</b>   |                                | <b>3.812.406</b>                    | <b>3.053.641</b>  | <b>6.866.047</b>   | <b>2.380.394</b>                  | <b>2.083.413</b>  | <b>4.463.807</b>  |
| 4.1. Assets Under Management   |                                | 1.522.915                           | -                 | 1.522.915          | 393.768                           | -                 | 393.768           |
| 4.2. Investment Securities Held in Custody   |                                | 72                                  | 26.320            | 26.392             | 72                                | 4.118             | 4.190             |
| 4.3. Cheques Received for Collection   |                                | 1.480.111                           | 285.800           | 1.765.911          | 1.448.653                         | 225.232           | 1.673.885         |
| 4.4. Commercial Notes Received for Collection                                      |                                | 543.651                             | 76.306            | 619.957            | 494.993                           | 50.417            | 545.410           |
| 4.5. Other Assets Received for Collection  |                                | 103                                 | -                 | 103                | 103                               | -                 | 103               |
| 4.6. Assets Received for Public Offering   |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| 4.7. Other Items Under Custody   |                                | 210.617                             | 341.146           | 551.763            | 9.316                             | 356.885           | 366.201           |
| 4.8. Custodians  |                                | 54.937                              | 2.324.069         | 2.379.006          | 33.489                            | 1.446.761         | 1.480.250         |
| <b>V. PLEDGED ITEMS</b>  |                                | <b>68.804.447</b>                   | <b>13.083.744</b> | <b>81.888.191</b>  | <b>66.352.016</b>                 | <b>11.679.121</b> | <b>78.031.137</b> |
| 5.1. Marketable Securities   |                                | 10.007.092                          | 3.875.114         | 13.882.206         | 10.540.645                        | 3.388.191         | 13.928.836        |
| 5.2. Guarantee Notes   |                                | 1.223.615                           | 193.710           | 1.417.325          | 1.099.082                         | 155.984           | 1.255.066         |
| 5.3. Commodity   |                                | 3.520.395                           | 1.194.171         | 4.714.566          | 2.097.532                         | 926.359           | 3.023.891         |
| 5.4. Warranty  |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| 5.5. Properties  |                                | 51.035.646                          | 5.913.841         | 56.949.487         | 49.073.908                        | 5.963.148         | 55.037.056        |
| 5.6. Other Pledged Items   |                                | 2.763.503                           | 1.898.042         | 4.661.545          | 3.307.628                         | 1.240.217         | 4.547.845         |
| 5.7. Pledged Items-Depository  |                                | 254.196                             | 8.866             | 263.062            | 233.221                           | 5.222             | 238.443           |
| <b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>                          |                                | -                                   | -                 | -                  | -                                 | -                 | -                 |
| <b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>                                      |                                | <b>79.501.095</b>                   | <b>21.929.784</b> | <b>101.430.879</b> | <b>75.208.842</b>                 | <b>19.730.128</b> | <b>94.938.970</b> |

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

| STATEMENT OF PROFIT OR LOSS   |             | Notes<br>(Section<br>Five-IV) | Audited<br>CURRENT PERIOD<br>January 1- December<br>31, 2019 | Audited<br>PRIOR PERIOD<br>January 1- December<br>31, 2018 |
|---|-------------|-------------------------------|--|--|
|   |             |                               |  |  |
| <b>I. PROFIT SHARE INCOME</b>   | <b>(1)</b>  |                               | <b>3.308.530</b>   | <b>3.000.503</b>   |
| 1.1 Profit Share on Loans   |             |                               | 2.960.036  | 2.651.251  |
| 1.2 Income Received from Reserve Deposits   |             |                               | 51.897   | 58.557   |
| 1.3 Income Received from Banks  |             |                               | 2.273  | 2.591  |
| 1.4 Income Received from Money Market Placements  |             |                               | -  | -  |
| 1.5 Income Received from Marketable Securities Portfolio  |             |                               | 270.472  | 215.528  |
| 1.5.1 Financial Assets at Fair Value Through Profit and Loss                                    |             |                               | 6.237  | 933  |
| 1.5.2 Financial Assets at Fair Value through Other Comprehensive Income                         |             |                               | 155.654  | 126.978  |
| 1.5.3 Financial Assets Measured at Amortised Cost   |             |                               | 108.581  | 87.617   |
| 1.6 Finance Lease Income  |             |                               | 20.202   | 70.404   |
| 1.7 Other Profit Share Income   |             |                               | 3.650  | 2.172  |
| <b>II. PROFIT SHARE EXPENSE</b>   | <b>(2)</b>  |                               | <b>2.462.446</b>   | <b>1.959.225</b>   |
| 2.1 Expense on Profit Sharing Accounts  |             |                               | 1.594.918  | 1.336.163  |
| 2.2 Profit Share Expense on Funds Borrowed  |             |                               | 222.674  | 275.150  |
| 2.3 Profit Share Expense on Money Market Borrowings   |             |                               | 103.162  | 103.864  |
| 2.4 Profit Share Expense on Securities Issued   |             |                               | 475.134  | 238.195  |
| 2.5 Finance Lease Expense   |             |                               | 59.485   | -  |
| 2.6 Other Profit Share Expense  |             |                               | 7.073  | 5.853  |
| <b>III. NET PROFIT SHARE INCOME (I – II)</b>  |             |                               | <b>846.084</b>   | <b>1.041.278</b>   |
| <b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>   |             |                               | <b>299.245</b>   | <b>197.508</b>   |
| 4.1 Fees and Commissions Received   |             |                               | 394.901  | 292.525  |
| 4.1.1 Non-Cash Loans  |             |                               | 123.572  | 114.573  |
| 4.1.2 Other   | <b>(3)</b>  |                               | 271.329  | 177.952  |
| 4.2 Fees and Commissions Paid   |             |                               | 95.656   | 95.017   |
| 4.2.1 Non-Cash Loans  |             |                               | 431  | 420  |
| 4.2.2 Other   | <b>(3)</b>  |                               | 95.225   | 94.597   |
| <b>V. DIVIDEND INCOME</b>   | <b>(4)</b>  |                               | <b>-</b>   | <b>177</b>   |
| <b>VI. TRADING INCOME/LOSS(net)</b>   | <b>(5)</b>  |                               | <b>224.827</b>   | <b>305.666</b>   |
| 6.1 Capital Market Transaction Income/(Loss)  |             |                               | 63.296   | (3.708)  |
| 6.2 Profit/(Loss) from Derivative Financial Instruments   |             |                               | (21.992)   | (26.231)   |
| 6.3 Foreign Exchange Income/(Loss)  |             |                               | 183.523  | 335.605  |
| <b>VII. OTHER OPERATING INCOME</b>  | <b>(6)</b>  |                               | <b>724.444</b>   | <b>470.773</b>   |
| <b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>                                      |             |                               | <b>2.094.600</b>   | <b>2.015.402</b>   |
| <b>IX. EXPECTED CREDIT LOSS (-)</b>   | <b>(7)</b>  |                               | <b>773.996</b>   | <b>607.836</b>   |
| <b>X. OTHER PROVISION EXPENSES (-)</b>  |             |                               | <b>16.411</b>  | <b>2.690</b>   |
| <b>XI. PERSONNEL EXPENSES (-)</b>   |             |                               | <b>675.898</b>   | <b>539.998</b>   |
| <b>XII. OTHER OPERATING EXPENSES (-)</b>  | <b>(8)</b>  |                               | <b>517.797</b>   | <b>662.392</b>   |
| <b>XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)</b>                                     |             |                               | <b>110.498</b>   | <b>202.486</b>   |
| <b>XIV. EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER</b>   |             |                               | <b>-</b>   | <b>-</b>   |
| <b>XV. PROFIT/(LOSS) ON EQUITY METHOD</b>   |             |                               | <b>13.963</b>  | <b>7.437</b>   |
| <b>XVI. PROFIT/(LOSS) ON NET MONETARY POSITION</b>  |             |                               | <b>-</b>   | <b>-</b>   |
| <b>XVII. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)</b>                | <b>(9)</b>  |                               | <b>124.461</b>   | <b>209.923</b>   |
| <b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>  | <b>(10)</b> |                               | <b>27.682</b>  | <b>36.688</b>  |
| 18.1 Provision for Current Taxes  |             |                               | 8.535  | 5.237  |
| 18.2 Deferred Tax Expense Effect (+)  |             |                               | 220.539  | 171.354  |
| 18.3 Deferred Tax Income Effect (-)   |             |                               | 201.392  | 139.903  |
| <b>XIX. NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)</b>                            | <b>(11)</b> |                               | <b>96.779</b>  | <b>173.235</b>   |
| <b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>  | <b>(11)</b> |                               | <b>-</b>   | <b>-</b>   |
| 20.1 Income from Assets Held For Sale   |             |                               | -  | -  |
| 20.2 Income from Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.) |             |                               | -  | -  |
| 20.3 Income from Other Discontinued Operations  |             |                               | -  | -  |
| <b>XXI. LOSS FROM DISCONTINUED OPERATIONS (-)</b>   |             |                               | <b>-</b>   | <b>-</b>   |
| 21.1 Loss from Assets Held for Sale   |             |                               | -  | -  |
| 21.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)     |             |                               | -  | -  |
| 21.3 Loss from Other Discontinued Operations  |             |                               | -  | -  |
| <b>XXII. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XXI-XXI)</b>                    |             |                               | <b>-</b>   | <b>-</b>   |
| <b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>                                     |             |                               | <b>-</b>   | <b>-</b>   |
| 23.1 Provision for Current Taxes  |             |                               | -  | -  |
| 23.2 Deferred Tax Expense Effect (+)  |             |                               | -  | -  |
| 23.3 Deferred Tax Income Effect (-)   |             |                               | -  | -  |
| <b>XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>                          |             |                               | <b>-</b>   | <b>-</b>   |
| <b>XXV. NET PROFIT/LOSS (XIX+XXIV)</b>  | <b>(12)</b> |                               | <b>96.779</b>  | <b>173.235</b>   |
| 25.1 Group's Income/Loss  |             |                               | 90.045   | 158.014  |
| 25.2 Minority Shares Profit/Loss (-)  |             |                               | 6.734  | 15.221   |
| Earnings Per Share  |             |                               | 0,10   | 0,18   |

Along with the Communiqué amending the Communiqué on a Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks in the Official Gazette dated 1 February 2019 and numbered 30673, the formats of the financial statements have been changed. Based on this change, the prior year financial statements are reprepared in order to be consistent with the current period financial statements.

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**AS OF DECEMBER 31, 2019**

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

| PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  | Audited   | Audited   |
|--|---|---|
|  | CURRENT PERIOD<br>January 1-<br>December 31, 2019 | PRIOR PERIOD<br>January 1-<br>December 31, 2018 |
| <b>I. CURRENT PERIOD PROFIT/LOSS</b>   | <b>96.779</b>                                     | <b>173.235</b>                                  |
| <b>II. OTHER COMPREHENSIVE INCOME</b>  | <b>93.791</b>                                     | <b>36.369</b>                                   |
| <b>2.1 Other Income/Expense Items not to be Recycled to Profit or Loss</b>   | <b>8.696</b>                                      | <b>11.512</b>                                   |
| 2.1.1 Revaluation Surplus on Tangible Assets   | 31.588  | 26.779  |
| 2.1.2 Revaluation Surplus on Intangible Assets   | -   | -   |
| 2.1.3 Defined Benefit Plans' Actuarial Gains/Losses  | (13.716)  | (2.892)   |
| 2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss  | (6.497)   | (7.655)   |
| 2.1.5 Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss  | (2.679)   | (4.720)   |
| <b>2.2 Other Income/Expense Items to be Recycled to Profit or Loss</b>   | <b>85.095</b>                                     | <b>24.857</b>                                   |
| 2.2.1 Translation Differences  | 16.782  | 36.025  |
| 2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at Fair Value through Other Comprehensive Income | 87.581  | (14.318)  |
| 2.2.3 Gains/losses from Cash Flow Hedges   | -   | -   |
| 2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations  | -   | -   |
| 2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss  | -   | -   |
| 2.2.6 Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss  | (19.268)  | 3.150   |
| <b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>  | <b>190.570</b>                                    | <b>209.604</b>                                  |

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

| STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Audited)              |                        |                 |               |                            |                                       | Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss |                 |          | Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss |               |          |                  |                            |                                  |                                     |                 |                            |
|---|------------------------|-----------------|---------------|----------------------------|---------------------------------------|---|-----------------|----------|---|---------------|----------|------------------|----------------------------|----------------------------------|-------------------------------------|-----------------|----------------------------|
|   | Notes (Section Five-V) | Paid-in Capital | Share Premium | Share Cancellation Profits | Other Capital Reserves <sup>(*)</sup> | 1   | 2               | 3        | 4   | 5             | 6        | Profit Reserves  | Prior Periods' Profit/Loss | Current Period's Net Profit/Loss | Total Equity Before Minority Shares | Minority Shares | Total Shareholders' Equity |
| <b>CURRENT PERIOD</b><br><b>(January 1 - December 31, 2019)</b>     |                        |                 |               |                            |                                       |   |                 |          |   |               |          |                  |                            |                                  |                                     |                 |                            |
| I. Closing balance  | (V)                    | 900.000         | -             | -                          | 845.976                               | 251.889   | (17.181)        | -        | 56.714  | (28.781)      | -        | 1.301.198        | (178.311)                  | 158.014                          | 3.289.518                           | 262.064         | 3.551.582                  |
| II. Correction made as per TAS 8                                    |                        | -               | -             | -                          | -                                     | -   | -               | -        | -   | -             | -        | -                | (17.304)                   | -                                | (17.304)                            | -               | (17.304)                   |
| 2.1. Effect of Corrections  |                        | -               | -             | -                          | -                                     | -   | -               | -        | -   | -             | -        | -                | (17.304)                   | -                                | (17.304)                            | -               | (17.304)                   |
| 2.2. Effect of Changes in Accounting Policies                       |                        | -               | -             | -                          | -                                     | -   | -               | -        | -   | -             | -        | -                | -                          | -                                | -                                   | -               | -                          |
| III. Adjusted Balances at Beginning Of Period (I+II)                |                        | 900.000         | -             | -                          | 845.976                               | 251.889   | (17.181)        | -        | 56.714  | (28.781)      | -        | 1.301.198        | (195.615)                  | 158.014                          | 3.272.214                           | 262.064         | 3.534.278                  |
| IV. Total Comprehensive Income                                      |                        | -               | -             | -                          | -                                     | 19.021  | (10.325)        | -        | 16.782  | 68.313        | -        | -                | -                          | 90.045                           | 183.836                             | 6.734           | 190.570                    |
| V. Capital Increase in Cash   |                        | -               | -             | -                          | 464.855 <sup>(***)</sup>              | -   | -               | -        | -   | -             | -        | -                | -                          | -                                | 464.855                             | -               | 464.855                    |
| VI. Capital Increase from Internal Sources                          |                        | -               | -             | -                          | -                                     | -   | -               | -        | -   | -             | -        | -                | -                          | -                                | -                                   | -               | -                          |
| VII. Capital Reserves from Inflation Adjustments to Paid-in Capital |                        | -               | -             | -                          | -                                     | -   | -               | -        | -   | -             | -        | -                | -                          | -                                | -                                   | -               | -                          |
| VIII. Convertible Bonds   |                        | -               | -             | -                          | -                                     | -   | -               | -        | -   | -             | -        | -                | -                          | -                                | -                                   | -               | -                          |
| IX. Subordinated Liabilities  |                        | -               | -             | -                          | -                                     | -   | -               | -        | -   | -             | -        | -                | -                          | -                                | -                                   | -               | -                          |
| X. Others Changes   |                        | -               | -             | -                          | 34.074                                | -   | -               | -        | -   | -             | -        | (130)            | (81.019) <sup>(**)</sup>   | -                                | (47.075)                            | (111.362)       | (158.437)                  |
| XI. Profit Distribution   |                        | -               | -             | -                          | -                                     | -   | -               | -        | -   | -             | -        | 129.771          | 28.243                     | (158.014)                        | -                                   | -               | -                          |
| 11.1 Dividends  |                        | -               | -             | -                          | -                                     | -   | -               | -        | -   | -             | -        | -                | -                          | -                                | -                                   | -               | -                          |
| 11.2 Transfers to Reserves  |                        | -               | -             | -                          | -                                     | -   | -               | -        | -   | -             | -        | 129.771          | (129.771)                  | -                                | -                                   | -               | -                          |
| 11.3 Others   |                        | -               | -             | -                          | -                                     | -   | -               | -        | -   | -             | -        | -                | 158.014                    | (158.014)                        | -                                   | -               | -                          |
| <b>Balances at end of the period (III+IV...+X+XI)</b>               |                        | <b>900.000</b>  | <b>-</b>      | <b>-</b>                   | <b>1.344.905</b>                      | <b>270.910</b>  | <b>(27.506)</b> | <b>-</b> | <b>73.496</b>   | <b>39.532</b> | <b>-</b> | <b>1.430.839</b> | <b>(248.391)</b>           | <b>90.045</b>                    | <b>3.873.830</b>                    | <b>157.436</b>  | <b>4.031.266</b>           |

<sup>(\*)</sup> The Parent Bank has recognized perpetual additional tier 1 capital amounting to USD 205.000.000 issued through "Bereket One Ltd" under "other capital reserves " as per TAS 32: "Financial Instruments: Presentation" standart.

<sup>(\*\*)</sup> The Parent Bank has paid TL 112.284 in February 2019 and August 2019, the coupon payment amount of unmatured additional tier 1 capital Sukuk and has recognized it under "prior periods' profit / loss". TL 25.746, the deferred tax expense related to the payment has been recognized under "prior periods' profit/ loss" as well.

<sup>(\*\*\*)</sup> Under "other capital reserves" the Bank has represented TL 450.000, the amount related to capital increase through rights issues which is completed but not registered as of December 2019 and premium on issued shares amount to TL 14.855

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

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



**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**AS OF DECEMBER 31, 2018**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

| STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Audited)              |                        |                 |               |                            |                         | Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss |                 |          | Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss |                 |          |                  |                            |                                  |                                     |                 |                            |
|---|------------------------|-----------------|---------------|----------------------------|-------------------------|---|-----------------|----------|---|-----------------|----------|------------------|----------------------------|----------------------------------|-------------------------------------|-----------------|----------------------------|
|   | Notes (Section Five-V) | Paid-in Capital | Share Premium | Share Cancellation Profits | Other Capital Reserves  | 1   | 2               | 3        | 4   | 5               | 6        | Profit Reserves  | Prior Periods' Profit/Loss | Current Period's Net Profit/Loss | Total Equity Before Minority Shares | Minority Shares | Total Shareholders' Equity |
| <b>PRIOR PERIOD</b><br><b>(January 1 - December 31, 2018)</b>       |                        |                 |               |                            |                         |   |                 |          |   |                 |          |                  |                            |                                  |                                     |                 |                            |
| I. Closing balance  | (V)                    | 900.000         | -             | -                          | 431                     | 238.121   | (14.925)        | -        | 20.689  | (17.613)        | -        | 1.113.454        | (1.228)                    | 250.239                          | 2.489.168                           | 156.047         | 2.645.215                  |
| II. Correction made as per TAS 8                                    |                        | -               | -             | -                          | -                       | -   | -               | -        | -   | -               | -        | -                | (152.480) <sup>(*)</sup>   | -                                | (152.480)                           | -               | (152.480)                  |
| 2.1. Effect of Corrections  |                        | -               | -             | -                          | -                       | -   | -               | -        | -   | -               | -        | -                | -                          | -                                | -                                   | -               | -                          |
| 2.2. Effect of Changes in Accounting Policies                       |                        | -               | -             | -                          | -                       | -   | -               | -        | -   | -               | -        | -                | (152.480)                  | -                                | (152.480)                           | -               | (152.480)                  |
| III. Adjusted Balances at Beginning Of Period (I+II)                |                        | 900.000         | -             | -                          | 431                     | 238.121   | (14.925)        | -        | 20.689  | (17.613)        | -        | 1.113.454        | (153.708)                  | 250.239                          | 2.336.688                           | 156.047         | 2.492.735                  |
| IV. Total Comprehensive Income                                      |                        | -               | -             | -                          | -                       | 13.768  | (2.256)         | -        | 36.025  | (11.168)        | -        | -                | -                          | 158.014                          | 194.383                             | 15.221          | 209.604                    |
| V. Capital Increase in Cash   |                        | -               | -             | -                          | -                       | -   | -               | -        | -   | -               | -        | -                | -                          | -                                | -                                   | -               | -                          |
| VI. Capital Increase from Internal Sources                          |                        | -               | -             | -                          | -                       | -   | -               | -        | -   | -               | -        | -                | -                          | -                                | -                                   | -               | -                          |
| VII. Capital Reserves from Inflation Adjustments to Paid-in Capital |                        | -               | -             | -                          | -                       | -   | -               | -        | -   | -               | -        | -                | -                          | -                                | -                                   | -               | -                          |
| VIII. Convertible Bonds   |                        | -               | -             | -                          | -                       | -   | -               | -        | -   | -               | -        | -                | -                          | -                                | -                                   | -               | -                          |
| IX. Subordinated Liabilities  |                        | -               | -             | -                          | 775.720 <sup>(**)</sup> | -   | -               | -        | -   | -               | -        | -                | -                          | -                                | 775.720                             | -               | 775.720                    |
| X. Others Changes   |                        | -               | -             | -                          | 69.825                  | -   | -               | -        | -   | -               | -        | -                | (42.098) <sup>(***)</sup>  | -                                | 27.727                              | 90.796          | 118.523                    |
| XI. Profit Distribution   |                        | -               | -             | -                          | -                       | -   | -               | -        | -   | -               | -        | 187.744          | 17.495                     | (250.239)                        | (45.000)                            | -               | (45.000)                   |
| 11.1 Dividends  |                        | -               | -             | -                          | -                       | -   | -               | -        | -   | -               | -        | -                | (45.000)                   | -                                | (45.000)                            | -               | (45.000)                   |
| 11.2 Transfers to Reserves  |                        | -               | -             | -                          | -                       | -   | -               | -        | -   | -               | -        | 187.744          | (187.744)                  | -                                | -                                   | -               | -                          |
| 11.3 Others   |                        | -               | -             | -                          | -                       | -   | -               | -        | -   | -               | -        | -                | 250.239                    | (250.239)                        | -                                   | -               | -                          |
| <b>Balances at end of the period (III+IV...+X+XI)</b>               |                        | <b>900.000</b>  | <b>-</b>      | <b>-</b>                   | <b>845.976</b>          | <b>251.889</b>  | <b>(17.181)</b> | <b>-</b> | <b>56.714</b>   | <b>(28.781)</b> | <b>-</b> | <b>1.301.198</b> | <b>(178.311)</b>           | <b>158.014</b>                   | <b>3.289.518</b>                    | <b>262.064</b>  | <b>3.551.582</b>           |

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

<sup>(\*)</sup> Includes deferred tax asset for general provisions arising from equity and Parent banks shares amounting to TL 64.991 recognized under shareholders' equity for TFRS 9 adjustment. The adjustments have been done in the consolidated statement of changes in shareholders' equity as of December 31, 2018 (under prior periods' profit/loss and profit reserves) and related adjustments have been reflected in consolidated statement of changes in shareholders' equity as of September 30, 2018.

<sup>(\*\*)</sup> The Parent Bank has recognized unmatured additional tier 1 capital amounting to USD 205.000.000 which is issued through "Bereket One Ltd" under "other capital reserves" as per TAS 32: "Financial Instruments: Presentation" standart.

<sup>(\*\*\*)</sup> The Parent Bank paid TL 60.051 in August, the coupon profit share of the unmatured additional Tier 1 sukuk, and has recognized it under previous years' profit / loss account.

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

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

| STATEMENT OF CASH FLOWS  | Notes<br>(Section<br>Five-VI) | Audited<br>CURRENT PERIOD<br>January 1-<br>December 31, 2019 | Audited<br>PRIOR PERIOD<br>January 1-<br>December 31, 2018 |
|--|-------------------------------|--|--|
|  |                               |  |  |
| <b>A. CASH FLOWS FROM BANKING OPERATIONS</b>   |                               |  |  |
| <b>1.1 Operating Profit Before Changes In Operating Assets And Liabilities</b>   |                               | <b>1.578.108</b>   | <b>678.697</b>   |
| 1.1.1 Profit Share Income Received   |                               | 3.032.230  | 2.710.438  |
| 1.1.2 Profit Share Expense Paid  |                               | (1.620.675)  | (1.292.384)  |
| 1.1.3 Dividend Received  |                               | -  | -  |
| 1.1.4 Fees and Commissions Received  |                               | 271.913  | 178.597  |
| 1.1.5 Other Income   |                               | 458.309  | 309.621  |
| 1.1.6 Collections from Previously Written Off Loans  | (V-I-6,h2)                    | 375.756  | 470.048  |
| 1.1.7 Payments to Personnel and Service Suppliers  |                               | (827.187)  | (758.094)  |
| 1.1.8 Taxes Paid   |                               | (50.191)   | (83.581)   |
| 1.1.9 Others   | (V-VI-3)                      | (62.047)   | (855.948)  |
| <b>1.2 Changes In Operating Assets And Liabilities</b>   |                               | <b>4.264.800</b>   | <b>2.096.176</b>   |
| 1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss                                   |                               | (520.779)  | (3.343)  |
| 1.2.2 Net (Increase) Decrease in Due From Banks and Other Financial Institutions   |                               | (1.886.205)  | (3.746.875)  |
| 1.2.3 Net (Increase) Decrease in Loans   |                               | (3.887.979)  | 416.434  |
| 1.2.4 Net (Increase) Decrease in Other Assets  |                               | (89.576)   | 1.727.538  |
| 1.2.5 Net Increase (Decrease) in Bank Deposits   |                               | 617.972  | (49.134)   |
| 1.2.6 Net Increase (Decrease) in Other Deposits  |                               | 9.696.731  | 3.486.700  |
| 1.2.7 Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss |                               | -  | -  |
| 1.2.8 Net Increase (Decrease) in Funds Borrowed  |                               | -  | -  |
| 1.2.9 Net Increase (Decrease) in Matured Payables  |                               | -  | -  |
| 1.2.10 Net Increase (Decrease) in Other Liabilities  | (V-VI-3)                      | 334.636  | 264.856  |
| <b>I. Net Cash Flow From Banking Operations</b>  |                               | <b>5.842.908</b>   | <b>2.774.873</b>   |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                               |  |  |
| <b>II. Net cash flow from investing activities</b>   |                               | <b>(2.143.919)</b>   | <b>277.303</b>   |
| 2.1 Cash Paid For Acquisition of Investments, Associates and Subsidiaries  |                               | (173.307)  | (70.290)   |
| 2.2 Cash Obtained From Disposal of Investments, Associates and Subsidiaries  |                               | -  | -  |
| 2.3 Purchases of Property and Equipment  |                               | (295.930)  | (126.078)  |
| 2.4 Disposals of Property and Equipment  |                               | 162.876  | 157.335  |
| 2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income  |                               | (3.402.388)  | (717.604)  |
| 2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income  |                               | 2.875.207  | 1.079.573  |
| 2.7 Purchase of Financial Assets Measured at Amortised Cost  | (V-I-4)                       | (1.442.377)  | (187.962)  |
| 2.8 Sale of Financial Assets Measured at Amortised Cost  | (V-I-4)                       | 132.000  | 142.329  |
| 2.9 Other  |                               | -  | -  |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                               |  |  |
| <b>III. Net Cash Flow From Financing Activities</b>  |                               | <b>(3.854.988)</b>   | <b>877.554</b>   |
| 3.1 Cash Obtained from Funds Borrowed and Securities Issued  |                               | 22.571.042   | 18.622.967   |
| 3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued  |                               | (26.696.471)   | (18.416.082)   |
| 3.3 Issued Capital Instruments   |                               | 464.855  | -  |
| 3.4 Dividends Paid   |                               | -  | (45.000)   |
| 3.5 Payments for Leases <sup>(*)</sup>   |                               | (82.130)   | -  |
| 3.6 Other  |                               | (112.284)  | 715.669  |
| <b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>  | (V-VI-3)                      | <b>235.821</b>   | <b>290.406</b>   |
| <b>V. Net (Decrease) Increase in Cash and Cash Equivalents</b>   |                               | <b>79.822</b>  | <b>4.220.136</b>   |
| <b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>  | (V-VI-a)                      | <b>7.109.859</b>   | <b>2.889.723</b>   |
| <b>VII. Cash and Cash Equivalents at the End of the Period</b>   | (V-VI-b)                      | <b>7.189.681</b>   | <b>7.109.859</b>   |

<sup>(\*)</sup> As of 31 December 2019, it includes the payments related to the leases recognized in the financial statements within the scope of "TFRS 16 - Leases", which is applied as of January 1, 2019.

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF PROFIT APPROPRIATION**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

| STATEMENT OF PROFIT APPROPRIATION                                  | Audited                             | Audited                           |
|--|-------------------------------------|-----------------------------------|
|  | CURRENT PERIOD<br>December 31, 2019 | PRIOR PERIOD<br>December 31, 2018 |
| <b>I. Distribution of current year income</b>                      |                                     |                                   |
| 1.1. Current year income   | 87.293                              | 168.495                           |
| 1.2. Taxes and duties payable (-)                                  | 23.864                              | 34.527                            |
| 1.2.1. Corporate tax (Income tax)                                  | 4.722                               | 3.071                             |
| 1.2.2. Income withholding tax                                      | -                                   | -                                 |
| 1.2.3. Other taxes and legal liabilities (*)                       | 19.142                              | 31.456                            |
| <b>A. Net income for the year (1.1-1.2)</b>                        | <b>63.429</b>                       | <b>133.968</b>                    |
| 1.3. Prior year losses (-)   | -                                   | -                                 |
| 1.4. First legal reserves (-)                                      | -                                   | 6.698                             |
| 1.5. Other statutory reserves (-)                                  | -                                   | 4.580                             |
| <b>B. Distributable net period income [(A-(1.3+1.4+1.5))] (**)</b> | <b>63.429</b>                       | <b>122.690</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                                       | -                                   | 122.690                           |
| 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)                 | 0,070                               | 0,136                             |
| 3.2. To owners of ordinary shares (%)                              | 7,05                                | 13,63                             |
| 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                                 | -                                   | -                                 |
| 4.4. To owners of preferred shares (%)                             | -                                   | -                                 |

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

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

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

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2019**

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

**SECTION THREE**

**Accounting Policies**

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

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

The consolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette numbered 26333 dated November 1, 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not prepared by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA") (all are referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette numbered 28337, dated June 28, 2012, and amendments to this Communiqué. The Parent Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets, liabilities, revalued real estates and investment properties carried at fair value.

**b) Additional paragraph for convenience translation:**

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

**c) Accounting policies and valuation principles applied in the preparation of consolidated financial statements:**

The accounting policies and valuation principles applied in the preparation of consolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS. As of December 31, 2019, ownership investment accounted using equity method is Katılım Emeklilik ve Hayat A.Ş. The subsidiaries, real estate funds, venture capital investment funds, security funds accounted using full consolidation method are Bereket Varlık Kiralama A.Ş., Insha GmbH, Albaraka Portföy Yönetimi A.Ş., Albaraka Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu, Albaraka Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu, Albaraka Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu, Albaraka Portföy Yönetimi A.Ş. Metropol Gayrimenkul Yatırım Fonu, Albaraka Portföy Yönetimi A.Ş. Değer Girişim Sermayesi Yatırım Fonu, Albaraka Portföy Yönetimi A.Ş. Fintech Girişim Sermayesi Yatırım Fonu, Albaraka Portföy Yönetimi A.Ş. Katılım Hisse Senedi Fonu, Albaraka Portföy Yönetimi A.Ş. Katılım Fonu, Albaraka Portföy Yönetimi A.Ş. Altın Katılım Fonu, Albaraka Portföy Yönetimi A.Ş. Kira Sertifikaları Katılım Fonu respectively.

The Parent Bank has started to apply TFRS 16 Leases standard ("TFRS 16") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the accompanying financial statements starting from 1 January 2019.

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**I. Explanations on basis of presentation (continued):**

**c) Accounting policies and valuation principles applied in the preparation of consolidated financial statements (continued):**

**Reclassifications of TFRS 16**

Reclassifications and remeasurements during the first time application of TFRS 16 Leases Standard dated 1 January 2019 are presented in the below table.

|                       | <b>Note</b> | <b>31.12.2018</b> | <b>TFRS 16<br/>Reclassification<br/>Effect</b> | <b>TFRS 16<br/>Transition<br/>Effect</b> | <b>01.01.2019</b> |
|-----------------------|-------------|-------------------|--|--|-------------------|
| Tangible Assets (Net) | (1), (2)    | 655.457           | 1.656  | 286.124                                  | 943.237           |
| Other Assets (Net)    | (2)         | 523.353           | (1.656)  | -  | 521.697           |
| Lease Payables (Net)  | (1), (3)    | -                 | -  | 286.124                                  | 286.124           |

(1) In accordance with TFRS 16, the Parent Bank recognised a lease liability and a right-of-use asset amounting to TL 286.124 as of 1 January 2019 for leases previously classified as operating lease applying TAS 17.

(2) In accordance with TFRS 16, the Parent Bank recognised prepaid rent payments amounting to TL 1.656 under tangible assets as right-of-use, which were previously classified under other assets.

(3) As of 1 January 2019, the weighted average of the alternative borrowing rates applied to TL, EUR and USD lease liabilities presented in the statement of financial position of the Parent Bank are 23%, 5% and 5% respectively.

The preparation of the consolidated financial statements according to BRSA Reporting and Accounting Legislation requires the Group's management to make estimates and assumptions related to assets and liabilities in the balance sheet and contingent issues as of the balance sheet date. Such estimates and assumptions include the fair value calculations of the financial instruments, provisions for the lawsuits, deferred tax assets and liabilities, impairment of the financial assets and revaluation of immovables and reviewed periodically and when adjustments are considered necessary they are reflected in the financial statements. The assumptions and estimates used are explained in the related notes.

**d) Restatement of the financial statements according to the current purchasing power of money:**

Accompanying financial statements are subjected to TAS 29 "Financial Reporting in Hyperinflationary Economies" until December 31, 2004 and with regard to this the BRSA explained with its decision numbered 1623 and dated April 21, 2005 and its circular dated April 28, 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied in the accompanying financial statements starting from January 1, 2005.

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

The Group creates its strategies on financial instruments considering its sources of financing. The main financing sources consist of current and profit sharing accounts. Other than current and profit sharing accounts, the Parent Bank's most important funding sources are its equity and borrowings from foreign financial institutions. The Parent Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

The Parent Bank's transactions in foreign currencies are accounted in accordance with the TAS 21 "Accounting Standard on the Effect of Changes in Foreign Currency Rates", and converted with the exchange rate ruling at the transaction date into Turkish Lira. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange rates ruling at the balance sheet date announced by the Parent Bank. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

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

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**II. Explanations on strategy of using financial instruments and foreign currency transactions (continued):**

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 branches and foreign subsidiary of the Parent Bank included in the financial statements are translated into Turkish lira at the exchange rate ruling at the balance sheet date announced by the Parent Bank. Income statement items are translated into Turkish lira by exchange rate ruling at the transaction date and all exchange differences arising from translation are accounted in other capital reserves under equity according to TAS 21.

Precious metals (gold and silver) accounted under assets and liabilities which do not have fixed maturity are translated into Turkish lira by using the buying rate at the balance sheet date announced by the Parent Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Group.

**III. Information on consolidated associates:**

Consolidated financial statements are prepared in accordance with the decrees, notes and explanations set forth in Communiqué on "Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated November 8, 2006, numbered 26340 and "Turkish Accounting Standard for Consolidated Financial Statements" ("TFRS 10").

**a) Consolidation principles on joint ventures:**

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is private pension and insurance and operates according to special legislation with permission and license and is established in Turkey. The related joint venture has been consolidated through equity method. Where necessary, accounting policies of the joint venture have been harmonized to ensure consistency with the policies adopted by the Parent Bank.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the joint venture amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

| Title                           | Operation Center<br>(City/Country) | Main Activities                  | Effective Rates (%) | Direct and Indirect<br>Rates (%) |
|---------------------------------|------------------------------------|----------------------------------|---------------------|----------------------------------|
| Katılım Emeklilik ve Hayat A.Ş. | Istanbul/Turkey                    | Private pension<br>and insurance | 50,00               | 50,00                            |

**b) Consolidation principles on subsidiaries:**

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method considering materiality principle, taking account the operation results, size of asset and shareholders' equity. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

Control is accepted as when Parent Bank has power over its investee, or exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the full consolidation method, 100% of subsidiaries' assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank's assets, liabilities, and income, expense and off-balance sheet items. The carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intragroup balances and intragroup transactions and resulting unrealized profits and losses are eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Parent Bank.



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**III. Information on consolidated associates (continued)**

**b) Consolidation principles on subsidiaries (continued):**

The subsidiaries included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

| <b>Title</b>                   | <b>Operation Center<br/>(City/Country)</b> | <b>Main Activities</b>  | <b>Effective Rates (%)</b> | <b>Direct and Indirect Rates (%)</b> |
|--------------------------------|--|---|----------------------------|--------------------------------------|
| Bereket Varlık Kiralama A.Ş.   | Istanbul/Turkey                            | Sukuk Issue   | 100,00                     | 100,00                               |
| Albaraka Portföy Yönetimi A.Ş. | Istanbul/Turkey                            | Investment Fund Foundation and Management   | 100,00                     | 100,00                               |
| Insha Gmbh                     | Berlin/Germany                             | Providing digital participation banking services with the banking license of Solarisbank AG in Germany, collecting funds with this license through mudaraba method and evaluating the funds in accordance with the principles of interest-free finance and contract signed. | 100,00                     | 100,00                               |

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**III. Information on consolidated associates (continued):**

**c) Consolidation principles on investment funds:**

The investment funds, founded by the Parent Bank's subsidiary "Albaraka Portföy Yönetimi A.Ş." over which the Group has control as per procedures and principles stated in TFRS 10 "Turkish Financial Reporting Standards on consolidated Financial Statements", are accounted as per full consolidation method. For investment funds over which the Parent Bank does not have full control, minority shares are calculated separately under income statement and shareholders' equity. The information on the funds is represented as follows:

| Title   | Operation Center<br>(City/Country) | Main Activities  | Effective<br>Rates (%) | Direct and<br>Indirect Rates<br>(%) |
|---|------------------------------------|--|------------------------|-------------------------------------|
| Albaraka Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu     | İstanbul/Turkey                    | Buy real estate and rights based on real estates, rent, lease and sell   | 91,28                  | 91,28                               |
| Albaraka Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu        | İstanbul/Turkey                    | Buy real estate and rights based on real estates, rent, lease and sell   | 94,03                  | 94,03                               |
| Albaraka Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu     | İstanbul/Turkey                    | Buy real estate and rights based on real estates, rent, lease and sell   | 86,16                  | 86,16                               |
| Albaraka Portföy Yönetimi A.Ş. Metropol Gayrimenkul Yatırım Fonu      | İstanbul/Türkiye                   | Buy real estate and rights based on real estates, rent, lease and sell   | 100,00                 | 100,00                              |
| Albaraka Portföy Yönetimi A.Ş. Değer Girişim Sermayesi Yatırım Fonu   | İstanbul/Türkiye                   | To invest in company shares that can be financially and institutionally structured and developed, and to terminate the investment in the development or further stages of the company through methods such as sales, merger, and public offering.  | 84,54                  | 84,54                               |
| Albaraka Portföy Yönetimi A.Ş. Fintech Girişim Sermayesi Yatırım Fonu | İstanbul/Türkiye                   | To invest in the initial stages of technology and innovation companies that provide products or services to Fintech venture companies or financial companies or to terminate the investment in the advanced stages by methods such as sale, merger and public offering.                                  | 100,00                 | 100,00                              |
| Albaraka Portföy Yönetimi A.Ş. Katılım Hisse Senedi Fonu              | İstanbul/Türkiye                   | To manage the Fund established under the "Stock Umbrella Fund" in accordance with the related legislation, in accordance with the definition of umbrella funds covering the funds invested in the shares of domestic and / or foreign issuers.   | 45,94                  | 45,94                               |
| Albaraka Portföy Yönetimi A.Ş. Katılım Fonu                           | İstanbul/Türkiye                   | To direct the fund portfolio mainly to the domestic and / or foreign public and private sector lease certificates in foreign currency, to the other part of the portfolio to the gold, promises agreement, participation accounts and similar interest-free investment instruments                       | 73,97                  | 73,97                               |
| Albaraka Portföy Yönetimi A.Ş. Altın Katılım Fonu                     | İstanbul/Türkiye                   | In addition to gold and gold based capital market instruments, shareholding shares, participation accounts, promissory contracts, public and / or private sector lease certificates and other interest-free money and capital market instruments approved by the Regulator are to be taken into account. | 95,56                  | 95,56                               |
| Albaraka Portföy Yönetimi A.Ş. Kira Sertifikaları Katılım Fonu        | İstanbul/Türkiye                   | Lease certificates issued by the public and private sectors, as well as shareholding interests, gold, participation accounts, promised contracts and other interest-free money and capital market instruments deemed appropriate by the Regulator.   | 67,88                  | 67,88                               |

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**III. Information on consolidated associates (continued)**

**d) Presentation of consolidated subsidiaries, associates and joint ventures in consolidated financial statements:**

Turkish Lira denominated investments in consolidated associates and subsidiaries are accounted at cost value, less any impairment, in accordance with "Turkish Accounting Standards for Individual Financial Statements ("TAS 27")" in the consolidated financial statements.

