

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

Albaraka Türk Katılım Bankası Anonim Şirketi

**Publicly announced consolidated financial statements and
related disclosures at December 31, 2015 together with
independent auditor's report**



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Güney Bağımsız Denetim ve
SMMM AŞ
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey
Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No: 479920-427502

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

Independent auditor report

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

Report on the Financial Statements

We have audited the accompanying consolidated balance sheet of Albaraka Türk Katılım Bankası A.Ş. ("the Bank") as at December 31, 2015, and the related consolidated income statement, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Bank's Board of Directors for the financial statements

Bank management is responsible for the preparation and fair presentation of the consolidated financial statement 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 Reporting Legislation which includes the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulation 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.

Independent Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with communiqué "Independent Audit of Banks" published by BRSA on the Official Gazette No.29314 dated April 2, 2015 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the independent auditor's professional judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the independent auditor considers the internal control relevant to bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An independent audit also includes evaluating the appropriateness of accounting policies used by the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of Albaraka Türk Katılım Bankası A.Ş. as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with BRSA Accounting and Reporting Legislation.

Reports on arising from other regulatory requirements:

In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period January 1 – December 31, 2015 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.

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.

Additional paragraph for convenience translation to English:

As explained in detail in Note XXIV 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



Damla Harman, SMMM
Partner

March 7, 2016

İstanbul, Turkey

**CONSOLIDATED FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş.
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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

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


Investments in associates, subsidiaries and joint ventures whose financial statements have been consolidated in this annual consolidated financial report are as follows.


| | Subsidiaries | Associates | Joint Ventures |
|----|--|------------|---------------------------------|
| 1. | - | - | Katılım Emeklilik ve Hayat A.Ş. |
| 2. | Bereket Varlık Kiralama A.Ş. | - | - |
| 3. | Albaraka Gayrimenkul Portföy Yönetimi A.Ş. | - | - |


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

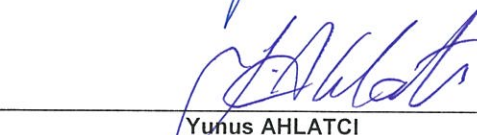
The consolidated financial statements and related disclosures and footnotes; presented in thousands of Turkish Lira unless otherwise indicated; have been prepared in accordance with the Communiqué on Accounting Applications of Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish 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.

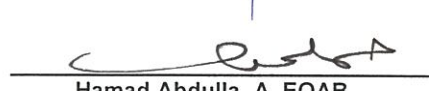
March 7, 2016



Adnan Ahmed Yusuf ABDULMALEK
 Chairman of the Board of Directors

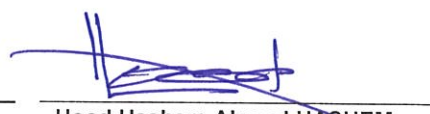

Fahrettin YAHŞI
 General Manager


Melikşah UTKU
 Assistant General Manager


Yunus AHLATCI
 Budget and Financial Reporting Manager


Hamad Abdulla A. EQAB
 Chairman of the Audit Committee


Mitat AKTAŞ
 Member of the Audit Committee


Hood Hashem Ahmed HASHEM
 Member of the Audit Committee

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

Name-Surname / Title : Bora ŞİMŞEK / Budget and 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, 2015
(Currency - Thousand Turkish Lira)

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 Undersecretariat of Treasury and the Central Bank of Turkey based on the decision of Council of Ministers numbered 83/7506, have been subjected to the provisions of the Banking Law numbered 4389 with the change of law dated December 17, 1999 and numbered 4491. Special Finance Houses have been subjected to the provisions of 'Communiqué Related to the Incorporation and Activities of Special Finance Houses' published in the Official Gazette dated September 20, 2001 numbered 24529 by the Banking Regulation and Supervision Agency (BRSA). 'Communiqué Related to the Incorporation and Activities of Special Finance Houses' has been superseded by the 'Communiqué Related to Credit Operations of Banks' published in the Official Gazette dated November 1, 2006 numbered 26333 and the 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's head office is located in Istanbul and is operating through 212 (December 31, 2014: 201) local branches and 1 (December 31, 2014: 1) foreign branch and with 3.736 (December 31, 2014: 3.510) staff as of December 31, 2015. The Group has 3.738 staff as of December 31, 2015.

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

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, 2015, 54,06% (December 31, 2014: 54,06%) of the Parent Bank's shares are owned by Albaraka Banking Group located in Bahrain. 24,80% (December 31, 2014: 24,06%) of the shares are publicly traded and quoted at Borsa Istanbul.

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to consolidated financial statements
as of December 31, 2015 (Currency - Thousand Turkish Lira)

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

| Title | Name and Surname | Administrative Function and Responsibility | Educational Degree | Ownership Percentage (%) |
|--|--|--|--------------------|--------------------------|
| Chairman of the Board of Directors (BOD) | Adnan Ahmed Yusuf ABDULMALEK | Chairman of BOD | Master | (*) 0,0000 |
| Members of BOD | Yalçın ÖNER | Vice Chairman of BOD | Master | - |
| | Ibrahim Fayez Humaid ALSHAMSI | Member of BOD | Bachelor | (*) 0,0000 |
| | Osman AKYÜZ | Member of BOD | Bachelor | - |
| | Prof.Dr. Ekrem PAKDEMİRLİ (died on 31.12.2015) | Member of BOD | Doctorate | (*) 0,0000 |
| | Mitat AKTAŞ | Member of BOD | Master | (*) 0,0000 |
| | Hamad Abdulla A. EQAB | Member of BOD | Bachelor | (*) 0,0000 |
| | Fahad Abdullah A. ALRAJHI | Member of BOD | Bachelor | (*) 0,0000 |
| | Hood Hashem Ahmed HASHEM | Member of BOD | Master | (*) 0,0000 |
| | Muhammad Zarrug M. RAJAB | Member of BOD | Bachelor | - |
| | Prof. Dr. Kemal VAROL | Independent Member of BOD | Doctorate | - |
| General Manager | Dr. Fahrettin YAHŞİ | Member of BOD /General Manager | Doctorate | - |
| Assistant General Managers | Mehmet Ali VERÇİN | Corporate Marketing, Treasury Marketing, Investment Projects | Bachelor | - |
| | Nihat BOZ | Legal Advisory, Legal Follow-up | Bachelor | - |
| | Temel HAZIROĞLU | Human Values, Training & Organisation, Performance & Career Management, Administrative Affairs, Construction and Real Estate | Master | 0,0342 |
| | Bülent TABAN | Commercial Marketing, Commercial Products Management, Regional Offices | Master | - |
| | Turgut SİMİTCİOĞLU | Credit Operations, Banking Services Operations, Foreign Affairs Operations, Payment Systems Operations, Risk Follow-up | Master | - |
| | Melikşah UTKU | Financial Affairs, Budget & Financial Reporting, Corporate Communication | Master | - |
| | Ali TUĞLU | Core Banking Applications Development, Customer & Channel and Analytical Applications, IT Support, IT Strategy & Governance | Bachelor | - |
| | Mahmut Esfa EMEK | Corporate Credits, Commercial Credits, Retail Credits | Bachelor | - |
| | Ayhan KESER | Retail Marketing, Alternative Distribution Channels, Retail Products Management, Financial Institutions, Investor Relations | Bachelor | - |
| Audit Committee | Hamad Abdulla A. EQAB | Chairman of Audit Committee | Bachelor | (*) 0,0000 |
| | Hood Hashem Ahmed HASHEM | Member of Audit Committee | Master | (*) 0,0000 |
| | Mitat AKTAŞ | Member of Audit Committee | Master | (*) 0,0000 |

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

Chairman and members of BOD, members of audit committee, general manager and assistant general managers own 0,0342% of the Parent Bank's share capital (December 31, 2014: 0,0396%).

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to consolidated financial statements
as of December 31, 2015
(Currency - Thousand Turkish Lira)

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

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

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

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

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

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

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

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

In addition to its ordinary banking activities, the Parent Bank operates as an insurance agency on behalf of Işık Sigorta, Anadolu Sigorta, Güneş Sigorta, Allianz Sigorta, Unico Sigorta, Neova Sigorta, Ankara Sigorta, Coface Sigorta, Avivasa Emeklilik ve Hayat, Generali Sigorta, as a private pension insurance agency on behalf of Anadolu Hayat Emeklilik, Avivasa Emeklilik ve 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 Customs and Trade since such applications are amendments in nature to the Article of Association. The application is included in the Article of Association after all necessary approvals are obtained.

ALBARAKA TRK KATILIM BANKASI A..

Notes related to consolidated financial statements
as of December 31, 2015
(Currency - Thousand Turkish Lira)

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:

The Parent Bank did not consolidate its associate Kredi Garanti Fonu A.. through equity method considering the materiality principle and its insignificant influence over the associate, the related associate is carried at cost in the accompanying financial statements. The Parent Bank consolidated Katılım Emeklilik ve Hayat A.., an entity under common control, and Bereket Varlık Kiralama A.., Albaraka Gayrimenkul Portf y Y netimi A.. the subsidiaries of the Parent Bank, through equity method and full consolidation method, respectively. Moreover, ABT Sukuk Limited and Albaraka Sukuk Limited, which are not subsidiaries of the Parent Bank but over which the Parent Bank has 100% controlling power, have been included in the consolidation due to the reason that these companies are "Structured Entity".

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

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

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

Section two

The consolidated financial statements

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

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

| ASSETS | Notes (Section Five-I) | THOUSAND TURKISH LIRA | | | | | |
|--|------------------------------|--------------------------------|------------------|-------------------|------------------------------|------------------|-------------------|
| | | CURRENT PERIOD (31/12/2015) | | | PRIOR PERIOD (31/12/2014) | | |
| | | TL | FC | Total | TL | FC | Total |
| I. CASH AND BALANCES WITH THE CENTRAL BANK | (1) | 894.204 | 4.010.594 | 4.904.798 | 352.393 | 2.776.793 | 3.129.186 |
| II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net) | (2) | 1.427 | 20.856 | 22.283 | 5.611 | - | 5.611 |
| 2.1 Trading Financial Assets | | 1.427 | 20.856 | 22.283 | 5.611 | - | 5.611 |
| 2.1.1 Public Sector Debt Securities | | - | - | - | - | - | - |
| 2.1.2 Equity Securities | | 790 | - | 790 | 5.611 | - | 5.611 |
| 2.1.3 Derivative Financial Assets Held for Trading | | - | 20.822 | 20.822 | - | - | - |
| 2.1.4 Other Marketable Securities | | 637 | 34 | 671 | - | - | - |
| 2.2 Financial Assets at Fair Value Through Profit and Loss | | - | - | - | - | - | - |
| 2.2.1 Public Sector Debt Securities | | - | - | - | - | - | - |
| 2.2.2 Equity Securities | | - | - | - | - | - | - |
| 2.2.3 Loans | | - | - | - | - | - | - |
| 2.2.4 Other Marketable Securities | | - | - | - | - | - | - |
| III. BANKS | (3) | 599.970 | 1.882.644 | 2.482.614 | 511.402 | 1.136.833 | 1.648.235 |
| IV. MONEY MARKET PLACEMENTS | | - | - | - | - | - | - |
| V. FINANCIAL ASSETS-AVAILABLE FOR SALE (net) | (4) | 755.337 | 265.290 | 1.020.627 | 496.367 | 136.585 | 632.952 |
| 5.1 Equity Securities | | 15 | 12.850 | 12.865 | 15 | 1.660 | 1.675 |
| 5.2 Public Sector Debt Securities | | 737.783 | 149.374 | 887.157 | 465.361 | 123.254 | 588.615 |
| 5.3 Other Marketable Securities | | 17.539 | 103.066 | 120.605 | 30.991 | 11.671 | 42.662 |
| VI. LOANS AND RECEIVABLES | (5) | 15.352.083 | 3.205.882 | 18.557.965 | 13.494.112 | 1.979.934 | 15.474.046 |
| 6.1 Loans and Receivables | | 15.165.345 | 3.205.054 | 18.370.399 | 13.454.414 | 1.979.918 | 15.434.332 |
| 6.1.1 Loans to Risk Group of The Bank | | 9.424 | 38.523 | 47.947 | 50.243 | - | 50.243 |
| 6.1.2 Public Sector Debt Securities | | - | - | - | - | - | - |
| 6.1.3 Other | | 15.155.921 | 3.166.531 | 18.322.452 | 13.404.171 | 1.979.918 | 15.384.089 |
| 6.2 Non-performing loans | | 467.256 | 1.157 | 468.413 | 326.948 | 27 | 326.975 |
| 6.3 Specific Provisions (-) | | 280.518 | 329 | 280.847 | 287.250 | 11 | 287.261 |
| VII. INVESTMENTS HELD TO MATURITY (net) | (6) | 762.890 | - | 762.890 | 783.309 | - | 783.309 |
| VIII. INVESTMENTS IN ASSOCIATES (net) | (7) | 4.719 | - | 4.719 | 4.211 | - | 4.211 |
| 8.1 Accounted for under Equity Method | | - | - | - | - | - | - |
| 8.2 Unconsolidated Associates | | 4.719 | - | 4.719 | 4.211 | - | 4.211 |
| 8.2.1 Financial Associates | | 4.719 | - | 4.719 | 4.211 | - | 4.211 |
| 8.2.2 Non-Financial Associates | | - | - | - | - | - | - |
| IX. SUBSIDIARIES (net) | (8) | - | - | - | - | - | - |
| 9.1 Unconsolidated Financial Subsidiaries | | - | - | - | - | - | - |
| 9.2 Unconsolidated Non-Financial Subsidiaries | | - | - | - | - | - | - |
| X. JOINT VENTURES (net) | (9) | 7.161 | - | 7.161 | 5.610 | - | 5.610 |
| 10.1 Accounted for under Equity Method | | 7.161 | - | 7.161 | 5.610 | - | 5.610 |
| 10.2 Unconsolidated | | - | - | - | - | - | - |
| 10.2.1 Financial Joint Ventures | | - | - | - | - | - | - |
| 10.2.2 Non-Financial Joint Ventures | | - | - | - | - | - | - |
| XI. LEASE RECEIVABLES (net) | (10) | 947.427 | - | 947.427 | 709.646 | - | 709.646 |
| 11.1 Finance Lease Receivables | | 1.090.063 | - | 1.090.063 | 782.612 | - | 782.612 |
| 11.2 Operational Lease Receivables | | - | - | - | - | - | - |
| 11.3 Other | | - | - | - | - | - | - |
| 11.4 Unearned Income (-) | | 142.636 | - | 142.636 | 72.966 | - | 72.966 |
| XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES | (11) | - | - | - | - | - | - |
| 12.1 Fair Value Hedge | | - | - | - | - | - | - |
| 12.2 Cash Flow Hedge | | - | - | - | - | - | - |
| 12.3 Hedge of Net Investment Risks in Foreign Operations | | - | - | - | - | - | - |
| XIII. TANGIBLE ASSETS (net) | (12) | 499.803 | 1.336 | 501.139 | 485.461 | 1.678 | 487.139 |
| XIV. INTANGIBLE ASSETS (net) | (13) | 43.807 | 476 | 44.283 | 26.330 | 565 | 26.895 |
| 14.1 Goodwill | | - | - | - | - | - | - |
| 14.2 Other | | 43.807 | 476 | 44.283 | 26.330 | 565 | 26.895 |
| XV. INVESTMENT PROPERTY (net) | (14) | - | - | - | - | - | - |
| XVI. TAX ASSET | (15) | 20.424 | - | 20.424 | 3.556 | - | 3.556 |
| 16.1 Current Tax Asset | | 5.334 | - | 5.334 | 3.556 | - | 3.556 |
| 16.2 Deferred Tax Asset | | 15.090 | - | 15.090 | - | - | - |
| XVII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net) | (16) | 22.574 | 245 | 22.819 | 27.678 | - | 27.678 |
| 17.1 Assets Held for Sale | | 22.574 | 245 | 22.819 | 27.678 | - | 27.678 |
| 17.2 Assets of Discontinued Operations | | - | - | - | - | - | - |
| XVIII. OTHER ASSETS | (17) | 216.054 | 2.244 | 218.298 | 74.852 | 1.559 | 76.411 |
| TOTAL ASSETS | | 20.127.880 | 9.389.567 | 29.517.447 | 16.980.538 | 6.033.947 | 23.014.485 |