In the consolidated financial statements, credit institutions which are not included in consolidation or subsidiaries which are not financial institutions are accounted at cost value, less any impairment in the consolidated financial statements.

If the cost amount exceeds the recoverable amount (the higher of an asset's fair value less costs of disposal and its value in use) the value of the related associates and subsidiaries is equal to the recoverable amount.

**IV. Explanations on forward, option contracts and derivative instruments:**

The derivative financial instruments of the Group generally consist of forward foreign currency, forward security and swap agreements. Derivative transactions portfolio may change as per market conditions in related terms. The Group records the spot foreign currency transactions in asset purchase and sale commitments.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contract values. The derivative transactions are initially recognized at fair value and presented in the financial statements at fair values recalculated in the subsequent reporting periods.

**V. Explanations on profit share income and expenses:**

*Profit share income*

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

Profit-loss Investment projects are recognized under the "Loans" account in the balance sheet. Profit and loss investment projects are subject to valuation periodically every year and positive differences related to valuation are represented under "Profit Share on Loans". Negative ones are represented under "Expected Credit Losses" account.

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

*Profit share expense*

The Parent Bank records profit share expenses on accrual basis. The profit share expense accrual calculated in accordance with the unit value method on profit sharing accounts has been included under the account "Funds Collected" in the balance sheet.

**VI. Explanations on fees, commission income and expenses:**

Other than commission income and fees and expenses for various banking services that are reflected as income/expense when collected/paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction. The commissions and fees other than those, whose amortised costs are integral part of their effective profit rate, are accounted for in accordance with the TFRS 15 Revenue From Contracts With Customers Standard.

In accordance with provisions of TAS and TFRS, the portion of the commission and fees which are related to the reporting period and collected in advance for cash and non-cash loans granted is reflected to the income statement by using the internal rate of return method and straight line methods, respectively over the commission period of the related loan, respectively. Fees and commissions collected in advance which are related to the future periods are recorded under the account "Unearned Revenues" and

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**VI. Explanations on fees, commission income and expenses (continued):**

included in "Other Liabilities" in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share from Loans" in the income statement.

In the correspondence of BRSA dated June 8, 2012 and numbered B.02.1.BDK.0.13.00.0-91.11-12061, it has been stated that there is no objection to recording the commissions received from long term non-cash loans collected in quarterly periods or periods less than a quarter directly as income. Consequently, the Parent Bank records the related cash and non-cash loans commissions directly as income.

**VII. Explanations on financial assets:**

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

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

**Assessment of business model:**

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

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

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

**a) The Business model whose objective is to hold assets in order to collect contractual cash flows:**

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

**b) The Business model whose objective is achieved by both collecting contractual cash flows and selling financial assets:**

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

**c) Other business models:**

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

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

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

**Financial assets at the fair value through profit or loss:**

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to

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**VII. Explanations on financial assets (continued):**

**Financial assets at the fair value through profit or loss (continued):**

collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and profit share at certain date; that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. The Parent Bank recognizes profit and loss investments under “loans” as per BRSA uniform chart of accounts and measures them at fair value considering TFRS 9 provisions.

**Financial assets at fair value through other comprehensive income:**

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

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

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

**Financial assets measured at amortized cost:**

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

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

**Loans:**

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

The Parent Bank’s all loans except profit and loss investments are recorded under the “Measured at Amortized Cost” account. As per BRSA uniform chart of accounts, the Parent Bank recognizes profit and loss investments under “loans” and considering TFRS 9 provisions, measures them at fair value.

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

The Parent Bank periodically evaluates the provisions allocated for loans and other receivables as per TFRS 9 retrospectively and as a result of those evaluations, if appropriate, updates the classification rules and parameters on allocation of provisions.

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**VIII. Explanations on expected credit losses:**

The Parent Bank allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income. As of January 1, 2018, the Parent Bank recognizes provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9.

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

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

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

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

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

**Parameters used when calculating expected credit losses:**

**Probability of Default (PD):**

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

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

**Loss Given Default (LGD):**

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

**Exposure at Default (EAD):**

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

**12 Month Expected Credit Losses (Stage 1):**

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



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**VIII. Explanations on expected credit losses (continued):**

**Significant Increase in Credit Risk (Stage 2):**

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

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

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

**Default (Stage 3/Specific Provision):**

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

- Loans past 90 days from the last installment date (In this case, default status starts on the 91<sup>st</sup> day.)
- Loans classified as "performing loans" after restructuring and 30 days overdue in one year observation period (In this case, default status starts on the 31<sup>st</sup> day) (As per the correspondence of BRSA, dated November 21, 2019 and decision dated November 8, 2019 numbered 8653, observation period will be six months until December 31,2020)
- Loans classified as "performing loans" after restructuring and restructuring at least one more time in one year observation period. (As per the correspondence of BRSA, dated November 21, 2019 and decision dated November 8, 2019 numbered 8653, observation period will be six months until December 31,2020)

**IX. Explanations on offsetting of financial instruments:**

Financial instruments are offset when the Group has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously. The sukuk investments issued by the Group which are repurchased has been offset in financial assets measured at fair value through other comprehensive income and subordinated loan accounts.

**X. Explanations on sale and repurchase agreements and lending of securities:**

Securities subject to repurchase agreement are classified as "Financial Assets Measured at Fair Value through Profit/Loss", "Financial Assets Measured at Fair Value through Other Comprehensive Income" and "Financial Assets Measured at Amortised Cost" according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under "Borrowings from Money Markets" in liabilities and the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under "Profit Share Expense on Money Market Borrowings" in the income statement.

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**XI. Explanations on assets held for sale and discontinued operations and liabilities related to these assets:**

Assets held for sale (or disposal group) are measured at the lower of the carrying amount of assets and fair value less any cost to be incurred for disposal. In order to classify an asset as held for sale, the possibility of sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan designed by an appropriate level of management regarding the sale of the asset to be disposed of together with an active program for the determination of buyers as well as for the completion of the plan. Also, the asset shall be actively marketed in conformity with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan.

The Group has assets that are possessed due to receivables and debtors' obligations to the Parent Bank and classified as assets held for sale. In the case that the Group has not disposed of such assets within a year of receipt or failed to produce a solid plan for sale of the assets, they are reclassified as fixed assets and are amortized. The Group transfers such assets from assets held for sale and discontinued operations to tangible assets.

A discontinued operation is a part of the Group's business which has been disposed of or classified as held for sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Group has not any discontinued operations.

**XII. Explanations on goodwill and other intangible assets:**

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Turkish Accounting Standards for Intangible Assets". The Group's intangible assets consist of softwares, intangible rights and goodwill.

The costs of the intangible assets purchased before December 31, 2004 have been restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. Intangible assets purchased after this date have been recorded at their historical costs. Intangible assets are amortised by the Parent Bank over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Parent Bank's software have been determined as 3 to 4 years and other intangible assets' useful lives have been determined as 15 years.

If there is objective evidence of group impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

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**XIII. Explanations on tangible assets:**

The cost of the tangible assets purchased before December 31, 2004 have been restated by inflationary index from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets are recorded at cost less accumulated depreciation and provision for impairment, if any in compliance with the ("TAS 16") "Turkish Accounting Standards for Tangible Assets" in the financial statements.

As of March 31, 2009, the Parent Bank has made a change in accounting policy and adopted revaluation model for real estates in accordance TAS 16 and reflected the results of appraisal reports prepared by an authorized real estate appraisal firm to the financial statements. As of December 31, 2019, the Parent Bank has revalued its immovables and reflected the results of appraisal reports prepared by an independent real estate appraiser firm using comparison of similar items method to the financial statements. The revaluation fund mentioned cannot be distributed as dividend to shareholders. Current period depreciation charge relating to the revaluation has been transferred to retained earnings from revaluation fund reserve.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates which are expected to have an impact in the current or subsequent periods.

Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated economic useful life of the assets. The annual rates used are as follows:

|  | Depreciation Rate %      |
|--|--------------------------|
| Buildings  | 2                        |
| Motor vehicles   | 20 – 25                  |
| Furniture, fixture and office equipment                      | 4 – 33                   |
| Safe-deposit boxes   | 2 – 20                   |
| Operational lease improvement costs (Leasehold improvements) | Leasing period - 5 years |
| Leased assets  | 1- 10 years              |

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period. In cases where the leasing period is not certain, the useful life is determined as five years. After January 1, 2010 in cases where leasing period is more than five years, the useful life is determined as five years.

If there is an indication for impairment, the Group estimates the recoverable amount of the tangible asset in accordance with TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than its carrying value, provides for an impairment loss.

Fixed assets which are carried at fair value in the financial statements are revalued by independent Capital Markets Board licensed firms in accordance with TFRS 13.

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

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

In accordance with TFRS 16, right-of-use asset is represented under tangible assets in the balance sheet.

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**XIV. Explanations on investment property:**

Investment properties are retained in order to benefit for administrative purposes and production and supply of goods or services either or both obtain rental income or appreciation gain instead of selling them in ordinary workflow. Investment properties are accounted initially at cost then at fair value for the coming periods and changes are recognized in statement of profit or loss.

The cost includes the expenses directly associated with the purchase.

If the investment property is sold, all profits and losses incurred (referring the difference between sale price and carrying value of the asset) are recognized in statement of profit or loss. If the investment properties which are recognized as fixed assets beforehand are sold, their revaluation differences (if there are any) under equity are transferred to prior year profits.

If a real estate's intended purpose amended and it is recognized again under fixed assets, the fair value at the date of the amendment becomes the cost for the next accounting transaction.

**XV. Explanations on leasing transactions:**

Assets acquired under finance lease contracts are recorded both as an asset and as a liability at the beginning date of the lease. The basis for the determination of the balances recorded in the balance sheet as asset and liability is the lower of fair value of the leased asset at the inception of the lease and the present value of the lease payments. Finance charges arising from lease contracts are expensed in the related periods taking into consideration the internal rate of return over the period of the lease.

Assets acquired under finance lease contracts are depreciated over their useful lives and impairment provision is provided in case a decrease in recoverable amount has been determined.

The Parent Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Parent Bank presents finance leased assets as a receivable equal to the net investment in the lease. Financial income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

With the "IFRS 16 Leases" standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease was removed and the lease transactions were started to be recognised under "Tangible Fixed Assets" as an asset (tenure) and under "Lease Payables" as a liability. The Bank has not adjusted its prior periods' financial statements for IFRS 16.

IFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same.

The Parent Bank has the exemption for not applying this standard to short-term leaseings (leases with a rental period of 12 months or less) or to leases where the underlying asset is of low value (eg personal computers, some office equipment, etc.). At the effective date of the lease, the Parent Bank measures its leasing liability at the present value of the lease payments not paid at that time and depreciates the existence of the right to use as of the same date and is amortized over the lease term. If this ratio can be determined easily, lease payments are discounted using the Parent Bank's average profit rate. If the ratio cannot be easily determined, the Parent Bank uses its own alternative borrowing rate. The profit share expense on the lease liability and the depreciation charge of the right to use is recorded separately.

**Right to use asset:**

The right to use asset is first recognized by cost method and includes:

- The initial measurement amount of the lease obligation,
- The amount obtained by deducting all the rental incentives received from all lease payments made at or before the beginning of the lease;
- All initial direct costs incurred by the Parent Bank and

When applying the cost method, the existence of the right to use:

- Accumulated depreciation and accumulated impairment losses are deducted and

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**XV. Explanations on leasing transactions (continued):**

- Measures the restatement of the lease obligation at the restated cost.

While the Parent Bank is depreciating the right- to- use asset it utilizes the provisions for depreciation in TAS 16 Tangible Assets Standard.

**The lease liabilities:**

At the effective date of the lease, the Parent Bank measures its leasing liability at the present value of the lease payments not paid at that time. If this ratio can be determined easily, lease payments are discounted using the Parent Bank's average profit rate. If the ratio cannot be easily determined, the Parent Bank uses its own alternative borrowing rate.

The lease payments included in the measurement of the lease liability consist of the payments to be made for the right of use during the lease term of the underlying asset and the unpaid payments at the effective date of the lease.

After the effective date of the lease, the Parent Bank measures the leasing liability as follows:

- Increases the book value to reflect the profit share rate on the lease obligation,
- Reduces the book value to reflect the lease payments made

- Measures the book value to reflect reassessments and restructuring, or reflect the fixed lease payments, which is revised but inherently fixed.

The profit rate on the lease liability for each period in the lease period is the amount calculated by applying a fixed periodic profit rate to the remaining balance of the lease liability.

**XVI. Explanations on provisions and contingent liabilities:**

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans, are accounted in accordance with TAS 37: "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Parent Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the cut-off principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Parent Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

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**XVII. Explanations on liabilities regarding employee rights:**

i) *Defined benefit plans:*

Provision for employee severance benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

In accordance with the existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated for reasons other than misconduct or due to resignation. The retirement pay is calculated for every working year within the group over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Group.

The Group has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, The Group recognizes all actuarial gains and losses immediately through other comprehensive income. As of December 31, 2019, there is an actuarial loss amounts to TL 35.264 before deferred tax calculation. (December 31, 2018: TL 21.548 actuarial loss).

The Group, provision for the employees' unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

There are no foundations, pension funds or similar associations of which the employees are members.

ii) *Defined contribution plans:*

The Group pays defined contribution plans to publicly administered Social Security Funds for its employees. The Group has not any further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

iii) *Short term benefits to employees:*

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

**XVIII. Explanations on taxation:**

**Current tax:**

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

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

Dividends paid to the resident institutions are not subject to withholding tax in Turkey. Withholding tax rate on the dividend payments other than these is 15%. Appropriation of the retained earnings to capital is not considered as profit distribution and accordingly is not subject to withholding tax.

The prepaid taxes are calculated based on quarterly profits of the Parent Bank using current rate which must be announced by the 14<sup>th</sup> day and paid by the 17<sup>th</sup> day of the second month following the taxed period. The prepaid taxes can be deducted from the annual corporate tax calculated on the annual corporate income. The remaining prepaid tax, if any after deduction, can be refunded in cash or deducted from other financial liabilities to the government.

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

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**XVIII. Explanations on taxation (continued):**

**Current tax (continued):**

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 Parent Bank is exempt from corporate tax and income tax withholding.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns to their tax offices by the end of 25<sup>th</sup> of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings and carry out sectorial investigations.

Considering the participation accounts' part in general loan loss provision as expense for tax calculation, Finance Ministry initiated a sector-specific review. The relevant documents and calculations have been requested from the Parent Bank. As of report date, there is no information or written report transmitted to the Parent Bank.

**Deferred tax:**

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with ("TAS 12") "Turkish Accounting Standard for Income Taxes". Deferred tax asset is calculated on all temporary differences to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis.

Deferred tax liabilities are calculated for all of the temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts. According to a change in Corporate Tax Law, which were published in the Official Gazette dated December 5, 2017 and numbered 30261, Article 91, Corporate Tax has been increased to 22% from 20% in order to be applied to the profits of the institutions for the taxation periods of 2018, 2019 and 2020. The Parent Bank calculates deferred taxes using related ratios considering the realization period of the temporary differences.

**Transfer pricing:**

Transfer pricing is regulated through the article 13 of Corporate Tax Law titled "Disguised Profit Distribution by way of Transfer Pricing". Detailed information for the practice regarding the subject is found in the "General Communiqué on Disguised Profit Distribution by way of Transfer Pricing".

According to the related regulation, in the case of making purchase or sales of goods or services with related persons/corporations at a price that is determined against "the arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not deductible in calculation of corporate tax.

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**XIX. Additional explanations on borrowings:**

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

There are no debt securities issued by the Parent Bank. The Parent Bank has issued borrowings through its subsidiary Bereket Varlık Kiralama A.Ş. and its structured entities Bereket One Ltd. and Albaraka Sukuk Ltd.

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

**Additional tier 1 capital borrowings:**

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

**XX. Explanations on issued share certificates:**

The Parent Bank has completed capital increase through rights issues in December 2019. As of December 31, 2019 the capital has not been registered and the added amount (TL 450.000) has been represented under “Other Capital Reserves” on the balance sheet.

**XXI. Explanations on acceptances and availed drafts:**

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

**XXII. Explanations on government grants:**

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

**XXIII. Explanations on segment reporting:**

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

Segment reporting is disclosed in Section Four, Note XI.

**XXIV. Explanations on other matters:**

Along with the Communiqué amending the Communiqué on a Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks in the Official Gazette dated 1 February 2019 and numbered 30673, the financial statements formats have been rearranged. Based on this amendment, the prior year financial statements have been restated in order to be comparable with the current period financial statements.



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**SECTION FOUR**

**Information on Consolidated Financial Structure and Risk Management of the Group**

**I. Explanations on consolidated capital adequacy standard ratio:**

Total capital and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of December 31, 2019, the Parent Bank's total capital has been calculated as TL 5.182.122 and capital adequacy standard ratio is 15,91 %. As of December 31, 2018, the Parent Bank's total capital amounted to TL 4.737.224 and capital adequacy ratio was 15,21%. The Parent Bank's capital adequacy standard ratio is above the minimum ratio required by the legislation.

**a) Information on consolidated capital:**

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| <b>COMMON EQUITY TIER 1 CAPITAL</b>   |                  |                  |
| Paid-in capital following all debts in terms of claim in liquidation of the Bank  | 900.000          | 900.000          |
| Share issue premiums  | -                | -                |
| Reserves  | 1.182.456        | 1.122.887        |
| Gains recognized in equity as per TAS   | 953.069          | 376.286          |
| Profit  | 90.045           | 158.014          |
| Current Period Profit   | 90.045           | 158.014          |
| Prior Period Profit   | -                | -                |
| Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period  | -                | -                |
| Minority Share  | -                | -                |
| <b>Common Equity Tier 1 Capital Before Deductions</b>   | <b>3.125.570</b> | <b>2.557.187</b> |
| <b>Deductions from Common Equity Tier 1 Capital</b>   | <b>-</b>         | <b>-</b>         |
| Common Equity as per the 1 <sup>st</sup> clause of Provisional Article 9 of the Regulation on the Equity of Banks   | -                | -                |
| Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS   | 27.223           | 48.213           |
| Improvement costs for operating leasing   | 24.273           | 23.998           |
| Goodwill (net of related tax liability)   | -                | -                |
| Other intangibles other than mortgage-servicing rights (net of related tax liability)   | 33.949           | 29.616           |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)   | -                | -                |
| Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk   | -                | -                |
| Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision  | -                | -                |
| Gains arising from securitization transactions  | 111.451          | -                |
| Unrealized gains and losses due to changes in own credit risk on fair valued liabilities  | -                | -                |
| Defined-benefit pension fund net assets   | -                | -                |
| Direct and indirect investments of the Bank in its own Common Equity  | -                | -                |
| Shares obtained contrary to the 4 <sup>th</sup> clause of the 56 <sup>th</sup> Article of the Law   | -                | -                |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank | -                | -                |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank | -                | -                |
| Portion of mortgage servicing rights exceeding 10% of the Common Equity   | -                | -                |
| Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity  | -                | -                |
| Amount exceeding 15% of the common equity as per the 2 <sup>nd</sup> clause of the Provisional Article 2 of the Regulation on the Equity of Banks   | -                | -                |
| Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital                                   | -                | -                |
| Excess amount arising from mortgage servicing rights  | -                | -                |
| Excess amount arising from deferred tax assets based on temporary differences   | -                | -                |
| Other items to be defined by the BRSA   | -                | -                |
| Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital   | -                | -                |
| <b>Total Deductions From Common Equity Tier 1 Capital</b>   | <b>196.896</b>   | <b>101.827</b>   |
| <b>Total Common Equity Tier 1 Capital</b>   | <b>2.928.674</b> | <b>2.455.360</b> |

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**I. Explanations on consolidated capital adequacy standard ratio (continued):**

**a) Information on consolidated capital (continued):**

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| <b>ADDITIONAL TIER I CAPITAL</b>  |                  |                  |
| Preferred Stock not Included in Common Equity and the Related Share Premiums  | -                | -                |
| Debt instruments and premiums approved by BRSA  | 775.720          | 775.720          |
| Debt instruments and premiums approved by BRSA(Temporary Article 4)   | -                | -                |
| Third parties' share in the Additional Tier I capital   | -                | -                |
| Third parties' share in the Additional Tier I capital (Temporary Article 3)   | -                | -                |
| <b>Additional Tier I Capital before Deductions</b>  | <b>775.720</b>   | <b>775.720</b>   |
| <b>Deductions from Additional Tier I Capital</b>  | -                | -                |
| Direct and indirect investments of the Bank in its own Additional Tier I Capital  | -                | -                |
| Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.  | -                | -                |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital   | -                | -                |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital  | -                | -                |
| Other items to be defined by the BRSA   | -                | -                |
| <b>Transition from the Core Capital to Continue to deduce Components</b>  | -                | -                |
| Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)                                | -                | -                |
| Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)   | -                | -                |
| Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)  | -                | -                |
| <b>Total Deductions From Additional Tier I Capital</b>  | -                | -                |
| <b>Total Additional Tier I Capital</b>  | <b>775.720</b>   | <b>775.720</b>   |
| <b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>  | <b>3.704.394</b> | <b>3.231.080</b> |
| <b>TIER II CAPITAL</b>  |                  |                  |
| Debt instruments and share issue premiums deemed suitable by the BRSA   | 1.362.486        | 1.193.054        |
| Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)   | -                | -                |
| Third parties' share in the Tier II Capital   | -                | -                |
| Third parties' share in the Tier II Capital (Temporary Article 3)   | -                | -                |
| Provisions (Article 8 of the Regulation on the Equity of Banks)   | 116.745          | 315.773          |
| <b>Tier II Capital Before Deductions</b>  | <b>1.479.231</b> | <b>1.508.827</b> |
| <b>Deductions From Tier II Capital</b>  | -                | -                |
| Direct and indirect investments of the Bank on its own Tier II Capital (-)  | -                | 1.491            |
| Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  | -                | -                |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)               | -                | -                |
| Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank | -                | -                |
| Other items to be defined by the BRSA (-)   | -                | -                |
| <b>Total Deductions from Tier II Capital</b>  | -                | <b>1.491</b>     |
| <b>Total Tier II Capital</b>  | <b>1.479.231</b> | <b>1.507.336</b> |
| <b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>  | <b>5.183.625</b> | <b>4.738.416</b> |
| <b>The sum of Tier I Capital and Tier II Capital (Total Capital)</b>  | -                | -                |
| Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law  | -                | -                |
| Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years   | -                | -                |
| Other items to be defined by the BRSA   | 1.503            | 1.192            |

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**I. Explanations on consolidated capital adequacy standard ratio (continued):**

**a) Information on consolidated capital (continued):**

|  | Current Period    | Prior Period      |
|--|-------------------|-------------------|
| <b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>  |                   |                   |
| The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds | -                 | -                 |
| The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds                       | -                 | -                 |
| The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds               | -                 | -                 |
| <b>Total Capital (Total Core Capital and Supplementary Capital)</b>  | <b>5.182.122</b>  | <b>4.737.224</b>  |
| <b>Total risk weighted amounts</b>   | <b>32.572.892</b> | <b>31.147.638</b> |
| <b>Capital Adequacy Ratios</b>   | -                 | -                 |
| Consolidated Core Capital Adequacy Ratio (%)   | 8,99              | 7,88              |
| Consolidated Tier 1 Capital Adequacy Ratio (%)   | 11,37             | 10,37             |
| Consolidated Capital Adequacy Ratio (%)  | 15,91             | 15,21             |
| <b>BUFFERS</b>   | -                 | -                 |
| The total additional capital requirement ratio (a + b + c)   | 2,50              | 1,88              |
| a) Capital conservation buffer requirement (%)   | 2,50              | 1,88              |
| b) Bank specific counter-cyclical buffer requirement (%)   | 0,00              | -                 |
| c) Systemic significant bank buffer ratio (%)  | 0,00              | -                 |
| The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)  | 4,49              | 3,38              |
| <b>Amounts below the Excess Limits as per the Deduction Principles</b>   | -                 | -                 |
| Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital   | -                 | -                 |
| Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital   | -                 | -                 |
| Amount arising from deferred tax assets based on temporary differences   | -                 | -                 |
| Limits related to provisions considered in Tier II calculation   | 231.614           | 203.784           |
| <b>Limits related to provisions considered in Tier II calculation</b>  | -                 | -                 |
| General provisions for standard based receivables (before tenthousandtwentyfive limitation)  | 116.745           | 315.773           |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used   | 116.745           | 315.773           |
| Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation  | -                 | -                 |
| Excess amount of total provision amount to 0,6 % of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation  | -                 | -                 |
| <b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>   | -                 | -                 |
| Upper limit for Additional Tier I Capital subjected to temporary Article 4   | -                 | -                 |
| Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4  | -                 | -                 |
| Upper limit for Additional Tier II Capital subjected to temporary Article 4  | -                 | -                 |
| Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4   | -                 | -                 |

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

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**I. Explanations on consolidated capital adequacy standard ratio (continued):**

**b) Details on subordinated liabilities:**

|   |  |   |
|---|--|---|
| Issuer  | Albaraka Sukuk Ltd.  | Bereket One Ltd.  |
| Unique Identifier (CUSIP, ISIN etc.)  | XS1301525207   | XS17 72390628   |
| Governing Law(s) of the Instrument  | English Law  | English Law   |
| <b>Special Consideration in the Calculation of Equity</b>   |  |   |
| As of January 1, 2015 consideration to be subject to a 10% reduction application status                       | No   | No  |
| Eligible at Unconsolidated/Consolidated   | Unconsolidated/Consolidated  | Unconsolidated/Consolidated   |
| Instrument Type   | Sukuk Wakala   | Sukuk Mudaraba  |
| Amount recognized in regulatory capital (as of most recent reporting date)                                    | TL 1.362.486   | TL 775.720 <sup>(1)</sup>   |
| Par Value of Instrument   | TL 1.362.486   | TL 775.720  |
| Accounting Classification   | Subordinated Loan  | Equity  |
| Original date of Issuance   | November 30, 2015  | February 20, 2018   |
| Perpetual or dated  | Dated  | Undated   |
| Maturity date   | November 30, 2025  | Undated   |
| Issuer call subject to prior supervisory (BRSA) approval  | Yes  | Yes   |
| Optional call date, contingent call dates and redemption amount   | Last Payment Date: November 30, 2020<br>Total Repayment Amount of Profit Share: USD 131.250.000,<br>Repayment Period: 6 months<br>Principal Payment: USD 250.000.000 | Last Payment Date: None<br>First refund option date: February 20, 2023<br>Total Repayment Amount of Profit Share: USD 102.500.000<br>Repayment Period: 6 months<br>Principal Payment: USD 205.000.000 |
| Subsequent call dates   | -  | -   |
| <b>Profit Share/Dividends</b>   |  |   |
| Fixed or floating profit share/dividend   | Fixed  | Fixed   |
| Profit share rate and any related index   | 10,50%   | 10%   |
| Existence of a dividend stopper   | As per BRSA regulations and Communiqués it is payable  | As per BRSA regulations and Communiqués it is payable   |
| Fully discretionary, partially discretionary or mandatory   | Mandatory  | Optional  |
| Existence of step up or other incentive to redeem   | -  | -   |
| Noncumulative or cumulative   | Cumulative   | Noncumulative   |
| <b>Convertible or Non-convertible</b>   |  |   |
| If convertible, conversion trigger  | As per BRSA regulations and Communiqués it is convertible  | As per BRSA regulations and Communiqués it is convertible   |
| If convertible, fully or partially  | As per BRSA approval it is convertible fully or partially  | As per BRSA approval it is convertible fully or partially   |
| If convertible, conversion rate   | As per BRSA approval it is convertible and the rate may be determined.   | As per BRSA approval it is convertible and the rate may be determined.  |
| If convertible, mandatory or optional conversion  | Subject to BRSA's approval.  | Subject to BRSA's approval.   |
| If convertible, specify instrument type convertible into  | Share certificate  | Share certificate   |
| If convertible, specify issuer of instrument it converts into   | -  | -   |
| <b>Write-down feature</b>   |  |   |
| If write-down, write-down trigger(s)  | -  | Non-sustainability-The ratio of Core Capital to below 5,125%  |
| If write-down, full or partial  | -  | At least to ensure that the core capital ratio exceeds 5,125%   |
| If write down, permanent or temporary   | -  | Permanent and Temporary   |
| If temporary write-down, description of write-up mechanism  | -  | In case of the ratio of core capital exceeds 5,125%   |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | After all creditors and participation fund owners  | After participation fund owners, other borrowers and the debt instruments included in the Tier II capital calculation   |
| In compliance with article number 7 and 8 of "Own fund regulation"  | No   | No  |
| Details of incompliance with article number 7 and 8 of "Own fund regulation"                                  | No   | No  |

<sup>(1)</sup> Represented as historical cost.

**c) Information on reconciliation of total capital and equity**

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from Stage 1 and Stage 2 expected credit losses, debt instruments and share issue premiums deemed suitable by the BRSA. In the calculation of Total Capital, Stage 1 and Stage 2 expected credit losses up to 1,25% of the credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities and other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

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**II. Explanations on consolidated credit risk:**

- (1) Credit risk represents the Parent Bank's risk or losses arising from corporate and individual loan customers who have cash or non-cash credit relations with the Parent Bank not fulfilling the terms of their agreements partially or in full. Limit assignment authority primarily belongs to the Board of Directors and based on the authority given by the Board of Directors, the risk limits of the Parent Bank are determined by Head-office Loan Committee, Loan Committee and Board of Directors. Head-office Loan Committee may exercise such authority partially through units of the Parent Bank or branches. Proposal for loans are presented in a written format to the Loan Committee and Board of Directors.

Regarding the credit risk, debtors or group of debtors is subject to risk limitations. Credit limits are determined separately for each individual customer, company, group of companies, and risk groups. While determining credit risk several criteria such as the customers' financial strength, commercial capacities, sectors, geographical areas and capital structure are evaluated collectively.

In accordance with the decision taken by the Board of Directors of the Parent Bank, the Parent Bank cannot grant loans above 15% of its equity to a real person or legal entity (Exception to this decision is subject to the decision of the Board of Directors). Distributing the risk in a balanced manner to the sectors is observed, therefore in their marketing operations the branches strive for reaching various firms existing in different sectors. As a principle, each branch oversee the balanced distribution of the total risk to the sectors and progress of the firms existing in critical sectors.

The credibility of the debtors of loans are monitored periodically in accordance with related legislation. The financial documents for loans are obtained, audited and updated as necessary as stipulated in the related legislation. Credit limits of customers are renewed periodically according to the Parent Bank's credit limit renewal procedure. The Parent Bank obtains necessary collaterals for loans by analyzing the creditworthiness of corporate and individual loans according to its credit policy. Main collaterals obtained for credit risk are mortgage on real estate, cash blockage, pledges on vehicle and machinery.

Limits defined by the Board of Directors and Loan Committee for each bank are followed-up by Treasury Management on a daily basis for the transactions related with placements or treasury operations like foreign currency purchase and sales with domestic and foreign correspondent banks.

As of 1 January 2018, the Parent Bank recognize provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. Related classifications are mentioned in the third section under the heading of Accounting Policies, in VIII. No. "Explanations on expected credit loss provisions".

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<br/>Risk Amount</b> | <b>Average<br/>Risk Amount<sup>(*)</sup></b> |
|--|---------------------------------------|--|
| Receivables from central governments or central banks                | 9.765.536                             | 6.836.635                                    |
| Receivables from regional or local governments                       | 99.368                                | 16.649                                       |
| Receivables from administrative units and non-commercial enterprises | 111.062                               | 73.887                                       |
| Receivables from multilateral development banks                      | -                                     | -  |
| Receivables from international organizations                         | -                                     | -  |
| Receivables from banks and brokerage houses                          | 5.189.846                             | 5.378.661                                    |
| Receivables from corporates  | 16.780.575                            | 15.837.271                                   |
| Retail receivables   | 5.358.754                             | 5.144.519                                    |
| Receivables secured by mortgages on property                         | 2.868.084                             | 3.091.970                                    |
| Past due receivables   | 703.682                               | 577.586                                      |
| Receivables defined in high risk category by BRSA                    | -                                     | -  |
| Securities collateralized by mortgages                               | -                                     | -  |
| Short-term receivables from banks, brokerage houses and corporates   | -                                     | -  |
| Investments similar to collective investment funds                   | -                                     | 157  |
| Other receivables  | 5.320.837                             | 5.031.259                                    |
| Equity share investments   | 107.397                               | 203.044                                      |
| <b>TOTAL</b>   | <b>46.305.141</b>                     | <b>42.191.638</b>                            |

(\*) Average risk amount was tested by taking the arithmetic average of monthly risk amounts for 2019.

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**II. Explanations on consolidated credit risk (continued):**

- (2) The credit risk undertaken for forwards, options and similar agreements is managed together with the risks arising from market movements
- (3) The risks of forwards, options and similar agreements are followed regularly and the Parent Bank utilizes risk mitigation methods if needed.
- (4) Indemnified non-cash loans are subject to the same risk weight as overdue loans. Rescheduled or restructured loans are followed in accordance with the principles of credit risk management and follow-up principle of the Parent Bank. Financial position and commercial operations of those customers are analyzed continuously and the principal and profit payments based on the restructured payment plan are monitored by the related departments.
- The Parent Bank considers that long-term commitments are exposed to more credit risk than short-term commitments, and matters such as defining risk limits and obtaining collateral for long-term risks are addressed more extensively as compared to short-term risks.
- (5) The Parent Bank has credit lines in different countries within the scope of its banking activity and due inquiries (economic, cyclical, etc.) are carried out during the allocation and revision of such credit lines. For the Parent 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 Parent bank and the size of Bank itself and concentration of risk is avoided. The Parent Bank does not carry any serious risk in this respect.
- (6) Share of cash receivables of the Parent Bank from its top 100 and top 200 cash loan customers in total cash loans is 53% (December 31, 2018: 51%) and 62% (December 31, 2018: 60%) respectively.
- Share of non- cash receivables of the Parent Bank from its top 100 and top 200 non-cash loan customers in total non-cash loans is 45% (December 31, 2018: 49%) and 56% (December 31, 2018: 60%) respectively.
- Share of cash and non-cash receivables of the Parent Bank from its top 100 and top 200 loan and non-cash loan customers in total of balance sheet and off balance sheet commitments is 44% (December 31, 2018: 44%) and 51% (December 31, 2018: 53%) respectively.
- (7) The Parent Bank's expected credit loss amount for its credit risk except non-cash loans (Stage 1 and 2) is TL 202.542 (December 31, 2018: TL 380.469).

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**II. Explanations on consolidated credit risk (continued) :**

**(8) Profile on significant risks in significant regions:**

|  | Risk Categories <sup>(1)</sup> |        |         |   |           |            |           |           |         |    |           |         |            |
|--|--------------------------------|--------|---------|---|-----------|------------|-----------|-----------|---------|----|-----------|---------|------------|
|  | 1                              | 2      | 3       | 4 | 5         | 6          | 7         | 8         | 9       | 10 | 11        | 12      | Total      |
| Current Period   |                                |        |         |   |           |            |           |           |         |    |           |         |            |
| Domestic   | 9.705.244                      | 99.368 | 111.062 | - | 2.020.777 | 15.581.648 | 5.317.384 | 2.840.508 | 689.469 | -  | 5.266.685 | 69.427  | 41.701.572 |
| EU Countries   | -                              | -      | -       | - | 845.852   | 139.495    | 11.570    | 3.664     | 10      | -  | 347       | 18.587  | 1.019.525  |
| OECD Countries (**)                                      | -                              | -      | -       | - | 95.442    | -          | 7         | -         | -       | -  | -         | -       | 95.449     |
| Off-shore banking regions                                | -                              | -      | -       | - | 635.547   | 358.369    | 17.062    | 3.951     | 12.672  | -  | -         | -       | 1.027.601  |
| USA, Canada  | -                              | -      | -       | - | 1.104.422 | 74.973     | 1.380     | -         | -       | -  | -         | 15.293  | 1.196.068  |
| Other countries  | 60.292                         | -      | -       | - | 487.806   | 626.090    | 11.351    | 19.961    | 1.531   | -  | 53.805    | 4.090   | 1.264.926  |
| Associates, subsidiaries and jointly controlled entities | -                              | -      | -       | - | -         | -          | -         | -         | -       | -  | -         | -       | -          |
| Unallocated assets/liabilities (***)                     | -                              | -      | -       | - | -         | -          | -         | -         | -       | -  | -         | -       | -          |
| Total  | 9.765.536                      | 99.368 | 111.062 | - | 5.189.846 | 16.780.575 | 5.358.754 | 2.868.084 | 703.682 | -  | 5.320.837 | 107.397 | 46.305.141 |
|  |                                |        |         |   |           |            |           |           |         |    |           |         |            |
|  | 1                              | 2      | 3       | 4 | 5         | 6          | 7         | 8         | 9       | 10 | 11        | 12      | Total      |
| Prior Period   |                                |        |         |   |           |            |           |           |         |    |           |         |            |
| Domestic   | 4.968.121                      | 15     | 128.684 | - | 4.354.365 | 15.339.805 | 5.124.553 | 2.679.305 | 584.938 | -  | 4.792.686 | 15      | 37.972.487 |
| EU Countries   | -                              | -      | -       | - | 371.037   | 127.934    | 1.851     | 1.858     | 935     | -  | 24.738    | 9.812   | 538.165    |
| OECD Countries (**)                                      | -                              | -      | -       | - | 12.479    | -          | 14        | 38        | -       | -  | -         | -       | 12.531     |
| Off-shore banking regions                                | -                              | -      | -       | - | 20.631    | 86.504     | 14.182    | 3.215     | 11.743  | -  | -         | -       | 136.275    |
| USA, Canada  | -                              | -      | -       | - | 419.403   | 98.620     | 666       | -         | -       | -  | -         | -       | 518.689    |
| Other countries  | -                              | -      | -       | - | 558.835   | 464.945    | 9.397     | 83.021    | 1.888   | -  | -         | 3.643   | 1.121.729  |
| Associates, subsidiaries and jointly controlled entities | -                              | -      | -       | - | -         | -          | -         | -         | -       | -  | -         | 99.571  | 99.571     |
| Unallocated assets/liabilities (****)                    | -                              | -      | -       | - | -         | -          | -         | -         | -       | -  | -         | -       | -          |
| Total  | 4.968.121                      | 15     | 128.684 | - | 5.736.750 | 16.117.808 | 5.150.663 | 2.767.437 | 599.504 | -  | 4.817.424 | 113.041 | 40.399.447 |

(1) Risk classifications in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" will be used.