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)

| LIABILITIES | Notes (Section Five-II) | THOUSAND TURKISH LIRA | | | | | |
|--|-------------------------------|--------------------------------|-------------------|-------------------|------------------------------|-------------------|-------------------|
| | | CURRENT PERIOD (31/12/2015) | | | PRIOR PERIOD (31/12/2014) | | |
| | | TL | FC | Total | TL | FC | Total |
| I. FUNDS COLLECTED | (1) | 11.331.293 | 9.010.002 | 20.341.295 | 9.781.999 | 6.861.055 | 16.643.054 |
| 1.1 Funds from Risk Group of The Bank | | 121.984 | 152.607 | 274.591 | 71.289 | 183.838 | 255.127 |
| 1.2 Other | | 11.209.309 | 8.857.395 | 20.066.704 | 9.710.710 | 6.677.217 | 16.387.927 |
| DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING | (2) | - | - | - | - | - | - |
| III. FUNDS BORROWED | (3) | - | 3.096.343 | 3.096.343 | - | 2.398.472 | 2.398.472 |
| IV. BORROWINGS FROM MONEY MARKETS | | 770.959 | - | 770.959 | 116.740 | - | 116.740 |
| V. SECURITIES ISSUED (net) | (4) | - | 977.001 | 977.001 | - | 790.662 | 790.662 |
| VI. MISCELLANEOUS PAYABLES | | 633.315 | 53.074 | 686.389 | 434.001 | 76.171 | 510.172 |
| VII. OTHER LIABILITIES | (5) | - | - | - | - | - | - |
| VIII. LEASE PAYABLES | (6) | - | - | - | - | - | - |
| 8.1 Finance Lease Payables | | - | - | - | - | - | - |
| 8.2 Operational Lease Payables | | - | - | - | - | - | - |
| 8.3 Other | | - | - | - | - | - | - |
| 8.4 Deferred Finance Lease Expenses (-) | | - | - | - | - | - | - |
| DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES | (7) | - | - | - | - | - | - |
| 9.1 Fair Value Hedge | | - | - | - | - | - | - |
| 9.2 Cash Flow Hedge | | - | - | - | - | - | - |
| 9.3 Net Foreign Investment Hedge | | - | - | - | - | - | - |
| X. PROVISIONS | (8) | 216.055 | 35.810 | 251.865 | 180.386 | 52.438 | 232.824 |
| 10.1 General Provisions | | 140.016 | 30.869 | 170.885 | 128.047 | 25.863 | 153.910 |
| 10.2 Restructuring Reserves | | - | - | - | - | - | - |
| 10.3 Reserve for Employee Benefits | | 53.039 | - | 53.039 | 32.529 | - | 32.529 |
| 10.4 Insurance Technical Reserves (net) | | - | - | - | - | - | - |
| 10.5 Other Provisions | | 23.000 | 4.941 | 27.941 | 19.810 | 26.575 | 46.385 |
| XI. TAX LIABILITY | (9) | 55.247 | 2.763 | 58.010 | 64.127 | 3 | 64.130 |
| 11.1 Current Tax Liability | | 55.247 | 2.763 | 58.010 | 55.823 | 3 | 55.826 |
| 11.2 Deferred Tax Liability | | - | - | - | 8.304 | - | 8.304 |
| LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net) | (10) | - | - | - | - | - | - |
| 12.1 Assets Held for Sale | | - | - | - | - | - | - |
| 12.2 Assets of Discontinued Operations | | - | - | - | - | - | - |
| XIII. SUBORDINATED LOANS | (11) | - | 1.239.557 | 1.239.557 | - | 472.426 | 472.426 |
| XIV. SHAREHOLDERS' EQUITY | (12) | 2.089.216 | 6.812 | 2.096.028 | 1.785.125 | 880 | 1.786.005 |
| 14.1 Paid-In Capital | | 900.000 | - | 900.000 | 900.000 | - | 900.000 |
| 14.2 Capital Reserves | | 194.422 | 6.812 | 201.234 | 159.361 | 880 | 160.241 |
| 14.2.1 Share Premium | | - | - | - | - | - | - |
| 14.2.2 Share Cancellation Profits | | - | - | - | - | - | - |
| 14.2.3 Marketable Securities Valuation Reserve | | 4.203 | 6.812 | 11.015 | 9.155 | 880 | 10.035 |
| 14.2.4 Revaluation Reserve on Tangible Assets | | 189.092 | - | 189.092 | 153.179 | - | 153.179 |
| 14.2.5 Revaluation Reserve on Intangible Assets | | - | - | - | - | - | - |
| 14.2.6 Investment Property Revaluation Reserve | | - | - | - | - | - | - |
| 14.2.7 Bonus Shares From Associates, Subsidiaries and Jointly Controlled Entities | | - | - | - | - | - | - |
| 14.2.8 Hedging Funds (Effective Portion) | | - | - | - | - | - | - |
| 14.2.9 Accumulated Valuation Differences on Assets Held For Sale and Assets of Discontinued Operations | | - | - | - | - | - | - |
| 14.2.10 Other Capital Reserves | | 1.127 | - | 1.127 | (2.973) | - | (2.973) |
| 14.3 Profit Reserves | | 696.531 | - | 696.531 | 470.137 | - | 470.137 |
| 14.3.1 Legal Reserves | | 84.774 | - | 84.774 | 71.744 | - | 71.744 |
| 14.3.2 Status Reserves | | - | - | - | - | - | - |
| 14.3.3 Extraordinary Reserves | | 611.757 | - | 611.757 | 398.393 | - | 398.393 |
| 14.3.4 Other Profit Reserves | | - | - | - | - | - | - |
| 14.4 Profit or Loss | | 298.263 | - | 298.263 | 255.627 | - | 255.627 |
| 14.4.1 Prior Years Profit / (Loss) | | (2.580) | - | (2.580) | 7.480 | - | 7.480 |
| 14.4.2 Current Year Profit / (Loss) | | 300.843 | - | 300.843 | 248.147 | - | 248.147 |
| 14.5 Minority Interest | | - | - | - | - | - | - |
| TOTAL LIABILITIES | | 15.096.085 | 14.421.362 | 29.517.447 | 12.362.378 | 10.652.107 | 23.014.485 |