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

(\*\*\*) Assets and liabilities are not allocated on a consistent basis

- 1- Receivables from central governments or central banks
- 2- Receivables from regional or local governments
- 3- Receivables from administrative units and non-commercial enterprises
- 4- Receivables from multilateral development banks

- 5- Receivables from banks and brokerage houses
- 6- Receivables from corporates
- 7- Retail receivables
- 8- Receivables secured by mortgages on property
- 9- Past due receivables

- 10- Investments as collective investment enterprises
- 11- Other receivables
- 12-Equity share investments

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**II. Explanations on consolidated credit risk (continued):**

**Profile on significant risks in significant regions:**

| Sectors / Counterparties                 | Risk Categories  |               |                |   |                  |                   |                  |                  |                |    |                  |                | TL                | FC                | Total             |
|--|------------------|---------------|----------------|---|------------------|-------------------|------------------|------------------|----------------|----|------------------|----------------|-------------------|-------------------|-------------------|
|  | 1                | 2             | 3              | 4 | 5                | 6                 | 7                | 8                | 9              | 10 | 11               | 12             |                   |                   |                   |
| <b>1 Agriculture</b>                     | -                | -             | -              | - | -                | <b>43.819</b>     | <b>91.792</b>    | <b>59.668</b>    | <b>15.240</b>  | -  | -                | -              | <b>160.939</b>    | <b>49.580</b>     | <b>210.519</b>    |
| 1.1 Farming and stockbreeding            | -                | -             | -              | - | -                | 42.833            | 53.152           | 36.259           | 14.677         | -  | -                | -              | 102.751           | 44.170            | 146.921           |
| 1.2 Forestry                             | -                | -             | -              | - | -                | 729               | 29.870           | 23.289           | 561            | -  | -                | -              | 53.742            | 707               | 54.449            |
| 1.3 Fishery                              | -                | -             | -              | - | -                | 257               | 8.770            | 120              | 2              | -  | -                | -              | 4.446             | 4.703             | 9.149             |
| <b>2 Manufacturing</b>                   | -                | -             | <b>1.101</b>   | - | -                | <b>5.579.025</b>  | <b>1.483.899</b> | <b>722.661</b>   | <b>250.783</b> | -  | -                | -              | <b>3.064.169</b>  | <b>4.973.300</b>  | <b>8.037.469</b>  |
| 2.1 Mining                               | -                | -             | -              | - | -                | 56.043            | 42.501           | 17.362           | 2.843          | -  | -                | -              | 50.280            | 68.469            | 118.749           |
| 2.2 Production                           | -                | -             | 204            | - | -                | 4.375.258         | 1.365.965        | 607.146          | 154.839        | -  | -                | -              | 2.682.545         | 3.820.867         | 6.503.412         |
| 2.3 Electricity, gas, water              | -                | -             | 897            | - | -                | 1.147.724         | 75.433           | 98.153           | 93.101         | -  | -                | -              | 331.344           | 1.083.964         | 1.415.308         |
| <b>3 Construction</b>                    | -                | -             | <b>1</b>       | - | -                | <b>2.372.334</b>  | <b>555.845</b>   | <b>514.831</b>   | <b>155.988</b> | -  | -                | -              | <b>2.164.019</b>  | <b>1.434.980</b>  | <b>3.598.999</b>  |
| <b>4 Services</b>                        | <b>9.764.741</b> | -             | <b>109.764</b> | - | <b>5.189.763</b> | <b>8.437.651</b>  | <b>2.102.536</b> | <b>1.352.086</b> | <b>261.903</b> | -  | <b>556.325</b>   | <b>107.397</b> | <b>10.455.782</b> | <b>17.426.384</b> | <b>27.882.166</b> |
| 4.1 Wholesale and retail trade           | -                | -             | 12             | - | -                | 2.378.946         | 1.408.026        | 512.674          | 150.327        | -  | -                | -              | 2.734.276         | 1.715.709         | 4.449.985         |
| 4.2 Hotel, food and beverage services    | -                | -             | -              | - | -                | 326.074           | 83.264           | 74.303           | 29.369         | -  | -                | -              | 208.783           | 304.227           | 513.010           |
| 4.3 Transportation and telecommunication | -                | -             | -              | - | -                | 532.223           | 211.485          | 50.531           | 43.210         | -  | -                | -              | 312.587           | 524.862           | 837.449           |
| 4.4 Financial institutions               | 9.764.741        | -             | -              | - | 5.180.862        | 389.436           | 15.481           | 18.389           | 50             | -  | -                | 80.857         | 3.961.169         | 11.488.647        | 15.449.816        |
| 4.5 Real estate and renting services     | -                | -             | 19             | - | 8.901            | 4.511.905         | 161.263          | 523.167          | 18.222         | -  | 556.325          | 18.000         | 2.687.837         | 3.109.965         | 5.797.802         |
| 4.6 Self-employment services             | -                | -             | -              | - | -                | -                 | -                | -                | -              | -  | -                | -              | -                 | -                 | -                 |
| 4.7 Education services                   | -                | -             | 98.197         | - | -                | 3.527             | 21.395           | 76.015           | 4.584          | -  | -                | -              | 113.764           | 89.954            | 203.718           |
| 4.8 Health and social services           | -                | -             | 11.536         | - | -                | 295.540           | 201.622          | 97.007           | 16.141         | -  | -                | 8.540          | 437.366           | 193.020           | 630.386           |
| <b>5 Other</b>                           | <b>795</b>       | <b>99.368</b> | <b>196</b>     | - | <b>83</b>        | <b>347.746</b>    | <b>1.124.682</b> | <b>218.838</b>   | <b>19.768</b>  | -  | <b>4.764.512</b> | -              | <b>5.394.114</b>  | <b>1.181.874</b>  | <b>6.575.988</b>  |
| <b>6 Total</b>                           | <b>9.765.536</b> | <b>99.368</b> | <b>111.062</b> | - | <b>5.189.846</b> | <b>16.780.575</b> | <b>5.358.754</b> | <b>2.868.084</b> | <b>703.682</b> | -  | <b>5.320.837</b> | <b>107.397</b> | <b>21.239.023</b> | <b>25.066.118</b> | <b>46.305.141</b> |

- 1- Receivables from central governments or central banks
- 2- Receivables from regional or local governments alacaklar
- 3- Receivables from administrative units and non-commercial enterprises
- 4- Receivables from multilateral development banks
- 5- Receivables from banks and brokerage houses
- 6- Receivables from corporates
- 7- Retail receivables
- 8- Receivables secured by mortgages on property
- 9- Past due receivables
- 10- Investments as collective investment enterprises
- 11- Other receivable
- 12- Equity share investment



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**II. Explanations on consolidated credit risk (continued):**

**Distribution of risks with term structure according to remaining maturities:**

|    |  | Time to Maturity |                  |                  |                  |                   |
|----|--|------------------|------------------|------------------|------------------|-------------------|
|    | Risk Categories  | 1 month          | 1-3 months       | 3-6 months       | 6-12 months      | 1 year and over   |
| 1  | Receivables from central governments or central banks                | 59.836           | 104.107          | 641.118          | 399.120          | 2.755.109         |
| 2  | Receivables from regional or local governments                       | -                | -                | -                | -                | 99.329            |
| 3  | Receivables from administrative units and non-commercial enterprises | 2                | 3.389            | 359              | 920              | 106.291           |
| 4  | Receivables from multilateral development banks                      | -                | -                | -                | -                | -                 |
| 5  | Receivables from international organizations                         | -                | -                | -                | -                | -                 |
| 6  | Receivables from banks and brokerage houses                          | 116.052          | -                | 69.873           | 8.697            | 794.692           |
| 7  | Receivables from corporates  | 1.065.669        | 849.631          | 1.577.864        | 2.304.614        | 10.632.733        |
| 8  | Retail receivables   | 204.561          | 352.851          | 610.223          | 1.021.169        | 3.161.002         |
| 9  | Receivables secured by mortgages on property                         | 174.599          | 262.992          | 182.131          | 388.957          | 1.735.308         |
| 10 | Past due receivables   | -                | -                | -                | -                | -                 |
| 11 | Receivables defined in high risk category by BRSA                    | -                | -                | -                | -                | -                 |
| 12 | Securities collateralized by mortgages                               | -                | -                | -                | -                | -                 |
| 13 | Short-term receivables from banks, brokerage houses and corporates   | -                | -                | -                | -                | -                 |
| 14 | Investments similar to collective investment funds                   | -                | -                | -                | -                | -                 |
| 15 | Other receivables  | -                | -                | -                | -                | 2.076             |
| 16 | Equity share investments   | -                | -                | -                | -                | -                 |
| 17 | <b>TOTAL</b>   | <b>1.620.719</b> | <b>1.572.970</b> | <b>3.081.568</b> | <b>4.123.477</b> | <b>19.286.540</b> |

- (9) While determining risk weights of receivables from banks and receivables from central banks and central governments indicated in the sixth article of "Regulation on Measurement and Assessment of Capital Adequacy of Banks", rating grades obtained from rating agencies commissioned by customers are being used. Other receivables in the regulation are considered as unrated while calculating capital adequacy.

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratio of Banks" are presented below:

|              |                                      | Deductions from Shareholders' Equity |     |           |         |           |           |            |         |      |
|--------------|--------------------------------------|--------------------------------------|-----|-----------|---------|-----------|-----------|------------|---------|------|
| Risk Weights |                                      | 0%                                   | 10% | 20%       | 35%     | 50%       | 75%       | 100%       | 150%    | 200% |
| 1            | Amount before credit risk mitigation | 8.598.686                            | -   | 3.693.085 | 446.528 | 6.103.550 | 5.358.754 | 21.859.604 | 244.934 | -    |
| 2            | Amount after credit risk mitigation  | 9.190.393                            | -   | 3.907.636 | 442.376 | 6.298.603 | 4.846.640 | 21.375.576 | 243.917 | -    |

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**II. Explanations on consolidated credit risk (continued):**

**(10) Amounts of impaired loans and past due receivables, value adjustments and provisions, current period value adjustments and provisions according to sectors or counterparties individually:**

As of 31 December 2019, the Parent Bank has allocated expected lifetime loss provision for loans classified as Stage 2 based on the risk assessments made under TFRS 9. For the loans which are determined as impaired by being classified in the third stage, the expected lifetime loss provision has been allocated for such loans as well.

As of December 31, 2019, the credit risks of the loans which has not increased at first recognition or thereafter, are classified as stage 1 and 12 months expected credit loss has been allocated for such loans.

| Sectors /<br>Counterparties          | Loans   |                   | Provisions                            |
|--------------------------------------|---|-------------------|---------------------------------------|
|                                      | Impaired Value (TFRS 9)                       |                   | Provisions for Credit Losses (TFRS 9) |
|                                      | Significant increase in credit risk (Stage 2) | Default (Stage 3) |                                       |
| <b>1 Agriculture</b>                 | <b>12.383</b>                                 | <b>14.758</b>     | <b>5.097</b>                          |
| 1.1 Farming and stockbreeding        | 8.736   | 9.732             | 3.387                                 |
| 1.2 Forestry                         | 3.647   | 5.023             | 1.707                                 |
| 1.3 Fishery                          | -   | 3                 | 3                                     |
| <b>2 Manufacturing</b>               | <b>2.461.319</b>                              | <b>1.234.814</b>  | <b>564.182</b>                        |
| 2.1 Mining                           | 6.235   | 9.415             | 3.074                                 |
| 2.2 Production                       | 2.189.347                                     | 1.220.357         | 537.831                               |
| 2.3 Electricity, gas, water          | 265.737                                       | 5.042             | 23.277                                |
| <b>3 Construction</b>                | <b>720.302</b>                                | <b>553.840</b>    | <b>302.035</b>                        |
| <b>4 Services</b>                    | <b>249.798</b>                                | <b>355.929</b>    | <b>139.882</b>                        |
| 4.1 Wholesale and retail trade       | 78.866  | 186.965           | 61.853                                |
| Hotel, food and beverage             | 107.195                                       | 35.666            | 13.543                                |
| 4.2 services                         | 12.410  | 64.880            | 29.740                                |
| 4.3 telecommunication                | 174   | 11.705            | 4.481                                 |
| 4.4 Financial institutions           | 1.860   | 29.709            | 19.353                                |
| 4.5 Real estate and renting services | 16.456  | 1.992             | 1.280                                 |
| 4.6 Self-employment services         | -   | 7.995             | 715                                   |
| 4.7 Education services               | 32.837  | 17.017            | 8.917                                 |
| 4.8 Health and social services       | 221.253                                       | 62.382            | 20.528                                |
| <b>5 Other</b>                       | <b>221.253</b>                                | <b>62.382</b>     | <b>20.528</b>                         |
| <b>6 Total</b>                       | <b>3.665.055</b>                              | <b>2.221.723</b>  | <b>1.031.724</b>                      |

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

**Current Period**

| Risk Weight                 | Opening Balance | Provision made during the period | Reversal of Provisions    | Other Adjustments <sup>(*)</sup> | Closing Balance |
|-----------------------------|-----------------|----------------------------------|---------------------------|----------------------------------|-----------------|
| 1. Stage 3 Provisions       | 893.485         | 633.455                          | (638.779) <sup>(**)</sup> | 58.470                           | 946.631         |
| 2. Stage 1 and 2 Provisions | 363.306         | 72.858                           | (251.051)                 | 38                               | 185.151         |

<sup>(\*)</sup> Determined according to currency differences.

<sup>(\*\*)</sup> Includes reversal of provisions related to write off amounts to TL 441.418.

**Prior Period**

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

<sup>(\*)</sup> Determined according to currency differences.

<sup>(\*\*)</sup> Includes TL 242.105 assigned from non performing portfolio to asset management companies.

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**III. Explanations on consolidated risks including countercyclical capital buffer calculation:**

**Explanations on receivables from consolidated private sector:**

| Country where risk is ultimately taken | Private sector loans in banking books | Risk weighted amount calculated within trading book | Total      |
|--|---------------------------------------|---|------------|
| Turkey                                 | 20.954.690                            | 15.807  | 20.970.497 |
| Iraq                                   | 502.478                               | -   | 502.478    |
| Malta                                  | 120.859                               | -   | 120.859    |
| Marshall Islands                       | 103.054                               | -   | 103.054    |
| Georgia                                | 96.302                                | -   | 96.302     |
| United States of America               | 75.954                                | -   | 75.954     |
| Panama                                 | 17.829                                | -   | 17.829     |
| Romania                                | 10.312                                | -   | 10.312     |
| Italy                                  | 9.074                                 | -   | 9.074      |
| Other                                  | 35.363                                | -   | 35.363     |

**IV. Explanations on consolidated currency risk:**

Foreign currency risk arises from the Group's possible exposure to the changes in foreign currencies.

- a) The Parent Bank is exposed to currency risks as a market risk and tries to balance the currency risks by avoiding to keep any long or short positions. The currency risk of the Parent Bank is monitored on a daily basis. Net foreign currency position/shareholders' equity ratio is also controlled on a daily basis. All foreign currency assets, liabilities and foreign currency forward transactions are taken into consideration while capital requirement to be employed for foreign currency risk is calculated. Standard Method used in legal reporting and amount subject to risk is calculated on a monthly basis.
- b) The Group does not have any derivative financial instruments held for hedging purposes.
- c) As a result of the uncertainty and volatility in the markets, foreign currency position is kept at a balance, and accordingly, no currency risk is anticipated. The Parent Bank takes necessary measures to keep the currency risk at a minimum level.
- ç) Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Parent Bank are as follows:

|   | USD   | EUR   |
|---|-------|-------|
| As of December 31, 2019 - Balance sheet evaluation rate | 5,928 | 6,658 |
| As of December 30, 2019                                 | 5,920 | 6,627 |
| As of December 27, 2019                                 | 5,937 | 6,622 |
| As of December 26, 2019                                 | 5,913 | 6,560 |
| As of December 25, 2019                                 | 5,915 | 6,562 |
| As of December 24, 2019                                 | 5,929 | 6,568 |

- d) The simple arithmetical average of the major foreign exchange buying rates of the Parent Bank for the thirty days before the balance sheet date is TL 5,664 for 1 USD (December 2018: TL 5,293), TL 6,337 for 1 EUR (December 2018: TL 6,023).

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

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**IV. Explanations on consolidated currency risk (continued):**

**Information on currency risk of the Group:**

|  | EUR              | USD               | Other FC <sup>(*)</sup> | Total             |
|--|------------------|-------------------|-------------------------|-------------------|
| <b>Current Period</b>  |                  |                   |                         |                   |
| <b>Assets</b>  |                  |                   |                         |                   |
| Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey | 1.947.732        | 4.061.727         | 1.359.748               | 7.369.207         |
| Banks  | 1.013.467        | 1.422.621         | 648.539                 | 3.084.627         |
| Financial assets at fair value through profit and loss <sup>(**)</sup>   | -                | 1.345             | 436.893                 | 438.238           |
| Money market placements  | -                | -                 | -                       | -                 |
| Financial Assets at Fair Value Through Other Comprehensive Income  | 166.840          | 1.003.586         | 3.638                   | 1.174.064         |
| Loans and financial lease receivables <sup>(***)</sup>   | 4.955.861        | 10.276.953        | 311.036                 | 15.543.850        |
| Subsidiaries, associates and joint ventures  | -                | -                 | -                       | -                 |
| Financial Assets Measured at Amortised Cost  | 641.117          | 715.181           | -                       | 1.356.298         |
| Derivative financial assets for hedging purposes   | -                | -                 | -                       | -                 |
| Tangible assets  | -                | -                 | 19.905                  | 19.905            |
| Intangible assets  | 5.272            | -                 | -                       | 5.272             |
| Other assets <sup>(****)</sup>   | 5.258            | 245.911           | 1.992                   | 253.161           |
| <b>Total assets</b>  | <b>8.735.547</b> | <b>17.727.324</b> | <b>2.781.751</b>        | <b>29.244.622</b> |
| <b>Liabilities</b>   |                  |                   |                         |                   |
| Current account and funds collected from banks via participation accounts  | 1.445.426        | 537.826           | 5.043                   | 1.988.295         |
| Other current and profit sharing accounts  | 6.490.810        | 14.214.936        | 2.372.233               | 23.077.979        |
| Money market borrowings  | -                | -                 | -                       | -                 |
| Funds provided from other financial institutions and subordinated loans  | 575.980          | 2.490.562         | 1                       | 3.066.543         |
| Marketable securities issued   | -                | -                 | -                       | -                 |
| Miscellaneous payables   | 61.295           | 139.696           | 6.884                   | 207.875           |
| Derivative financial liabilities for hedging purposes  | -                | -                 | -                       | -                 |
| Other liabilities  | 196              | 14.434            | 5.121                   | 19.751            |
| <b>Total liabilities</b>   | <b>8.573.707</b> | <b>17.397.454</b> | <b>2.389.282</b>        | <b>28.360.443</b> |
| <b>Net balance sheet position</b>  | <b>161.840</b>   | <b>329.870</b>    | <b>392.469</b>          | <b>884.179</b>    |
| <b>Net off balance sheet position</b>  | <b>(122.274)</b> | <b>61.052</b>     | <b>9.191</b>            | <b>(52.031)</b>   |
| Derivative financial instruments assets <sup>(*****)</sup>   | 34.622           | 163.856           | 20.238                  | 218.716           |
| Derivative financial instruments liabilities <sup>(*****)</sup>  | 156.896          | 102.804           | 11.047                  | 270.747           |
| Non-cash loans <sup>(*****)</sup>  | 2.052.218        | 3.212.326         | 38.392                  | 5.302.936         |
| <b>Prior Period</b>  |                  |                   |                         |                   |
| Total assets   | 7.049.938        | 15.706.283        | 1.555.938               | 24.312.159        |
| Total liabilities  | 6.945.255        | 14.592.498        | 1.512.121               | 23.049.874        |
| <b>Net balance sheet position</b>  | <b>104.683</b>   | <b>1.113.785</b>  | <b>43.817</b>           | <b>1.262.285</b>  |
| <b>Net off balance sheet position</b>  | <b>(76.683)</b>  | <b>187.681</b>    | <b>(22.448)</b>         | <b>88.550</b>     |
| Derivative financial instruments assets  | 19.925           | 304.028           | 9.188                   | 333.141           |
| Derivative financial instruments liabilities   | 96.608           | 116.347           | 31.636                  | 244.591           |
| Non-cash loans <sup>(*****)</sup>  | 1.741.130        | 3.579.066         | 69.666                  | 5.389.862         |

<sup>(\*)</sup> TL 1.324.944 (December 31, 2018: TL 1.010.111) 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 425.089 (December 31, 2018: TL 408.766) of the balance in Banks in other FC column represent precious metals accounts with banks, TL 2.192.902 (December 31, 2018: TL 1.421.400) of the balance in Other current and profit sharing accounts in other FC column represent precious metals deposits accounts.

<sup>(\*\*)</sup> Derivative financial instruments are included.

<sup>(\*\*\*)</sup> The balance includes foreign currency indexed loans and financial lease receivables of TL 2.154.914 (December 31, 2018: TL 3.883.893).

<sup>(\*\*\*\*)</sup> Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 1.591 (December 31, 2018: TL 1.863) is included in other assets.

<sup>(\*\*\*\*\*)</sup> In the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 174.881 (December 31, 2018: TL 95.585) and derivative financial instruments liabilities include foreign currency sale commitment in the amount of TL 214.726 (December 31, 2018: TL 219.495).

<sup>(\*\*\*\*\*)</sup> Does not have any effect on the net off-balance sheet position.

**Other issues related to currency risk:**

Since the Parent Bank has issued unmatured additional tier 1 capital amount to USD 205.000.000 (Historical cost: TL 775.720) and recognized under the equity as "Other Capital Reserves", this stated amount is not included in the above table.

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**V. Explanations on consolidated position risk of equity securities in banking book:**

The Parent Bank does not have any associate and subsidiary quoted at Borsa İstanbul. “Albaraka Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu”, “Albaraka Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu” and “Albaraka Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu” which are managed and founded by Albaraka Portföy Yönetimi A.Ş. are traded in Borsa İstanbul under qualified trading market. Albaraka Portföy Yönetimi A.Ş. is the subsidiary of the Parent Bank.

**VI. Explanations on consolidated liquidity risk:**

Liquidity Risk is managed by Asset and Liability Committee (“ALCO”) in line with risk management policies and risk appetite approved by the Board of Directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure of the Parent Bank. Under stressed conditions, liquidity risk is managed within the Contingency Funding Plan framework.

The Board of Directors reviews the liquidity risk management strategy, policy and practices and approves the liquidity strategy and policies within the framework of risk management strategy and policies, ensures the effective of practice of policies and integrations with Parent Bank’s risk management strategy. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Parent Bank in liquidity risk management, identifies the risk limits in accordance with the risk appetite, and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Parent Bank is exposed to and considering the Parent Bank’s strategy and conditions of competition and pursues the implementations.

Risk Management Department defines the Parent Bank’s liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in comply with legal legislation, presents measurement results periodically to related departments, committees and senior management. Risk Management Department coordinates related parties in order to ensure compliance of risk management process in accordance with the Parent Bank’s risk profile, operation environment and strategic plan with regulations.

The liquidity risk analysis and the important early warning signals are reported periodically to related senior management. Additionally, analysis and monitored internal reserve limit ratios related to liquidity risk are presented in ALCO report. Reserve limit ratios and alert levels approved by the Board of Directors are monitored and reported regularly to related parties.

The Parent Bank’s funding management is carried out in compliance with the ALCO decisions in the direction of the Fund Transfer Pricing (FTP) committee. Funding and placement strategies are developed by assessing liquidity of the Parent Bank.

In liquidity risk management actions that will be taken and procedures are determined by considering normal economic conditions and stress conditions.

Diversification of assets and liabilities is assured to be able to continuously meet the obligations, also taking into account the relevant currencies. Funding sources are monitored actively during identification of concentration risk related to funding. The Parent Bank’s funding base of funds collected and other borrowing transactions are diversified in order to prevent the concentration of a particular funding source. Factors that could trigger the sudden and significant run off in funds or impair the accessibility of the funding sources are analyzed.

In the context of TL and foreign currencies liquidity management, the Parent Bank monitors the cash flows regarding assets and liabilities and forecasts the required liquidity in future periods. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Parent Bank is managed by establishing risk appetite, effective control environment and closely monitoring by limits.

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**VI. Explanations on consolidated liquidity risk (continued):**

The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of strategy, policy and procedures regarding liquidity risk and contingency funding plan is prepared within this framework.

There exists "Liquidity Risk Management Contingency Funding Plan" in the Parent Bank including mechanisms to prevent increase in liquidity risk during normal and liquidity crisis scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Parent Bank monitors liquidity risk in terms of early warning indicators in each stress.

**Consolidated liquidity coverage ratio:**

|    |  | Rate of "Percentage to be taken into account" not Implemented Total Value <sup>(*)</sup> |            | Rate of "Percentage to be taken into account" Implemented Total Value <sup>(*)</sup> |           |
|----|--|--|------------|--|-----------|
|    | Current Period   | TL+FC  | FC         | TL+FC  | FC        |
|    | <b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>   |  |            |  |           |
| 1  | HIGH QUALITY LIQUID ASSETS   |  |            | 10.361.457   | 8.516.166 |
|    | <b>CASH OUTFLOWS</b>   |  |            |  |           |
| 2  | Retail and Small Business Funds Collected  | 22.450.697   | 13.529.899 | 2.031.991  | 1.352.990 |
| 3  | Stable Funds Collected   | 4.261.572  | -          | 213.079  | -         |
| 4  | Less stable Funds Collected  | 18.189.125   | 13.529.899 | 1.818.912  | 1.352.990 |
| 5  | Unsecured Funding other than Retail and Small Business Customers Deposits                                | 10.643.961   | 7.686.134  | 5.483.485  | 3.667.400 |
| 6  | Operational Funds Collected  | 696.888  | 685.978    | 174.222  | 171.494   |
| 7  | Non-Operational Funds Collected  | 3.938.906  | 2.714.637  | 2.086.080  | 1.494.592 |
| 8  | Other Unsecured Funding  | 6.008.167  | 4.285.519  | 3.223.183  | 2.001.314 |
| 9  | Secured funding  |  |            | -  | -         |
| 10 | Other Cash Outflows  | 1.768.240  | 1.693.566  | 1.768.240  | 1.693.566 |
| 11 | Liquidity needs related to derivatives and market valuation changes on derivatives transactions          | 1.768.240  | 1.693.566  | 1.768.240  | 1.693.566 |
| 12 | Debts related to the structured financial products   | -  | -          | -  | -         |
| 13 | Commitment related to debts to financial markets and other off balance sheet liabilities                 | -  | -          | -  | -         |
| 14 | Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments | -  | -          | -  | -         |
| 15 | Other irrevocable or conditionally revocable commitments   | 10.265.642   | 4.849.421  | 915.024  | 540.638   |
| 16 | <b>TOTAL CASH OUTFLOWS</b>   |  |            | 10.198.740   | 7.254.594 |
|    | <b>CASH INFLOWS</b>  |  |            |  |           |
| 17 | Secured Lending Transactions   | -  | -          | -  | -         |
| 18 | Unsecured Lending Transactions   | 7.057.652  | 4.315.539  | 5.645.099  | 3.729.205 |
| 19 | Other contractual cash inflows   | 1.782.202  | 1.210.989  | 1.782.202  | 1.210.989 |
| 20 | <b>TOTAL CASH INFLOWS</b>  | 8.839.854  | 5.526.528  | 7.427.301  | 4.940.194 |
|    |  |  |            | <b>Upper limit applied amounts</b>   |           |
| 21 | <b>TOTAL HQLA</b>  |  |            | 10.361.457   | 8.516.166 |
| 22 | <b>TOTAL NET CASH OUTFLOWS</b>   |  |            | 2.771.439  | 2.314.400 |
| 23 | <b>Liquidity Coverage Ratio (%)</b>  |  |            | 373,87   | 367,96    |

<sup>(\*)</sup> Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014, the dates on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months are as follows:

| Liquidity Coverage Ratio (%) | Current Period    |                   |
|------------------------------|-------------------|-------------------|
|                              | TL+FC             | FC                |
| Lowest                       | 251,16            | 244,1             |
| Date                         | November 10, 2019 | October 20, 2019  |
| Highest                      | 490,24            | 543,8             |
| Date                         | December 06, 2019 | December 16, 2019 |
| Average                      | 373,87            | 367,96            |

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**VI. Explanations on consolidated liquidity risk (continued):**

**Consolidated liquidity coverage ratio (continued):**

|    |  | Rate of "Percentage to be taken into account" not Implemented Total Value <sup>(*)</sup> |                  | Rate of "Percentage to be taken into account" Implemented Total Value <sup>(*)</sup> |                  |
|----|--|--|------------------|--|------------------|
|    | Prior Period   | TL+FC  | FC               | TL+FC  | FC               |
|    | <b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>   |  |                  |  |                  |
| 1  | HIGH QUALITY LIQUID ASSETS   |  |                  | 5.969.215  | 4.592.095        |
|    | <b>CASH OUTFLOWS</b>   |  |                  |  |                  |
| 2  | Retail and Small Business Funds Collected  | 17.457.848   | 9.475.768        | 1.571.440  | 947.578          |
| 3  | Stable Funds Collected   | 3.486.887  | -                | 174.344  | -                |
| 4  | Less stable Funds Collected  | 13.970.961   | 9.475.768        | 1.397.096  | 947.578          |
| 5  | Unsecured Funding other than Retail and Small Business Customers Deposits                                | 7.812.403  | 5.671.248        | 4.490.800  | 3.151.829        |
| 6  | Operational Funds Collected  | 507.347  | 498.687          | 126.837  | 124.672          |
| 7  | Non-Operational Funds Collected  | 3.074.845  | 2.104.661        | 1.714.667  | 1.267.733        |
| 8  | Other Unsecured Funding  | 4.230.211  | 3.067.900        | 2.649.296  | 1.759.424        |
| 9  | Secured funding  |  |                  | -  | -                |
| 10 | Other Cash Outflows  | 1.975.310  | 1.457.151        | 1.975.310  | 1.457.151        |
| 11 | Liquidity needs related to derivatives and market valuation changes on derivatives transactions          | 1.975.310  | 1.457.151        | 1.975.310  | 1.457.151        |
| 12 | Debts related to the structured financial products   | -  | -                | -  | -                |
| 13 | Commitment related to debts to financial markets and other off balance sheet liabilities                 | -  | -                | -  | -                |
| 14 | Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments | -  | -                | -  | -                |
| 15 | Other irrevocable or conditionally revocable commitments   | 10.804.090   | 5.094.627        | 933.702  | 532.644          |
| 16 | <b>TOTAL CASH OUTFLOWS</b>   |  |                  | <b>8.971.252</b>   | <b>6.089.202</b> |
|    | <b>CASH INFLOWS</b>  |  |                  |  |                  |
| 17 | Secured Lending Transactions   | -  | -                | -  | -                |
| 18 | Unsecured Lending Transactions   | 6.409.201  | 4.161.821        | 5.408.625  | 3.850.294        |
| 19 | Other contractual cash inflows   | 2.057.041  | 1.905.489        | 2.057.041  | 1.905.489        |
| 20 | <b>TOTAL CASH INFLOWS</b>  | <b>8.466.242</b>   | <b>6.067.310</b> | <b>7.465.666</b>   | <b>5.755.783</b> |
|    |  |  |                  | <b>Upper limit applied amounts</b>   |                  |
| 21 | <b>TOTAL HQLA</b>  |  |                  | <b>5.969.215</b>   | <b>4.592.095</b> |
| 22 | <b>TOTAL NET CASH OUTFLOWS</b>   |  |                  | <b>2.242.813</b>   | <b>1.522.301</b> |
| 23 | <b>Liquidity Coverage Ratio (%)</b>  |  |                  | <b>266,15</b>  | <b>301,65</b>    |

<sup>(\*)</sup> Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014, the dates on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months for 2018 are as follows:

| Liquidity Coverage Ratio (%) | Prior Period      |                   |
|------------------------------|-------------------|-------------------|
|                              | TL+FC             | FC                |
| Lowest                       | 226,63            | 264,91            |
| Date                         | November 04, 2018 | October 31, 2018  |
| Highest                      | 315,88            | 395,02            |
| Date                         | December 31, 2018 | December 31, 2018 |
| Average                      | 266,15            | 301,65            |

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**VI. Explanations on consolidated liquidity risk (continued):**

**Consolidated liquidity coverage ratio (continued):**

Consolidated liquidity coverage ratio is calculated by comparing the high quality liquid assets owned by the Parent Bank to net cash outflow in 30 days maturity. Balance sheet accounts that are significant on the ratio can be listed as reserve requirements maintained at CBRT, marketable securities that are not subject to repurchase agreements or not given as collateral, banks receivables, funds collected, funds borrowed. The effect of these accounts on the liquidity coverage ratio is higher than other accounts, since these accounts have a higher share in liquid assets and net cash outflows.

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. The Parent Bank's high quality liquid assets are composed of 9,10% cash, 55,10 % deposits in central banks and 35,80 % securities considered as high quality liquid assets.

The Parent Bank's main funding sources are funds collected, funds borrowed, borrowings from money market, issued securities and subordinated loans. Funding source composition in report date is 87,45% funds collected, 12,55% funds borrowed, borrowings from money market, subordinated loans and securities issued.

Cash flows of derivatives that will take place within 30 days are taken into account in calculation of liquidity coverage ratio. Cash outflows of derivatives that arise from margin obligations, are reflected to the results in accordance with the methodology articulated in the related legislation.

The Parent Bank manages all the transactions with its foreign branches and subsidiaries consolidated in the framework of central bank, markets and related legislation of the country in which the institutions are located. Consolidated liquidity risk of the Parent Bank, its foreign branches and subsidiaries that are to be consolidated are managed within the regulatory limits and in accordance with group strategies. The liquidity positions of consolidated subsidiaries are continuously monitored by the Parent Bank.



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**VI. Explanations on consolidated liquidity risk (continued):**

**Presentation of assets and liabilities according to their remaining maturities:**

|  | Demand             | Up to 1 month       | 1-3 months         | 3-12 months      | 1-5 years         | Over 5 years     | Unallocated<br>(**)(****) | 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 | 4.173.150          | 4.622.759           | -                  | -                | -                 | -                | -                         | 8.795.909         |
| Banks  | 3.040.193          | 1.024.446           | 112.517            | -                | -                 | -                | -                         | 4.177.156         |
| Financial Assets at Fair Value Through Profit and Loss <sup>(1)</sup>  | 35.542             | 1.222               | 3.255              | 46.716           | 486.139           | -                | -                         | 572.874           |
| Money Market Placements  | -                  | -                   | -                  | -                | -                 | -                | -                         | -                 |
| Financial Assets at Fair Value Through Other Comprehensive Income  | 23.312             | 545                 | 149.304            | 239.950          | 1.574.626         | -                | -                         | 1.987.737         |
| Loans <sup>(**)</sup>  | -                  | 3.055.064           | 1.487.050          | 7.163.233        | 14.411.301        | 2.357.349        | 1.275.092                 | 29.749.089        |
| Financial Assets Measured at Amortised Cost  | -                  | 60.797              | 37.515             | 820.971          | 1.075.036         | -                | -                         | 1.994.319         |
| Other Assets <sup>(****)</sup>   | -                  | -                   | 1.122              | 10.048           | 102.372           | 212.137          | 3.873.205                 | 4.198.884         |
| <b>Total Assets</b>  | <b>7.272.197</b>   | <b>8.764.833</b>    | <b>1.790.763</b>   | <b>8.280.918</b> | <b>17.649.474</b> | <b>2.569.486</b> | <b>5.148.297</b>          | <b>51.475.968</b> |
| <b>Liabilities</b>   |                    |                     |                    |                  |                   |                  |                           |                   |
| Current account and funds collected from banks via participation accounts  | 794.319            | 534.434             | 666.857            | -                | -                 | -                | -                         | 1.995.610         |
| Other current and profit sharing accounts  | 13.100.675         | 18.699.543          | 4.304.022          | 1.613.039        | 26.311            | -                | -                         | 37.743.590        |
| Funds provided from other financial institutions and subordinated loans  | -                  | 837.938             | 285.051            | 381.969          | 299.318           | 1.362.486        | -                         | 3.166.762         |
| Money Market Borrowings  | -                  | 18.237              | -                  | -                | -                 | -                | -                         | 18.237            |
| Marketable securities issued   | -                  | 868.982             | 1.166.538          | 453.819          | 30.080            | -                | -                         | 2.519.419         |
| Miscellaneous payables   | -                  | 313.161             | 48.796             | 26.010           | -                 | -                | 1.101.312                 | 1.489.279         |
| Other liabilities  | 775.720            | -                   | 128                | 6.163            | 81.724            | 199.740          | 3.479.596                 | 4.543.071         |
| <b>Total Liabilities</b>   | <b>14.670.714</b>  | <b>21.272.295</b>   | <b>6.471.392</b>   | <b>2.481.000</b> | <b>437.433</b>    | <b>1.562.226</b> | <b>4.580.908</b>          | <b>51.475.968</b> |
| <b>Net Liquidity Gap</b>   | <b>(7.398.517)</b> | <b>(12.507.462)</b> | <b>(4.680.629)</b> | <b>5.799.918</b> | <b>17.212.041</b> | <b>1.007.260</b> | <b>567.389</b>            | <b>-</b>          |
| <b>Net Off-Balance Sheet</b>   |                    |                     |                    |                  |                   |                  |                           |                   |
| <b>Position</b>  | <b>-</b>           | <b>113</b>          | <b>(108)</b>       | <b>243</b>       | <b>-</b>          | <b>-</b>         | <b>-</b>                  | <b>248</b>        |
| Financial Derivative Assets  | -                  | 34.764              | 8.644              | 23.261           | -                 | -                | -                         | 66.669            |
| Financial Derivative Liabilities   | -                  | 34.651              | 8.752              | 23.018           | -                 | -                | -                         | 66.421            |
| <b>Non-Cash Loans</b>  | <b>5.962.062</b>   | <b>223.917</b>      | <b>560.809</b>     | <b>2.632.808</b> | <b>1.011.614</b>  | <b>40.228</b>    | <b>-</b>                  | <b>10.431.438</b> |
| <b>Prior Period</b>  |                    |                     |                    |                  |                   |                  |                           |                   |
| Total Assets   | 7.669.458          | 5.877.028           | 2.728.827          | 8.012.853        | 13.085.454        | 2.180.281        | 2.668.046                 | 42.221.947        |
| Total Liabilities  | 9.502.104          | 17.824.457          | 4.405.381          | 5.126.934        | 182.369           | 1.193.054        | 3.987.648                 | 42.221.947        |
| <b>Net Liquidity Gap</b>   | <b>(1.832.646)</b> | <b>(11.947.429)</b> | <b>(1.676.554)</b> | <b>2.885.919</b> | <b>12.903.085</b> | <b>987.227</b>   | <b>(1.319.602)</b>        | <b>-</b>          |
| <b>Net Off-Balance Sheet</b>   |                    |                     |                    |                  |                   |                  |                           |                   |
| <b>Position</b>  | <b>-</b>           | <b>(1.874)</b>      | <b>557</b>         | <b>1.743</b>     | <b>-</b>          | <b>-</b>         | <b>-</b>                  | <b>426</b>        |
| Financial Derivative Assets  | -                  | 243.502             | 5.132              | 16.551           | -                 | -                | -                         | 265.185           |
| Financial Derivative Liabilities   | -                  | 245.376             | 4.575              | 14.808           | -                 | -                | -                         | 264.759           |
| <b>Non-Cash Loans</b>  | <b>5.839.023</b>   | <b>306.875</b>      | <b>476.050</b>     | <b>2.328.330</b> | <b>1.052.607</b>  | <b>42.812</b>    | <b>-</b>                  | <b>10.045.697</b> |

<sup>(1)</sup> Derivative financial instruments are included.

<sup>(\*\*)</sup> Leasing receivables are included under loans. Unallocated amount represents the net non-performing loans

<sup>(\*\*\*)</sup> 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, right of use of movables and real estates, investments in associates and subsidiaries, stationary supplies, prepaid expenses are included here.

<sup>(\*\*\*\*)</sup> The unallocated other liabilities column consists of equity, provisions and (if any) deferred tax liabilities.

<sup>(\*\*\*\*\*)</sup> The balance represents investment property and other assets.

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**VII. Explanations on consolidated leverage ratio:**

|   | <b>Current Period<sup>(*)</sup></b> | <b>Prior Period<sup>(*)</sup></b> |
|---|-------------------------------------|-----------------------------------|
| Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards <sup>(*)</sup>   | 49.128.437                          | 41.791.422                        |
| The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements"                      | -                                   | -                                 |
| The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments | 2.225.031                           | 2.504.479                         |
| The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments          | 218.303                             | 881.634                           |
| The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items   | 7.631                               | 4.369                             |
| Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items   | -                                   | -                                 |
| <b>Total Risk Amount</b>  | <b>61.760.984</b>                   | <b>54.084.220</b>                 |

<sup>(\*)</sup> Consolidated financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements".

<sup>(\*\*)</sup> Represents average of the three months.