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

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET

| STATEMENT OF OFF BALANCE SHEET | | Notes (Section Five-III) | THOUSAND TURKISH LIRA | | | | | |
|---|---|--------------------------------|--------------------------------|-------------------|-------------------|------------------------------|------------------|-------------------|
| | | | CURRENT PERIOD (31/12/2015) | | | PRIOR PERIOD (31/12/2014) | | |
| | | | TL | FC | Total | TL | FC | Total |
| A. | OFF BALANCE SHEET COMMITMENTS (I+II+III) | (1) | 5.494.071 | 4.916.466 | 10.410.537 | 5.077.895 | 3.929.264 | 9.007.159 |
| I. | GUARANTEES AND SURETIES | | 4.275.402 | 4.388.655 | 8.664.057 | 4.149.365 | 3.929.144 | 8.078.509 |
| 1.1. | Letters of Guarantees | | 4.269.478 | 3.460.810 | 7.730.288 | 4.122.802 | 2.749.839 | 6.872.641 |
| 1.1.1. | Guarantees Subject to State Tender Law | | 259.046 | 23.832 | 282.878 | 166.552 | 21.939 | 188.491 |
| 1.1.2. | Guarantees Given for Foreign Trade Operations | | 436 | 816.444 | 816.880 | 597 | 778.622 | 779.219 |
| 1.1.3. | Other Letters of Guarantee | | 4.009.996 | 2.620.534 | 6.630.530 | 3.955.653 | 1.949.278 | 5.904.931 |
| 1.2. | Bank Loans | | - | 28.324 | 28.324 | - | 33.055 | 33.055 |
| 1.2.1. | Import Letter of Acceptances | | - | 28.324 | 28.324 | - | 33.055 | 33.055 |
| 1.2.2. | Other Bank Acceptances | | - | - | - | - | - | - |
| 1.3. | Letter of Credits | | - | 639.592 | 639.592 | 7.997 | 581.273 | 589.270 |
| 1.3.1. | Documentary Letter of Credits | | - | - | - | - | - | - |
| 1.3.2. | Other Letter of Credits | | - | 639.592 | 639.592 | 7.997 | 581.273 | 589.270 |
| 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 | | 1.877 | 245.719 | 247.596 | 2.551 | 558.481 | 561.032 |
| 1.7. | Other Collaterals | | 4.047 | 14.210 | 18.257 | 16.015 | 6.496 | 22.511 |
| II. | COMMITMENTS | (1) | 1.218.669 | 110.806 | 1.329.475 | 928.530 | 120 | 928.650 |
| 2.1. | Irrevocable Commitments | | 1.218.669 | 110.806 | 1.329.475 | 928.530 | 120 | 928.650 |
| 2.1.1. | Asset Purchase and Sale Commitments | | 76.526 | 110.806 | 187.332 | - | - | - |
| 2.1.2. | Share Capital Commitment to Associates and Subsidiaries | | - | - | - | - | - | - |
| 2.1.3. | Loan Granting Commitments | | 116.862 | - | 116.862 | 59.439 | - | 59.439 |
| 2.1.4. | Securities Underwriting Commitments | | - | - | - | - | - | - |
| 2.1.5. | Commitments for Reserve Deposit Requirements | | - | - | - | - | - | - |
| 2.1.6. | Payment Commitment for Cheques | | 500.882 | - | 500.882 | 353.093 | - | 353.093 |
| 2.1.7. | Tax And Fund Liabilities from Export Commitments | | 2.035 | - | 2.035 | 1.506 | - | 1.506 |
| 2.1.8. | Commitments for Credit Card Expenditure Limits | | 521.562 | - | 521.562 | 510.257 | - | 510.257 |
| 2.1.9. | Commitments for Promotions Related with Credit Cards and Banking Activities | | 599 | - | 599 | 523 | - | 523 |
| 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 | | 203 | - | 203 | 3.712 | 120 | 3.832 |
| 2.2. | Revocable Commitments | | - | - | - | - | - | - |
| 2.2.1. | Revocable Loan Granting Commitments | | - | - | - | - | - | - |
| 2.2.2. | Other Revocable Commitments | | - | - | - | - | - | - |
| III. | DERIVATIVE FINANCIAL INSTRUMENTS | (2) | - | 417.005 | 417.005 | - | - | - |
| 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 | | - | 417.005 | 417.005 | - | - | - |
| 3.2.1. | Forward Foreign Currency Buy/Sell Transactions | | - | 417.005 | 417.005 | - | - | - |
| 3.2.1.1. | Forward Foreign Currency Transactions-Buy | | - | 219.089 | 219.089 | - | - | - |
| 3.2.1.2. | Forward Foreign Currency Transactions-Sell | | - | 197.916 | 197.916 | - | - | - |
| 3.2.2. | Other Forward Buy/Sell Transactions | | - | - | - | - | - | - |
| 3.3. | Other | | - | - | - | - | - | - |
| B. | CUSTODY AND PLEDGED ITEMS (IV+V+VI) | | 38.754.719 | 5.866.824 | 44.621.543 | 30.389.457 | 4.509.815 | 34.899.272 |
| IV. | ITEMS HELD IN CUSTODY | | 1.671.504 | 932.158 | 2.603.662 | 1.353.738 | 1.454.959 | 2.808.697 |
| 4.1. | Assets Under Management | | - | - | - | - | - | - |
| 4.2. | Investment Securities Held in Custody | | 72 | - | 72 | 72 | - | 72 |
| 4.3. | Cheques Received for Collection | | 1.135.253 | 140.774 | 1.276.027 | 841.140 | 105.953 | 947.093 |
| 4.4. | Commercial Notes Received for Collection | | 509.767 | 23.015 | 532.782 | 488.418 | 18.801 | 507.219 |
| 4.5. | Other Assets Received for Collection | | 103 | - | 103 | 103 | - | 103 |
| 4.6. | Assets Received for Public Offering | | - | - | - | - | - | - |
| 4.7. | Other Items Under Custody | | 999 | 280.573 | 281.572 | 7.997 | 986.909 | 994.906 |
| 4.8. | Custodians | | 25.310 | 487.796 | 513.106 | 16.008 | 343.296 | 359.304 |
| V. | PLEDGED ITEMS | | 37.083.215 | 4.934.666 | 42.017.881 | 29.035.719 | 3.054.856 | 32.090.575 |
| 5.1. | Marketable Securities | | 2.526.159 | 1.260.176 | 3.786.335 | 1.530.006 | 1.157.125 | 2.687.131 |