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**VII. Explanations on consolidated leverage ratio (continued):**

As of December 31, 2019, consolidated leverage ratio of the Group calculated from the arithmetic average of the last three months is 5,32% (December 31, 2018: 6,24%). Leverage ratio is required to remain minimum 3% as per "Communiqué on Measurement and Evaluation for Leverage Ratios of Banks". The reason for the difference in leverage ratio between current and previous period is the high rate of increase in average risk amount.

|    |  | Current Period <sup>(*)</sup> | Prior Period <sup>(*)</sup> |
|----|--|-------------------------------|-----------------------------|
|    | <b>Balance sheet assets</b>  |                               |                             |
| 1  | Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)     | 49.365.269                    | 41.890.212                  |
| 2  | (Assets deducted from Core capital)  | (58.234)                      | (52.403)                    |
| 3  | Total risk amount of balance sheet assets (sum of lines 1 and 2)   | 49.307.035                    | 41.837.809                  |
|    | <b>Derivative financial assets and credit derivatives</b>  |                               |                             |
| 4  | Cost of replenishment for derivative financial assets and credit derivatives                                   | 5.672                         | 6.944                       |
| 5  | Potential credit risk amount of derivative financial assets and credit derivatives                             | 11.228                        | 12.645                      |
| 6  | Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)                 | 16.900                        | 19.589                      |
|    | <b>Financing transactions secured by marketable security or commodity</b>                                      |                               |                             |
| 7  | Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)    | 186.303                       | 254.130                     |
| 8  | Risk amount arising from intermediary transactions   | -                             | -                           |
| 9  | Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8) | 186.303                       | 254.130                     |
|    | <b>Off-balance sheet transactions</b>  |                               |                             |
| 10 | Gross notional amount of off-balance sheet transactions  | 12.250.746                    | 11.972.692                  |
| 11 | (Correction amount due to multiplication with credit conversion rates)   | -                             | -                           |
| 12 | Total risk of off-balance sheet transactions (sum of lines 10 and 11)  | 12.250.746                    | 11.972.692                  |
|    | <b>Capital and total risk</b>  |                               |                             |
| 13 | Core Capital   | 3.288.556                     | 3.375.653                   |
| 14 | Total risk amount (sum of lines 3, 6, 9 and 12)  | 61.760.984                    | 54.084.220                  |
|    | <b>Leverage ratio</b>  |                               |                             |
| 15 | Leverage ratio (%)   | 5,32                          | 6,24                        |

<sup>(\*)</sup> The arithmetic average of the last three months in the related periods

**VIII. Explanations on presentation of consolidated financial assets and liabilities at fair value:**

**a. Information on fair value of financial assets and liabilities :**

The following table summarizes the carrying values and fair values of financial assets and liabilities. The carrying value represents the acquisition costs and accumulated profit share accruals of corresponding financial assets or liabilities.

The fair values of financial assets and liabilities are calculated based on the following principles:

The fair values of investments measured at amortised cost are determined based on market prices. As of December 31, 2019 and December 31, 2018, fair value hierarchy of financial investments measured at amortized cost is determined as level 1.

The fair value of loans are determined by calculating the discounted cash flows using the current market profit share rates.

Carrying value of funds collected via special current accounts and participation accounts is assumed to approximate their fair value as they are valued at year-end unit values.

The fair values of funds collected from financial institutions are determined by calculating the discounted cash flows using the current market profit share rates.

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**VIII. Explanations on presentation of consolidated financial assets and liabilities at fair value (continue):**

**a. Information on fair value of financial assets and liabilities (continue) :**

|  | Carrying value    |                   | Fair value        |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| <b>Financial Assets</b>  |                   |                   |                   |                   |
| Money market placements  | -                 | -                 | -                 | -                 |
| Banks  | 4.194.547         | 5.218.335         | 4.194.547         | 5.218.335         |
| Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)                | 572.477           | 12.469            | 572.477           | 12.469            |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) | 1.987.737         | 1.071.984         | 1.987.737         | 1.071.984         |
| Financial Assets Measured at Amortised Cost  | 1.994.319         | 618.506           | 2.080.209         | 596.204           |
| Loans and financial lease receivables  | 29.749.089        | 26.184.989        | 27.049.251        | 24.292.355        |
| <b>Financial Liabilities</b>   |                   |                   |                   |                   |
| Funds collected from banks via current accounts and profit sharing accounts        | 1.995.610         | 1.377.313         | 1.995.610         | 1.377.313         |
| Other current and profit sharing accounts  | 37.743.590        | 27.162.018        | 37.743.590        | 27.162.018        |
| Funds provided from other financial institutions                                   | 3.166.762         | 4.593.847         | 2.441.971         | 4.118.548         |
| Marketable securities issued   | 2.519.419         | 3.159.052         | 2.746.056         | 3.050.674         |
| Debts to Money Markets   | 18.237            | 771.957           | 18.237            | 771.957           |
| Miscellaneous payables   | 1.489.279         | 1.455.165         | 1.489.279         | 1.455.165         |

**b. Information on fair value measurement recognized in the financial statements:**

TFRS 7 "Financial Instruments: Turkish Financial Reporting Standard Related to Explanations" sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish a basis for fair value measurement. Aforesaid fair value hierarchy is determined as follows:

- a.** Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level I);
- b.** Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in Level 1 (Level II);
- c.** Data not based on observable data regarding assets and liabilities (Level III).

Fair value hierarchy of the financial assets and liabilities of the Parent Bank carried at fair value according to the foregoing principles are given in the table below:

| Current period <sup>(*)</sup>   | Level I          | Level II   | Level III | Total            |
|---|------------------|------------|-----------|------------------|
| <b>Financial assets</b>   |                  |            |           |                  |
| <b>Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)</b>                | <b>572.477</b>   | -          | -         | <b>572.477</b>   |
| Government Securities   | 534.322          | -          | -         | 534.322          |
| Equity securities   | -                | -          | -         | -                |
| Other Financial Assets  | 38.155           | -          | -         | 38.155           |
| <b>Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)</b> | <b>1.979.718</b> | -          | -         | <b>1.979.718</b> |
| Equity securities <sup>(**)</sup>   | 15.293           | -          | -         | 15.293           |
| Government Securities   | 1.964.425        | -          | -         | 1.964.425        |
| Other Financial Assets  | -                | -          | -         | -                |
| <b>Derivative Financial Assets</b>  | -                | <b>397</b> | -         | <b>397</b>       |
| <b>Financial Liabilities</b>  |                  |            |           |                  |
| Derivative financial liabilities  | -                | 849        | -         | 849              |

<sup>(\*)</sup> In the current period, there is no classification between level I and level II.

<sup>(\*\*)</sup> Equity securities amounting to TL 8.019 under financial assets measured at fair value through other comprehensive income are not quoted in an active market and hence, they are accounted at cost in the financial statements and not represented above table.

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**VIII. Explanations on presentation of consolidated financial assets and liabilities at fair value (continue):**  
**b. Information on fair value measurement recognized in the financial statements (continue):**

| Prior period <sup>(*)</sup>                                   | Level I          | Level II     | Level III | Total            |
|---|------------------|--------------|-----------|------------------|
| <b>Financial assets</b>                                       |                  |              |           |                  |
| <b>Financial assets at fair value through profit and loss</b> | <b>12.469</b>    | -            | -         | <b>12.469</b>    |
| Government Securities   | 834              | -            | -         | <b>834</b>       |
| Equity securities   | -                | -            | -         | -                |
| Other Financial Assets  | 11.635           | -            | -         | <b>11.635</b>    |
| <b>Financial assets- available for sale</b>                   | <b>1.068.076</b> | -            | -         | <b>1.068.076</b> |
| Equity securities <sup>(**)</sup>                             | 9.562            | -            | -         | 9.562            |
| Government Securities   | 1.058.514        | -            | -         | 1.058.514        |
| Other Financial Assets  | -                | -            | -         | -                |
| <b>Derivative Financial Assets</b>                            | -                | <b>1.510</b> | -         | <b>1.510</b>     |
| <b>Financial liabilities</b>                                  |                  |              |           |                  |
| Derivative financial liabilities held for trading             | -                | 1.545        | -         | 1.545            |

<sup>(\*)</sup> In the prior period, there is no classification between level I and level II.

<sup>(\*\*)</sup> Equity securities amounting to TL 3.908 under financial assets measured at fair value through other comprehensive income are not quoted in an active market and hence, they are accounted at cost in the financial statements and not represented above table.

Apart from financial assets and financial liabilities, as of December 31, 2019 and 2018, the Parent Bank carries the real estates at fair value under tangible assets. Level III section is used in determining the related fair values.

**IX. Explanations regarding the activities carried out on behalf and account of other persons:**

The Parent Bank does not perform purchases, sales and custody services on behalf of its customers. The Parent Bank has no fiduciary transactions.

**X. Explanations on consolidated on risk management:**

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette numbered 29511 dated October 23, 2015 and became effective as of March 31, 2016. Due to usage of standard approach for the calculation of capital adequacy ratio by the Parent Bank, tables which have to be prepared within the scope of Internal rating-based (IRB) approach have not been presented.

**a. Consolidated risk management strategy and weighted amounts:**

**a.1. Risk management strategy:**

The aim of the Parent Bank's Risk management system is basically to ensure identification, measurement, monitoring and controlling of risks exposed, through establishment of policies, implementation procedure and limits for monitoring, controlling and in case of need changing the risk/return structure of future cash flows, and accordingly nature and level of operations.

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

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

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**X. Explanations on consolidated on risk management (continued):**

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

The Board of Directors of the Parent Bank takes an important part in the processes of risk management by following policies and strategies on consolidated and unconsolidated basis, setting up limit systems and procedures in the Parent Bank. The related limits are monitored, reported and maintained within the set limits by the units under the internal systems and the related departments in the Parent Bank. Risk Management Department, organized within the frame of Risk Management regulations, undertakes activities for measuring, monitoring, controlling and reporting of risks.

Ultimate goal of the Parent Bank's risk management system is to allocate capital in accordance with risks that functional activities have (economical capital), to maximize return on capital adjusted according to risk and to increase added value created.

In Asset and Liability Committee, asset-liability structure is managed via evaluating fund collection activities in line with risk management policies and domestic and foreign conditions regarding the bank's fund lending.

The risks that the Parent Bank is exposed to or may be exposed to in the future are determined and the definition of these risks is made. Defined risks are measured and prioritized as far as possible. It is provided that all important risks are in the risk appetite considering the potential impact of the risks and the strategy arising from the Parent Bank's strategies to risk profile. The Parent Bank's strategies are integrated with risk profile and risk appetite. If it is expected that the risk profile is going to change in the future, this change is assessed with the degree of capital impact. While a risk profile is being developed, the risk profile is analyzed based on the risk type, the sector and/or the geographic location.

The Parent Bank's risk tolerance is the most comprehensive calculated risk amount which may be accepted in accordance with the determined mission and vision. In other words, before deciding on the necessity of taking measures, it is the Parent Bank's readiness to exposure of any risk amount. In this respect, the risk tolerance, in connection with the variety of services offered by the Parent Bank, is the level of risk it identifies as acceptable.

The Parent Bank's risk appetite means the amount of risk that can be accepted by the Parent Bank in order to reach the strategic targets, and it includes an acceptable variability around the targets as well.

The common feature of the Parent Bank's risk appetite and risk tolerance is to drive the lines regarding risk acceptance. However, risk tolerance is more comprehensive.

By means of "Risk Appetite Policy" approved by the board of directors, risk levels can be taken to implement risk strategies and to achieve the objectives of the Parent Bank's were identified. Limits, which are determined within the framework of risk profile of the bank in accordance with the Parent Bank's risk appetite and risk tolerance, and triggering functions, were described in detail.

Considering the Parent Bank's financial position, activity profile and the growth expectations of the future, the amount of capital needed for the strategic targets to be met have been calculated by the basis of static and dynamic stress tests and scenario analyses.

Considering the factors that may affect the Parent Bank operates market today and in the future, stress tests and scenario analysis studies on the financial structure of the Parent Bank have been assessed together with the other financial indicators; in this context, a coordination based on harmony was created between prepared capital plans and processes of the Parent Bank.

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

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**X. Explanations on consolidated on risk management (continued):**

**Market Risk**

The Parent Bank's market risk; refers to the probability of loss may be exposed to exchange rate risk, equity position risk, profit rate risk and commodity risk.

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

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

**Liquidity risk**

The Parent Bank's liquidity risk, consists of funding related liquidity risk and market-related liquidity risk.

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

Market liquidity risk is an expression of the likelihood of the Parent Bank's suffering a loss because the Parent Bank is unable to close or cover a particular position at the market price owing to insufficient market depth or to excessive market volatility.

Liquidity risk could be caused by such factors as maturity mismatch, deterioration in the quality of assets, unexpected funding outflows, erosion in profitability levels and economic crisis.

In order to manage liquidity risk, the Parent Bank monitors the cash flows on a daily basis and takes preventive and improving measures taken so that commitments are met duly in time. The Liquidity risk is also evaluated by ALCO on a weekly basis.

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

**Credit risk**

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

The authority to approve credits belongs to the Board of Directors at the Parent Bank. The Board of Directors determines the policies concerning the utilization, approval, risk management of the credits and other related management principles. It then ensures the implementation and supervision of these policies, taking required measures when necessary. The Board of Directors has transferred some of its authority in approving credit lines to the Credit Committee and General Management within the framework of the procedures and principles determined by the legal provisions. The General Management uses that authority to utilize credits by means of the credit departments and the Parent Bank's branches. At the Parent Bank's, credit allocations are realized within those limits that are determined on the basis of each debtor and group of debtors.

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**X. Explanations on consolidated on risk management (continued):**

It is systematically not possible for customers to exceed the predetermined and approved limit. Close attention is paid to prevent any sector concentration that might impair the health of the credit portfolio.

Utmost care is given to the prevention of risks concentrating on a small number of customers. Credit risks are constantly monitored and reported by the internal systems units and risk management bodies. Credit risks are ensured to be in conformity to "Regulation on Credit Policies and Implementation Procedures".

**Operational risk**

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

Operational risk is a type of risk present in all activities of the Parent Bank. It could arise from errors of the staff or the system, from such transactions as may have been made based on insufficient or incorrect legal information or documents, due to impediments in the flow of information between the divisions in the organizational structure of the Parent Bank, due to uncertainties in the definition of limits of authorities or from structural and/or operational changes, natural disasters, terror and frauds.

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

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

**Other risks**

The other risks that The Parent Bank could encounter include strategic and reputational risk, counterparty credit risk, country risk, and concentration risk.

For the management of strategic risk, the Parent Bank keeps a close watch on the domestic and international situation, on technological, financial, and social developments, on the legal and regulatory frameworks, and on the banking industry as a whole in order to make rational decisions and to change them as circumstances warrant.

The Parent Bank regards reputational risk as anything that might lead to the Parent Bank's suffering a loss on account of adverse developments such as a reduction in the confidence that is had in it or any impairment in its good standing due to unfavorable opinions that existing or potential customers, shareholders, competitors, regulatory agencies, or other outside or associated parties may have about it or due to any breach of existing laws and regulations.

For the risk of reputation to be avoided and/or controlled by the Parent Bank's Risk Management System, a proactive communication mechanism that gives the customer priority is established any time a condition that could detriment the Parent Bank's reputation or image is detected.

Preparations are made for the worst-case scenarios in advance. In the evaluation of the reputation risk, the relationship, level and impact of operational risks to the reputation risk are also taken into account.

Counterparty credit risk is an expression of the likelihood that the counterparty in any transaction that imposes an obligation on two parties will default on the obligation before the final payment in the transaction's cash flow sequence. The Parent Bank manages its counterparty credit risk exposure as required by laws and regulations, taking best practices into consideration, and compatibly with the volume, nature, and complexity of its operations.

Country risk is an expression of the likelihood that the Parent Bank will suffer a loss because debtors in another country fail to fulfill or avoid fulfilling their obligations owing to uncertainties in the economic, social, and/or political conditions of that country. The Parent Bank enters into business relationships with foreign financial institutions and/or the agencies of foreign countries taking legal and regulatory restrictions, market conditions, and customer satisfaction into consideration and on the basis of feasibility studies that take the country's economic conditions into account.



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**X. Explanations on consolidated on risk management (continued):**

Concentration risk is defined as the likelihood that a single risk or several risks that have some attribute in common may, if realized, cause losses that are capable of endangering the Parent Bank itself or its ability to carry out its essential activities. Policies aimed at managing concentration risk are formulated so as to deal with particular aspects of it such as sectoral concentration, collateral concentration, market risk concentration, types of loss concentration, and creditor concentration.

**a.2. Overview of risk weighted amounts:**

|           |   | Risk Weighted Amount |                   | Minimum capital requirement |
|-----------|---|----------------------|-------------------|-----------------------------|
|           |   | Current Period       | Prior Period      | Current Period              |
| 1         | Credit risk (excluding counterparty credit risk) (CCR)                                | 29.462.092           | 27.215.820        | 2.356.967                   |
| 2         | Standardised approach (SA)  | 29.462.092           | 27.215.820        | 2.356.967                   |
| 3         | Internal rating-based (IRB) approach  | -                    | -                 | -                           |
| 4         | Counterparty credit risk  | 2.396                | 5.806             | 192                         |
| 5         | Standardised approach for counterparty credit risk (SA-CCR)                           | 2.396                | 5.806             | 192                         |
| 6         | Internal model method (IMM)   | -                    | -                 | -                           |
| 7         | Basic risk weight approach to internal models equity position in the banking account  | -                    | -                 | -                           |
| 8         | Investments made in collective investment companies – look-through approach           | -                    | -                 | -                           |
| 9         | Investments made in collective investment companies – mandate-based approach          | -                    | -                 | -                           |
| 10        | Investments made in collective investment companies – 1250% weighted risk approach    | -                    | -                 | -                           |
| 11        | Settlement risk   | -                    | -                 | -                           |
| 12        | Securitization positions in banking accounts  | -                    | -                 | -                           |
| 13        | IRB ratings-based approach (RBA)  | -                    | -                 | -                           |
| 14        | IRB Supervisory Formula Approach (SFA)  | -                    | -                 | -                           |
| 15        | SA/simplified supervisory formula approach (SSFA)                                     | -                    | -                 | -                           |
| 16        | Market risk   | 397.345              | 1.583.564         | 31.788                      |
| 17        | Standardised approach (SA)  | 397.345              | 1.583.564         | 31.788                      |
| 18        | Internal model approaches (IMM)   | -                    | -                 | -                           |
| 19        | Operational Risk  | 2.711.059            | 2.342.448         | 216.885                     |
| 20        | Basic Indicator Approach  | 2.711.059            | 2.342.448         | 216.885                     |
| 21        | Standard Approach   | -                    | -                 | -                           |
| 22        | Advanced measurement approach   | -                    | -                 | -                           |
| 23        | The amount of the discount threshold under the equity (subject to a 250% risk weight) | -                    | -                 | -                           |
| 24        | Floor adjustment  | -                    | -                 | -                           |
| <b>25</b> | <b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>   | <b>32.572.892</b>    | <b>31.147.638</b> | <b>2.605.832</b>            |

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**X. Explanations on consolidated risk management (continued):**

**b. Financial statements and regulatory exposures reconciliation:**

**b.1. Differences and Matching Between Accounting-related Consolidation and Legal Consolidation:**

| Current Period  | Carrying value reported in financial tables in accordance with Turkish Accounting Standards (TAS) | Carrying values of items in accordance with Turkish Accounting Standards (TAS) |                                     |                          |                            |  |
|---|---|--|-------------------------------------|--------------------------|----------------------------|--|
|   |   | Subject to credit risk   | Subject to counterparty credit risk | Securitization positions | Subject to market risk (*) | Not subject to capital requirements or deducted from capital |
| <b>Assets</b>   |   |  |                                     |                          |                            |  |
| Cash and cash equivalents   | 12.990.456  | 12.990.456   | -                                   | -                        | -                          | -  |
| Financial assets at fair value through profit and loss                | 572.477   | -  | 243                                 | -                        | 572.477                    | -  |
| Financial Assets at Fair Value through Other Comprehensive Income     | 1.987.737   | 1.987.737  | -                                   | -                        | -                          | -  |
| Financial Assets Measured at Amortised Cost                           | 1.994.319   | 1.994.319  | -                                   | -                        | -                          | -  |
| Derivative Financial Assets   | 397   | -  | 397                                 | -                        | 397                        | -  |
| Non Performing Financial Assets                                       | -   | -  | -                                   | -                        | -                          | -  |
| Expected Credit Losses (-)  | 17.391  | -  | -                                   | -                        | -                          | 17.391   |
| <b>LOANS (Net)</b>  | 29.749.089  | 29.932.737   | -                                   | -                        | -                          | (183.648)  |
| Loans   | 28.415.470  | 28.413.967   | -                                   | -                        | -                          | 1.503  |
| Financial Lease Receivables   | 243.678   | 243.678  | -                                   | -                        | -                          | -  |
| Factoring Receivables   | -   | -  | -                                   | -                        | -                          | -  |
| Non Performing Receivables  | 2.221.723   | 2.221.723  | -                                   | -                        | -                          | -  |
| Expected Credit Losses (-)  | 1.131.782   | 946.631  | -                                   | -                        | -                          | 185.151  |
| Assets Held for Sale and Assets of Discontinued Operations (Net)      | 124.480   | 124.480  | -                                   | -                        | -                          | -  |
| Ownership Investments   | 286.470   | 286.470  | -                                   | -                        | -                          | -  |
| Tangible Assets (Net)   | 1.516.585   | 1.492.312  | -                                   | -                        | -                          | 24.273   |
| Intangible Assets (Net)   | 35.810  | 1.861  | -                                   | -                        | -                          | 33.949   |
| Investment Property (Net)   | 1.419.315   | 1.419.315  | -                                   | -                        | -                          | -  |
| Current Tax Asset   | 1.231   | 1.231  | -                                   | -                        | -                          | -  |
| Deferred Tax Asset  | 166.345   | 166.345  | -                                   | -                        | -                          | -  |
| Other Assets  | 648.648   | 648.648  | -                                   | -                        | -                          | -  |
| <b>Total assets</b>   | <b>51.475.968</b>   | <b>51.045.911</b>  | <b>640</b>                          | <b>-</b>                 | <b>572.874</b>             | <b>(142.817)</b>   |
| <b>Liabilities</b>  |   |  |                                     |                          |                            |  |
| Funds collected   | 39.739.200  | -  | -                                   | -                        | -                          | 39.739.200   |
| Funds borrowed  | 1.791.598   | -  | -                                   | -                        | -                          | 1.791.598  |
| Borrowings from money markets   | 18.237  | -  | -                                   | -                        | -                          | 18.237   |
| Securities issued   | 2.519.419   | -  | -                                   | -                        | -                          | 2.519.419  |
| Financial Liabilities At Fair Value Through Profit and Loss           | -   | -  | -                                   | -                        | -                          | -  |
| Derivative Financial Liabilities                                      | 849   | -  | -                                   | -                        | -                          | 849  |
| Lease Payables  | 300.660   | -  | -                                   | -                        | -                          | 300.660  |
| Provisions  | 135.696   | 7.569  | -                                   | -                        | -                          | 128.127  |
| Current Tax Liability   | 74.600  | -  | -                                   | -                        | -                          | 74.600   |
| Deferred Tax Liability  | -   | -  | -                                   | -                        | -                          | -  |
| Liabilities For Assets Held For Sale and Assets of Discontinued (Net) | -   | -  | -                                   | -                        | -                          | -  |
| Subordinated Loans  | 1.375.164   | -  | -                                   | -                        | -                          | 1.375.164  |
| Other Liabilities   | 1.489.279   | -  | -                                   | -                        | -                          | 1.489.279  |
| Shareholders' equity  | 4.031.266   | -  | -                                   | -                        | -                          | 4.031.266  |
| <b>Total liabilities</b>  | <b>51.475.968</b>   | <b>7.569</b>   | <b>-</b>                            | <b>-</b>                 | <b>-</b>                   | <b>51.468.399</b>  |

(\*) Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

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**X. Explanations on consolidated risk management (continued):**

**b. Financial statements and regulatory exposures reconciliation (continued):**

**b.1. Differences and Matching Between Accounting-related Consolidation and Legal Consolidation (continued):**

| Prior Period  | Carrying value reported in financial tables in accordance with Turkish Accounting Standards (TAS) | Carrying values of items in accordance with Turkish Accounting Standards (TAS) |                                     |                          |                                       |  |
|---|---|--|-------------------------------------|--------------------------|---------------------------------------|--|
|   |   | Subject to credit risk   | Subject to counterparty credit risk | Securitization positions | Subject to market risk <sup>(1)</sup> | Not subject to capital requirements or deducted from capital |
| <b>Assets</b>   |   |  |                                     |                          |                                       |  |
| Cash and cash equivalents   | 11.136.716  | 11.136.716   | -                                   | -                        | -                                     | -  |
| Financial assets at fair value through profit and loss                | 12.469  | -  | 334                                 | -                        | 12.469                                | -  |
| Financial Assets at Fair Value through Other Comprehensive Income     | 1.071.984   | 1.071.984  | -                                   | -                        | -                                     | -  |
| Financial Assets Measured at Amortised Cost                           | 618.506   | 618.506  | -                                   | -                        | -                                     | -  |
| Derivative Financial Assets   | 1.510   | -  | 1.510                               | -                        | 1.510                                 | -  |
| Non Performing Financial Assets                                       | -   | -  | -                                   | -                        | -                                     | -  |
| Expected Credit Losses (-)  | 17.163  | -  | -                                   | -                        | -                                     | 17.163   |
| <b>LOANS (Net)</b>  | <b>26.184.989</b>   | <b>26.547.103</b>  | -                                   | -                        | -                                     | <b>(362.114)</b>   |
| Loans   | 25.173.679  | 25.172.487   | -                                   | -                        | -                                     | 1.192  |
| Financial Lease Receivables   | 379.554   | 379.554  | -                                   | -                        | -                                     | -  |
| Factoring Receivables   | -   | -  | -                                   | -                        | -                                     | -  |
| Non Performing Receivables  | 1.888.547   | 1.888.547  | -                                   | -                        | -                                     | -  |
| Expected Credit Losses (-)  | 1.256.791   | 893.485  | -                                   | -                        | -                                     | 363.306  |
| Assets Held for Sale and Assets of Discontinued Operations (Net)      | 649.688   | 649.688  | -                                   | -                        | -                                     | -  |
| Ownership Investments   | 99.571  | 99.571   | -                                   | -                        | -                                     | -  |
| Tangible Assets (Net)   | 655.457   | 631.459  | -                                   | -                        | -                                     | 23.998   |
| Intangible Assets (Net)   | 36.734  | 7.118  | -                                   | -                        | -                                     | 29.616   |
| Investment Property (Net)   | 1.074.667   | 1.074.667  | -                                   | -                        | -                                     | -  |
| Current Tax Asset   | 3.992   | 3.992  | -                                   | -                        | -                                     | -  |
| Deferred Tax Asset  | 169.474   | 169.474  | -                                   | -                        | -                                     | -  |
| Other Assets  | 523.353   | 523.846  | -                                   | -                        | -                                     | 493  |
| <b>Total assets</b>   | <b>42.221.947</b>   | <b>42.534.124</b>  | <b>1.844</b>                        | <b>-</b>                 | <b>13.979</b>                         | <b>(326.156)</b>   |
| <b>Liabilities</b>  |   |  |                                     |                          |                                       |  |
| Funds collected   | 28.539.331  | -  | -                                   | -                        | -                                     | 28.539.331   |
| Funds borrowed  | 3.389.550   | -  | -                                   | -                        | -                                     | 3.389.550  |
| Borrowings from money markets   | 771.957   | -  | -                                   | -                        | -                                     | 771.957  |
| Securities issued   | 3.159.052   | -  | -                                   | -                        | -                                     | 3.159.052  |
| Financial Liabilities At Fair Value Through Profit and Loss           | -   | -  | -                                   | -                        | -                                     | -  |
| Derivative Financial Liabilities                                      | 1.545   | -  | -                                   | -                        | -                                     | 1.545  |
| Lease Payables  | -   | -  | -                                   | -                        | -                                     | -  |
| Provisions  | 90.880  | 5.346  | -                                   | -                        | -                                     | 85.534   |
| Current Tax Liability   | 58.588  | -  | -                                   | -                        | -                                     | 58.588   |
| Deferred Tax Liability  | -   | -  | -                                   | -                        | -                                     | -  |
| Liabilities For Assets Held For Sale and Assets of Discontinued (Net) | -   | -  | -                                   | -                        | -                                     | -  |
| Subordinated Loans  | 1.204.297   | -  | -                                   | -                        | -                                     | 1.204.297  |
| Other Liabilities   | 1.455.165   | -  | -                                   | -                        | -                                     | 1.455.165  |
| Shareholders' equity  | 3.551.582   | -  | -                                   | -                        | -                                     | 3.551.582  |
| <b>Total liabilities</b>  | <b>42.221.947</b>   | <b>5.346</b>   | <b>-</b>                            | <b>-</b>                 | <b>-</b>                              | <b>42.216.601</b>  |

<sup>(1)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

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**X. Explanations on consolidated risk management (continued):**

**b.2. Main reasons of the differences between the risk amounts and Carrying Value in accordance with Turkish Accounting Standards (TAS):**

| Current Period |  | Total             | Subject to credit risk | Securitisation positions | Subject to counterparty credit risk | Subject to market risk <sup>(*)</sup> |
|----------------|--|-------------------|------------------------|--------------------------|-------------------------------------|---------------------------------------|
|                |  |                   |                        |                          |                                     |                                       |
| 1              | Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)      | 51.475.968        | 51.045.911             | -                        | 640                                 | 572.874                               |
| 2              | Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1) | -                 | 7.569                  | -                        | -                                   | -                                     |
| 3              | Total net amount within the scope of legal consolidation   | <b>51.475.968</b> | <b>51.038.342</b>      | -                        | <b>640</b>                          | <b>572.874</b>                        |
| 4              | Off balance sheet amounts  | 12.676.641        | 6.528.030              | -                        | 2.854                               | -                                     |
| 5              | Repo and similar transactions <sup>(**)</sup>  | -                 | -                      | -                        | -                                   | -                                     |
| 6              | Differences in valuations  | -                 | -                      | -                        | -                                   | -                                     |
| 7              | Differences arising from different netting rules (other than those set out in line 2)  | -                 | -                      | -                        | -                                   | -                                     |
| 8              | Differences arising from consideration of provisions   | -                 | -                      | -                        | -                                   | -                                     |
| 9              | Differences arising from BRSA's applications   | -                 | (11.261.231)           | -                        | -                                   | -                                     |
| <b>10</b>      | <b>Risk amounts</b>  | <b>64.152.609</b> | <b>46.305.141</b>      | -                        | <b>3.494</b>                        | <b>572.874</b>                        |

<sup>(\*)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

<sup>(\*\*)</sup> In accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Banks", it is counterparty credit risk amount calculated for repurchase agreements and similar transactions.

| Prior Period |  | Total             | Subject to credit risk | Securitisation positions | Subject to counterparty credit risk | Subject to market risk <sup>(*)</sup> |
|--------------|--|-------------------|------------------------|--------------------------|-------------------------------------|---------------------------------------|
|              |  |                   |                        |                          |                                     |                                       |
| 1            | Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)      | 42.221.947        | 42.534.124             | -                        | 1.844                               | 13.979                                |
| 2            | Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1) | -                 | 5.346                  | -                        | -                                   | -                                     |
| 3            | Total net amount within the scope of legal consolidation   | <b>42.221.947</b> | <b>42.528.778</b>      | -                        | <b>1.844</b>                        | <b>13.979</b>                         |
| 4            | Off balance sheet amounts  | 12.444.026        | 6.450.554              | -                        | 5.038                               | -                                     |
| 5            | Repo and similar transactions <sup>(**)</sup>  | -                 | -                      | -                        | -                                   | -                                     |
| 6            | Differences in valuations  | -                 | -                      | -                        | -                                   | -                                     |
| 7            | Differences arising from different netting rules (other than those set out in line 2)  | -                 | -                      | -                        | -                                   | -                                     |
| 8            | Differences arising from consideration of provisions   | -                 | -                      | -                        | -                                   | -                                     |
| 9            | Differences arising from BRSA's applications   | -                 | (8.579.885)            | -                        | -                                   | -                                     |
| <b>10</b>    | <b>Risk amounts</b>  | <b>54.665.973</b> | <b>40.399.447</b>      | -                        | <b>6.882</b>                        | <b>13.979</b>                         |

<sup>(\*)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

<sup>(\*\*)</sup> In accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Banks", it is counterparty credit risk amount calculated for repurchase agreements and similar transactions.

**b.3. Explanations on differences between carrying values in accordance with Turkish Accounting Standards (TAS) and risk amounts:**

There is no significant difference between the financial statement amounts of assets and liabilities and the amounts included in capital adequacy calculation.

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**X. Explanations on consolidated risk management (continued):**

**c. Consolidated Credit risk:**

**c.1. General information on credit risk:**

**c.1.1. General qualitative information on credit risk:**

This information is already included in (X.a.I) The Parent Bank's risk management approach.

**c.1.2. Credit quality of assets:**

| Current Period                | Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS) |                   | Allowances/ amortisation and impairments | Net values        |
|-------------------------------|---|-------------------|--|-------------------|
|                               | Defaulted   | Non-defaulted     |  |                   |
| 1 Loans                       | 2.221.723   | 28.719.077        | 1.191.711                                | 29.749.089        |
| 2 Debt securities             | -   | 4.506.002         | 2.512                                    | 4.503.490         |
| 3 Off-balance sheet exposures | 68.218  | 12.475.333        | 18.616                                   | 12.524.935        |
| <b>4 Total</b>                | <b>2.289.941</b>  | <b>45.700.412</b> | <b>1.212.839</b>                         | <b>46.777.514</b> |

| Prior Period                  | Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS) |                   | Allowances/ amortisation and impairments | Net values        |
|-------------------------------|---|-------------------|--|-------------------|
|                               | Defaulted   | Non-defaulted     |  |                   |
| 1 Loans                       | 1.888.547   | 25.600.281        | 1.303.839                                | 26.184.989        |
| 2 Debt securities             | -   | 1.712.426         | 35.899                                   | 1.676.527         |
| 3 Off-balance sheet exposures | 61.827  | 11.852.255        | 3.037                                    | 11.911.045        |
| <b>4 Total</b>                | <b>1.950.374</b>  | <b>39.164.962</b> | <b>1.342.775</b>                         | <b>39.772.561</b> |

**c.1.3. Changes in stock of default loans and debt securities:**

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| <b>1 Defaulted loans and debt securities at end of the previous reporting period</b>    | <b>1.950.374</b> | <b>1.261.895</b> |
| 2 Loans and debt securities that have defaulted since the last reporting period         | 1.240.709        | 1.388.090        |
| 3 Receivables back to non-defaulted status  | 90.359           | -                |
| 4 Amounts written off   | 441.418          | 242.105          |
| 5 Other changes   | 369.365          | 457.506          |
| <b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b> | <b>2.289.941</b> | <b>1.950.374</b> |

**c.1.4. Additional information on credit quality of assets:**

The scope and definitions of past due receivables and the methods used by the Parent Bank to determine the provisions are mentioned in the Explanations on Credit risk.

The Parent Bank may restructure not only non-performing credits but also the first and the second stage credits. Restructuring for the first and the second stage credits are made to improve the customer's ability to repay the credit or for changes in contractual terms upon the customer request regardless of the customer's credit risk. Restructuring for non-performing credits are made for providing collection possibility by establishing a new payment plan.

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**X. Explanations on consolidated risk management (continued):**

**c.1.4. Additional information on credit quality of assets (continued):**

Breakdown for receivables in terms of sectors are mentioned in the footnote section four numbered II.8 (*Explanations on Credit Risk*).

Breakdowns according to the remaining maturity for past due receivables and in terms of geographic locations receivables that specific provisions are set are represented below. In accordance with resolution of the Board of the Parent Bank, TL 441.418 has been written off.

**Aging analysis for past due receivables:**

As per Financial instruments segmentations, aging analysis of past due but not impaired financial assets is as follows:

|                       | 0-30 Days | 31-90 Days | Total     |
|-----------------------|-----------|------------|-----------|
| <b>Current Period</b> | 411.986   | 3.665.055  | 4.077.041 |
|                       |           |            |           |
|                       | 0-30 Days | 31-90 Days | Total     |
| <b>Prior Period</b>   | 722.924   | 5.318.304  | 6.041.228 |

**Receivables that provisions are set in terms of geographical region:**

| Current Period              | Non-performing Loans <sup>(*)</sup> | Specific Provision <sup>(*)</sup> |
|-----------------------------|-------------------------------------|-----------------------------------|
| Domestic                    | 2.184.791                           | 934.658                           |
| Off-shore Banking Countries | 32.042                              | 8.626                             |
| Other Countries             | 4.890                               | 3.347                             |
| <b>General Total</b>        | <b>2.221.723</b>                    | <b>946.631</b>                    |

<sup>(\*)</sup> Represents amounts for cash loans.

| Prior Period                | Non-performing Loans <sup>(*)</sup> | Specific Provision <sup>(*)</sup> |
|-----------------------------|-------------------------------------|-----------------------------------|
| Domestic                    | 1.835.608                           | 865.090                           |
| Off-shore Banking Countries | 29.535                              | 8.409                             |
| Other Countries             | 23.404                              | 19.986                            |
| <b>General Total</b>        | <b>1.888.547</b>                    | <b>893.485</b>                    |

<sup>(\*)</sup> Represents amounts for cash loans.

**c.2. Credit risk mitigation**

**c.2.1. Qualitative disclosure on credit risk mitigation techniques:**

On and off balance sheet offsetting agreements are not utilized.

The Parent Bank, the risk mitigators that are used in credit process in compliance with Communiqué "The Risk Mitigation Techniques" which is published at September 6, 2014 are stated below.

- Financial Collaterals (Government Securities, Cash, Deposit or Participation Fund Pledge, Gold, Stock Pledge)
- Guarantees

The credibility of guarantors is monitored and evaluated within the framework of credit revision periods. Collaterals obtained by the Parent Bank are reviewed and appraised in accordance with related legislation as long as the credit relationship is outstanding.

If there are indicators on significant decreases of real estate's value in comparison to general market prices, the real estate's valuation is performed by the authorised valuation corporations authorised by Banking Regulation and Supervision Agency or Capital Markets Board of Turkey.

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**X. Explanations on consolidated risk management (continued):**

**c.2. Credit risk mitigation (continued)**

**c.2.1. Qualitative disclosure on credit risk mitigation techniques (continued):**

The Parent Bank monitors other banks' guarantees that are evaluated as risk mitigators within the framework of BRSA regulations on a regular basis and reviews the credibility of banks periodically.

The volatility in real estate market is monitored closely by the Parent Bank and the market fluctuations are considered in credit activities.

**c.2.2. Credit risk mitigation techniques:**

| Current Period |                    | Exposures unsecured: carrying amount as per TAS | Exposures secured by collateral | Collateralized amount of exposures secured by collateral | Exposures secured by financial guarantees | Collateralized amount of exposures secured by financial guarantees | Exposures secured by credit derivatives | Collateralized amount of exposures secured by credit derivatives |
|----------------|--------------------|---|---------------------------------|--|---|--|---|--|
| 1              | Loans              | 22.484.742                                      | 7.264.347                       | 5.079.229  | 1.061.069                                 | 472.864  | -                                       | -  |
| 2              | Debt securities    | 4.503.490                                       | -                               | -  | -   | -  | -                                       | -  |
| 3              | <b>Total</b>       | <b>26.988.232</b>                               | <b>7.264.347</b>                | <b>5.079.229</b>   | <b>1.061.069</b>                          | <b>472.864</b>   | -                                       | -  |
| 4              | Of which defaulted | 1.043.668                                       | 231.424                         | 179.911  | 2.040                                     | 617  | -                                       | -  |

  

| Prior Period |                    | Exposures unsecured: carrying amount as per TAS | Exposures secured by collateral | Collateralized amount of exposures secured by collateral | Exposures secured by financial guarantees | Collateralized amount of exposures secured by financial guarantees | Exposures secured by credit derivatives | Collateralized amount of exposures secured by credit derivatives |
|--------------|--------------------|---|---------------------------------|--|---|--|---|--|
| 1            | Loans              | 19.193.921                                      | 6.991.068                       | 4.889.638  | 910.075                                   | 292.353  | -                                       | -  |
| 2            | Debt securities    | 1.676.527                                       | -                               | -  | -   | -  | -                                       | -  |
| 3            | <b>Total</b>       | <b>20.870.448</b>                               | <b>6.991.068</b>                | <b>4.889.638</b>   | <b>910.075</b>                            | <b>292.353</b>   | -                                       | -  |
| 4            | Of which defaulted | 808.212   | 186.850                         | 133.016  | 2.415                                     | 785  | -                                       | -  |

**c.3. Credit risk under standardised approach:**

**c.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk:**

Explanations on rating grades that the banks use for calculation of credit risk by the standardised approach are mentioned in the footnote section four numbered II.9 Explanations on Consolidated Credit Risk.