| 5.2. | Guarantee Notes | | 1.792.505 | 166.731 | 1.959.236 | 1.877.551 | 204.313 | 2.081.864 |
| 5.3. | Commodity | | 1.671.688 | 750.681 | 2.422.369 | 1.070.691 | 380.393 | 1.451.084 |
| 5.4. | Warranty | | - | - | - | - | - | - |
| 5.5. | Properties | | 29.631.293 | 1.227.662 | 30.858.955 | 23.266.419 | 773.474 | 24.039.893 |
| 5.6. | Other Pledged Items | | 1.372.083 | 1.526.355 | 2.898.438 | 1.237.960 | 530.859 | 1.768.819 |
| 5.7. | Pledged Items-Depository | | 89.487 | 3.061 | 92.548 | 53.092 | 8.692 | 61.784 |
| VI. | ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES | | - | - | - | - | - | - |
| TOTAL OFF BALANCE SHEET ACCOUNTS (A+B) | | | 44.248.790 | 10.783.290 | 55.032.080 | 35.467.352 | 8.439.079 | 43.906.431 |

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

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF INCOME

| INCOME AND EXPENSE ITEMS | Notes (Section Five-IV) | THOUSAND TURKISH LIRA | |
|---|-------------------------------|--|--|
| | | CURRENT PERIOD (01/01/2015- 31/12/2015) | PRIOR PERIOD (01/01/2014- 31/12/2014) |
| I. PROFIT SHARE INCOME | (1) | 1.932.833 | 1.501.386 |
| 1.1 Profit Share on Loans | | 1.708.889 | 1.376.418 |
| 1.2 Income Received from Reserve Deposits | | 10.263 | 492 |
| 1.3 Income Received from Banks | | 36 | 1.882 |
| 1.4 Income Received from Money Market Placements | | - | - |
| 1.5 Income Received from Marketable Securities Portfolio | | 132.889 | 94.216 |
| 1.5.1 Held-For-Trading Financial Assets | | - | - |
| 1.5.2 Financial Assets at Fair Value Through Profit and Loss | | - | - |
| 1.5.3 Available-For-Sale Financial Assets | | 68.293 | 40.234 |
| 1.5.4 Investments Held to Maturity | | 64.596 | 53.982 |
| 1.6 Finance Lease Income | | 79.117 | 28.152 |
| 1.7 Other Profit Share Income | | 1.639 | 226 |
| II. PROFIT SHARE EXPENSE | (2) | 1.046.897 | 802.412 |
| 2.1 Expense on Profit Sharing Accounts | | 829.279 | 680.979 |
| 2.2 Profit Share Expense on Funds Borrowed | | 102.037 | 74.352 |
| 2.3 Profit Share Expense on Money Market Borrowings | | 47.081 | 22.007 |
| 2.4 Profit Share Expense on Securities Issued | | 59.165 | 24.764 |
| 2.5 Other Profit Share Expense | | 9.335 | 310 |
| III. NET PROFIT SHARE INCOME (I - II) | | 885.936 | 698.974 |
| IV. NET FEES AND COMMISSIONS INCOME/EXPENSES | | 135.997 | 128.336 |
| 4.1 Fees and Commissions Received | | 187.627 | 161.173 |
| 4.1.1 Non-Cash Loans | | 98.046 | 81.953 |
| 4.1.2 Other | (12) | 89.581 | 79.220 |
| 4.2 Fees and Commissions Paid | | 51.630 | 32.837 |
| 4.2.1 Non-Cash Loans | | 321 | 421 |
| 4.2.2 Other | (12) | 51.309 | 32.416 |
| V. DIVIDEND INCOME | (3) | 519 | 180 |
| VI. TRADING INCOME/LOSS(net) | (4) | 52.570 | 53.257 |
| 6.1 Capital Market Transaction Income / (Loss) | | 2.223 | 1.474 |
| 6.2 Income / (Loss) from Derivative Financial Instruments | | 68.093 | 21.141 |
| 6.3 Foreign Exchange Income / (Loss) | | (17.746) | 30.642 |
| VII. OTHER OPERATING INCOME | (5) | 113.407 | 96.819 |
| VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII) | | 1.188.429 | 977.566 |
| IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-) | (6) | 157.143 | 149.576 |
| X. OTHER OPERATING EXPENSES (-) | (7) | 654.807 | 502.468 |
| XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X) | | 376.479 | 325.522 |
| XII. EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER | | - | - |
| XIII. INCOME / (LOSS) ON EQUITY METHOD | | (2.226) | (4.454) |
| XIV. INCOME / (LOSS) ON NET MONETARY POSITION | | - | - |
| XV. INCOME / (LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV) | (8) | 374.253 | 321.068 |
| XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±) | (9) | (73.410) | (72.921) |
| 16.1 Provision for Current Taxes | | (77.661) | (73.282) |
| 16.2 Provision for Deferred Taxes | | 4.251 | 361 |
| XVII. NET INCOME / (LOSS) FROM CONTINUED OPERATIONS (XV±XVI) | (10) | 300.843 | 248.147 |
| XVIII. INCOME FROM DISCONTINUED OPERATIONS | (10) | - | - |
| 18.1 Income from Assets Held For Sale | | - | - |
| 18.2 Income from Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.) | | - | - |
| 18.3 Income from Other Discontinued Operations | | - | - |
| XIX. LOSS FROM DISCONTINUED OPERATIONS (-) | | - | - |
| 19.1 Loss from Assets Held for Sale | | - | - |
| 19.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.) | | - | - |
| 19.3 Loss from Other Discontinued Operations | | - | - |
| XX. INCOME / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX) | | - | - |
| XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±) | | - | - |
| 21.1 Provision for Current Taxes | | - | - |
| 21.2 Provision for Deferred Taxes | | - | - |
| XXII. NET INCOME / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI) | | - | - |
| XXIII. NET INCOME / LOSS (XVII+XXII) | (11) | 300.843 | 248.147 |
| 23.1 Group's Income/Loss | | 300.843 | 248.147 |
| 23.2 Minority Interest | | - | - |
| Earnings Per Share (Full TL) | | 0,334 | 0,276 |