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**X. Explanations on consolidated risk management (continued):**

**c.3.2. Credit risk exposure and credit risk mitigation techniques:**

| Current Period |  | Exposures before Credit Conversion Rate and Credit Risk Mitigation |                          | Credit Risk Mitigation and Exposures post-Credit Conversion Rate |                          | Risk Weighted Average and Risk Weighted Average Density |               |
|----------------|--|--|--------------------------|--|--------------------------|---|---------------|
|                |  | On-balance sheet amount  | Off-balance sheet amount | On-balance sheet amount  | Off-balance sheet amount | RWA   | RWA density   |
| Risk classes   |  |  |                          |  |                          |   |               |
| 1              | Receivables from central governments or central banks                | 9.764.991  | 1.382                    | 10.211.898   | 544                      | 1.283.586   | 12,57%        |
| 2              | Receivables from regional or local governments                       | 99.368   | -                        | 101.305  | -                        | 49.684  | 49,04%        |
| 3              | Receivables from administrative units and non-commercial enterprises | 91.771   | 42.417                   | 91.771   | 19.291                   | 106.571   | 95,96%        |
| 4              | Receivables from multilateral development banks                      | -  | -                        | -  | -                        | -   | -             |
| 5              | Receivables from international organizations                         | -  | -                        | -  | -                        | -   | -             |
| 6              | Receivables from banks and brokerage houses                          | 4.878.697  | 371.291                  | 4.918.661  | 311.148                  | 2.181.313   | 41,71%        |
| 7              | Receivables from corporates  | 12.637.455   | 6.571.319                | 12.455.492   | 4.143.123                | 16.383.443  | 98,70%        |
| 8              | Retail receivables   | 3.659.422  | 4.458.227                | 3.354.729  | 1.699.332                | 3.681.663   | 72,85%        |
| 9              | Receivables secured by mortgages on property                         | 436.616  | 48.133                   | 435.797  | 20.292                   | 162.259   | 35,58%        |
| 10             | Receivables secured by mortgages on commercial property              | 2.078.951  | 599.311                  | 2.078.951  | 332.224                  | 1.262.320   | 52,35%        |
| 11             | Past due receivables   | 703.682  | -                        | 702.349  | -                        | 704.941   | 100,37%       |
| 12             | Receivables defined in high risk category by BRSA                    | -  | -                        | -  | -                        | -   | -             |
| 13             | Securities collateralized by mortgages                               | -  | -                        | -  | -                        | -   | -             |
| 14             | Short-term receivables from banks, brokerage houses and corporates   | -  | -                        | -  | -                        | -   | -             |
| 15             | Investments similar to collective investment funds                   | -  | -                        | -  | -                        | -   | -             |
| 16             | Other receivables  | 5.318.761  | 10.381                   | 5.318.761  | 2.076                    | 3.538.915   | 66,51%        |
| 17             | Equity share investments   | 107.397  | -                        | 107.397  | -                        | 107.397   | 100%          |
| <b>18</b>      | <b>Total</b>   | <b>39.777.111</b>  | <b>12.102.461</b>        | <b>39.777.111</b>  | <b>6.528.030</b>         | <b>29.462.092</b>                                       | <b>63,63%</b> |



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**X. Explanations on consolidated risk management (continued):**

**c.3.2. Credit risk exposure and credit risk mitigation techniques (continued):**

| Prior Period | Risk classes   | Exposures before Credit Conversion Rate and Credit Risk Mitigation |                          | Credit Risk Mitigation and Exposures post-Credit Conversion Rate |                          | Risk Weighted Average and Risk Weighted Average Density |               |
|--------------|--|--|--------------------------|--|--------------------------|---|---------------|
|              |  | On-balance sheet amount  | Off-balance sheet amount | On-balance sheet amount  | Off-balance sheet amount | RWA   | RWA density   |
| 1            | Receivables from central governments or central banks                | 4.967.514  | 1.631                    | 5.664.004  | 159.633                  | 175.329   | %3,01         |
| 2            | Receivables from regional or local governments                       | 15   | -                        | 7.095  | 616                      | 8   | %0,10         |
| 3            | Receivables from administrative units and non-commercial enterprises | 114.858  | 31.888                   | 114.858  | 13.826                   | 126.626   | %98,40        |
| 4            | Receivables from multilateral development banks                      | -  | -                        | -  | -                        | -   | -             |
| 5            | Receivables from international organizations                         | -  | -                        | -  | -                        | -   | -             |
| 6            | Receivables from banks and brokerage houses                          | 5.413.508  | 390.497                  | 5.414.016  | 327.655                  | 2.736.416   | %47,66        |
| 7            | Receivables from corporates  | 11.783.940   | 6.751.114                | 11.585.825   | 4.257.180                | 15.692.558  | %99,05        |
| 8            | Retail receivables   | 3.786.448  | 3.590.042                | 3.284.338  | 1.277.059                | 3.362.413   | %73,71        |
| 9            | Receivables secured by mortgages on property                         | 406.959  | 60.506                   | 404.054  | 28.435                   | 155.542   | %35,96        |
| 10           | Receivables secured by mortgages on commercial property              | 1.947.063  | 602.056                  | 1.947.063  | 384.769                  | 1.201.354   | %51,52        |
| 11           | Past due receivables   | 599.504  | -                        | 598.556  | -                        | 668.571   | %111,70       |
| 12           | Receivables defined in high risk category by BRSA                    | -  | -                        | -  | -                        | -   | -             |
| 13           | Securities collateralized by mortgages                               | -  | -                        | -  | -                        | -   | -             |
| 14           | Short-term receivables from banks, brokerage houses and corporates   | -  | -                        | -  | -                        | -   | -             |
| 15           | Investments similar to collective investment funds                   | -  | -                        | -  | -                        | -   | -             |
| 16           | Other receivables  | 4.816.043  | 6.906                    | 4.816.043  | 1.381                    | 2.983.962   | %61,94        |
| 17           | Equity share investments   | 113.041  | -                        | 113.041  | -                        | 113.041   | %100,00       |
| <b>18</b>    | <b>Total</b>   | <b>33.948.893</b>  | <b>11.434.640</b>        | <b>33.948.893</b>  | <b>6.450.554</b>         | <b>27.215.820</b>                                       | <b>%67,37</b> |

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**X. Explanations on consolidated risk management (continued):**

**c.3.3 Exposures by asset classes and risk weights:**

| Current Period |  | 35% secured by Property mortgage |     |           |         |           |           |            |         |      |        | Total risk amount (post-CCF and CRM) |
|----------------|--|----------------------------------|-----|-----------|---------|-----------|-----------|------------|---------|------|--------|--------------------------------------|
|                | Risk Classes/Risk Weighted   | 0%                               | 10% | 20%       |         | 50%       | 75%       | 100%       | 150%    | 200% | Others |                                      |
| 1              | Receivables from central governments or central banks                | 7.548.741                        | -   | -         | -       | 2.603.730 | -         | 59.971     | -       | -    | -      | 10.212.442                           |
| 2              | Receivables from regional or local governments                       | -                                | -   | -         | -       | 101.305   | -         | -          | -       | -    | -      | 101.305                              |
| 3              | Receivables from administrative units and non-commercial enterprises | 835                              | -   | 4.570     | -       | -         | -         | 105.657    | -       | -    | -      | 111.062                              |
| 4              | Receivables from multilateral development banks                      | -                                | -   | -         | -       | -         | -         | -          | -       | -    | -      | -                                    |
| 5              | Receivables from international organizations                         | -                                | -   | -         | -       | -         | -         | -          | -       | -    | -      | -                                    |
| 6              | Receivables from banks and brokerage houses                          | 9.097                            | -   | 3.134.319 | -       | 1.023.925 | -         | 1.062.468  | -       | -    | -      | 5.229.809                            |
| 7              | Receivables from corporates  | 165.457                          | -   | 130.251   | -       | 27.500    | -         | 16.275.407 | -       | -    | -      | 16.598.615                           |
| 8              | Retail receivables   | 128.160                          | -   | 79.261    | -       | -         | 4.846.640 | -          | -       | -    | -      | 5.054.061                            |
| 9              | Receivables secured by mortgages on property                         | 3.027                            | -   | 305       | 442.376 | 6.032     | -         | 4.349      | -       | -    | -      | 456.089                              |
| 10             | Receivables secured by mortgages on commercial property              | -                                | -   | -         | -       | 2.297.710 | -         | 113.465    | -       | -    | -      | 2.411.175                            |
| 11             | Past due receivables   | 128                              | -   | 212       | -       | 238.401   | -         | 219.691    | 243.917 | -    | -      | 702.349                              |
| 12             | Receivables defined in high risk category by BRSA                    | -                                | -   | -         | -       | -         | -         | -          | -       | -    | -      | -                                    |
| 13             | Securities collateralized by mortgages                               | -                                | -   | -         | -       | -         | -         | -          | -       | -    | -      | -                                    |
| 14             | Short-term receivables from banks, brokerage houses and corporates   | -                                | -   | -         | -       | -         | -         | -          | -       | -    | -      | -                                    |
| 15             | Investments similar to collective investment funds                   | -                                | -   | -         | -       | -         | -         | -          | -       | -    | -      | -                                    |
| 16             | Other receivables  | 1.334.948                        | -   | 558.718   | -       | -         | -         | 3.427.171  | -       | -    | -      | 5.320.837                            |
| 17             | Equity share investments   | -                                | -   | -         | -       | -         | -         | 107.397    | -       | -    | -      | 107.397                              |
| 18             | Total  | 9.190.393                        | -   | 3.907.636 | 442.376 | 6.298.603 | 4.846.640 | 21.375.576 | 243.917 | -    | -      | 46.305.141                           |

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**X. Explanations on risk management (continued):**

**c.3.3 Exposures by asset classes and risk weights (continued):**

| Prior Period |  | 35% secured by |     |           |                      |           |           |            |         |      |        | Total risk amount<br>(post-CCF and CRM) |
|--------------|--|----------------|-----|-----------|----------------------|-----------|-----------|------------|---------|------|--------|---|
|              | Risk Classes/Risk Weighted   | 0%             | 10% | 20%       | Property<br>mortgage | 50%       | 75%       | 100%       | 150%    | 200% | Others |   |
| 1            | Receivables from central governments or central banks                | 5.236.615      | -   | 33        | -                    | 586.844   | -         | 145        | -       | -    | -      | 5.823.637                               |
| 2            | Receivables from regional or local governments                       | -              | -   | -         | -                    | 7.711     | -         | -          | -       | -    | -      | 7.711                                   |
| 3            | Receivables from administrative units and non-commercial enterprises | 2.048          | -   | 12        | -                    | -         | -         | 126.624    | -       | -    | -      | 128.684                                 |
| 4            | Receivables from multilateral development banks                      | -              | -   | -         | -                    | -         | -         | -          | -       | -    | -      | -                                       |
| 5            | Receivables from international organizations                         | -              | -   | -         | -                    | -         | -         | -          | -       | -    | -      | -                                       |
| 6            | Receivables from banks and brokerage houses                          | 13.202         | -   | 1.517.656 | -                    | 3.550.935 | -         | 659.878    | -       | -    | -      | 5.741.671                               |
| 7            | Receivables from corporates  | 149.904        | -   | 94.688    | -                    | 7.617     | -         | 15.590.796 | -       | -    | -      | 15.843.005                              |
| 8            | Retail receivables   | 97.031         | -   | 57.090    | -                    | -         | 4.407.276 | -          | -       | -    | -      | 4.561.397                               |
| 9            | Receivables secured by mortgages on property                         | 1.951          | -   | 4.524     | 409.639              | 10.225    | -         | 6.150      | -       | -    | -      | 432.489                                 |
| 10           | Receivables secured by mortgages on commercial property              | -              | -   | -         | -                    | 2.260.956 | -         | 70.876     | -       | -    | -      | 2.331.832                               |
| 11           | Past due receivables   | 276            | -   | 200       | -                    | 149.505   | -         | 158.166    | 290.409 | -    | -      | 598.556                                 |
| 12           | Receivables defined in high risk category by BRSA                    | -              | -   | -         | -                    | -         | -         | -          | -       | -    | -      | -                                       |
| 13           | Securities collateralized by mortgages                               | -              | -   | -         | -                    | -         | -         | -          | -       | -    | -      | -                                       |
| 14           | Short-term receivables from banks, brokerage houses and corporates   | -              | -   | -         | -                    | -         | -         | -          | -       | -    | -      | -                                       |
| 15           | Investments similar to collective investment funds                   | -              | -   | -         | -                    | -         | -         | -          | -       | -    | -      | -                                       |
| 16           | Other receivables  | 1.168.608      | -   | 831.067   | -                    | -         | -         | 2.817.749  | -       | -    | -      | 4.817.424                               |
| 17           | Equity share investments   | -              | -   | -         | -                    | -         | -         | 113.041    | -       | -    | -      | 113.041                                 |
| 18           | Total  | 6.669.635      | -   | 2.505.270 | 409.639              | 6.573.793 | 4.407.276 | 19.543.425 | 290.409 | -    | -      | 40.399.447                              |

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**X. Explanations on consolidated risk management (continued):**

**ç. Consolidated counterparty credit risk:**

**ç.1. Qualitative disclosure on counterparty credit risk (CCR):**

Derivatives and repurchase transactions in the calculation of counterparty credit risk are calculated according to the fair value in accordance with "Appendix-2 of Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette dated October 23, 2015 and numbered 29511. The sum of potential future exposures and positive replacement costs is taken in the calculation of the risk amount related to derivative transactions.

The Parent Bank prepared "Charter on the Counterparty Credit Risk Management Policy and Implementation Procedures" in order to determine the basic principles that manage the counterparty credit risk and this regulation was approved by the Board of Directors. The Board of Directors periodically reviews and assesses the related policy.

**ç.2. Counterparty credit risk (CCR) approach analysis:**

| Current Period |  | Replacement cost | Potential future exposure | EEPE <sup>(*)</sup> | Alpha used for computing regulatory exposure at default | EAD post-CRM | RWA          |
|----------------|--|------------------|---------------------------|---------------------|---|--------------|--------------|
| 1              | Standardised Approach - CCR (for derivatives)  | 640              | 2.854                     |                     | -   | 3.494        | 1.857        |
| 2              | Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)                             |                  |                           | -                   | -   | -            | -            |
| 3              | Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)        |                  |                           |                     |   | -            | -            |
| 4              | Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) |                  |                           |                     |   | -            | -            |
| 5              | Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions                                 |                  |                           |                     |   | -            | -            |
| 6              | <b>Total</b>   |                  |                           |                     |   |              | <b>1.857</b> |

<sup>(\*)</sup> Effective Expected Positive Exposure

| Prior Period |  | Replacement cost | Potential future exposure | EEPE <sup>(*)</sup> | Alpha used for computing regulatory exposure at default | EAD post-CRM | RWA          |
|--------------|--|------------------|---------------------------|---------------------|---|--------------|--------------|
| 1            | Standardised Approach - CCR (for derivatives)  | 1.844            | 5.038                     |                     | -   | 6.882        | 4.624        |
| 2            | Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)                             |                  |                           | -                   | -   | -            | -            |
| 3            | Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)        |                  |                           |                     |   | -            | -            |
| 4            | Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) |                  |                           |                     |   | -            | -            |
| 5            | Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions                                 |                  |                           |                     |   | -            | -            |
| 6            | <b>Total</b>   |                  |                           |                     |   |              | <b>4.624</b> |

<sup>(\*)</sup> Effective Expected Positive Exposure

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**X. Explanations on consolidated risk management (continued):**

**ç.3. Capital requirement for credit valuation adjustment (CVA):**

|   |   | Current Period |            | Prior Period |              |
|---|---|----------------|------------|--------------|--------------|
|   |   | EAD post- CRM  | RWA        | EAD post-CRM | RWA          |
| Total portfolios subject to the Advanced CVA capital obligation |   | -              | -          | -            | -            |
| 1   | (i) VaR component (including the 3×multiplier)                    |                | -          |              | -            |
| 2   | (ii) Stressed VaR component (including the 3×multiplier)          |                | -          |              | -            |
| 3   | All portfolios subject to the Standardised CVA capital obligation | 3.494          | 539        | 6.882        | 1.182        |
| 4   | <b>Total subject to the CVA capital obligation</b>                | <b>3.494</b>   | <b>539</b> | <b>6.882</b> | <b>1.182</b> |

**ç.4. CCR exposures by risk class and risk weights:**

| Current Period   |          |          |              |            |          |              |          |          |                                      |
|--|----------|----------|--------------|------------|----------|--------------|----------|----------|--------------------------------------|
| Risk Weighted  |          |          |              |            |          |              |          |          | Total credit exposure <sup>(*)</sup> |
| Risk Classes   | 0%       | 10%      | 20%          | 50%        | 75%      | 100%         | 150%     | Other    |                                      |
| Receivables from central governments or central banks                | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| Receivables from regional or local governments                       | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| Receivables from administrative units and non-commercial enterprises | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| Receivables from multilateral development banks                      | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| Receivables from international organizations                         | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| Receivables from banks and brokerage houses                          | -        | -        | 1.603        | 711        | -        | 665          | -        | -        | 2.979                                |
| Receivables from corporates  | -        | -        | -            | -          | -        | 515          | -        | -        | 515                                  |
| Retail receivables   | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| Receivables secured by mortgages on property                         | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| Past due receivables   | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| Receivables defined in high risk category by BRSA                    | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| Securities collateralized by mortgages                               | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| Securitisation positions   | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| Short-term receivables from banks, brokerage houses and corporates   | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| Investments similar to collective investment funds                   | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| Equity share investments   | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| Other receivables  | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| Other assets   | -        | -        | -            | -          | -        | -            | -        | -        | -                                    |
| <b>Total</b>   | <b>-</b> | <b>-</b> | <b>1.603</b> | <b>711</b> | <b>-</b> | <b>1.180</b> | <b>-</b> | <b>-</b> | <b>3.494</b>                         |

<sup>(\*)</sup> Total credit risk: Represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

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**X. Explanations on consolidated risk management (continued):**

**ç.4. CCR exposures by risk class and risk weights (continued):**

| Risk Classes   | Risk Weighted |     |            |              |     |              |      |       | Total credit exposure <sup>(*)</sup> |
|--|---------------|-----|------------|--------------|-----|--------------|------|-------|--------------------------------------|
|  | 0%            | 10% | 20%        | 50%          | 75% | 100%         | 150% | Other |                                      |
| Receivables from central governments or central banks                | -             | -   | -          | 2.376        | -   | -            | -    | -     | 2.376                                |
| Receivables from regional or local governments                       | -             | -   | -          | -            | -   | -            | -    | -     | -                                    |
| Receivables from administrative units and non-commercial enterprises | -             | -   | -          | -            | -   | -            | -    | -     | -                                    |
| Receivables from multilateral development banks                      | -             | -   | -          | -            | -   | -            | -    | -     | -                                    |
| Receivables from international organizations                         | -             | -   | -          | -            | -   | -            | -    | -     | -                                    |
| Receivables from banks and brokerage houses                          | -             | -   | 210        | 1.803        | -   | 707          | -    | -     | 2.720                                |
| Receivables from corporates  | -             | -   | -          | -            | -   | 1.786        | -    | -     | 1.786                                |
| Retail receivables   | -             | -   | -          | -            | -   | -            | -    | -     | -                                    |
| Receivables secured by mortgages on property                         | -             | -   | -          | -            | -   | -            | -    | -     | -                                    |
| Past due receivables   | -             | -   | -          | -            | -   | -            | -    | -     | -                                    |
| Receivables defined in high risk category by BRSA                    | -             | -   | -          | -            | -   | -            | -    | -     | -                                    |
| Securities collateralized by mortgages                               | -             | -   | -          | -            | -   | -            | -    | -     | -                                    |
| Securitisation positions   | -             | -   | -          | -            | -   | -            | -    | -     | -                                    |
| Short-term receivables from banks, brokerage houses and corporates   | -             | -   | -          | -            | -   | -            | -    | -     | -                                    |
| Investments similar to collective investment funds                   | -             | -   | -          | -            | -   | -            | -    | -     | -                                    |
| Equity share investments   | -             | -   | -          | -            | -   | -            | -    | -     | -                                    |
| Other receivables  | -             | -   | -          | -            | -   | -            | -    | -     | -                                    |
| Other assets   | -             | -   | -          | -            | -   | -            | -    | -     | -                                    |
| <b>Total</b>   | -             | -   | <b>210</b> | <b>4.179</b> | -   | <b>2.493</b> | -    | -     | <b>6.882</b>                         |

<sup>(\*)</sup> Total credit risk: Represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

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**X. Explanations on consolidated risk management (continued):**

**ç.5. Collaterals for CCR**

| Current Period           | Collateral for derivative transactions |              |                     |              | Collateral for other transactions |                     |
|--------------------------|--|--------------|---------------------|--------------|-----------------------------------|---------------------|
|                          | Collaterals received                   |              | Collaterals granted |              | Collaterals received              | Collaterals granted |
|                          | Segregated                             | Unsegregated | Segregated          | Unsegregated |                                   |                     |
| Cash-domestic currency   | -                                      | -            | -                   | -            | -                                 | -                   |
| Cash-foreign currency    | -                                      | 2.268        | -                   | -            | -                                 | -                   |
| Domestic sovereign debts | -                                      | -            | -                   | -            | -                                 | -                   |
| Other sovereign debts    | -                                      | -            | -                   | -            | -                                 | -                   |
| Government agency debts  | -                                      | -            | -                   | -            | -                                 | -                   |
| Corporate debts          | -                                      | -            | -                   | -            | -                                 | -                   |
| Equity securities        | -                                      | -            | -                   | -            | -                                 | -                   |
| Other collateral         | -                                      | -            | -                   | -            | -                                 | -                   |
| <b>Total</b>             | -                                      | <b>2.268</b> | -                   | -            | -                                 | -                   |

| Prior Period             | Collateral for derivative transactions |              |                     |               | Collateral for other transactions |                     |
|--------------------------|--|--------------|---------------------|---------------|-----------------------------------|---------------------|
|                          | Collaterals received                   |              | Collaterals granted |               | Collaterals received              | Collaterals granted |
|                          | Segregated                             | Unsegregated | Segregated          | Unsegregated  |                                   |                     |
| Cash-domestic currency   | -                                      | -            | -                   | -             | -                                 | -                   |
| Cash-foreign currency    | -                                      | -            | -                   | 18.740        | -                                 | -                   |
| Domestic sovereign debts | -                                      | -            | -                   | -             | -                                 | -                   |
| Other sovereign debts    | -                                      | -            | -                   | -             | -                                 | -                   |
| Government agency debts  | -                                      | -            | -                   | -             | -                                 | -                   |
| Corporate debts          | -                                      | -            | -                   | -             | -                                 | -                   |
| Equity securities        | -                                      | -            | -                   | -             | -                                 | -                   |
| Other collateral         | -                                      | -            | -                   | -             | -                                 | -                   |
| <b>Total</b>             | -                                      | -            | -                   | <b>18.740</b> | -                                 | -                   |

**ç.6. Information on the risks of the Parent Bank arising from purchased or sold credit derivatives**

The Parent Bank does not have any risks arising from purchased or sold credit derivatives (December 31, 2018: None).

**ç.7. Information on risks of the Parent Bank arising from central counterparty**

The Parent Bank does not have any risks arising from central counterparty (December 31, 2018: None).

**d. Consolidated securitization explanations:**

There is not any information to be announced to public on securitization (December 31, 2018: None).

**e. Consolidated market risk**

**e.1. Qualitative disclosure on market risk:**

The Parent Bank measures market risk by using the standard method in accordance with "Regulation on the Measurement and Assessment of the Capital Adequacy of Banks" dated October 23, 2015 and numbered 29511 and allocates legal capital on this basis. On the other hand, the market risk is also calculated by using the internal model for testing (Value at Risk) and the results found are supported by considering backtesting results. The market risk value (Value at Risk) calculated by using the internal model is calculated on a daily basis by using Variance-Covariance, EWMA, Monte Carlo and Historical Simulation methods and is reported to the top management.

The Board of Directors sets limits for these risks by considering the main risks and revises these limits periodically in line with market conditions and the Parent Bank's strategies. In addition, the Board of Directors ensures that the risk management unit and senior management take all necessary measures to identify, measure, prioritize, and reduce at an acceptable level and to manage the various risks that the Parent Bank is exposed to.

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**X. Explanations on consolidated risk management (continued):**

Risks that positions held by the Parent Bank under on-balance sheet and off-balance sheet accounts may occur due to fluctuations in financial markets are measured. Information about the market risk considered in the calculation of legal capital as follows.

**e.2. Market risk under standardised approach:**

|                          |   | Current Period | Prior Period     |
|--------------------------|---|----------------|------------------|
|                          |   | RWA            | RWA              |
| <b>Outright products</b> |   |                |                  |
| 1                        | Profit rate risk (general and specific) | 90.108         | 2.629            |
| 2                        | Equity risk (general and specific)      | 5.014          | -                |
| 3                        | Foreign exchange risk                   | 201.276        | 1.568.515        |
| 4                        | Commodity risk                          | 100.947        | 12.420           |
| <b>Options</b>           |   |                |                  |
| 5                        | Simplified approach                     | -              | -                |
| 6                        | Delta-plus method                       | -              | -                |
| 7                        | Scenario approach                       | -              | -                |
| 8                        | Securitisation                          | -              | -                |
| <b>9</b>                 | <b>Total</b>                            | <b>397.345</b> | <b>1.583.564</b> |

**f. Consolidated Operational risk:**

Capital requirement for operational risk is calculated annually by using the Basic Indicator Method in accordance with Article 24 of the Regulation on the Measurement and Assessment of Capital Adequacy of Banks. As of December 31, 2019, amount subject to operational risk and the calculation information are given below:

|  | 2 PP<br>Value | 1 PP<br>Value | CP Value  | Total number of<br>years for which<br>gross income is<br>positive | Rate (%) | Total     |
|--|---------------|---------------|-----------|---|----------|-----------|
| Gross Income                                       | 1.228.536     | 1.436.154     | 1.673.004 | 1.445.898   | 15       | 216.885   |
| Amount subject to Operational<br>Risk (Total*12,5) |               |               |           |   |          | 2.711.059 |

**g. Qualitative disclosure on profit rate risk arising from banking books**

**a) Important assumptions including the nature of profit rate risk arising from banking books and the early repayment of loans and movements in deposits other than time deposits with measurement frequency of the profit rate risk**

Profit rate risk arising from banking books measures profit rate risk arising from on-balance sheet and off-balance sheet positions in the Parent Bank's banking books by standard shock method.

The Parent Bank calculates and measures legal ratio for profit rate risk arising from banking books on a monthly basis in accordance with "Regulation on Measurement and Assessment of Interest Rate Risk arising from Banking Books by Standard Shock Method" that have been published in Official Gazette numbered 28034 and dated August 23, 2011.

Profit share-yield assets, liabilities that profit share is paid, restructuring risk, yield curve risk in banking books and changes in profit rates occurred in market conditions are monitored, assessed, measured and managed by the Parent Bank in the calculations made within the scope of the related regulation.

Against the risk that these matters may affect the Parent Bank's capital negatively, these risks are assessed and managed on a weekly basis within the scope of the Charters established by the Board of Directors.



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**X. Explanations on consolidated risk management (continued):**

**b) Economic value differences arising from profit rate fluctuations in accordance with Regulation on Measurement and Assessment of Profit Rate Risk arising from Banking Books by Standard Shock Method:**

| <b>Currency</b>                    | <b>Applied Shock<br/>(+/-x basis point)</b> | <b>Gains/<br/>(Losses)</b> | <b>Gains/Equity<br/>(Losses/Equity) (%)</b> |
|------------------------------------|---|----------------------------|---|
| TL                                 | (+) 500bp                                   | (487.442)                  | (9,49)                                      |
| TL                                 | (-) 400bp                                   | 488.502                    | 9,51  |
| USD                                | (+) 200bp                                   | (417)                      | (0,01)                                      |
| USD                                | (-) 200bp                                   | 3.834                      | 0,07  |
| EUR                                | (+) 200bp                                   | (43.189)                   | (0,84)                                      |
| EUR                                | (-) 200bp                                   | (2.718)                    | (0,05)                                      |
| <b>Total (For Negative Shocks)</b> | -   | <b>489.618</b>             | <b>9,53</b>                                 |
| <b>Total (For Positive Shocks)</b> | -   | <b>(531.048)</b>           | <b>(10,34)</b>                              |

**XI. Explanations on consolidated business segments:**

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

| <b>Current Period</b>             | <b>Retail</b>      | <b>Commercial<br/>and Corporate</b> | <b>Treasury</b>   | <b>Undistributed</b> | <b>Total</b>      |
|-----------------------------------|--------------------|-------------------------------------|-------------------|----------------------|-------------------|
| Operating Income (Net)            | (710.582)          | 2.103.015                           | 773.735           | 199.513              | 2.365.681         |
| Operating Expenses                | (739.001)          | (1.187.057)                         | (316.288)         | 1.126                | (2.241.220)       |
| Operating Income/Expenses         | (1.449.583)        | 915.958                             | 457.447           | 200.639              | 124.461           |
| Profit/(Loss) Before Tax          | (1.449.583)        | 915.958                             | 457.447           | 200.639              | 124.461           |
| Tax Expense                       | -                  | -                                   | -                 | (27.682)             | (27.682)          |
| <b>Current Year Profit/(Loss)</b> | <b>(1.449.583)</b> | <b>915.958</b>                      | <b>457.447</b>    | <b>172.957</b>       | <b>96.779</b>     |
| <b>Total Assets</b>               | <b>2.574.413</b>   | <b>28.499.436</b>                   | <b>17.385.810</b> | <b>3.016.309</b>     | <b>51.475.968</b> |
| <b>Total Liabilities</b>          | <b>26.441.681</b>  | <b>15.314.905</b>                   | <b>5.744.992</b>  | <b>3.974.390</b>     | <b>51.475.968</b> |

| <b>Prior Period</b>               | <b>Retail</b>     | <b>Commercial<br/>and Corporate</b> | <b>Treasury</b>   | <b>Undistributed</b> | <b>Total</b>      |
|-----------------------------------|-------------------|-------------------------------------|-------------------|----------------------|-------------------|
| Operating Income (Net)            | (633.008)         | 1.582.675                           | 686.240           | 386.932              | 2.022.839         |
| Operating Expenses                | (246.487)         | (762.169)                           | (150.715)         | (653.545)            | (1.812.916)       |
| Operating Income/Expenses         | (879.495)         | 820.506                             | 535.525           | (266.613)            | 209.923           |
| Profit/(Loss) Before Tax          | (879.495)         | 820.506                             | 535.525           | (266.613)            | 209.923           |
| Tax Expense                       | -                 | -                                   | -                 | (36.688)             | (36.688)          |
| <b>Current Year Profit/(Loss)</b> | <b>(879.495)</b>  | <b>820.506</b>                      | <b>535.525</b>    | <b>(303.301)</b>     | <b>173.235</b>    |
| <b>Total Assets</b>               | <b>2.647.172</b>  | <b>24.265.102</b>                   | <b>12.501.983</b> | <b>2.807.690</b>     | <b>42.221.947</b> |
| <b>Total Liabilities</b>          | <b>18.778.877</b> | <b>11.471.453</b>                   | <b>9.028.682</b>  | <b>2.942.935</b>     | <b>42.221.947</b> |

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**SECTION FIVE**

**Explanations and notes on the consolidated financial statements**

**I. Explanations and notes related to consolidated assets:**

**1. a) Cash and balances with the Central Bank of Republic of Turkey (CBRT):**

|                       | Current Period   |                  | Prior Period   |                  |
|-----------------------|------------------|------------------|----------------|------------------|
|                       | TP               | YP               | TP             | YP               |
| Cash/Foreign currency | 128.031          | 894.076          | 143.580        | 679.886          |
| CBRT                  | 1.167.687        | 5.902.132        | 284.244        | 3.807.930        |
| Other <sup>(*)</sup>  | 130.984          | 572.999          | 81.896         | 920.845          |
| <b>Total</b>          | <b>1.426.702</b> | <b>7.369.207</b> | <b>509.720</b> | <b>5.408.661</b> |

<sup>(\*)</sup> Includes precious metals amounting to TL 145.266 (December 31, 2018: TL 171.675) and cash in transit amounting to TL 558.717 (December 31, 2018: TL 831.066) as of December 31, 2019.

**b) Information related to CBRT:**

|  | Current Period   |                  | Prior Period   |                  |
|--|------------------|------------------|----------------|------------------|
|  | TP               | YP               | TP             | YP               |
| Unrestricted demand deposit            | 1.167.543        | 1.279.517        | 275.660        | 761.900          |
| Unrestricted time deposit              | -                | -                | -              | -                |
| Restricted time deposit <sup>(*)</sup> | 144              | 4.622.615        | 8.584          | 3.046.030        |
| <b>Total</b>                           | <b>1.167.687</b> | <b>5.902.132</b> | <b>284.244</b> | <b>3.807.930</b> |

<sup>(\*)</sup> As of December 31, 2019, the reserve requirement held in standard gold is TL 1.179.678 (December 2018: TL 838.436)

In accordance with the "Communiqué Regarding the Reserve Requirements numbered 2005/1", banks operating in Turkey are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EURO and standard gold.

As of December 31, 2019, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 1% to 7% depending on maturity of deposits and the compulsory rates for the foreign currency liabilities are within an interval from 5% to 21% depending on maturity of deposits.

The Parent Banks which meet the conditions in the "Communiqué Regarding the Reserve Requirements" on real credit growth rates will get the return at 10%, for the others which do not meet the conditions in the mentioned Communiqué will get the return at 0%.

**c.1) Information on banks:**

|                                   | Current Period   |                  | Prior Period   |                  |
|-----------------------------------|------------------|------------------|----------------|------------------|
|                                   | TP               | YP               | TP             | YP               |
| <b>Banks</b>                      |                  |                  |                |                  |
| Domestic <sup>(*)</sup>           | 1.109.920        | 840.053          | 822.730        | 3.436.861        |
| Abroad                            | -                | 2.244.574        | -              | 958.744          |
| Foreign head offices and branches | -                | -                | -              | -                |
| <b>Total</b>                      | <b>1.109.920</b> | <b>3.084.627</b> | <b>822.730</b> | <b>4.395.605</b> |

<sup>(\*)</sup> Includes blockaged amount TL 1.032.679 (December 31, 2018: 800.457) booked under TL accounts arising from POS transactions

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**I. Explanations and notes related to consolidated assets (continued):**

**c.2) Information on foreign bank accounts:**

|                           | Current period      |                   | Prior Period        |                   |
|---------------------------|---------------------|-------------------|---------------------|-------------------|
|                           | Unrestricted amount | Restricted amount | Unrestricted amount | Restricted amount |
| European Union Countries  | 796.284             | -                 | 243.622             | -                 |
| USA and Canada            | 1.104.077           | -                 | 416.030             | -                 |
| OECD Countries (*)        | 95.442              | -                 | 12.479              | -                 |
| Off-shore banking regions | 5.232               | -                 | 15.367              | -                 |
| Other(**)                 | 220.548             | 22.991            | 257.787             | 13.459            |
| <b>Total</b>              | <b>2.221.583</b>    | <b>22.991</b>     | <b>945.285</b>      | <b>13.459</b>     |

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

(\*\*) Represents the balance amounts to TL 153.234 (December 31, 2018: TL 207.770) in Iraq Banks belonging to Parent Bank's foreign branch "Erbil".

**2. Information on financial assets measured at fair value through profit/loss:**

**a. Information on financial assets measured at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:**

As of December 31, 2019, there is not any amount subject to repurchase agreements (December 31, 2018: None).

As of December 31, 2019, there is a blocked/guaranteed amounting to TL 895 (December 31, 2018: None).

**b. Information on financial assets measured at fair value through profit/loss:**

|              | Current Period |                | Prior Period  |              |
|--------------|----------------|----------------|---------------|--------------|
|              | TL             | FC             | TL            | FC           |
| Sukuk        | 100.556        | 436.059        | 10.247        | 1.888        |
| Others       | 33.942         | 1.920          | 225           | 109          |
| <b>Total</b> | <b>134.498</b> | <b>437.979</b> | <b>10.472</b> | <b>1.997</b> |

**3. Information on financial assets measured at fair value through other comprehensive income:**

**a) Information on financial assets measured at fair value through other comprehensive income subject to repurchase transactions, given as a guarantee or blocked:**

As of December 31, 2019, there is not any amount subject to repurchase agreements (December 31, 2018: None)

As of December 31, 2019, guaranteed/blocked nominal amount is TL 355.481 (December 31, 2018: TL 425.917)

**b) Information on financial assets measured at fair value through other comprehensive income:**

|                                 | Current Period   | Prior Period     |
|---------------------------------|------------------|------------------|
| <b>Debt securities</b>          | <b>1.966.602</b> | <b>1.093.920</b> |
| Quoted on a stock exchange      | 1.966.602        | 1.093.920        |
| Unquoted                        | -                | -                |
| <b>Investment Funds</b>         | <b>-</b>         | <b>-</b>         |
| Quoted on a stock exchange      | -                | -                |
| Unquoted                        | -                | -                |
| <b>Share certificates</b>       | <b>23.312</b>    | <b>13.470</b>    |
| Quoted on a stock exchange      | 15.293           | 9.562            |
| Unquoted                        | 8.019            | 3.908            |
| <b>Impairment provision (-)</b> | <b>2.177</b>     | <b>35.406</b>    |
| <b>Total</b>                    | <b>1.987.737</b> | <b>1.071.984</b> |

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**I. Explanations and notes related to consolidated assets (continued):**

**4. Information on financial assets measured at amortised cost:**

**a) Information on subject to repurchase transactions, given as a guarantee or blocked:**

As of December 31, 2019, there is not any amount subject to repurchase agreements (December 31, 2018: None)

As of December 31, 2019, there is not any amount blocked/guaranteed (December 31: None)

**b) Information on related to government securities measured at amortised cost:**

|  | Current Period   | Prior Period   |
|--|------------------|----------------|
| Government Bonds                           | -                | -              |
| Treasury Bills                             | -                | -              |
| Other Government Securities <sup>(*)</sup> | 1.934.483        | 618.506        |
| <b>Total</b>                               | <b>1.934.483</b> | <b>618.506</b> |

<sup>(\*)</sup> Consists of Sukuk certificates issued by Ministry of Treasury and Finance of Turkey.

**c) Information related to financial assets measured at amortised cost:**

|                            | Current Period   | Prior Period   |
|----------------------------|------------------|----------------|
| Debt Securities            | 1.994.319        | 618.506        |
| Quoted on a stock exchange | 1.994.319        | 618.506        |
| Unquoted                   | -                | -              |
| Impairment provision (-)   | -                | -              |
| <b>Total</b>               | <b>1.994.319</b> | <b>618.506</b> |

**ç) Movements of the financial investments measured at amortised cost:**

|  | Current Period   | Prior Period   |
|--|------------------|----------------|
| Balance at beginning of period                         | 618.506          | 532.803        |
| Foreign currency differences on monetary assets        | 32.804           | -              |
| Purchases during period <sup>(*)</sup>                 | 1.442.377        | 187.962        |
| Disposals through sales and redemptions <sup>(*)</sup> | (132.000)        | (142.329)      |
| Impairment provision (-)                               | -                | -              |
| Reclassifications                                      | -                | -              |
| Income accruals  | 32.632           | 40.070         |
| <b>Closing balance</b>                                 | <b>1.994.319</b> | <b>618.506</b> |

<sup>(\*)</sup> Represented on nominal values

**5. Information on derivative financial assets:**

**a) Table of positive differences related to derivative financial assets:**

|                      | Current Period |            | Prior Period |          |
|----------------------|----------------|------------|--------------|----------|
|                      | TL             | FC         | TL           | FC       |
| Forward Transactions | 138            | -          | 1.510        | -        |
| Swap Transactions    | -              | 259        | -            | -        |
| Futures Transactions | -              | -          | -            | -        |
| Options              | -              | -          | -            | -        |
| Other                | -              | -          | -            | -        |
| <b>Total</b>         | <b>138</b>     | <b>259</b> | <b>1.510</b> | <b>-</b> |

The Parent Bank has not any derivative financial assets for hedging purposes. (December 31, 2018: None).