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

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS
ACCOUNTED UNDER SHAREHOLDERS' EQUITY

| STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY | THOUSAND TURKISH LIRA | |
|---|---|---|
| | CURRENT PERIOD (01/01/2015-31/12/2015) | PRIOR PERIOD (01/01/2014-31/12/2014) |
| I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS | 1.225 | 18.471 |
| II. TANGIBLE ASSETS REVALUATION DIFFERENCES | 31.988 | 73.598 |
| III. INTANGIBLE ASSETS REVALUATION DIFFERENCES | - | - |
| IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS | 4.368 | 1.305 |
| V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES) | - | - |
| VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES) | - | - |
| VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES | - | - |
| VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY IN ACCORDANCE WITH TAS | 8.549 | (6.958) |
| IX. DEFERRED TAX ON VALUATION DIFFERENCES | (2.564) | (17.022) |
| X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX) | 43.566 | 69.394 |
| XI. PROFIT/LOSS | 300.843 | 248.147 |
| 11.1 Net change in Fair Value of Marketable Securities (Recycled To Profit/Loss) | - | - |
| 11.2 Part of Derivatives Designated for Cash Flow Hedge Purposes reclassified and presented in Income Statement | - | - |
| 11.3 Part of Hedge of Net Investments in Foreign Operations reclassified and presented in Income Statement | - | - |
| 11.4 Other | 300.843 | 248.147 |
| XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI) | 344.409 | 317.541 |

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

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

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(THOUSAND TURKISH LIRA)

| CHANGES IN SHAREHOLDERS' EQUITY | Notes (Section Five) | Paid-in Capital | Effect of Inflation on Accounting Capital | Share Premium | Share Cancellation | Share Certificate | Legal Reserves | Status Reserves | Extraordinary Reserves | Other Reserves | Current Period Net Income / (Loss) | Prior Years Net Income / (Loss) | Marketable Securities Valuation Reserve | Tangible and Intangible Assets Revaluation Reserve | Bonus Shares from Investments | Hedging Reserves | Accumulated | |
|---|----------------------|-----------------|---|---------------|--------------------|-------------------|----------------|-----------------|------------------------|----------------|------------------------------------|---------------------------------|---|--|-------------------------------|------------------|---|-----------|
| | | | | | | | | | | | | | | | | | Valuation Differences on Assets Held For Sale and | Disc.op. |
| PRIOR PERIOD (01/01/2014-31/12/2014) | | | | | | | | | | | | | | | | | | |
| I. Beginning balance | (V) | 900.000 | - | - | - | - | 59.602 | - | 202.043 | 810 | 240.973 | 1.434 | (4.742) | 96.712 | - | - | - | 1.496.832 |
| Changes In Period Increase/Decrease Related to Merger | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| II. Marketable Securities Valuation Differences | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. Hedging Funds (Effective Portion) | | - | - | - | - | - | - | - | - | - | - | - | 14.777 | - | - | - | - | 14.777 |
| IV. Cash-Flow Hedge | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.1 Hedge Of Net Investment in Foreign Operations | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.2 Tangible Assets Revaluation Differences | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| V. Intangible Assets Revaluation Differences | | - | - | - | - | - | - | - | - | - | - | - | - | 58.878 | - | - | - | 58.878 |
| VI. Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. Foreign Exchange Differences | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. Changes Related to the Disposal Of Assets | | - | - | - | - | - | - | - | - | 1.305 | - | - | - | - | - | - | - | 1.305 |
| IX. Changes Related to the Reclassification of Assets | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. The Effect of Change In Associate's Equity | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XI. Capital Increase | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XII.1 Cash | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XII.2 Internal Sources | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XIII. Share Issue Premium | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XIV. Share Cancellation Profits | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XV. Inflation Adjustment to Paid-in Capital | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XVI. Other | | - | - | - | - | - | - | - | - | (5.088) | - | 5.065 | - | (2.411) | - | - | - | (2.434) |
| XVII. Period Net Income/(Loss) | | - | - | - | - | - | - | - | - | - | 248.147 | - | - | - | - | - | - | 248.147 |
| XVIII. Profit Distribution | | - | - | - | - | - | 12.142 | - | 196.350 | - | (240.973) | 981 | - | - | - | - | - | (31.500) |
| 18.1 Dividends Distributed | | - | - | - | - | - | - | - | - | - | - | (31.500) | - | - | - | - | - | (31.500) |
| 18.2 Transfers To Reserves | | - | - | - | - | - | 12.142 | - | 196.350 | - | - | (208.492) | - | - | - | - | - | (31.500) |
| 18.3 Other | | - | - | - | - | - | - | - | - | - | (240.973) | 240.973 | - | - | - | - | - | - |
| Closing Balance | | 900.000 | - | - | - | - | 71.744 | - | 398.393 | (2.973) | 248.147 | 7.480 | 10.035 | 153.179 | - | - | - | 1.786.005 |
| (I+II+III+...+XVI+XVII+XVIII) | | | | | | | | | | | | | | | | | | |

The accompanying explanations and notes are an integral part of these financial statements.
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(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish - See section three Note XXV)

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(THOUSAND TURKISH LIRA)

| CHANGES IN SHAREHOLDERS' EQUITY | Notes (Section Five) | Paid-in Capital | Effect of Inflation Accounting on Capital | Share Premium | Share Certificate Cancellation | Legal Reserves | Status Reserves | Extraordinary Reserves | Other Reserves | Current Period Net Income / (Loss) | Prior Years Net Income / (Loss) | Marketable Securities Valuation Reserve | Tangible and Intangible Assets Revaluation Reserve | Bonus Shares from Investments | Hedging Reserves | Accumulated Valuation Differences on Assets Held For Sale and Disc.op. | |
|---|---|-----------------|---|---------------|--------------------------------|----------------|-----------------|------------------------|----------------|------------------------------------|---------------------------------|---|--|-------------------------------|------------------|--|-----------|
| | | | | | | | | | | | | | | | | | |
| CURRENT PERIOD (01/01/2015-31/12/2015) | | | | | | | | | | | | | | | | | |
| I. | Beginning balance | (V) 900.000 | - | - | - | 71.744 | - | 398.393 | {2.973} | 248.147 | 7.480 | 10.035 | 153.179 | - | - | - | 1.786.005 |
| II. | Changes In Period Increase/Decrease Related to Merger | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. | Marketable Securities Valuation Differences | - | - | - | - | - | - | - | - | - | - | 980 | - | - | - | - | 980 |
| IV. | Hedging Funds (Effective Portion) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.1 | Cash-Flow Hedge | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.2 | Hedge Of Net Investment in Foreign Operations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| V. | Tangible Assets Revaluation Differences | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VI. | Intangible Assets Revaluation Differences | - | - | - | - | - | - | - | - | - | - | - | 29.598 | - | - | - | 29.598 |
| VII. | Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. | Foreign Exchange Differences | - | - | - | - | - | - | - | 4.368 | - | - | - | - | - | - | - | - |
| IX. | Changes Related to the Disposal Of Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. | Changes Related to the Reclassification of Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XI. | The Effect of Change in Associate's Equity | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XII. | Capital Increase | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 12.1 | Cash | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 12.2 | Internal Sources | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XIII. | Share Issue Premium | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XIV. | Share Cancellation Profits | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XV. | Inflation Adjustment to Paid-in Capital | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XVI. | Other | - | - | - | - | - | - | - | (268) | - | 2.387 | - | 6.315 | - | - | - | - |
| XVII. | Period Net Income/(Loss) | - | - | - | - | - | - | - | - | 300.843 | - | - | - | - | - | - | 8.434 |
| XVIII. | Profit Distribution | - | - | - | - | 13.030 | - | 213.364 | - | (248.147) | (12.447) | - | - | - | - | - | 300.843 |
| 18.1 | Dividends Distributed | - | - | - | - | - | - | - | - | - | (34.200) | - | - | - | - | - | (34.200) |
| 18.2 | Transfers To Reserves | - | - | - | - | 13.030 | - | 213.364 | - | - | (226.394) | - | - | - | - | - | (34.200) |
| 18.3 | Other | - | - | - | - | - | - | - | - | (248.147) | 248.147 | - | - | - | - | - | - |
| Closing Balance (I+II+III+...+XVI+XVII+XVIII) | | 900.000 | - | - | - | 84.774 | - | 611.757 | 1.127 | 300.843 | (2.580) | 11.015 | 189.092 | - | - | - | 2.096.028 |

The accompanying explanations and notes are an integral part of these financial statements.
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ALBARAKA TÜRK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS

| | | THOUSAND TURKISH LIRA | |
|---|------------|---|---|
| STATEMENT OF CASH FLOWS | | CURRENT PERIOD (01/01/2015-31/12/2015) | PRIOR PERIOD (01/01/2014-31/12/2014) |
| | Notes | | |
| A. CASH FLOWS FROM BANKING OPERATIONS | | | |
| 1.1 Operating Profit Before Changes In Operating Assets And Liabilities | | 861.379 | 655.923 |
| 1.1.1 Profit Share Income Received | | 1.730.352 | 1.261.832 |
| 1.1.2 Profit Share Expense Paid | | (1.011.041) | (782.488) |
| 1.1.3 Dividend Received | | 10 | 180 |
| 1.1.4 Fees and Commissions Received | | 187.628 | 273.494 |
| 1.1.5 Other Income | | 107.179 | 70.248 |
| 1.1.6 Collections from Previously Written Off Loans | (V-I-5,h2) | 118.799 | 43.332 |
| 1.1.7 Payments to Personnel and Service Suppliers | | (354.129) | (281.884) |
| 1.1.8 Taxes Paid | | (104.771) | (90.842) |
| 1.1.9 Others | (V-VI-3) | 187.352 | 162.051 |
| 1.2 Changes In Operating Assets And Liabilities | | 127.075 | (987.601) |
| 1.2.1 Net (Increase) Decrease in Available For Sale Financial Assets | | (16.672) | (820) |
| 1.2.2 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss | | - | - |
| 1.2.3 Net (Increase) Decrease in Due From Banks and Other Financial Institutions | | (698.078) | (742.965) |
| 1.2.4 Net (Increase) Decrease in Loans | | (3.105.308) | (4.151.863) |
| 1.2.5 Net (Increase) Decrease in Other Assets | | (155.497) | (13.762) |
| 1.2.6 Net Increase (Decrease) in Funds Collected From Banks | | 103.435 | 32.263 |
| 1.2.7 Net Increase (Decrease) in Other Funds Collected | | 3.100.801 | 3.795.562 |
| 1.2.8 Net Increase (Decrease) in Funds Borrowed | | 716.415 | 5.233 |
| 1.2.9 Net Increase (Decrease) in Payables | | - | - |
| 1.2.10 Net Increase (Decrease) in Other Liabilities | (V-VI-3) | 181.979 | 88.751 |
| I. Net Cash Flow From Banking Operations | | 988.454 | (331.678) |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| II. Net Cash Flow From Investing Activities | | (376.133) | (378.284) |
| 2.1 Cash Paid for Acquisition of Jointly Controlled Operations, Associates and Subsidiaries | | (5.000) | (5.000) |
| 2.2 Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries | | - | - |
| 2.3 Fixed Assets Purchases | | (68.547) | (72.082) |
| 2.4 Fixed Assets Sales | | 43.773 | 28.893 |
| 2.5 Cash Paid for Purchase of Financial Assets Available for Sale | | (610.562) | (346.158) |
| 2.6 Cash Obtained from Sale of Financial Assets Available for Sale | | 179.188 | - |
| 2.7 Cash Paid for Purchase of Investment Securities | (V-I-6) | (391.427) | (350.000) |
| 2.8 Cash Obtained from Sale of Investment Securities | (V-I-6) | 476.442 | 366.063 |
| 2.9 Other | | - | - |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| III. Net Cash Flow From Financing Activities | | 1.162.868 | 1.028.434 |
| 3.1 Cash Obtained from Funds Borrowed and Securities Issued | | 6.259.412 | 5.104.332 |
| 3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued | | (5.062.344) | (4.044.398) |
| 3.3 Issued Capital Instruments | | - | - |
| 3.4 Dividends Paid | | (34.200) | (31.500) |
| 3.5 Payments for Finance Leases | | - | - |
| 3.6 Other | | - | - |
| IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents | (V-VI-3) | 124.317 | 58.299 |
| V. Net (Decrease) Increase in Cash and Cash Equivalents | | 1.899.506 | 376.771 |
| VI. Cash and Cash Equivalents at the Beginning of the Period | (V-VI-I) | 1.908.548 | 1.531.777 |
| VII. Cash and Cash Equivalents at the End of the Period | (V-VI-II) | 3.808.054 | 1.908.548 |