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**I. Explanations and notes related to consolidated assets (continued):**

**6. Information on loans:**

**a) Information on all types of loans and advances given to shareholders and employees of the Parent Bank:**

|  | Current Period |               | Prior Period   |               |
|--|----------------|---------------|----------------|---------------|
|  | Cash           | Non-cash      | Cash           | Non-cash      |
| Direct loans granted to shareholders   | 164.966        | 39.387        | 208.645        | 7.601         |
| Corporate shareholders                 | 164.690        | 39.037        | 208.367        | 7.251         |
| Real person shareholders               | 276            | 350           | 278            | 350           |
| Indirect loans granted to shareholders | 632.926        | 27.308        | 173.457        | 32.410        |
| Loans granted to employees             | 15.236         | 2             | 14.998         | 2             |
| <b>Total</b>                           | <b>813.128</b> | <b>66.697</b> | <b>397.100</b> | <b>40.013</b> |

**b) Information on standart loans and loans under close monitoring including restructured or rescheduled loans:**

**b1) Detailed table for standard loans and loans under close monitoring including restructured or rescheduled loans:**

| Current Period                  |                   | Loans Under Close Monitoring                         |                                   |                |
|---------------------------------|-------------------|--|-----------------------------------|----------------|
|                                 |                   | Not under the scope of restructuring or rescheduling | Restructured                      |                |
| Cash Loans                      | Standard loans    |  | Loans with revised contract terms | Refinancing    |
| <b>Loans</b>                    | <b>24.762.658</b> | <b>2.829.986</b>                                     | <b>268.876</b>                    | <b>553.950</b> |
| Export loans                    | 1.351.678         | 8.228  | -                                 | -              |
| Import loans                    | 1.602.342         | 78.351   | -                                 | -              |
| Business loans                  | 13.038.036        | 2.454.010  | 212.870                           | 416.862        |
| Consumer loans                  | 2.315.782         | 112.732  | 2.183                             | -              |
| Credit cards                    | 380.272           | 5.548  | -                                 | -              |
| Loans given to financial sector | 47.640            | -  | -                                 | -              |
| Other <sup>(*)</sup>            | 6.026.908         | 171.117  | 53.823                            | 137.088        |
| Other receivables               | -                 | -  | -                                 | -              |
| <b>Total</b>                    | <b>24.762.658</b> | <b>2.829.986</b>                                     | <b>268.876</b>                    | <b>553.950</b> |

<sup>(\*)</sup> Details of other loans are provided below:

|  |                  |
|--|------------------|
| Commercial loans with installments                       | 1.207.001        |
| Other investment credits                                 | 458.318          |
| Loans given to abroad                                    | 1.698.852        |
| Profit and loss sharing investments <sup>(**)</sup>      | 2.673.428        |
| Loans for purchase of marketable securities for customer | 283.110          |
| Other  | 68.227           |
| <b>Total</b>   | <b>6.388.936</b> |

<sup>(\*\*)</sup> As of December 31, 2019, the related balance represents profit and loss sharing investment projects (8 projects) which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects is done within the framework of the signed contract between the Parent Bank and the counterparty after the cost of the projects is clarified and net profit of projects is determined once the project/stages of the project are completed. In case the transaction subject to the profit and loss sharing investment project results in a loss, the Parent Bank's share of loss is limited with the funds invested in the project by the Parent Bank. As of December 31, 2019, the profit and loss sharing investments are evaluated as financial assets measured at fair value through profit or loss, and net profit amounts to TL 96.206 (TL 173.780 valuation profit, TL 59.028 valuation loss) between the total risk of the Bank and independent valuation reports of the related projects is reflected to the profit and loss statement. In addition to the fair value profit, as of December 31, 2019, the project sales profit accrual amounts to TL 15.716. In total, net profit from profit and loss sharing investments is TL 130.468.

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**I. Explanations and notes related to consolidated assets (continued):**

**6. Information on loans (continued):**

**b) Information on standart loans and loans under close monitoring including restructured or rescheduled loans (continued):**

**b1) Detailed table for standard loans and loans under close monitoring including restructured or rescheduled loans (continued):**

| Prior Period                    | Loans Under Close Monitoring |  |                                      |                |
|---------------------------------|------------------------------|--|--------------------------------------|----------------|
|                                 | Standard Loans               | Not Under the Scope of Restructuring or Rescheduling | Restructured                         |                |
|                                 |                              |  | Amendments to the Terms of Contracts | Refinancing    |
| <b>Cash Loans</b>               |                              |  |                                      |                |
| <b>Loans</b>                    | <b>19.961.950</b>            | <b>4.586.686</b>                                     | <b>84.914</b>                        | <b>540.129</b> |
| Export loans                    | 1.011.290                    | 81.016   | -                                    | -              |
| Import loans                    | 1.708.418                    | 132.927  | 155                                  | -              |
| Business loans                  | 9.526.688                    | 3.794.661  | 79.045                               | 413.192        |
| Consumer loans                  | 2.326.204                    | 177.374  | 4.703                                | -              |
| Credit cards                    | 313.127                      | 16.801   | -                                    | -              |
| Loans given to financial sector | 63.275                       | -  | -                                    | -              |
| Other <sup>(*)</sup>            | 5.012.948                    | 383.907  | 1.011                                | 126.937        |
| <b>Other receivables</b>        | <b>-</b>                     | <b>-</b>   | <b>-</b>                             | <b>-</b>       |
| <b>Total</b>                    | <b>19.961.950</b>            | <b>4.586.686</b>                                     | <b>84.914</b>                        | <b>540.129</b> |

<sup>(\*)</sup> Details of other loans are provided below:

|  |                  |
|--|------------------|
| Commercial loans with installments                       | 1.301.900        |
| Other investment credits                                 | 472.512          |
| Loans given to abroad                                    | 1.143.043        |
| Profit and loss sharing investments <sup>(**)</sup>      | 2.145.198        |
| Loans for purchase of marketable securities for customer | 370.076          |
| Other  | 92.074           |
| <b>Total</b>   | <b>5.524.803</b> |

<sup>(\*\*)</sup> As of December 31, 2018, the related balance represents profit and loss sharing investment projects (10 projects) which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects is done within the framework of the signed contract between the Parent Bank, the counterparty after the cost of the projects is clarified, and net profit of projects is determined once the project/stages of the project are completed. In case the transaction subject to the profit and loss sharing investment project results in a loss, the Parent Bank's share of loss is limited with the funds invested in the project by the Parent Bank.

**b2. Information on expected credit losses for standard loans and loans under close monitoring:**

| Current Period                      | Standard Loans | Loans under close monitoring |
|-------------------------------------|----------------|------------------------------|
| 12 Month Expected Credit Losses     | 100.058        | -                            |
| Significant Increase in Credit Risk | -              | 85.093                       |
| Prior Period                        | Standard Loans | Loans under close monitoring |
| 12 Month Expected Credit Losses     | 67.855         | -                            |
| Significant Increase in Credit Risk | -              | 295.451                      |

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- I. Explanations and notes related to consolidated assets (continued):
6. Information on loans (continued):
- c) Maturity analysis of cash loans:

| Cash Loans<br>Current Period   | Standard Loans    | Loans Under Follow-Up |                |
|--------------------------------|-------------------|-----------------------|----------------|
|                                |                   | Non-restructured      | Restructured   |
| Short term loans               | 5.858.152         | 213.376               | -              |
| Medium and long-term loans (*) | 18.904.506        | 2.616.610             | 822.826        |
| <b>Total</b>                   | <b>24.762.658</b> | <b>2.829.986</b>      | <b>822.826</b> |

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

| Cash Loans<br>Current Period   | Standard Loans    | Loans Under Follow-Up |                |
|--------------------------------|-------------------|-----------------------|----------------|
|                                |                   | Non-restructured      | Restructured   |
| Short term loans               | 4.236.707         | 771.606               | -              |
| Medium and long-term loans (*) | 15.725.243        | 3.815.080             | 625.043        |
| <b>Total</b>                   | <b>19.961.950</b> | <b>4.586.686</b>      | <b>625.043</b> |

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

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**I. Explanations and notes related to consolidated assets (continued):**

**ç) Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:**

| <b>Current Period</b>                     | <b>Short-term</b> | <b>Medium and long-term</b> | <b>Total</b>     |
|---|-------------------|-----------------------------|------------------|
| <b>Consumer loans-TL</b>                  | <b>42.191</b>     | <b>2.378.802</b>            | <b>2.420.993</b> |
| Housing loans                             | 12.147            | 2.082.795                   | 2.094.942        |
| Vehicle loans                             | 12.443            | 210.479                     | 222.922          |
| Consumer loans                            | 17.601            | 85.528                      | 103.129          |
| Other                                     | -                 | -                           | -                |
| <b>Consumer loans-FC indexed</b>          | <b>-</b>          | <b>-</b>                    | <b>-</b>         |
| Housing loans                             | -                 | -                           | -                |
| Vehicle loans                             | -                 | -                           | -                |
| Consumer loans                            | -                 | -                           | -                |
| Other                                     | -                 | -                           | -                |
| <b>Consumer loans-FC</b>                  | <b>-</b>          | <b>212</b>                  | <b>212</b>       |
| Housing loans                             | -                 | 212                         | 212              |
| Vehicle loans                             | -                 | -                           | -                |
| Consumer loans                            | -                 | -                           | -                |
| Other                                     | -                 | -                           | -                |
| <b>Retail credit cards-TL</b>             | <b>104.320</b>    | <b>172</b>                  | <b>104.492</b>   |
| With installment                          | 33.424            | 164                         | 33.588           |
| Without installment                       | 70.896            | 8                           | 70.904           |
| <b>Retail credit cards-FC</b>             | <b>-</b>          | <b>-</b>                    | <b>-</b>         |
| With installment                          | -                 | -                           | -                |
| Without installment                       | -                 | -                           | -                |
| <b>Personnel loans-TL</b>                 | <b>7.948</b>      | <b>1.544</b>                | <b>9.492</b>     |
| Housing loans                             | -                 | 11                          | 11               |
| Vehicle loans                             | 140               | 827                         | 967              |
| Consumer loans                            | 7.808             | 706                         | 8.514            |
| Other                                     | -                 | -                           | -                |
| <b>Personnel loans-FC indexed</b>         | <b>-</b>          | <b>-</b>                    | <b>-</b>         |
| Housing loans                             | -                 | -                           | -                |
| Vehicle loans                             | -                 | -                           | -                |
| Consumer loans                            | -                 | -                           | -                |
| Other                                     | -                 | -                           | -                |
| <b>Personnel loans-FC</b>                 | <b>-</b>          | <b>-</b>                    | <b>-</b>         |
| Housing loans                             | -                 | -                           | -                |
| Vehicle loans                             | -                 | -                           | -                |
| Consumer loans                            | -                 | -                           | -                |
| Other                                     | -                 | -                           | -                |
| <b>Personnel credit cards-TL</b>          | <b>5.723</b>      | <b>21</b>                   | <b>5.744</b>     |
| With installment                          | 2.541             | 21                          | 2.562            |
| Without installment                       | 3.182             | -                           | 3.182            |
| <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>160.182</b>    | <b>2.380.751</b>            | <b>2.540.933</b> |



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**I. Explanations and notes related to consolidated assets (continued):**

**ç) Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards (continued):**

| <b>Prior Period</b>                       | <b>Short-term</b> | <b>Medium and long-term</b> | <b>Total</b>     |
|---|-------------------|-----------------------------|------------------|
| <b>Consumer loans-TL</b>                  | <b>11.980</b>     | <b>2.486.782</b>            | <b>2.498.762</b> |
| Housing loans                             | 2.298             | 2.318.529                   | 2.320.827        |
| Vehicle loans                             | 2.088             | 77.325                      | 79.413           |
| Consumer loans                            | 7.594             | 90.928                      | 98.522           |
| Other                                     | -                 | -                           | -                |
| <b>Consumer loans-FC indexed</b>          | <b>-</b>          | <b>-</b>                    | <b>-</b>         |
| Housing loans                             | -                 | -                           | -                |
| Vehicle loans                             | -                 | -                           | -                |
| Consumer loans                            | -                 | -                           | -                |
| Other                                     | -                 | -                           | -                |
| <b>Consumer loans-FC</b>                  | <b>-</b>          | <b>99</b>                   | <b>99</b>        |
| Housing loans                             | -                 | 99                          | 99               |
| Vehicle loans                             | -                 | -                           | -                |
| Consumer loans                            | -                 | -                           | -                |
| Other                                     | -                 | -                           | -                |
| <b>Retail credit cards-TL</b>             | <b>90.527</b>     | <b>-</b>                    | <b>90.527</b>    |
| With installment                          | 29.971            | -                           | 29.971           |
| Without installment                       | 60.556            | -                           | 60.556           |
| <b>Retail credit cards-FC</b>             | <b>-</b>          | <b>-</b>                    | <b>-</b>         |
| With installment                          | -                 | -                           | -                |
| Without installment                       | -                 | -                           | -                |
| <b>Personnel loans-TL</b>                 | <b>6.589</b>      | <b>2.831</b>                | <b>9.420</b>     |
| Housing loans                             | 11                | 170                         | 181              |
| Vehicle loans                             | 6                 | 737                         | 743              |
| Consumer loans                            | 6.572             | 1.924                       | 8.496            |
| Other                                     | -                 | -                           | -                |
| <b>Personnel loans-FC indexed</b>         | <b>-</b>          | <b>-</b>                    | <b>-</b>         |
| Housing loans                             | -                 | -                           | -                |
| Vehicle loans                             | -                 | -                           | -                |
| Consumer loans                            | -                 | -                           | -                |
| Other                                     | -                 | -                           | -                |
| <b>Personnel loans-FC</b>                 | <b>-</b>          | <b>-</b>                    | <b>-</b>         |
| Housing loans                             | -                 | -                           | -                |
| Vehicle loans                             | -                 | -                           | -                |
| Consumer loans                            | -                 | -                           | -                |
| Other                                     | -                 | -                           | -                |
| <b>Personnel credit cards-TL</b>          | <b>5.578</b>      | <b>-</b>                    | <b>5.578</b>     |
| With installment                          | 2.347             | -                           | 2.347            |
| Without installment                       | 3.231             | -                           | 3.231            |
| <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>114.674</b>    | <b>2.489.712</b>            | <b>2.604.386</b> |

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**I. Explanations and notes related to consolidated assets (continued):**

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

| <b>Current Period</b>                          | <b>Short-term</b> | <b>Medium and long-term</b> | <b>Total</b>     |
|--|-------------------|-----------------------------|------------------|
| <b>Commercial installment loans-TL</b>         | <b>58.262</b>     | <b>756.177</b>              | <b>814.439</b>   |
| Business loans                                 | 3.036             | 196.308                     | 199.344          |
| Vehicle loans                                  | 48.075            | 396.582                     | 444.657          |
| Consumer loans                                 | 7.151             | 163.287                     | 170.438          |
| Other  | -                 | -                           | -                |
| <b>Commercial installment loans-FC indexed</b> | <b>-</b>          | <b>199.773</b>              | <b>199.773</b>   |
| Business loans                                 | -                 | 101.807                     | 101.807          |
| Vehicle loans                                  | -                 | 23.898                      | 23.898           |
| Consumer loans                                 | -                 | 74.068                      | 74.068           |
| Other  | -                 | -                           | -                |
| <b>Commercial installment Loans-FC</b>         | <b>4.714</b>      | <b>188.075</b>              | <b>192.789</b>   |
| Business loans                                 | -                 | 113.768                     | 113.768          |
| Vehicle loans                                  | 4.714             | 32.017                      | 36.731           |
| Consumer loans                                 | -                 | 42.290                      | 42.290           |
| Other  | -                 | -                           | -                |
| <b>Corporate credit cards-TL</b>               | <b>275.332</b>    | <b>252</b>                  | <b>275.584</b>   |
| With installment                               | 71.610            | 235                         | 71.845           |
| Without installment                            | 203.722           | 17                          | 203.739          |
| <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>338.308</b>    | <b>1.144.277</b>            | <b>1.482.585</b> |

  

| <b>Prior Period</b>                            | <b>Short-term</b> | <b>Medium and long-term</b> | <b>Total</b>     |
|--|-------------------|-----------------------------|------------------|
| <b>Commercial installment loans-TL</b>         | <b>24.569</b>     | <b>723.152</b>              | <b>747.721</b>   |
| Business loans                                 | 3.123             | 215.884                     | 219.007          |
| Vehicle loans                                  | 14.958            | 195.023                     | 209.981          |
| Consumer loans                                 | 6.488             | 312.245                     | 318.733          |
| Other  | -                 | -                           | -                |
| <b>Commercial installment loans-FC indexed</b> | <b>260</b>        | <b>372.637</b>              | <b>372.897</b>   |
| Business loans                                 | -                 | 196.574                     | 196.574          |
| Vehicle loans                                  | 133               | 59.305                      | 59.438           |
| Consumer loans                                 | 127               | 116.758                     | 116.885          |
| Other  | -                 | -                           | -                |
| <b>Commercial installment Loans-FC</b>         | <b>1.531</b>      | <b>179.751</b>              | <b>181.282</b>   |
| Business loans                                 | -                 | 138.162                     | 138.162          |
| Vehicle loans                                  | 1.531             | 4.178                       | 5.709            |
| Consumer loans                                 | -                 | 37.411                      | 37.411           |
| Other  | -                 | -                           | -                |
| <b>Corporate credit cards-TL</b>               | <b>233.823</b>    | <b>-</b>                    | <b>233.823</b>   |
| With installment                               | 54.103            | -                           | 54.103           |
| Without installment                            | 179.720           | -                           | 179.720          |
| <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>260.183</b>    | <b>1.275.540</b>            | <b>1.535.723</b> |

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**I. Explanations and notes related to consolidated assets (continued):**

**e) Allocation of loans by customers:**

|              | Current Period    | Prior Period      |
|--------------|-------------------|-------------------|
| Public       | 227.525           | -                 |
| Private      | 28.187.945        | 25.173.679        |
| <b>Total</b> | <b>28.415.470</b> | <b>25.173.679</b> |

**f) Breakdown of domestic and foreign loans:**

|                | Current Period    | Prior Period      |
|----------------|-------------------|-------------------|
| Domestic loans | 26.716.618        | 24.030.636        |
| Foreign loans  | 1.698.852         | 1.143.043         |
| <b>Total</b>   | <b>28.415.470</b> | <b>25.173.679</b> |

**g) Loans granted to subsidiaries and associates:**

|   | Current Period |          | Prior Period |          |
|---|----------------|----------|--------------|----------|
|   | TP             | YP       | TP           | YP       |
| Direct Loans Granted to Subsidiaries and Associates   | 3              | -        | 1            | -        |
| Indirect Loans Granted to Subsidiaries and Associates | -              | -        | -            | -        |
| <b>Total</b>  | <b>3</b>       | <b>-</b> | <b>1</b>     | <b>-</b> |

**ğ) Specific provisions for loans or provisions for default loans (stage 3):**

|                                    | Current Period | Prior Period   |
|------------------------------------|----------------|----------------|
| Loans with limited collectability  | 250.661        | 107.883        |
| Loans with doubtful collectability | 114.063        | 82.362         |
| Uncollectible loans                | 581.907        | 703.240        |
| <b>Total</b>                       | <b>946.631</b> | <b>893.485</b> |

Specific provisions in the amount of TL 946.631 (December 31, 2018: TL 893.485) comprise TL 418.351 (December 31, 2018: TL 464.428) of participation account share of loans provided from participation accounts.

**h. Information on non-performing loans (net):**

**h.1) Information on non-performing and restructured loans:**

|   | Group III<br>Loans with<br>limited<br>collectability | Group IV<br>Loans with<br>doubtful<br>collectability | Group V<br>Uncollectable<br>loans |
|---|--|--|-----------------------------------|
| <b>Current period</b>                     |  |  |                                   |
| Gross amount before specific provisions   | 1.645  | 42.080   | 92.590                            |
| Restructured loans                        | 1.645  | 42.080   | 92.590                            |
| <b>Prior period</b>                       |  |  |                                   |
| (Gross amount before specific provisions) | 1.233  | 7.597  | 24.632                            |
| Restructured loans and other receivables  | 1.233  | 7.597  | 24.632                            |

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**I. Explanations and notes related to consolidated assets (continued):**

**h.2) Movements of total non-performing loans:**

|   | <b>Group III</b>                         | <b>Group IV</b>                           | <b>Group V</b>             |
|---|--|---|----------------------------|
|   | <b>Loans with limited collectability</b> | <b>Loans with doubtful collectability</b> | <b>Uncollectable loans</b> |
| <b>Current Period</b>                                       |  |   |                            |
| <b>Closing balance of prior period</b>                      | <b>346.493</b>                           | <b>341.237</b>                            | <b>1.200.817</b>           |
| Additions in the current period (+)                         | 982.060                                  | 80.672                                    | 177.977                    |
| Transfers from other categories of non-performing loans (+) | -  | 790.836                                   | 688.296                    |
| Transfers to other categories of non-performing loans (-)   | 790.836                                  | 688.296                                   | -                          |
| Collections in the current period (-)                       | 62.083                                   | 122.433                                   | 191.240                    |
| Transfers to standard loans (-) <sup>(*)</sup>              | 9.200                                    | 82.368                                    | 440.209                    |
| Write offs (-)  | -  | -   | -                          |
| Corporate and commercial loans                              | -  | -   | -                          |
| Retail loans  | -  | -   | -                          |
| Credit cards  | -  | -   | -                          |
| Other   | -  | -   | -                          |
| <b>Closing balance of the current period</b>                | <b>466.434</b>                           | <b>319.648</b>                            | <b>1.435.641</b>           |
| Provisions (-)  | 250.661                                  | 114.063                                   | 581.907                    |
| <b>Net balance at the balance sheet</b>                     | <b>215.773</b>                           | <b>205.585</b>                            | <b>853.734</b>             |

<sup>(\*)</sup> According to change in "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated November 27, 2019 numbered 3096, the written off amount is TL 441.418 and its effect to NPL ratio is 131 basis point.

Non-performing loans and receivables in the amount of TL 2.221.723 comprise TL 1.120.746 of participation account share of loans provided from participation accounts.

|   | <b>Group III</b>   | <b>Group IV</b>   | <b>Group V</b>                             |
|---|--|---|--|
|   | <b>Loans and receivables with limited collectability</b> | <b>Loans and receivables with doubtful collectability</b> | <b>Uncollectable loans and receivables</b> |
| <b>Prior Period</b>   |  |   |  |
| <b>Closing balance of prior period</b>                      | <b>68.903</b>  | <b>268.963</b>  | <b>874.744</b>                             |
| Additions in the current period (+)                         | 1.015.020  | 164.492   | 208.578                                    |
| Transfers from other categories of non-performing loans (+) | -  | 551.598   | 439.614                                    |
| Transfers to other categories of non-performing loans (-)   | 551.598  | 439.614   | -  |
| Collections in the current period (-)                       | 113.506  | 160.552   | 195.990                                    |
| Transfers to standard loans (-)                             | -  | -   | -  |
| Write offs (-) <sup>(*)</sup>                               | 72.326   | 43.650  | 126.129                                    |
| Corporate and commercial loans                              | -  | -   | -  |
| Retail loans  | -  | -   | -  |
| Credit cards  | -  | -   | -  |
| Other   | 72.326   | 43.650  | 126.129                                    |
| <b>Closing balance of the current period</b>                | <b>346.493</b>   | <b>341.237</b>  | <b>1.200.817</b>                           |
| Specific provisions (-)                                     | 107.883  | 82.362  | 703.240                                    |
| <b>Net balance at the balance sheet</b>                     | <b>238.610</b>   | <b>258.875</b>  | <b>497.577</b>                             |

<sup>(\*)</sup> The Parent Bank has assigned TL 242.105 from its non-performing loan portfolio to asset management companies.

Non-performing loans in the amount of TL 1.888.547 comprise TL 1.005.830 of participation account share of loans provided from participation accounts.

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**I. Explanations and notes related to consolidated assets (continued):**

**h.3) Non-performing loans and other receivables in foreign currencies:**

|                        | <b>Group III</b>                         | <b>Group IV</b>                           | <b>Group V</b>             |
|------------------------|--|---|----------------------------|
|                        | <b>Loans with limited collectability</b> | <b>Loans with doubtful collectability</b> | <b>Uncollectable loans</b> |
| <b>Current period:</b> |  |   |                            |
| Period end balance     | 262.392                                  | 19.248                                    | 99.860                     |
| Provision (-)          | 162.380                                  | 5.990                                     | 48.339                     |
| <b>Net balance</b>     | <b>100.012</b>                           | <b>13.258</b>                             | <b>51.521</b>              |
| <b>Prior period:</b>   |  |   |                            |
| Period end balance     | 9.868                                    | 89.051                                    | 96.284                     |
| Specific provision (-) | 4.714                                    | 2.080                                     | 47.628                     |
| <b>Net balance</b>     | <b>5.154</b>                             | <b>86.971</b>                             | <b>48.656</b>              |

**h.4) Gross and net amounts of non-performing loans according to user groups:**

|  | <b>Group III</b>                         | <b>Group IV</b>                           | <b>Group V</b>             |
|--|--|---|----------------------------|
|  | <b>Loans with limited collectability</b> | <b>Loans with doubtful collectability</b> | <b>Uncollectable loans</b> |
| <b>Current period (net)</b>                      | <b>215.773</b>                           | <b>205.585</b>                            | <b>853.734</b>             |
| Loans to individuals and corporates (gross)      | 466.434                                  | 319.648                                   | 1.435.641                  |
| Provision (-)                                    | 250.661                                  | 114.063                                   | 581.907                    |
| <b>Loans to individuals and corporates (net)</b> | <b>215.773</b>                           | <b>205.585</b>                            | <b>853.734</b>             |
| Banks (gross)                                    | -  | -   | -                          |
| Provision (-)                                    | -  | -   | -                          |
| <b>Banks (net)</b>                               | <b>-</b>                                 | <b>-</b>                                  | <b>-</b>                   |
| Other loans and receivables (gross)              | -  | -   | -                          |
| Provision (-)                                    | -  | -   | -                          |
| <b>Other loans (net)</b>                         | <b>-</b>                                 | <b>-</b>                                  | <b>-</b>                   |
| <b>Prior period (net)<sup>(*)</sup></b>          | <b>238.610</b>                           | <b>258.875</b>                            | <b>497.577</b>             |
| Loans to individuals and corporates (gross)      | 346.493                                  | 341.237                                   | 1.200.817                  |
| Specific provision (-)                           | 107.883                                  | 82.362                                    | 703.240                    |
| <b>Loans to individuals and corporates (net)</b> | <b>238.610</b>                           | <b>258.875</b>                            | <b>497.577</b>             |
| Banks (gross)                                    | -  | -   | -                          |
| Specific provision (-)                           | -  | -   | -                          |
| <b>Banks (net)</b>                               | <b>-</b>                                 | <b>-</b>                                  | <b>-</b>                   |
| Other loans and receivables (gross)              | -  | -   | -                          |
| Specific provision (-)                           | -  | -   | -                          |
| <b>Other loans and receivables (net)</b>         | <b>-</b>                                 | <b>-</b>                                  | <b>-</b>                   |

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**I. Explanations and notes related to consolidated assets (continued):**

**h.5) Information on accruals, valuation differences and related provisions calculated for non-performing loans for Banks which are providing expected credit loss according to TFRS 9:**

|   | <b>Group III</b>                         | <b>Group IV</b>                           | <b>Group V</b>             |
|---|--|---|----------------------------|
|   | <b>Loans with limited collectability</b> | <b>Loans with doubtful collectability</b> | <b>Uncollectable loans</b> |
| <b>Current Period (Net)</b>                     | <b>19.373</b>                            | <b>43.571</b>                             | <b>180.590</b>             |
| Profit Share Accruals and Valuation Differences | 25.237                                   | 58.290                                    | 279.633                    |
| Provision (-)                                   | 5.864                                    | 14.719                                    | 99.043                     |
| <b>Prior Period (Net)</b>                       | <b>38.694</b>                            | <b>30.522</b>                             | <b>68.964</b>              |
| Profit Share Accruals and Valuation Differences | 55.013                                   | 38.336                                    | 187.489                    |
| Provision (-)                                   | 16.319                                   | 7.814                                     | 118.525                    |

**i) Liquidation policy for uncollectable loans:**

Loans determined as uncollectible are liquidated through starting legal follow up and by converting the guarantees into cash.

**i) Information on "Write-off" policies:**

The write-off policy of the Parent Bank for receivables under follow up is to retire the receivables from assets in case of determination of the inability of collection through follow-up by the decision of the Parent Bank management. As of December 31, 2019, loans which deemed uncollectible amounts to TL 441.418 have been written off as per the decision taken by the Parent Bank management. (December 31, 2018: TL 242.105 has been assigned to the asset management companies.

**7. Information on lease receivables (net):**

**a) Presentation of remaining maturities of funds lent under finance lease method:**

|                   | <b>Current Period</b> |                | <b>Prior Period</b> |                |
|-------------------|-----------------------|----------------|---------------------|----------------|
|                   | <b>Gross</b>          | <b>Net</b>     | <b>Gross</b>        | <b>Net</b>     |
| Less than a year  | 54.436                | 36.045         | 98.287              | 92.097         |
| 1 to 4 years      | 137.190               | 126.827        | 212.039             | 184.566        |
| More than 4 years | 83.308                | 80.806         | 112.474             | 102.891        |
| <b>Total</b>      | <b>274.934</b>        | <b>243.678</b> | <b>422.800</b>      | <b>379.554</b> |

**b) Information on net investments through finance lease:**

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Financial lease receivables (Gross)         | 274.934               | 422.800             |
| Unearned financial lease receivable (-)     | 31.256                | 43.246              |
| <b>Net receivable from financial leases</b> | <b>243.678</b>        | <b>379.554</b>      |

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**I. Explanations and notes related to consolidated assets (continued):**

**c) General explanation on finance lease contracts:**

Finance lease contracts are realized in accordance with the related articles of Finance Lease, Factoring and Financing Companies Act numbered 6361. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements.

Information on leasing receivables:

|                                   | Standard<br>Loans | Loans Under Close Monitoring                               |                                      |             |
|-----------------------------------|-------------------|--|--------------------------------------|-------------|
|                                   |                   | Not Under the Scope of<br>Restructuring or<br>Rescheduling | Restructured                         |             |
|                                   |                   |  | Loans with Revised<br>Contract Terms | Refinancing |
| Current Period                    |                   |  |                                      |             |
| Financial lease receivables (Net) | 231.435           | 10.337   | 1.906                                | -           |
| Prior Period                      |                   |  |                                      |             |
| Financial lease receivables (Net) | 272.979           | 105.226  | 1.349                                | -           |

**8. Information on assets held for sale and assets of discontinued operations:**

Assets held for sale consist of tangible assets, which have been acquired due to non-performing loans.

|  | Current Period | Prior Period   |
|--|----------------|----------------|
| Opening Balance  | 649.688        | 84.230         |
| Additions  | 159.027        | 875.842        |
| Disposals  | (62.075)       | (40.610)       |
| Transfers <sup>(*)</sup>   | (835.806)      | (58.968)       |
| Impairment Provision (-)/Reversal of Impairment Provision <sup>(*)</sup> | 213.646        | (210.806)      |
| <b>Net closing balance</b>   | <b>124.480</b> | <b>649.688</b> |

<sup>(\*)</sup> The transfers and impairments related to the transfers (if any) have been moved to assets to be sold under tangible assets.

As of December 31, 2019, TL 123.357 (December 31, 2018: TL 646.597) of the assets held for sale is comprised of real estates, TL 1.123 (December 31, 2018: TL 3.091) is comprised of other tangible assets. The Parent Bank has not any discontinued operations and assets of discontinued operations.

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**I. Explanations and notes related to consolidated assets (continued):**

**9. Ownership investments:**

**a) Associates:**

**a.1) Information on consolidated associates:**

Since the Parent Bank does not have the necessary shareholding percentage to become a qualified shareholder and significant influence over this associate, it has not been consolidated.

| <b>Name</b>             | <b>Address<br/>(City/Country)</b> | <b>Parent Bank's share<br/>percentage-If different voting<br/>percentage (%)</b> | <b>Parent Bank's risk<br/>group share percentage<br/>(%)</b> |
|-------------------------|-----------------------------------|--|--|
| Kredi Garanti Fonu A.Ş. | Ankara/Turkey                     | 1,49   | -  |

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the audited financial statements as of December 31, 2018.

| <b>Total<br/>assets</b> | <b>Shareholders'<br/>equity</b> | <b>Total<br/>non-<br/>current<br/>assets</b> | <b>Dividend<br/>or profit<br/>share<br/>income</b> | <b>Income<br/>from<br/>marketable<br/>securities</b> | <b>Current<br/>period<br/>profit/loss</b> | <b>Prior years<br/>profit/loss</b> | <b>Fair<br/>value</b> |
|-------------------------|---------------------------------|--|--|--|---|------------------------------------|-----------------------|
| 476.692                 | 392.969                         | 25.822                                       | -  | -  | 64.893                                    | 32                                 | -                     |

The associates of Albaraka Portföy Yönetimi A.Ş. Fintech Girişim Sermayesi Yatırım Fonu controlled by Parent Bank namely Inooster Bilgi Teknolojileri A.Ş., Pedudi Bilişim Teknolojileri A.Ş., Tam Entegre Yazılım A.Ş. and Kronnika Bilgi Teknolojileri A.Ş. have not been consolidated since they are non-financial associates. The information related to those companies as of December 31, 2019 is as follows:

| <b>Title</b>                      | <b>Operation<br/>Center<br/>(City/Country)</b> | <b>Main Activities</b>   | <b>Capital</b> | <b>(Fund) Share<br/>Percentage<br/>(%)</b> | <b>Fair value of<br/>the amount<br/>invested by<br/>the Fund</b> |
|-----------------------------------|--|--------------------------|----------------|--|--|
| Inooster Bilgi Teknolojileri A.Ş. | İstanbul / Türkiye                             | Information Technologies | 59             | 15   | 519  |
| Pedudi Bilişim Teknolojileri A.Ş. | Kocaeli/ Türkiye                               | Information Technologies | 50             | 20   | 544  |
| Tam Entegre Yazılım A.Ş.          | İstanbul/Türkiye                               | Information Technologies | 50             | 30   | 254  |
| Kronnika Bilgi Teknolojileri A.Ş. | İstanbul/Türkiye                               | Information Technologies | 100            | 20   | 2.043  |

**a.2) Information on consolidated associates:**

As of balance sheet date, the Group does not have any consolidated associates.



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**I. Explanations and notes related to consolidated assets (continued):**

**9. Ownership investments (continued):**

**b. Information on subsidiaries (net):**

**b.1) Information on consolidated subsidiaries:**

As per BOD decision dated December 22, 2017 “Albaraka Kültür Sanat ve Yayıncılık A.Ş.” has been established. As of December 31, 2019, the company’s capital is TL 3.540 and the Parent Bank has 100% ownership on it. Since it is a non-financial subsidiary, it has not been consolidated.

As per BOD decision dated December 24, 2018 “Albaraka Teknoloji Bilişim Sistemleri ve Pazarlama Ticaret Anonim Şirketi” has been established. As of December 31, 2019, the company’s capital is TL 18.000 and the Parent Bank has 100% ownership on it. Since it is a non-financial subsidiary, it has not been consolidated.

Natura Gıda Sanayi ve Ticaret A.Ş., which is an associate of “Değer Girişim Sermayesi Yatırım Fonu” controlled by the Parent Bank, has not been consolidated since it is a none financial entity.

| Name                                  | Address<br>(City/Country) | Parent Bank’s share<br>percentage-If different voting<br>percentage (%) | (Fund) Share<br>percentage (%) |
|---------------------------------------|---------------------------|---|--------------------------------|
| Natura Gıda Sanayi ve Ticaret<br>A.Ş. | Istanbul /Turkey          | -   | 81,90                          |

The balances of Natura Gıda Sanayi ve Ticaret A.Ş. presented in the table below have been obtained from the audited financial statements as of December 31, 2018.

| Total<br>assets | Shareholders’<br>equity | Non-<br>current<br>assets | Dividend<br>or profit<br>share<br>income | Income<br>from<br>marketable<br>securities | Current period<br>profit/loss | Prior years<br>profit/loss |
|-----------------|-------------------------|---------------------------|--|--|-------------------------------|----------------------------|
| 464.641         | (380.893)               | 266.993                   | 184                                      | -  | (217.713)                     | (499.859)                  |

**b.2) Information on consolidated subsidiaries:**

i) Bereket Varlık Kiralama A.Ş. which is subject to consolidation by the Parent Bank founded on October 14, 2011, the purpose of which is to obtain rental income by taking over the assets of the source institution and leasing them back to the source institution, issue rent certificates based on said rental income and pass on the related assets to source institution by the end of the rental period. Bereket Varlık Kiralama A.Ş. has been founded to operate according to rulings of Turkish Trade Law about foundations of incorporations and complying with Communiqué on “Principles Related to Rent Certificates and Asset Leasing Companies” dated April 1, 2010 and numbered 27539 serial: 3 no:43 published in Official Gazette by Capital Markets Board of Turkey and other related regulations, upon BRSA’s opinion dated September 22, 2011, numbered B.02.1.BDK.0.13.00.0-91.11-20564 and permission of Capital Markets Board of Turkey dated October 6, 2011 numbered 32/923. The founding capital of the Company is TL 50. As of December 31, 2019, the capital of the Company is TL 400. Bereket Varlık Kiralama A.Ş. is consolidated using full consolidation method as of December 31, 2019.

The balances of Bereket Varlık Kiralama A.Ş. presented in the table below have been obtained from audited financial statements as of December 31, 2019.

| Name                         | Address<br>(City/Country) | Parent Bank’s share<br>percentage-If different<br>voting percentage (%) | Risk share percentage<br>of other shareholders<br>(%) |
|------------------------------|---------------------------|---|---|
| Bereket Varlık Kiralama A.Ş. | Istanbul/Turkey           | 100,00  | -   |

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**I. Explanations and notes related to consolidated assets (continued):**

**9. Ownership investments (continued):**

**b.2) Information on consolidated subsidiaries (continued):**

| Total assets | Shareholders' equity | Total fixed assets | Dividend or profit share income | Income from marketable securities | Current period profit/loss | Prior years profit/loss | Fair value |
|--------------|----------------------|--------------------|---------------------------------|-----------------------------------|----------------------------|-------------------------|------------|
| 2.742.621    | 507                  | -                  | -                               | -                                 | 104                        | 3                       | -          |

ii) In the Board of Directors meeting dated February 25, 2015, the Parent Bank has taken a resolution on establishment a real estate portfolio management company with the name of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş." whose capital is TL 5.000. The company is registered on June 3, 2015 and the foundation of the company is published on Trade Registry Gazette dated June 9, 2015 numbered 8837. The title of the company was changed to "Albaraka Portföy Yönetimi A.Ş." upon the decision of "2018 Extraordinary General Assembly" dated December 20, 2017. As of December 31, 2019, the capital of the company is TL 16.000. Albaraka Portföy Yönetimi A.Ş. is consolidated using full consolidation method as of December 31, 2019.

The balances of Albaraka Portföy Yönetimi A.Ş. presented in the table below have been obtained from audited financial statements as of December 31, 2019.

| Name                           | Address (City/Country) | Parent Bank's share percentage-If different voting percentage (%) | Risk share percentage of other shareholders (%) |
|--------------------------------|------------------------|---|---|
| Albaraka Portföy Yönetimi A.Ş. | Istanbul/Turkey        | 100,00  | -   |

| Total assets | Shareholders' equity | Total non-current assets | Dividend or profit share income | Income from marketable securities | Current period profit/loss | Prior years profit/loss | Fair value |
|--------------|----------------------|--------------------------|---------------------------------|-----------------------------------|----------------------------|-------------------------|------------|
| 32.966       | 30.697               | 205                      | 342                             | 4.413                             | 13.397                     | 686                     | -          |

iii) As of December 31, 2019, not audited financial statements of the Parent Bank's subsidiary "Insha GMBH" based in Berlin (Germany) established under "Europe Digital Banking Project" is as follows:

| Name       | Address (City/Country) | Parent Bank's share percentage-If different voting percentage (%) | Risk share percentage of other shareholders (%) |
|------------|------------------------|---|---|
| Insha GMBH | Berlin / Germany       | 100,00  | -   |

| Total assets | Shareholders' equity | Total fixed assets | Dividend or profit share income | Income from marketable securities | Current period profit/loss | Prior years profit/losses | Fair value |
|--------------|----------------------|--------------------|---------------------------------|-----------------------------------|----------------------------|---------------------------|------------|
| 1.826.367 €  | 1.755.164 €          | -                  | -                               | -                                 | (1.174.997) €              | (5.620) €                 | -          |

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**I. Explanations and notes related to consolidated assets (continued):**

**9. Ownership investments (continued):**

**b.2) Information on consolidated subsidiaries (continued):**

**iv) Movement and Sectoral Information on consolidated subsidiaries:**

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Amount at the beginning of the period                    | 11.307         | 5.400        |
| Movements inside the term                                | 12.404         | 5.907        |
| Purchases/new incorporations/capital increases           | 12.404         | 5.907        |
| Bonus shares   | -              | -            |
| Profit received from current year share                  | -              | -            |
| Sales  | -              | -            |
| Revaluation increases                                    | -              | -            |
| Impairments  | -              | -            |
| Amount at the end of the period                          | 23.711         | 11.307       |
| Capital commitments                                      | -              | -            |
| <b>Share of the capital at the end of the period (%)</b> | <b>100</b>     | <b>100</b>   |

|                              | Current Period | Prior Period |
|------------------------------|----------------|--------------|
| Banks                        | -              | -            |
| Insurance Companies          | -              | -            |
| Factoring Companies          | -              | -            |
| Leasing Companies            | -              | -            |
| Financing Companies          | -              | -            |
| Other Financial Subsidiaries | 23.711         | 11.307       |

**c) Information on investments in joint- ventures:**

**c.1) Information on unconsolidated investments in joint-ventures:**

The Group does not have unconsolidated investments in joint-ventures as of the balance sheet date.

**c.2) Information on consolidated investments in joint- ventures:**

The Parent Bank founded Katılım Emeklilik ve Hayat A.Ş. ("Company") – a private pension and insurance company – through equal partnership with Kuveyt Turk Katılım Bankası A.Ş. in the form of joint venture in accordance with Board of Directors' decision dated May 10, 2013 numbered 1186, and permission of BRSA dated September 24, 2013 numbered 4389041421.91.11-24049. The Company was registered on December 17, 2013 and noticed in Trade registry gazette dated December 23, 2013 and numbered 8470. As of December 31, 2019, Katılım Emeklilik ve Hayat A.Ş. has been consolidated by the Parent Bank using equity method. The financial data from not audited financial statements as of December 31, 2019 are below:

| Joint-Ventures                  | The Parent Bank's shareholding percentage (%) | Group's shareholding percentage (%) | Current Assets | Non-Current Assets | Long Term Debts | Income  | Expense   |
|---------------------------------|---|-------------------------------------|----------------|--------------------|-----------------|---------|-----------|
| Katılım Emeklilik ve Hayat A.Ş. | 50,00   | 50,00                               | 167.363        | 2.445.814          | 2.454.654       | 139.324 | (111.810) |

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**I. Explanations and notes related to consolidated assets (continued):**

**9. Ownership investments (continued):**

**c.3) Information on consolidated investment funds:**

The financial information of the investment funds consolidated by the Parent Bank using full consolidation method as of December 31, 2019 are as follows:

| Investment Funds   | Share of Parent Bank (%) | Share of Group (%) | Investment Amount of the Parent Bank (TL) | Income | Expenses | Net Profit /(Loss) |
|--|--------------------------|--------------------|---|--------|----------|--------------------|
| Albaraka Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu                    | 91,28                    | 91,28              | 366.152                                   | 63.151 | 45.896   | 17.255             |
| Albaraka Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu                       | 94,03                    | 94,03              | 370.369                                   | 30.329 | 10.397   | 19.932             |
| Albaraka Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu                    | 86,16                    | 86,16              | 293.919                                   | 41.814 | 15.353   | 26.461             |
| Albaraka Portföy Yönetimi A.Ş. Metropol Gayrimenkul Yatırım Fonu                     | 100,00                   | 100,00             | 263.246                                   | 52.144 | 6.167    | 45.977             |
| Albaraka Portföy Yönetimi A.Ş. Değer Girişim Sermayesi Yatırım Fonu                  | 84,54                    | 84,54              | 162.781                                   | 4.569  | 4.793    | (224)              |
| Albaraka Portföy Yönetimi A.Ş. Fintech Girişim Sermayesi Yatırım Fonu <sup>(*)</sup> | 100,00                   | 100,00             | 10.000                                    | 1.529  | 261      | 1.268              |
| Albaraka Portföy Yönetimi A.Ş. Katılım Hisse Senedi Fonu                             | 45,94                    | 45,94              | 1.000                                     | 571    | 38       | 533                |
| Albaraka Portföy Yönetimi A.Ş. Katılım Fonu  | 73,97                    | 73,97              | 800                                       | 182    | 38       | 144                |
| Albaraka Portföy Yönetimi A.Ş. Altın Katılım Fonu                                    | 95,56                    | 95,56              | 1.600                                     | 457    | 38       | 419                |
| Albaraka Portföy Yönetimi A.Ş. Kira Sertifikaları Katılım Fonu                       | 67,88                    | 67,88              | 700                                       | 239    | 31       | 208                |

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**I. Explanations and notes related to consolidated assets (continued):**

**10. Information on tangible assets:**

| Current period   | Immovables       | Leased tangible assets | Vehicles     | Other <sup>(*)</sup> | Assets held for sale | Total            |
|--|------------------|------------------------|--------------|----------------------|----------------------|------------------|
| <b>Cost</b>  |                  |                        |              |                      |                      |                  |
| Opening balance: January 1, 2019                             | 445.917          | -                      | 733          | 267.958              | 187.356              | 901.964          |
| Additions  | 316.868          | -                      | 121          | 56.278               | 5                    | 373.272          |
| Revaluation differences                                      | 31.588           | -                      | -            | -                    | -                    | 31.588           |
| Disposals  | (500)            | -                      | -            | (15.513)             | (67.901)             | (83.914)         |
| Impairment losses(-)/Reversal of impairment losses           | -                | -                      | -            | -                    | (212.178)            | (212.178)        |
| Transfers  | -                | -                      | -            | -                    | 835.806              | 835.806          |
| Ending balance: December 31, 2019                            | 793.873          | -                      | 854          | 308.723              | 743.088              | 1.846.538        |
| <b>Accumulated depreciation(-)</b>                           |                  |                        |              |                      |                      |                  |
| Opening balance: January 1, 2019                             | 55.622           | -                      | 539          | 187.219              | 3.127                | 246.507          |
| Depreciation expense   | 56.735           | -                      | 67           | 42.208               | -                    | 99.010           |
| Reversal of depreciation of the disposed assets              | (73)             | -                      | -            | (14.780)             | (711)                | (15.564)         |
| Transfers  | -                | -                      | -            | -                    | -                    | -                |
| Ending balance: December 31, 2019                            | 112.284          | -                      | 606          | 214.647              | 2.416                | 329.953          |
| <b>Total cost at the end of the year</b>                     | <b>793.873</b>   | <b>-</b>               | <b>854</b>   | <b>308.723</b>       | <b>743.088</b>       | <b>1.846.538</b> |
| <b>Total accumulated depreciation at the end of the year</b> | <b>(112.284)</b> | <b>-</b>               | <b>(606)</b> | <b>(214.647)</b>     | <b>(2.416)</b>       | <b>(329.953)</b> |
| <b>Closing net book value</b>                                | <b>681.589</b>   | <b>-</b>               | <b>248</b>   | <b>94.076</b>        | <b>740.672</b>       | <b>1.516.585</b> |

| Prior period   | Immovables      | Leased tangible assets | Vehicles     | Other            | Assets Held for sale | Total            |
|--|-----------------|------------------------|--------------|------------------|----------------------|------------------|
| <b>Cost</b>  |                 |                        |              |                  |                      |                  |
| Opening balance: January 1, 2018                             | 420.829         | -                      | 808          | 245.567          | 145.274              | 812.478          |
| Additions  | 2.717           | -                      | 115          | 33.911           | 518                  | 37.261           |
| Revaluation differences                                      | 26.779          | -                      | -            | -                | -                    | 26.779           |
| Disposals  | (4.408)         | -                      | (190)        | (11.520)         | (15.725)             | (31.843)         |
| Impairment losses(-)/Reversal of impairment losses           | -               | -                      | -            | -                | (1.679)              | (1.679)          |
| Transfers  | -               | -                      | -            | -                | 58.968               | 58.968           |
| Ending balance: December 31, 2018                            | 445.917         | -                      | 733          | 267.958          | 187.356              | 901.964          |
| <b>Accumulated depreciation(-)</b>                           |                 |                        |              |                  |                      |                  |
| Opening balance: January 1, 2018                             | 46.238          | -                      | 653          | 172.719          | 3.200                | 222.810          |
| Depreciation expense   | 9.876           | -                      | 65           | 28.161           | -                    | 38.102           |
| Reversal of depreciation of the disposed assets              | (492)           | -                      | (179)        | (13.661)         | (73)                 | (14.405)         |
| Transfers  | -               | -                      | -            | -                | -                    | -                |
| Ending balance: December 31, 2018                            | 55.622          | -                      | 539          | 187.219          | 3.127                | 246.507          |
| <b>Total cost at the end of the year</b>                     | <b>445.917</b>  | <b>-</b>               | <b>733</b>   | <b>267.958</b>   | <b>187.356</b>       | <b>901.964</b>   |
| <b>Total accumulated depreciation at the end of the year</b> | <b>(55.622)</b> | <b>-</b>               | <b>(539)</b> | <b>(187.219)</b> | <b>(3.127)</b>       | <b>(246.507)</b> |
| <b>Closing net book value</b>                                | <b>390.295</b>  | <b>-</b>               | <b>194</b>   | <b>80.739</b>    | <b>184.229</b>       | <b>655.457</b>   |

As of December 31, 2019, the immovables of the Parent Bank have been revalued by an independent valuer and revaluation fund of TL 270.910 (December 31, 2018: TL 251.889) net of deferred tax and depreciation has been reflected in the financial statements. After the revaluation, the cost of the Parent Bank's immovables amounting to TL 475.522 (December 31, 2018: TL 445.917), their amortisations amounting to TL 66.192 (December 31, 2018: TL 55.622), net carrying value is TL 409.330 (December 31, 2018: TL 390.295). As of December 31, 2019, the cost of the movables and immovable recognized as "right of use" under tangible assets in the balance sheet of the Parent Bank is TL 340.638, related amortisations amounting to TL 56.909. The initial transition effect of "IFRS 16 Leases" standard has been represented under additions line for more information please see Section three: Accounting Policies, Accounting policies and valuation principles applied in the preparation of financial statements, Reclassifications of TFRS 16.

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**I. Explanations and notes related to consolidated assets (continued):**

**11. Information on intangible assets:**

a) Opening and ending book values and accumulated depreciation balances:

|                              | Current Period | Prior Period  |
|------------------------------|----------------|---------------|
| Gross book value             | 173.390        | 155.286       |
| Accumulated depreciation (-) | 137.580        | 118.552       |
| <b>Total (net)</b>           | <b>35.810</b>  | <b>36.734</b> |

b) Intangible assets movement between the beginning and end of the period:

|                               | Current Period | Prior Period  |
|-------------------------------|----------------|---------------|
| Opening balance               | 36.734         | 28.479        |
| Additions                     | 17.483         | 27.223        |
| Disposals (-) (net)           | -              | 305           |
| Depreciation expense (-)      | 18.407         | 18.663        |
| <b>Closing net book value</b> | <b>35.810</b>  | <b>36.734</b> |

**12. Information on investment property:**

|                           | Current Period   |          | Prior Period     |          |
|---------------------------|------------------|----------|------------------|----------|
|                           | TL               | FC       | TL               | FC       |
| Investment properties (*) | 1.419.315        | -        | 1.074.667        | -        |
| <b>Total</b>              | <b>1.419.315</b> | <b>-</b> | <b>1.074.667</b> | <b>-</b> |

(\*) Includes investment properties of "Albaraka Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Metropol Gayrimenkul Yatırım Fonu" "Albaraka Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu".

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**I. Explanations and notes related to consolidated assets (continued):**

**13. Information related to deferred tax asset:**

As of December 31, 2019, the Group calculated net deferred tax asset of TL 166.345 (December 31, 2018: TL 169.474) by netting off deferred tax asset of TL 229.707 (December 31, 2018: TL 201.353) and deferred tax liability of TL 63.362 (December 31, 2018: TL 31.879) on all tax deductible/taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

|  | Current Period        | Prior Period   |
|--|-----------------------|----------------|
| Rediscount on profit share and prepaid fees and commission income and unearned revenues              | 56.241                | 38.067         |
| Provisions for retirement premium and vacation pay liabilities                                       | 20.147                | 14.986         |
| Difference between carrying value and tax base of tangible assets (amortization differences)         | 20.010                | 7.035          |
| Depreciation of tangible assets  | 42.801                | 47.404         |
| Provisions for cases on trial  | 3.444                 | 953            |
| Revaluation difference of financial assets measured at fair value through other comprehensive income | -                     | 7.884          |
| Provisions   | 24.961                | 68.717         |
| Leasing profit share expenses  | 11.832                | -              |
| Other  | 50.271 <sup>(*)</sup> | 16.307         |
| <b>Deferred tax asset</b>  | <b>229.707</b>        | <b>201.353</b> |
| Revaluation difference of property   | 21.063                | 17.718         |
| Rediscount on profit share   | 8.445                 | 10.645         |
| Right of use assets  | 19.710                | -              |
| Revaluation difference of financial assets measured at fair value through other comprehensive income | 11.298                | -              |
| Other  | 2.846                 | 3.516          |
| <b>Deferred tax liability</b>  | <b>63.362</b>         | <b>31.879</b>  |
| <b>Deferred tax asset (net)</b>  | <b>166.345</b>        | <b>169.474</b> |

<sup>(\*)</sup> Includes TL 45.796 subjected to deferred tax arising from previous years' losses.

**14. Information on other assets:**

As of the balance sheet date, the Group's other assets balance is TL 648.648 (December 31, 2018: TL 523.353) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.

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**II. Explanations and notes related to consolidated liabilities:**

**1. Information on funds collected:**

**a) Information on maturity structure of funds collected:**

| Current Period  | Demand            | Up to 1 month    | Up to 3 months    | Up to 6 months   | Up to 9 months | Up to 1 year   | Over 1 year      | Accumulated participation accounts | Total             |
|---|-------------------|------------------|-------------------|------------------|----------------|----------------|------------------|------------------------------------|-------------------|
| <b>I. Real Persons Current Accounts Non-Trade TL</b>        | <b>1.683.275</b>  | -                | -                 | -                | -              | -              | -                | -                                  | <b>1.683.275</b>  |
| <b>II. Real Persons Participation Accounts Non-Trade TL</b> | -                 | <b>2.908.832</b> | <b>5.077.473</b>  | <b>207.355</b>   | -              | <b>34.125</b>  | <b>401.888</b>   | <b>13.686</b>                      | <b>8.643.359</b>  |
| <b>III. Current Account other-TL</b>                        | <b>2.515.654</b>  | -                | -                 | -                | -              | -              | -                | -                                  | <b>2.515.654</b>  |
| Public Sector   | 68.515            | -                | -                 | -                | -              | -              | -                | -                                  | 68.515            |
| Commercial Institutions                                     | 2.345.346         | -                | -                 | -                | -              | -              | -                | -                                  | 2.345.346         |
| Other Institutions  | 76.454            | -                | -                 | -                | -              | -              | -                | -                                  | 76.454            |
| Commercial and Other Institutions                           | 18.415            | -                | -                 | -                | -              | -              | -                | -                                  | 18.415            |
| Banks and Participation Banks                               | 6.924             | -                | -                 | -                | -              | -              | -                | -                                  | 6.924             |
| Central Bank of Turkey                                      | -                 | -                | -                 | -                | -              | -              | -                | -                                  | -                 |
| Domestic Banks  | 2                 | -                | -                 | -                | -              | -              | -                | -                                  | 2                 |
| Foreign Banks   | 6.788             | -                | -                 | -                | -              | -              | -                | -                                  | 6.788             |
| Participation Banks   | 134               | -                | -                 | -                | -              | -              | -                | -                                  | 134               |
| Other   | -                 | -                | -                 | -                | -              | -              | -                | -                                  | -                 |
| <b>IV. Participation Accounts-TL</b>                        | -                 | <b>343.256</b>   | <b>1.329.289</b>  | <b>41.872</b>    | -              | <b>56.180</b>  | <b>59.858</b>    | <b>183</b>                         | <b>1.830.638</b>  |
| Public Sector   | -                 | 56               | 81                | -                | -              | -              | -                | -                                  | 137               |
| Commercial Institutions                                     | -                 | 300.413          | 1.140.561         | 38.821           | -              | 55.674         | 57.009           | 183                                | 1.592.661         |
| Other Institutions  | -                 | 21.522           | 185.968           | 3.051            | -              | 506            | 2.849            | -                                  | 213.896           |
| Commercial and Other Institutions                           | -                 | 21.265           | 2.288             | -                | -              | -              | -                | -                                  | 23.553            |
| Banks and Participation Banks                               | -                 | -                | 391               | -                | -              | -              | -                | -                                  | 391               |
| <b>V. Real Persons Current Accounts Non-Trade FC</b>        | <b>3.978.509</b>  | -                | -                 | -                | -              | -              | -                | -                                  | <b>3.978.509</b>  |
| <b>VI. Real Persons Participation Accounts Non-Trade FC</b> | -                 | <b>3.281.952</b> | <b>5.189.583</b>  | <b>463.346</b>   | -              | <b>30.296</b>  | <b>1.062.696</b> | <b>1.388</b>                       | <b>10.029.261</b> |
| <b>VII. Other Current Accounts FC</b>                       | <b>4.839.287</b>  | -                | -                 | -                | -              | -              | -                | -                                  | <b>4.839.287</b>  |
| Residents in Turkey-Corporate                               | 3.240.586         | -                | -                 | -                | -              | -              | -                | -                                  | 3.240.586         |
| Residents Abroad-Corporate                                  | 811.306           | -                | -                 | -                | -              | -              | -                | -                                  | 811.306           |
| Banks and Participation Banks                               | 787.395           | -                | -                 | -                | -              | -              | -                | -                                  | 787.395           |
| Central Bank of Turkey                                      | -                 | -                | -                 | -                | -              | -              | -                | -                                  | -                 |
| Domestic Banks  | -                 | -                | -                 | -                | -              | -              | -                | -                                  | -                 |
| Foreign Banks   | 781.931           | -                | -                 | -                | -              | -              | -                | -                                  | 781.931           |
| Participation Banks   | 5.464             | -                | -                 | -                | -              | -              | -                | -                                  | 5.464             |
| Other   | -                 | -                | -                 | -                | -              | -              | -                | -                                  | -                 |
| <b>VIII. Participation Accounts other- FC</b>               | -                 | <b>498.817</b>   | <b>2.893.485</b>  | <b>612.470</b>   | -              | <b>6.545</b>   | <b>14.971</b>    | <b>27</b>                          | <b>4.026.315</b>  |
| Public sector   | -                 | -                | -                 | -                | -              | -              | -                | -                                  | -                 |
| Commercial institutions                                     | -                 | 348.427          | 2.117.663         | 39.815           | -              | 6.545          | 14.922           | 27                                 | 2.527.399         |
| Other institutions  | -                 | 4.130            | 49.904            | 6                | -              | -              | -                | -                                  | 54.040            |
| Commercial and Other Institutions                           | -                 | 65.806           | 173.495           | 4.626            | -              | -              | 49               | -                                  | 243.976           |
| Banks and Participation Banks                               | -                 | 80.454           | 552.423           | 568.023          | -              | -              | -                | -                                  | 1.200.900         |
| <b>IX. Precious Metals Deposits</b>                         | <b>878.269</b>    | <b>285.168</b>   | <b>954.585</b>    | <b>27.361</b>    | -              | <b>9.509</b>   | <b>37.828</b>    | <b>182</b>                         | <b>2.192.902</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>13.894.994</b> | <b>7.318.025</b> | <b>15.444.415</b> | <b>1.352.404</b> | -              | <b>136.655</b> | <b>1.577.241</b> | <b>15.466</b>                      | <b>39.739.200</b> |



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**II. Explanations and notes related to consolidated liabilities (continued):**

**1. Information on funds collected (continued):**

**a) Information on maturity structure of funds collected (continued):**

| Prior Period  | Demand           | Up to<br>1 month | Up to<br>3 months | Up to<br>6 months | Up to 9<br>months | Up to<br>1 year | Over 1 year      | Accumulated<br>participation<br>accounts | Total             |
|---|------------------|------------------|-------------------|-------------------|-------------------|-----------------|------------------|--|-------------------|
| <b>I. Real Persons Current Accounts Non-Trade TL</b>        | <b>1.134.274</b> | -                | -                 | -                 | -                 | -               | -                | -  | <b>1.134.274</b>  |
| <b>II. Real Persons Participation Accounts Non-Trade TL</b> | <b>-</b>         | <b>2.428.892</b> | <b>3.925.701</b>  | <b>138.487</b>    | <b>-</b>          | <b>29.371</b>   | <b>439.698</b>   | <b>10.667</b>                            | <b>6.972.816</b>  |
| <b>III. Current Account other-TL</b>                        | <b>1.673.133</b> | -                | -                 | -                 | -                 | -               | -                | -  | <b>1.673.133</b>  |
| Public Sector   | 44.119           | -                | -                 | -                 | -                 | -               | -                | -  | 44.119            |
| Commercial Institutions                                     | 1.545.407        | -                | -                 | -                 | -                 | -               | -                | -  | 1.545.407         |
| Other Institutions  | 56.880           | -                | -                 | -                 | -                 | -               | -                | -  | 56.880            |
| Commercial and Other Institutions                           | 3.513            | -                | -                 | -                 | -                 | -               | -                | -  | 3.513             |
| Banks and Participation Banks                               | 23.214           | -                | -                 | -                 | -                 | -               | -                | -  | 23.214            |
| Central Bank of Turkey                                      | -                | -                | -                 | -                 | -                 | -               | -                | -  | -                 |
| Domestic Banks  | 2                | -                | -                 | -                 | -                 | -               | -                | -  | 2                 |
| Foreign Banks   | 23.211           | -                | -                 | -                 | -                 | -               | -                | -  | 23.211            |
| Participation Banks   | 1                | -                | -                 | -                 | -                 | -               | -                | -  | 1                 |
| Other   | -                | -                | -                 | -                 | -                 | -               | -                | -  | -                 |
| <b>IV. Participation Accounts-TL</b>                        | <b>-</b>         | <b>246.578</b>   | <b>1.369.688</b>  | <b>186.881</b>    | <b>-</b>          | <b>7.553</b>    | <b>104.511</b>   | <b>32</b>                                | <b>1.915.243</b>  |
| Public Sector   | -                | 68               | 1.190             | -                 | -                 | -               | -                | -  | 1.258             |
| Commercial Institutions                                     | -                | 226.938          | 1.220.594         | 133.657           | -                 | 6.309           | 97.729           | 32                                       | 1.685.259         |
| Other Institutions  | -                | 19.552           | 147.337           | 53.224            | -                 | 1.244           | 4.931            | -  | 226.288           |
| Commercial and Other Institutions                           | -                | 20               | 5                 | -                 | -                 | -               | 1.851            | -  | 1.876             |
| Banks and Participation Banks                               | -                | -                | 562               | -                 | -                 | -               | -                | -  | 562               |
| <b>V. Real Persons Current Accounts Non- Trade FC</b>       | <b>2.253.033</b> | -                | -                 | -                 | -                 | -               | -                | -  | <b>2.253.033</b>  |
| <b>VI. Real Persons Participation Accounts Non-Trade FC</b> | <b>-</b>         | <b>2.200.909</b> | <b>3.871.958</b>  | <b>301.876</b>    | <b>-</b>          | <b>26.181</b>   | <b>638.977</b>   | <b>387</b>                               | <b>7.040.288</b>  |
| <b>VII. Other Current Accounts FC</b>                       | <b>3.200.185</b> | -                | -                 | -                 | -                 | -               | -                | -  | <b>3.200.185</b>  |
| Residents in Turkey-Corporate                               | 2.386.238        | -                | -                 | -                 | -                 | -               | -                | -  | 2.386.238         |
| Residents abroad-Corporate                                  | 388.771          | -                | -                 | -                 | -                 | -               | -                | -  | 388.771           |
| Banks and Participation Banks                               | 425.176          | -                | -                 | -                 | -                 | -               | -                | -  | 425.176           |
| Central Bank of Turkey                                      | -                | -                | -                 | -                 | -                 | -               | -                | -  | -                 |
| Domestic Banks  | -                | -                | -                 | -                 | -                 | -               | -                | -  | -                 |
| Foreign Banks   | 420.247          | -                | -                 | -                 | -                 | -               | -                | -  | 420.247           |
| Participation Banks   | 4.929            | -                | -                 | -                 | -                 | -               | -                | -  | 4.929             |
| Other   | -                | -                | -                 | -                 | -                 | -               | -                | -  | -                 |
| <b>VIII. Participation Accounts other- FC</b>               | <b>-</b>         | <b>465.979</b>   | <b>2.232.544</b>  | <b>207.092</b>    | <b>-</b>          | <b>12.236</b>   | <b>11.108</b>    | <b>-</b>                                 | <b>2.928.959</b>  |
| Public Sector   | -                | -                | -                 | -                 | -                 | -               | -                | -  | -                 |
| Commercial Institutions                                     | -                | 255.551          | 1.400.746         | 62.073            | -                 | 12.236          | 11.068           | -  | 1.741.674         |
| Other Institutions  | -                | 2.986            | 29.705            | 3.613             | -                 | -               | -                | -  | 36.304            |
| Commercial and Other Institutions                           | -                | 10.986           | 208.223           | 3.371             | -                 | -               | 40               | -  | 222.620           |
| Banks and Participation Banks                               | -                | 196.456          | 593.870           | 138.035           | -                 | -               | -                | -  | 928.361           |
| <b>IX. Precious Metals Deposits</b>                         | <b>465.759</b>   | <b>184.260</b>   | <b>706.317</b>    | <b>31.486</b>     | <b>-</b>          | <b>8.140</b>    | <b>25.303</b>    | <b>135</b>                               | <b>1.421.400</b>  |
| <b>X. Participation Accounts Special Fund Pools TL</b>      | <b>-</b>         | <b>-</b>         | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>        | <b>-</b>         | <b>-</b>                                 | <b>-</b>          |
| Residents in Turkey   | -                | -                | -                 | -                 | -                 | -               | -                | -  | -                 |
| Residents abroad  | -                | -                | -                 | -                 | -                 | -               | -                | -  | -                 |
| <b>XI. Participation Accounts Special Fund Pools – FC</b>   | <b>-</b>         | <b>-</b>         | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>        | <b>-</b>         | <b>-</b>                                 | <b>-</b>          |
| Residents in Turkey   | -                | -                | -                 | -                 | -                 | -               | -                | -  | -                 |
| Residents abroad  | -                | -                | -                 | -                 | -                 | -               | -                | -  | -                 |
| <b>Total (I+II+....+IX+X+XI)</b>                            | <b>8.726.384</b> | <b>5.526.618</b> | <b>12.106.208</b> | <b>865.822</b>    | <b>-</b>          | <b>83.481</b>   | <b>1.219.597</b> | <b>11.221</b>                            | <b>28.539.331</b> |

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**II. Explanations and notes related to consolidated liabilities (continued):**

**b) Information on participation fund under the guarantee of insurance:**

**b.1) Exceeding the limit of insurance fund:**

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of Insurance Fund:

|  | Under the<br>guarantee of<br>Insurance | Under the<br>guarantee of<br>Insurance | Exceeding the<br>guarantee of<br>Insurance | Exceeding the<br>guarantee of<br>Insurance |
|--|--|--|--|--|
|  | Current Period                         | Prior Period                           | Current Period                             | Prior Period                               |
| Real persons' current and participation accounts not subject to trading transactions |  |  |  |  |
| Turkish Lira accounts  | 5.855.401                              | 4.415.669                              | 4.471.232                                  | 3.691.420                                  |
| Foreign currency accounts  | 4.485.043                              | 2.621.145                              | 11.489.849                                 | 7.874.166                                  |
| 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 150 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law numbered 5411.

**b.2) Funds collected which are not under the guarantee of insurance fund:**

Funds collected of real persons, which are not under the guarantee of insurance fund:

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Foreign Branches' Profit Sharing Accounts and Other Accounts  | 40.415         | 28.459       |
| Profit Sharing Accounts and Other Accounts of Controlling Shareholders and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care   | -              | -            |
| Profit Sharing Accounts and Other Accounts of Chairman and Members of Board Of Directors or Managers, General Manager and Assistant General Managers and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care | 16.974         | 12.634       |
| Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in article 282 of Turkish Criminal Law no:5237 dated 26.09.2004   | -              | -            |
| Profit Sharing Accounts in Participation Banks Established in Turkey in order to engage solely in Off-Shore Banking Activities  | -              | -            |

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**II. Explanations and notes related to consolidated liabilities (continued):**

**2. Information on borrowings:**

**a.1) Information on types of borrowings:**

|                   | Current Period |                  | Prior Period   |                  |
|-------------------|----------------|------------------|----------------|------------------|
|                   | TL             | FC               | TL             | FC               |
| Syndication Loans | -              | -                | -              | 1.665.370        |
| Wakala Loans      | -              | 978.465          | -              | 1.210.541        |
| Other             | 100.219        | 712.914          | 220.698        | 292.941          |
| <b>Total</b>      | <b>100.219</b> | <b>1.691.379</b> | <b>220.698</b> | <b>3.168.852</b> |

**a.2) Information on banks and other financial institutions:**

|  | Current Period |                  | Prior Period   |                  |
|--|----------------|------------------|----------------|------------------|
|  | TL             | FC               | TL             | FC               |
| Loans from CBRT                                  | -              | -                | -              | -                |
| Loans from domestic banks and institutions       | 100.219        | 252.151          | 54.568         | 292.942          |
| Loans from foreign banks, institutions and funds | -              | 1.439.228        | 166.130        | 2.875.910        |
| <b>Total</b>                                     | <b>100.219</b> | <b>1.691.379</b> | <b>220.698</b> | <b>3.168.852</b> |

**a.3) Maturity analysis of funds borrowed:**

|                      | Current Period |                  | Prior Period   |                  |
|----------------------|----------------|------------------|----------------|------------------|
|                      | TL             | FC               | TL             | FC               |
| Short-Term           | 100.219        | 1.129.603        | 62.933         | 1.354.439        |
| Medium and Long-Term | -              | 561.776          | 157.765        | 1.814.413        |
| <b>Total</b>         | <b>100.219</b> | <b>1.691.379</b> | <b>220.698</b> | <b>3.168.852</b> |

**b) Additional disclosures on concentration areas of The Parent Bank's liabilities:**

The Parent Bank does not have concentration on customer or sector group providing funds (December 31, 2018: None).

**3. Information on securities issued:**

**a) Breakdown of sukuk issued:**

|              | Current Period   |          | Prior Period     |                  |
|--------------|------------------|----------|------------------|------------------|
|              | TL               | FC       | TL               | FC               |
| Sukuk issued | 2.519.419        | -        | 1.405.143        | 1.753.909        |
| <b>Total</b> | <b>2.519.419</b> | <b>-</b> | <b>1.405.143</b> | <b>1.753.909</b> |

**4. a) Information on derivative financial liabilities:**

|                      | Current Period |            | Prior Period |          |
|----------------------|----------------|------------|--------------|----------|
|                      | TL             | FC         | TL           | FC       |
| Forward transactions | 504            | 41         | 205          | -        |
| Swap transactions    | -              | 304        | 1.340        | -        |
| Futures transactions | -              | -          | -            | -        |
| Options              | -              | -          | -            | -        |
| Other                | -              | -          | -            | -        |
| <b>Total</b>         | <b>504</b>     | <b>345</b> | <b>1.545</b> | <b>-</b> |

The Parent Bank has not any derivative financial liabilities for hedging purposes (December 31, 2018: None).

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**II. Explanations and notes related to consolidated liabilities (continued):**

**5. Lease payables:**

|                  | Current Period |               | Prior Period |          |
|------------------|----------------|---------------|--------------|----------|
|                  | TL             | FC            | TL           | FC       |
| Less than a year | 6.291          | -             | -            | -        |
| 1 to 5 years     | 81.724         | 1.199         | -            | -        |
| Over 5 years     | 199.740        | 11.706        | -            | -        |
| <b>Total</b>     | <b>287.755</b> | <b>12.905</b> | <b>-</b>     | <b>-</b> |

**6. Information on provisions:**

**a) Information on provisions for employee rights:**

The Group's provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 86.118 (December 31, 2018: TL 62.219), vacation pay liability amounting to TL 13.270 (December 31, 2018: TL 11.178), performance premium amounting to TL 750 (December 31, 2018: 500), totalling to TL 100.138 (December 31, 2018: TL 73.897). The Group has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Discount rate (%)                             | 11,70          | 16,00        |
| Estimated increase rate of salary ceiling (%) | 8,90           | 12,30        |

Movement of the reserve for employment termination benefits in the balance sheet is as follows:

|   | Current Period | Prior Period  |
|---|----------------|---------------|
| Prior period ending balance             | 62.219         | 50.664        |
| Change in the period                    | 20.565         | 14.875        |
| Actuarial (gain)/loss                   | 13.716         | 2.892         |
| Paid during the period                  | (10.382)       | (6.212)       |
| <b>Balance at the end of the period</b> | <b>86.118</b>  | <b>62.219</b> |

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**II. Explanations and notes related to consolidated liabilities (continued):**

**b.) Other provisions:**

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Non-cash loans first and second stage expected loss provisions                       | 11.047                | 6.192               |
| Provisions allocated from profit shares to be distributed to profit sharing accounts | -                     | -                   |
| Third stage expected loss provision for unindemnified letter of guarantees           | 3.686                 | 3.037               |
| Third stage expected loss provision for cheques commitments                          | 3.883                 | 2.309               |
| Provision for promotions related with credit cards and promotion of banking services | 224                   | 212                 |
| Provisions for cases on trial  | 15.655                | 4.440               |
| Accrual for purchase and sale commitments  | 291                   | 148                 |
| Other  | 772                   | 645                 |
| <b>Total</b>   | <b>35.558</b>         | <b>16.983</b>       |

**c) Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:**

As of December 31, 2019, provision for foreign exchange losses on foreign currency indexed loans and lease receivables amounting to TL 901 (December 31, 2018: TL 3.802) has been offset against the loans and financial lease receivables included in the assets of the balance sheet.

**7. Information on taxes payable:**

**a) Explanations on current tax liability:**

**a.1) Explanations on tax provisions:**

As of December 31, 2019, the Group's corporate tax payable is TL 5.586 (December 31, 2018: TL 5.237) after offsetting prepaid corporate tax.

**a.2) Information on taxes payable:**

|                                   | <b>Current Period</b> | <b>Prior Period</b> |
|-----------------------------------|-----------------------|---------------------|
| Corporate taxes payable           | 5.586                 | 5.237               |
| Banking insurance transaction tax | 14.130                | 17.552              |
| Taxation on securities income     | 24.408                | 12.024              |
| Value added tax payable           | 1.872                 | 1.532               |
| Taxation on real estate income    | 1.230                 | 1.233               |
| Foreign exchange transaction tax  | 2.274                 | -                   |
| Income tax deducted from wages    | 10.442                | 9.465               |
| Other                             | 1.967                 | 1.073               |
| <b>Total</b>                      | <b>61.909</b>         | <b>48.116</b>       |

**a.3) Information on premiums:**

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Social security premiums-employee                    | 5.520                 | 4.556               |
| Social security premiums-employer                    | 5.994                 | 4.948               |
| Bank pension fund premium-employee                   | -                     | -                   |
| Bank pension fund premium-employer                   | -                     | -                   |
| Pension fund membership fees and provisions-employee | -                     | -                   |
| Pension fund membership fees and provisions-employer | -                     | -                   |
| Unemployment insurance-employee                      | 392                   | 322                 |
| Unemployment insurance-employer                      | 785                   | 646                 |
| Other  | -                     | -                   |
| <b>Total</b>   | <b>12.691</b>         | <b>10.472</b>       |

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**II. Explanations and notes related to consolidated liabilities (continued):**

**8. Liabilities for assets held for sale and discontinued operations:**

None (December 31, 2018: None).

**9. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:**

|   | Current Period |                  | Prior Period |                  |
|---|----------------|------------------|--------------|------------------|
|   | TL             | FC               | TL           | FC               |
| Debt instruments to be included in calculation of         | -              | -                | -            | -                |
| Subordinated loans  | -              | -                | -            | -                |
| Subordinated debt instruments                             | -              | -                | -            | -                |
| Debt instruments to be included in calculation of Tier II | -              | 1.375.164        | -            | 1.204.297        |
| Subordinated loans  | -              | 1.375.164        | -            | 1.204.297        |
| Subordinated debt instruments                             | -              | -                | -            | -                |
| <b>Total</b>  | <b>-</b>       | <b>1.375.164</b> | <b>-</b>     | <b>1.204.297</b> |

The Parent Bank has obtained subordinated loan on November 30, 2015 from the investors not resident in Turkey through its structured entity Albaraka Sukuk Ltd. amounting to USD 250.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of 5 years with 10 years total maturity was determined as 10,5%. The Parent Bank has repurchased the sukuk issued in the amount of USD 20.161.000 and this amount is offset in Financial Assets Measured at Fair Value through Other Comprehensive Income and subordinated loans.

The Parent Bank has realized unmaturing additional Tier 1 Capital amount to USD 205.000.000 on February 20, 2018.

**10. Breakdown of items in other liabilities, which exceed 10% of the balance sheet total, and breakdown of items, which constitute at least 20% of grand total:**

None (December 31, 2018: None).

**11. Information on shareholders' equity:**

**a) Presentation of paid-in capital:**

|                 | Current Period | Prior Period |
|-----------------|----------------|--------------|
| Common stock    | 900.000        | 900.000      |
| Preferred stock | -              | -            |

**b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Parent Bank and if so, amount of the registered share capital ceiling:**

In the Board of Directors meeting dated February 28, 2013, the Parent Bank has taken a resolution on transition to registered capital system. The application dated December 27, 2016 for the extension of the Registered Capital Ceiling to the Capital Markets Board was approved on January 10, 2017 and the registered capital ceiling was determined as TL 2.500.000 to be valid until December 31, 2021.

| Share Capital System | Paid-in Capital | Ceiling   |
|----------------------|-----------------|-----------|
| Registered Capital   | 900.000         | 2.500.000 |

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**II. Explanations and notes related to consolidated liabilities (continued):**

**11. Information on shareholders' equity (continued):**

**c) Information on the share capital increases during the period and their sources; other information on increased capital in the current period:**

The Parent Bank has completed capital increase through rights issues in December 2019. As of December 31, 2019, the capital has not been registered and the added amount (TL 450.000) has been represented under "Other Capital Reserves" on the balance sheet.

**c) Information on share capital increases from capital reserves during the current period:**

There is no share capital increase from capital reserves during the current period.

**d) Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments:**

There are no capital commitments until the end of the last fiscal year and following interim period.

**e) Estimated effects on the shareholders equity of the Parent Bank, of predictions to be made by taking into account previous period indicators regarding the Parent Bank's income, profitability and liquidity, and uncertainties regarding such indicators:**

The Parent Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Parent Bank's shareholders' equity is invested in liquid and earning assets.

**f) Information on privileges given to stocks representing the capital:**

There is no privilege given to stocks representing the capital.

**g) Information on marketable securities valuation reserve:**

|  | Current Period |               | Prior Period    |                |
|--|----------------|---------------|-----------------|----------------|
|  | TL             | FC            | TL              | FC             |
| From investments in associates, subsidiaries, and joint ventures | -              | -             | -               | -              |
| Valuation difference <sup>(*)</sup>                              | 3.499          | 36.033        | (23.215)        | (5.566)        |
| Foreign exchange difference                                      | -              | -             | -               | -              |
| <b>Total</b>   | <b>3.499</b>   | <b>36.033</b> | <b>(23.215)</b> | <b>(5.566)</b> |

<sup>(\*)</sup> The amount represents the net balance after deferred tax calculation.

**ğ) Information on other capital reserves:**

The Parent Bank has evaluated its perpetual sukuk transaction as non- monetary item as per TAS 32 which is issued by "Bereket One Ltd" quoted at Ireland Stock Exchange amount to USD 205.000.000 (Historical cost is TL 775.720) and compatible with Basel III criteria. In addition to this evaluation, considering BRSA's approval to add it to additional Tier 1 capital dated February 20, 2018, the Parent Bank recognized it in shareholders' equity under "other capital reserves" on historical cost. The settlement date of the sukuk transaction is February 20, 2023 and its yearly cost is 10% with every six-month payment. The Parent Bank has option to cancel the expense amounts. If the Parent Bank uses this option, it is not obligatory to pay the amount it has not paid in the following periods.

The coupon payment for the related transaction amounting to TL 112.284 (December 31, 2018: TL 60.051) has been recognized under prior years profit / loss.

**h) Information on minority shares:**

As of December 31, 2019, minority shares calculated for full-consolidated uncontrolled shares amount to TL 157.436 (December 31, 2018: TL 262.064).

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**III. Explanations and notes related to consolidated off-balance sheet:**

**1. Explanations on consolidated off-balance sheet:**

**a) Type and amount of irrevocable loan commitments:**

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Commitments for credit card limits  | 769.342               | 630.690             |
| Payment commitments for cheques   | 631.606               | 537.673             |
| Asset purchase and sale commitments   | 437.404               | 476.958             |
| Loan granting commitments   | 262.517               | 215.439             |
| Tax and funds liabilities arising from export commitments                   | 10.381                | 6.906               |
| Commitments for promotions related with credit cards and banking activities | 335                   | 332                 |
| Other irrevocable commitments   | 528                   | 387                 |
| <b>Total</b>  | <b>2.112.113</b>      | <b>1.868.385</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:**

|                               | <b>Current Period</b> | <b>Prior Period</b> |
|-------------------------------|-----------------------|---------------------|
| Letters of guarantees         | 8.718.394             | 8.574.565           |
| Bank loans                    | 14.463                | 39.338              |
| Letters of credit             | 1.329.920             | 1.229.615           |
| Other guaranties and sureties | 368.661               | 202.179             |
| <b>Total</b>                  | <b>10.431.438</b>     | <b>10.045.697</b>   |

**b.2) Revocable, irrevocable guarantees and other similar commitments and contingencies:**

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Letters of guarantees                                | 8.718.394             | 8.574.565           |
| Long standing letters of guarantees                  | 5.448.790             | 5.149.800           |
| Temporary letters of guarantees                      | 371.560               | 191.708             |
| Advance letters of guarantees                        | 362.686               | 369.112             |
| Letters of guarantees given to customs               | 366.118               | 252.510             |
| Letters of guarantees given for obtaining cash loans | 2.169.240             | 2.611.435           |
| Sureties and similar transactions                    | 368.661               | 202.179             |
| <b>Total</b>   | <b>9.087.055</b>      | <b>8.776.744</b>    |

**c) Within the non-cash loans**

**c.1) Total amount of non-cash loans:**

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Non-cash loans given against cash loans    | 2.169.240             | 2.611.435           |
| With original maturity of 1 year or less   | 555.521               | 917.931             |
| With original maturity of more than 1 year | 1.613.719             | 1.693.504           |
| Other non-cash loans                       | 8.262.198             | 7.434.262           |
| <b>Total</b>                               | <b>10.431.438</b>     | <b>10.045.697</b>   |



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**III. Explanations and notes related to consolidated off-balance sheet (continued):**

**c.2) Sectoral risk concentration of non-cash loans:**

|                                      | Current period   |               |                  |               |
|--------------------------------------|------------------|---------------|------------------|---------------|
|                                      | TL               | (%)           | FC               | (%)           |
| <b>Agricultural</b>                  | <b>41.099</b>    | <b>0,80</b>   | <b>45.800</b>    | <b>0,86</b>   |
| Farming and stockbreeding            | 23.964           | 0,47          | 44.801           | 0,84          |
| Forestry                             | 16.274           | 0,32          | 999              | 0,02          |
| Fishery                              | 861              | 0,02          | -                | 0,00          |
| <b>Manufacturing</b>                 | <b>1.266.579</b> | <b>24,70</b>  | <b>2.568.269</b> | <b>48,43</b>  |
| Mining                               | 34.091           | 0,66          | 38.262           | 0,72          |
| Production                           | 892.192          | 17,40         | 2.186.913        | 41,24         |
| Electricity, gas and water           | 340.296          | 6,64          | 343.094          | 6,47          |
| <b>Construction</b>                  | <b>1.160.560</b> | <b>22,63</b>  | <b>688.776</b>   | <b>12,99</b>  |
| <b>Services</b>                      | <b>2.574.523</b> | <b>50,20</b>  | <b>1.889.532</b> | <b>35,63</b>  |
| Wholesale and retail trade           | 1.304.624        | 25,44         | 1.076.518        | 20,30         |
| Hotel, food and beverage services    | 45.111           | 0,88          | 163.865          | 3,09          |
| Transportation and telecommunication | 146.265          | 2,85          | 127.457          | 2,40          |
| Financial Institutions               | 236.391          | 4,61          | 357.093          | 6,73          |
| Real estate and renting services     | 533.096          | 10,39         | 118.977          | 2,24          |
| Self-employment services             | 127.927          | 2,49          | 36.258           | 0,68          |
| Education services                   | 50.922           | 0,99          | 541              | 0,01          |
| Health and social services           | 130.187          | 2,54          | 8.823            | 0,17          |
| <b>Other</b>                         | <b>85.741</b>    | <b>1,67</b>   | <b>110.559</b>   | <b>2,08</b>   |
| <b>Total</b>                         | <b>5.128.502</b> | <b>100,00</b> | <b>5.302.936</b> | <b>100,00</b> |

  

|                                      | Prior period     |               |                  |               |
|--------------------------------------|------------------|---------------|------------------|---------------|
|                                      | TL               | (%)           | FC               | (%)           |
| <b>Agricultural</b>                  | <b>48.322</b>    | <b>1,04</b>   | <b>33.389</b>    | <b>0,62</b>   |
| Farming and stockbreeding            | 20.888           | 0,45          | 27.688           | 0,51          |
| Forestry                             | 25.422           | 0,55          | 906              | 0,02          |
| Fishery                              | 2.012            | 0,04          | 4.795            | 0,09          |
| <b>Manufacturing</b>                 | <b>1.025.981</b> | <b>22,03</b>  | <b>2.944.516</b> | <b>54,63</b>  |
| Mining                               | 20.663           | 0,44          | 25.039           | 0,46          |
| Production                           | 650.808          | 13,98         | 2.435.225        | 45,19         |
| Electricity, gas and water           | 354.510          | 7,61          | 484.252          | 8,98          |
| <b>Construction</b>                  | <b>1.375.102</b> | <b>29,54</b>  | <b>641.315</b>   | <b>11,90</b>  |
| <b>Services</b>                      | <b>2.124.928</b> | <b>45,64</b>  | <b>1.682.374</b> | <b>31,21</b>  |
| Wholesale and retail trade           | 981.935          | 21,09         | 763.206          | 14,16         |
| Hotel, food and beverage services    | 43.723           | 0,94          | 133.179          | 2,47          |
| Transportation and telecommunication | 89.681           | 1,93          | 216.910          | 4,02          |
| Financial Institutions               | 387.797          | 8,33          | 344.956          | 6,40          |
| Real estate and renting services     | 406.294          | 8,73          | 143.681          | 2,67          |
| Self-employment services             | 89.441           | 1,92          | 48.699           | 0,90          |
| Education services                   | 26.275           | 0,56          | 489              | 0,01          |
| Health and social services           | 99.782           | 2,14          | 31.254           | 0,58          |
| <b>Other</b>                         | <b>81.502</b>    | <b>1,75</b>   | <b>88.268</b>    | <b>1,64</b>   |
| <b>Total</b>                         | <b>4.655.835</b> | <b>100,00</b> | <b>5.389.862</b> | <b>100,00</b> |

**c.3) Information on the non-cash loans classified in Group I and Group II:**

| Current Period                      | I st Group       |                  | II nd Group    |                |
|-------------------------------------|------------------|------------------|----------------|----------------|
|                                     | TL               | FC               | TL             | FC             |
| <b>Non-cash loans</b>               | <b>4.857.876</b> | <b>5.130.896</b> | <b>231.175</b> | <b>141.699</b> |
| Letters of guarantee                | 4.828.965        | 3.449.486        | 230.683        | 139.468        |
| Bank loans                          | -                | 14.463           | -              | -              |
| Letters of credit                   | 257              | 1.327.432        | -              | 2.231          |
| Endorsements                        | -                | -                | -              | -              |
| Underwriting commitments            | -                | -                | -              | -              |
| Factoring commitments               | -                | -                | -              | -              |
| Other commitments and contingencies | 28.654           | 339.515          | 492            | -              |

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**III. Explanations and notes related to consolidated off-balance sheet (continued):**

**c.3) Information on the non-cash loans classified in Group I and Group II (continued):**

| Prior Period                        | I st Group       |                  | II nd Group    |                  |
|-------------------------------------|------------------|------------------|----------------|------------------|
|                                     | TL               | FC               | TL             | FC               |
| <b>Non-cash loans</b>               | <b>4.255.685</b> | <b>4.354.920</b> | <b>350.505</b> | <b>1.016.629</b> |
| Letters of guarantee                | 4.225.529        | 2.929.525        | 350.377        | 1.001.176        |
| Bank loans                          | -                | 39.338           | -              | -                |
| Letters of credit                   | 7.852            | 1.215.649        | 128            | 5.986            |
| Endorsements                        | -                | -                | -              | -                |
| Underwriting commitments            | -                | -                | -              | -                |
| Factoring commitments               | -                | -                | -              | -                |
| Other commitments and contingencies | 22.304           | 170.408          | -              | 9.467            |

**2. Explanations on derivative transactions:**

|   | Derivative transactions according to purpose<br>December 31,2019 | Derivative transactions according to purpose<br>December 31,2018 |
|---|--|--|
| <b>Trading Derivatives</b>                                    |  |  |
| <b>Foreign Currency Related Derivative Transactions (I)</b>   | <b>133.090</b>   | <b>529.944</b>   |
| Currency Forwards-Purchases, sales                            | 75.187   | 52.727   |
| Currency Swaps-Purchases, sales                               | 57.903   | 477.217  |
| Currency Futures  | -  | -  |
| Currency Options-Purchases, sales                             | -  | -  |
| <b>Profit share Rate Related Derivative Transactions (II)</b> | <b>-</b>   | <b>-</b>   |
| Profit share rates forwards-Purchase, sales                   | -  | -  |
| Profit share rates swaps-Purchases, sales                     | -  | -  |
| Profit share rates options-Purchases, sales                   | -  | -  |
| Profit share rates futures-Purchases, sales                   | -  | -  |
| <b>Other Trading Derivatives (III)</b>                        | <b>-</b>   | <b>-</b>   |
| <b>A. Total Trading Derivatives (I + II + III)</b>            | <b>133.090</b>   | <b>529.944</b>   |
| <b>Hedging Derivatives</b>                                    | <b>-</b>   | <b>-</b>   |
| Fair value hedges   | -  | -  |
| Cash flow hedges  | -  | -  |
| Foreign currency investment hedges                            | -  | -  |
| <b>B. Total Hedging Derivatives</b>                           | <b>-</b>   | <b>-</b>   |
| <b>Total Derivatives Transactions (A+B)</b>                   | <b>133.090</b>   | <b>529.944</b>   |

**3. Explanations on contingent assets and liabilities:**

The Parent Bank has made a provision amounting to TL 15.655 (December 31, 2018: TL 4.440), as presented under "Other Provisions" note in section five Note II.6.b, for the lawsuits opened by various real persons and legal entities against the Parent Bank with high probability of realization and cash outflows. Although there are other ongoing lawsuits against the Parent Bank, the Parent Bank considers the probability of a negative result in ongoing litigations resulting in cash outflows as remote.

**4. Explanations on services rendered on behalf of third parties:**

The Group has not any operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions.

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**IV. Explanations and notes related to the consolidated statement of profit or loss:**

**1. Information on profit share income:**

**a) Information on profit share income received from loans:**

|  | Current Period            |                | Prior Period     |                |
|--|---------------------------|----------------|------------------|----------------|
|  | TL                        | FC             | TL               | FC             |
| <b>Profit share received from loans<sup>(*)</sup></b>    |                           |                |                  |                |
| Short Term Loans   | 519.583                   | 153.434        | 489.130          | 75.802         |
| Medium and Long-Term Loans                               | 1.546.305 <sup>(**)</sup> | 550.248        | 1.519.924        | 467.971        |
| Profit Share on Non-Performing Loans                     | 186.228                   | 4.238          | 97.880           | 544            |
| Premiums Received from Resource Utilization Support Fund | -                         | -              | -                | -              |
| <b>Total</b>   | <b>2.252.116</b>          | <b>707.920</b> | <b>2.106.934</b> | <b>544.317</b> |

<sup>(\*)</sup> Includes fees and commission income on cash loans.

<sup>(\*\*)</sup> Total TL 170.950 is the accrued profit from profit and loss investments and TL 155.234 of this profit is fair value profit.

**b) Information on profit share income received from banks:**

|                                  | Current Period |               | Prior Period  |               |
|----------------------------------|----------------|---------------|---------------|---------------|
|                                  | TL             | FC            | TL            | FC            |
| CBRT                             | 23.076         | 28.821        | 18.673        | 39.884        |
| Domestic Banks                   | 539            | 1.734         | 734           | 1.857         |
| Foreign Banks                    | -              | -             | -             | -             |
| Head Offices and Branches Abroad | -              | -             | -             | -             |
| <b>Total</b>                     | <b>23.615</b>  | <b>30.555</b> | <b>19.407</b> | <b>41.741</b> |

**c) Information on profit share income received from marketable securities:**

|  | Current Period |               | Prior Period   |               |
|--|----------------|---------------|----------------|---------------|
|  | TL             | FC            | TL             | FC            |
| Financial Assets Measured at Fair Value through Profit/Loss                | 1.165          | 5.072         | 483            | 450           |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 92.070         | 63.584        | 103.002        | 23.976        |
| Financial Assets Measured at Amortised Cost                                | 82.866         | 25.715        | 87.617         | -             |
| <b>Total</b>   | <b>176.101</b> | <b>94.371</b> | <b>191.102</b> | <b>24.426</b> |

**ç) Information on profit share income received from associates and subsidiaries:**

None (December 31, 2018: None).

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**IV. Explanations and notes related to the consolidated statement of profit or loss (continued):**

**2. Explanations on profit share expenses:**

**a) Distribution of profit share expense on funds collected based on maturity of funds collected:**

| Current Period   |               | Profit sharing accounts |                |                |              |                  |       | Accumulated profit sharing account | Total |
|--|---------------|-------------------------|----------------|----------------|--------------|------------------|-------|------------------------------------|-------|
| Account name   | Up to 1 month | Up to 3 months          | Up to 6 months | Up to 9 months | Up to 1 year | More than 1 year |       |                                    |       |
| TL   |               |                         |                |                |              |                  |       |                                    |       |
| Funds collected from banks through current and profit sharing accounts | 89            | 291                     | -              | -              | -            | -                | -     | 380                                |       |
| Real persons' non-trading profit sharing accounts                      | 326.987       | 564.381                 | 19.969         | -              | 3.685        | 61.664           | 1.731 | 978.417                            |       |
| Public sector profit sharing accounts                                  | 10            | 28                      | -              | -              | -            | -                | -     | 38                                 |       |
| Commercial sector profit sharing accounts                              | 38.287        | 224.761                 | 24.659         | -              | 9.645        | 18.726           | 7     | 316.085                            |       |
| Other institutions profit sharing accounts                             | 3.322         | 27.249                  | 1.920          | -              | 1.492        | 761              | -     | 34.744                             |       |
| Total  | 368.695       | 816.710                 | 46.548         | -              | 14.822       | 81.151           | 1.738 | 1.329.664                          |       |
| FC   |               |                         |                |                |              |                  |       |                                    |       |
| Banks  | 3.554         | 13.640                  | 5.570          | -              | -            | -                | -     | 22.764                             |       |
| Real persons' non-trading profit sharing accounts                      | 58.252        | 103.966                 | 7.933          | -              | 633          | 20.261           | 11    | 191.056                            |       |
| Public sector profit sharing accounts                                  | -             | -                       | -              | -              | -            | -                | -     | -                                  |       |
| Commercial sector profit sharing accounts                              | 7.613         | 33.980                  | 1.440          | -              | 179          | 389              | -     | 43.601                             |       |
| Other institutions profit sharing accounts                             | 608           | 3.808                   | 126            | -              | -            | 1                | -     | 4.543                              |       |
| Precious metals deposits   | 479           | 2.423                   | 78             | -              | 66           | 243              | 1     | 3.290                              |       |
| Total  | 70.506        | 157.817                 | 15.147         | -              | 878          | 20.894           | 12    | 265.254                            |       |
| Grand total  | 439.201       | 974.527                 | 61.695         | -              | 15.700       | 102.045          | 1.750 | 1.594.918                          |       |

| Prior Period   |               | Profit sharing accounts |                |                |              |                  |       | Accumulated profit sharing account | Total |
|--|---------------|-------------------------|----------------|----------------|--------------|------------------|-------|------------------------------------|-------|
| Account name   | Up to 1 month | Up to 3 months          | Up to 6 months | Up to 9 months | Up to 1 year | More than 1 year |       |                                    |       |
| TL   |               |                         |                |                |              |                  |       |                                    |       |
| Funds collected from banks through current and profit sharing accounts | -             | 58                      | -              | -              | -            | -                | -     | 58                                 |       |
| Real persons' non-trading profit sharing accounts                      | 285.189       | 500.069                 | 14.847         | -              | 3.496        | 53.235           | 1.067 | 857.903                            |       |
| Public sector profit sharing accounts                                  | 16            | 101                     | -              | -              | -            | -                | -     | 117                                |       |
| Commercial sector profit sharing accounts                              | 32.004        | 170.117                 | 6.443          | -              | 1.078        | 5.813            | 3     | 215.458                            |       |
| Other institutions profit sharing accounts                             | 3.753         | 18.496                  | 1.582          | -              | 143          | 735              | -     | 24.709                             |       |
| Total  | 320.962       | 688.841                 | 22.872         | -              | 4.717        | 59.783           | 1.070 | 1.098.245                          |       |
| FC   |               |                         |                |                |              |                  |       |                                    |       |
| Banks  | 9.260         | 13.456                  | 2.252          | -              | 14           | -                | -     | 24.982                             |       |
| Real persons' non-trading profit sharing accounts                      | 42.374        | 85.540                  | 6.476          | -              | 614          | 17.991           | 1     | 152.996                            |       |
| Public sector profit sharing accounts                                  | -             | -                       | -              | -              | -            | -                | -     | -                                  |       |
| Commercial sector profit sharing accounts                              | 5.029         | 36.210                  | 693            | -              | 481          | 244              | -     | 42.657                             |       |
| Other institutions profit sharing accounts                             | 1.650         | 6.210                   | 158            | -              | -            | 1                | -     | 8.019                              |       |
| Precious metals deposits   | 1.168         | 7.068                   | 346            | -              | 120          | 561              | 1     | 9.264                              |       |
| Total  | 59.481        | 148.484                 | 9.925          | -              | 1.229        | 18.797           | 2     | 237.918                            |       |
| Grand total  | 380.443       | 837.325                 | 32.797         | -              | 5.946        | 78.580           | 1.072 | 1.336.163                          |       |

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**IV. Explanations and notes related to the consolidated statement of profit or loss (continued):**

**b) Information on profit share expense paid to funds borrowed:**

|                                  | Current Period |                | Prior Period  |                |
|----------------------------------|----------------|----------------|---------------|----------------|
|                                  | TL             | FC             | TL            | FC             |
| Banks                            | 2.435          | 51.888         | 22.307        | 93.649         |
| CBRT                             | -              | -              | -             | -              |
| Domestic banks                   | -              | 6.133          | -             | 8.717          |
| Foreign banks                    | 2.435          | 45.755         | 22.307        | 84.932         |
| Head offices and branches abroad | -              | -              | -             | -              |
| Other institutions               | 11.792         | 156.559        | 2.877         | 156.317        |
| <b>Total</b>                     | <b>14.227</b>  | <b>208.447</b> | <b>25.184</b> | <b>249.966</b> |

**c) Profit share expense paid to associates and subsidiaries:**

|   | Current Period |           | Prior Period |            |
|---|----------------|-----------|--------------|------------|
|   | TL             | FC        | TL           | FC         |
| Profit share paid to investments in associates and subsidiaries | 1.750          | 74        | 274          | 510        |
| <b>Total</b>  | <b>1.750</b>   | <b>74</b> | <b>274</b>   | <b>510</b> |

**ç) Profit share expenses paid to marketable securities issued:**

|  | Current Period |               | Prior Period   |                |
|--|----------------|---------------|----------------|----------------|
|  | TL             | FC            | TL             | FC             |
| Profit share expenses paid to marketable securities issued | 417.097        | 58.037        | 119.463        | 118.732        |
| <b>Total</b>   | <b>417.097</b> | <b>58.037</b> | <b>119.463</b> | <b>118.732</b> |

**3. The Other Items in Net Fees and Commission Income / Expenses, which constitute at least 20% of the total of other items, if the total of other items in income statement exceed 10% of the total of income statement:**

| Other Fees and Commissions Received           | Current Period | Prior Period   |
|---|----------------|----------------|
| Member firm-POS fees and commissions          | 76.369         | 52.460         |
| Clearing room fees and commissions            | 57.625         | 39.837         |
| Commissions on money orders                   | 20.362         | 12.144         |
| Appraisal fees                                | 10.706         | 9.536          |
| Insurance and brokerage commissions           | 19.579         | 12.878         |
| Checks and bills commissions                  | 3.591          | 3.218          |
| Safe deposit box commissions                  | 2.164          | 1.992          |
| Advocacy service commissions                  | 4.726          | 6.152          |
| Service pack commissions                      | 15.171         | 10.263         |
| Enquiry fees received                         | 3.304          | 1.112          |
| Fees and commissions from correspondent banks | 3.039          | 1.704          |
| Export credit commissions                     | 3.682          | 2.089          |
| Prepaid import commissions                    | 13.339         | 7.954          |
| Other   | 37.672         | 16.613         |
| <b>Total</b>                                  | <b>271.329</b> | <b>177.952</b> |

| Other Fees and Commissions Paid                      | Current Period | Prior Period  |
|--|----------------|---------------|
| Funds borrowed fees and commissions                  | 13.416         | 33.459        |
| Credit cards fees and commissions                    | 21.057         | 13.947        |
| Member firm-POS fees and commissions                 | 28.572         | 23.084        |
| Fees and commissions for Swift, EFT and money orders | 22.088         | 14.872        |
| Other  | 10.092         | 9.235         |
| <b>Total</b>   | <b>95.225</b>  | <b>94.597</b> |

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**IV. Explanations and notes related to the consolidated statement of profit or loss (continued):**

**4. Information on dividend income:**

|  | Current Period |    | Prior Period |    |
|--|----------------|----|--------------|----|
|  | TL             | FC | TL           | FC |
| Financial assets measured at fair value through profit/loss (FVTPL)                | -              | -  | -            | -  |
| Financial assets measured at fair value through other comprehensive income (FVOCI) | -              | -  | -            | -  |
| Other  | -              | -  | 177          | -  |
| <b>Total</b>   | -              | -  | <b>177</b>   | -  |

**5. Explanations on trading income/loss (net):**

|  | Current Period    | Prior Period      |
|--|-------------------|-------------------|
| <b>Income</b>                                | <b>11.101.412</b> | <b>12.649.798</b> |
| Income from capital market transactions      | 66.310            | 565               |
| Income from derivative financial instruments | 88.113            | 40.751            |
| Foreign exchange income                      | 10.946.989        | 12.608.482        |
| <b>Loss (-)</b>                              | <b>10.876.585</b> | <b>12.344.132</b> |
| Loss on capital market transactions          | 3.014             | 4.273             |
| Loss on derivative financial instruments     | 110.105           | 66.982            |
| Foreign exchange losses                      | 10.763.466        | 12.272.877        |
| <b>Trading Income/Loss (net)</b>             | <b>224.827</b>    | <b>305.666</b>    |

**6. Explanations related to other operating income:**

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| Reversal of prior year provisions             | 456.494        | 314.306        |
| Income from sale of assets                    | 36.332         | 28.365         |
| Communication income                          | 11.688         | 7.112          |
| Reversal of vacation pay expenses provision   | -              | -              |
| Cheque book charges                           | 1.866          | 1.502          |
| Operating Lease Income                        | 10.005         | 4.699          |
| Real estate revaluation income <sup>(*)</sup> | 134.257        | 68.955         |
| Real estate rental income <sup>(*)</sup>      | 18.501         | 17.596         |
| Real estate sales income <sup>(*)</sup>       | 20.801         | 19.856         |
| Other income <sup>(**)</sup>                  | 34.500         | 8.382          |
| <b>Total</b>                                  | <b>724.444</b> | <b>470.773</b> |

<sup>(\*)</sup> Represents the income from real estates' portfolio under real estate investment funds.

<sup>(\*\*)</sup> The balance includes TL 12.562 income arising from derivative's accounting and subjection to corporate income tax in the prior periods (this amount is deducted from banking and insurance transaction payable tax), TL 1.520 is the income deducted from banking and insurance transaction payable tax related to investment allowances.

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**IV. Explanations and notes related to the consolidated statement of profit or loss (continued):**

**7. Informations on Expected Credit Losses:**

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| <b>Expected Credit Loss</b>   | <b>706.313</b> | <b>582.494</b> |
| 12 month expected credit loss (stage 1)                                     | 47.570         | 29.198         |
| Significant increase in credit risk (stage 2)                               | 25.288         | 130.997        |
| Non-performing loans (stage 3)  | 633.455        | 422.299        |
| <b>Marketable Securities Impairment Expense</b>                             | <b>-</b>       | <b>-</b>       |
| Financial Assets Measured at Fair Value through Profit/Loss                 | -              | -              |
| Financial Assets Measured at Fair Value through Other Comprehensive Income  | -              | -              |
| <b>Impairment Provision for Associates, Subsidiaries and Joint Ventures</b> | <b>-</b>       | <b>-</b>       |
| Associates  | -              | -              |
| Subsidiaries  | -              | -              |
| Joint ventures  | -              | -              |
| <b>Other (*)</b>  | <b>67.683</b>  | <b>25.342</b>  |
| <b>Total</b>  | <b>773.996</b> | <b>607.836</b> |

Expected credit losses amount to TL 773.996 (December 31, 2018: TL 607.836) includes TL 286.461 (December 31, 2018: TL 244.196) representing participation account share of expected credit losses of loans provided from participation accounts.

(\*) Details of the "other" amount is as follows:

|   | Current Period | Prior Period  |
|---|----------------|---------------|
| Expected credit losses 1st and 2nd group non-cash loans                 | 5.276          | 6.132         |
| Third stage expected loss provision for unindemnified non- cash loans   | 2.330          | 2.567         |
| Expected credit losses (stage 1) for banks                              | 228            | 15.973        |
| Profit and loss sharing investments' fair value provision               | 59.028         | -             |
| Expected credit losses (stage 1) for other financial assets             | -              | 439           |
| Provision for expected losses for securities measured at amortized cost | 821            | 231           |
| <b>Total</b>  | <b>67.683</b>  | <b>25.342</b> |

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**IV. Explanations and notes related to the consolidated statement of profit or loss (continued):**

**8. Information on other operating expenses:**

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| Provision for retirement pay liability  | 10.183         | 8.663          |
| Deficit provision for pension fund  | -              | -              |
| Impairment expenses of tangible assets  | -              | -              |
| Depreciation expenses of tangible assets  | 99.010         | 38.102         |
| Impairment expenses of intangible assets  | -              | -              |
| Impairment expense of goodwill  | -              | -              |
| Amortization expenses of intangible assets  | 18.407         | 18.663         |
| Impairment provision for investments accounted for under equity method            | -              | -              |
| Impairment expenses of assets to be disposed                                      | -              | -              |
| Depreciation expenses of assets to be disposed                                    | -              | -              |
| Impairment expenses of assets held for sale and assets of discontinued operations | 148            | 210.940        |
| Other business expenses   | 152.525        | 218.344        |
| Leasing Expenses on TFRS 16 Exceptions  | 3.180          | -              |
| Operating Lease Expenses  | -              | 89.294         |
| Maintenance and repair expenses   | 23.186         | 15.216         |
| Advertisement expenses  | 14.736         | 24.271         |
| Other expenses <sup>(*)</sup>   | 111.423        | 89.563         |
| Loss on sale of assets  | 1.361          | 273            |
| Other <sup>(**)</sup>   | 236.163        | 167.407        |
| <b>Total</b>  | <b>517.797</b> | <b>662.392</b> |

<sup>(\*)</sup> Other expenses under "other business expenses" are provided as below:

|                                      | Current Period | Prior Period  |
|--------------------------------------|----------------|---------------|
| Communication Expenses               | 26.024         | 17.487        |
| Donations                            | 8.061          | 10.071        |
| Cleaning expenses                    | 18.029         | 14.722        |
| Heating, lighting and water expenses | 14.569         | 10.179        |
| Representation and Hosting expenses  | 9.191          | 7.865         |
| Vehicle expenses                     | 6.762          | 6.392         |
| Lawsuit and court expenses           | 2.962          | 3.374         |
| Movables Insurance Expenses          | 4.504          | 3.290         |
| Stationery Expenses                  | 3.265          | 2.733         |
| Expense Share for Common Expenses    | 2.850          | 2.087         |
| Group transportation costs           | 5.089          | 5.449         |
| Other                                | 10.117         | 5.914         |
| <b>Total</b>                         | <b>111.423</b> | <b>89.563</b> |

<sup>(\*\*)</sup> Details of "other" balance are provided as below:

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| Saving Deposit Insurance Fund                     | 77.345         | 45.377         |
| Taxes, Duties, Charges and Funds                  | 51.893         | 38.150         |
| Expertise and Information Expenses                | 10.687         | 8.358          |
| Audit and Consultancy Fees                        | 15.776         | 21.859         |
| Institution and Union Participation Share Expense | 19.581         | 7.768          |
| Residence Expenses <sup>(*)</sup>                 | 14.549         | 9.444          |
| Shopping Mall expenses <sup>(*)</sup>             | 36.494         | 11.740         |
| Other   | 9.838          | 24.711         |
| <b>Total</b>                                      | <b>236.163</b> | <b>167.407</b> |

<sup>(\*)</sup> Represents the expenses from real estates' portfolio under real estate investment funds.



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**IV. Explanations and notes related to the consolidated statement of profit or loss (continued):**

**9. Explanations on income/loss from continued operations before taxes:**

As the Parent Bank does not have any discontinued operations, there is no explanation related to income/loss from discontinued operations before taxes. The Parent Bank's income before tax decreased by 41% compared to prior period and is realized as TL 124.461 (December 31, 2018: TL 209.923). Income before tax comprises net profit share income in the amount of TL 846.084 (December 31, 2018: TL 1.041.278) and fees and commission income in the amount of TL 299.245 (December 31, 2018: TL 197.508). Total other operating expenses amount to TL 517.797 (December 31, 2018: TL 662.392).

**10. Explanations on tax provision for continued and discontinued operations:**

Since the Parent Bank has no discontinued operations, there is no tax provision for this purpose.

As of December 31, 2019, the Parent Bank has deferred tax income of TL 201.392 (December 31, 2018: TL 139.903) and deferred tax expense of TL 220.539 (December 31, 2018: TL 171.354). The current tax provision is TL 8.535 (December 31, 2018: TL 5.237).

**11. Explanations on net income/loss from continued and discontinued operations:**

The Parent Bank has no discontinued operations. Net income for the period has been realized as TL 124.461 (December 31, 2018: TL 209.923) by deducting tax provision expense amounting to TL 27.682 (December 31, 2018: TL 36.688) from profit from continued operations amounting to TL 96.779 (December 31, 2018: TL 173.235).

**12. Explanations on net income/loss:**

**a) The nature and amount of certain income and expense items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Parent Bank's performance for the period:**

None.

**b) The effect of the change in accounting estimates to the net income/loss; including the effects on the future period:**

None.

**c) Income/loss of minority shares:**

|                                      | Current Period | Prior Period |
|--------------------------------------|----------------|--------------|
| Net profit/(loss) of minority shares | 6.734          | 15.221       |

**V. Explanations and notes related to the consolidated statement of changes in shareholders' equity:**

**a) There is no declaration of dividends made subsequent to the balance sheet date, and prior to the announcement of the financial statements.**

Decision related to the dividend distribution will be taken in the General Assembly. General Assembly has not been held as of the date of finalization of the accompanying financial statements.

**b) "Unrealized gains and losses" arising from changes in the fair value of securities classified as financial assets measured at fair value through other comprehensive income are recognized in the "Accumulated Other Comprehensive Income or Expenses that will be Reclassified to Profit or Loss" account under equity, until the financial assets are sold, disposed of or impaired at which time they are transferred to the statement of income. TL 87.581 increase has occurred after the revaluation of financial assets measured at fair value through other comprehensive income (December 31, 2018: TL 14.318 decrease).**

**c) Revaluation amounts related to tangible and intangible assets are accounted under equity in revaluation reserve on tangible assets and revaluation reserve on intangible assets.**

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**V. Explanations and notes related to the consolidated statement of changes in shareholders' equity (continued):**

- d) Foreign exchange differences arising from translation of income statement of foreign branch and foreign subsidiary of the Parent Bank are accounted in other capital reserves amounts to TL 16.782 as increase. (December 31, 2018: TL 36.025 increase).

**VI. Explanations and notes related to the consolidated statement of cash flows:**

**1. Components of cash and cash equivalents and accounting policy applied in their determination:**

"Cash" is defined as cash in vault and foreign currency cash, money in transit, cheques purchased, unrestricted balance with the Central Bank and demand deposits at banks. "Cash equivalents" is defined as money market placements and time deposits at banks with original maturities less than three months.

**(a) Cash and cash equivalents at the beginning of the period:**

|  | Current Period   | Current Period   |
|--|------------------|------------------|
| <b>Cash</b>                            | <b>2.692.092</b> | <b>2.001.123</b> |
| Cash in TL/foreign currency            | 823.466          | 365.436          |
| Cash in transit                        | 831.066          | 863.141          |
| CBRT                                   | 1.037.560        | 772.546          |
| <b>Cash equivalents</b>                | <b>4.417.767</b> | <b>888.600</b>   |
| Domestic banks                         | 3.459.023        | 342.727          |
| Foreign banks                          | 958.744          | 545.873          |
| <b>Total cash and cash equivalents</b> | <b>7.109.859</b> | <b>2.889.723</b> |

**(b) Cash and cash equivalents at the end of the period:**

|  | Current Period   | Prior            |
|--|------------------|------------------|
| <b>Cash</b>                            | <b>4.027.884</b> | <b>2.692.092</b> |
| Cash in TL/foreign currency            | 1.022.107        | 823.466          |
| Cash in transit                        | 558.717          | 831.066          |
| CBRT                                   | 2.447.060        | 1.037.560        |
| <b>Cash equivalents</b>                | <b>3.161.797</b> | <b>4.417.767</b> |
| Domestic banks                         | 917.218          | 3.459.023        |
| Foreign banks                          | 2.244.579        | 958.744          |
| <b>Total cash and cash equivalents</b> | <b>7.189.681</b> | <b>7.109.859</b> |

**2. Cash and cash equivalent items which are restricted for the usage of the Bank by legal or other limitations:**

Restricted time deposits held at the Central Bank of Turkey and blockaged amount arising from POS are not considered as cash and cash equivalent items.

**3. Explanation about other cash flow items and the effect of the changes in foreign exchange rates on cash and cash equivalents:**

The "Others" item under "Operating profit before changes in operating assets and liabilities" amounting to TL 62.047 (December 31, 2018: TL 855.948) mainly comprises other operating expenses excluding personnel expenses and amortization expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 334.636 (December 31, 2018: TL 264.856) 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 235.821 as of December 31, 2019 (December 31, 2018: TL 290.406).

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**VII. Explanations related to the risk group of the Parent Bank:**

**1. Information on the volume of transactions relating to the Parent Bank's risk group, outstanding loans and funds collected and income and expenses related to the period:**

**a) Current period:**

| Risk Group of the Parent Bank <sup>(*)</sup>       | Investment in associates, subsidiaries and joint ventures (Business Partnerships) |          | Direct and indirect shareholders of the Parent Bank |            | Other real or legal persons included in the risk group |          |
|--|---|----------|---|------------|--|----------|
|  | Cash  | Non-cash | Cash  | Non-cash   | Cash   | Non-Cash |
| <b>Loans</b>                                       |   |          |   |            |  |          |
| Balance at the beginning of the period             | 1   | 5        | 173.457   | 32.410     | 19   | -        |
| Balance at the end of the period                   | 3   | 5        | 632.926   | 27.308     | 27   | -        |
| <b>Profit share and commission income received</b> | -   | -        | <b>10.157</b>                                       | <b>195</b> | -  | -        |

**b) Prior period:**

| Risk Group of the Parent Bank <sup>(*)</sup>       | Investment in associates, subsidiaries and joint ventures (Business Partnerships) |          | Direct and indirect shareholders of the Parent Bank |           | Other real or legal persons included in the risk group |          |
|--|---|----------|---|-----------|--|----------|
|  | Cash  | Non-cash | Cash  | Non-cash  | Cash   | Non-cash |
| <b>Loans and other receivables</b>                 |   |          |   |           |  |          |
| Balance at the beginning of period                 | -   | -        | 118.658   | 22.039    | 106  | -        |
| Balance at end of period                           | 1   | 5        | 173.457   | 32.410    | 19   | -        |
| <b>Profit share and commission income received</b> | -   | -        | <b>7.288</b>  | <b>66</b> | -  | -        |

<sup>(\*)</sup> Defined under Banking Law numbered 5411 in article 49 and "Communiqué Related to Credit Operations of Banks" in article 4 published on November 1, 2006.

**c.1) Information on current and profit sharing accounts of the Parent Bank's risk group:**

| Risk Group of the Parent Bank <sup>(*)</sup> | Investment in associates, subsidiaries and joint ventures (Business Partnerships) |              | Direct and indirect Shareholders of the Parent Bank |              | Other real or legal persons included in the risk group |              |
|--|---|--------------|---|--------------|--|--------------|
|  | Current Period  | Prior Period | Current Period                                      | Prior Period | Current Period   | Prior Period |
| <b>Current and profit sharing accounts</b>   |   |              |   |              |  |              |
| Balance at the beginning of period           | 19.653  | 7.677        | 604.631   | 602.289      | 7.106  | 4.801        |
| Balance at the end of period                 | 13.955  | 19.653       | 831.442   | 604.631      | 11.073   | 7.106        |
| <b>Profit share expense</b>                  | <b>2.369</b>  | <b>842</b>   | <b>8.859</b>  | <b>5.542</b> | <b>381</b>   | <b>234</b>   |

<sup>(\*)</sup> As of December 31, 2019 wakala borrowings obtained from risk group of the Parent Bank through investment purpose wakala contracts amount to USD 34.002.557 and EUR 65.082.069 (December 31, 2018: USD 31.856.532 and EUR 122.404.261). The profit share expense relating to such borrowings for the period between January 1, 2019 – December 31, 2019 is TL 12.346 (December 31, 2018: TL 19.416). The Parent Bank has issued Sukuk in the amounts of TL 2.690.000 through "Bereket Varlık Kiralama A.Ş." which exists in the risk group of the Parent Bank. The total expenses for the related issues are TL 475.134 as of December 31, 2019 (USD 350.000.000, which its capital paid and closed in June 2019, has been included) (December 31, 2018: TL 238.195).

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**VII. Explanations related to the risk group of the Parent Bank (continued):**

USD 155 million of the additional Tier I capital amounting to USD 205 million, which was realized on February 20, 2018, belongs to Albaraka Banking Group, the main shareholder of the Parent Bank. The related amount is accounted under other capital reserves in the financial statements.

**c.2) Information on forward, option agreements, and other similar agreements with related parties:**

The Group does not have forward and option agreements with the risk group of the Parent Bank.

As of December 31, 2019, the Group has paid TL 18.031 (December 31, 2018: TL 19.406) to top management.

**VIII. Explanations related to consolidated domestic, foreign and offshore branches or investments and foreign representative offices:**

**1. Information on the domestic and foreign branches and representative offices of the Parent Bank:**

|                               | Number | Number of Personnel |         |                            |                            |
|-------------------------------|--------|---------------------|---------|----------------------------|----------------------------|
| Domestic Branches             | 228    | 3.771               |         |                            |                            |
|                               |        |                     | Country |                            |                            |
| Foreign Representation Office | -      | -                   | -       |                            |                            |
|                               |        |                     |         |                            |                            |
|                               |        |                     |         | Total Assets (Thousand TL) | Statutory Share Capital    |
| Foreign Branches              | 2      | 20                  | Iraq    | 656.918                    | 30.510.625.954 Iraqi Dinar |
|                               |        |                     |         |                            |                            |
| Off-Shore Branches            | -      | -                   | -       | -                          | -                          |

**2. Information on the Parent Bank's branch or representative office openings, closings, significant changes in the organizational structure:**

The Parent Bank has opened 1 domestic branch and 1 foreign branch, has closed 2 domestic branches in 2019 in different regions.

**IX. Explanations related to subsequent events:**

In the Board of Directors meeting dated February 19, 2020, it has been decided to propose to General Assembly that net profit from unconsolidated financial tables in 2019 to be distributed as follows

Net Profit for the year: TL 63.429

First legal reserves: TL 3.172

Distributable net profit for the year: TL 60.257

First dividend to shareholders (gross) : -

Second dividend to shareholders (gross) : -

Second legal reserves: -

Other statutory reserves (real estate profit on sale): TL 1.082

Extraordinary reserves: TL 59.175

**X. Other Explanations**

**Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification:**

None.

**ALBARAKA TRK KATILIM BANKASI A..**  
**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

**SECTION SIX**

**Independent Auditors' report**

**I. Explanations on independent audit report:**

The Group's consolidated financial statements as of and for the period ended December 31, 2019 have been audited by "Gney Bağımsız Denetim ve Serbest Muhasebeci Mali Mavirlik A.." (the member of the Ernst & Young Global Ltd.) and the audit report dated December 31, 2019 is presented at the beginning of the financial statements and related notes.

**II. Other notes and explanations prepared by the independent auditors:**

None.