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

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
STATEMENT OF PROFIT APPROPRIATION

| STATEMENT OF PROFIT APPROPRIATION(*****) | THOUSAND TURKISH LIRA | |
|---|------------------------------------|------------------------------|
| | CURRENT PERIOD (*) (31/12/2015) | PRIOR PERIOD (31/12/2014) |
| I. Distribution of current year income | | |
| 1.1. Current year income (****) | 380.388 | 333.515 |
| 1.2. Taxes and duties payable (-) | 73.915 | 72.921 |
| 1.2.1. Corporate tax (Income tax) | 78.166 | 73.282 |
| 1.2.2. Income withholding tax | | |
| 1.2.3. Other taxes and legal liabilities (**) | (4.251) | (361) |
| A. Net income for the year (1.1-1.2) | 306.473 | 260.594 |
| 1.3. Prior year losses (-) | - | - |
| 1.4. First legal reserves (-) | - | 13.030 |
| 1.5. Other statutory reserves (-) | - | - |
| B. Distributable net period income [(A-{1.3+1.4+1.5})] (*) | 306.473 | 247.564 |
| 1.6. First dividend to shareholders (-) | - | 34.200 |
| 1.6.1. To owners of ordinary shares | - | 34.200 |
| 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 | - | 213.364 |
| 1.13. Other reserves | - | - |
| 1.14. Special funds | - | - |
| II. Distribution from reserves | | |
| 2.1. Distributed reserves | - | - |
| 2.2. Second legal reserves (-) | - | - |
| 2.3. Share to shareholders (-) | - | - |
| 2.3.1. To owners of ordinary shares | - | - |
| 2.3.2. To owners of preferred shares | - | - |
| 2.3.3. To owners of preferred shares (Preemptive rights) | - | - |
| 2.3.4. To profit sharing bonds | - | - |
| 2.3.5. To owners of the profit /loss sharing certificates | - | - |
| 2.4. Share to personnel (-) | - | - |
| 2.5. Share to board of directors (-) | - | - |
| III. Earnings per share | | |
| 3.1. To owners of ordinary shares (***) (Full TL) | 0,341 | 0,290 |
| 3.2. To owners of ordinary shares (%) | 34,1 | 29,0 |
| 3.3. To owners of preferred shares | - | - |
| 3.4. To owners of preferred shares (%) | - | - |
| IV. Dividend per share | | |
| 4.1. To owners of ordinary shares (Full TL) | - | 0,038 |
| 4.2. To owners of ordinary shares (%) | - | 3,8 |
| 4.3. To owners of preferred shares | - | - |
| 4.3. To owners of preferred shares (%) | - | - |

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

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

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

(****) Current year income includes previous year's profit and current year profit.

(*****) Statement of profit appropriation is prepared as per the Parent Bank's unconsolidated financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to consolidated financial statements
as of December 31, 2015
(Currency - Thousand Turkish Lira)

Section three

Accounting policies

I. Explanations on basis of presentation:

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

The 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 1 November 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 28 June 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 and revalued real estates carried at fair value.

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

Accounting policies and valuation methods used in the preparation of financial statements have been applied as specified in the related communiqués, pronouncements and regulations of TAS and BRSA for the year ended December 31, 2014. Consolidated financial statements as of December 31, 2015 have been prepared by accounting for Katılım Emeklilik ve Hayat A.Ş. using equity Method and Bereket Varlık Kiralama A.Ş. and Albaraka Gayrimenkul Portföy Yönetimi A.Ş. using full consolidation method. The accounting policies and valuation principles used in the preparation of consolidated financial statements are explained between in Notes II and XXIII below.

TAS/TFRS changes which are effective from January 1, 2015 do not have a significant effect on the Group's accounting policies, financial position or performance. As of the date of financial statements, TAS/TFRS changes which are announced but not yet effective do not have a significant effect on the Group's accounting policies, financial position or performance.

The effects of changes in TAS and TFRS standards, except from TFRS 9 "Financial Instruments" (version 2011) and TAS 27 "Separate Financial Statements", which have been published as of reporting date but has not been implemented yet, will have no significant impact on the accounting policies, financial condition and performance of the Group. The Group assesses the impact of TFRS 9 Financial Instruments standard. TFRS 9 will have an effect on the classification and measurement of financial statements. However, as the impact of adoption depends on the assets held by the Group at the date of adoption itself, potential effect has not been quantified yet. The change in TAS 27 "Separate Financial Statements", which will be effective starting from January 1, 2016, will enable Group to recognize investments in associates, joint ventures and subsidiaries using equity method in separate financial statements as specified in TAS 28. The Group will not use the related method in unconsolidated financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to consolidated financial statements
as of December 31, 2015
(Currency - Thousand Turkish Lira)

I. Explanations on basis of presentation (continued):

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

"Communiqué related to Changes in Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated January 23, 2011 and numbered 27824 has set out the financial statement formats for the banks which selected to early adopt TFRS 9 (In accordance with the Communiqué related to Changes in Communiqué on TFRS 9 "Financial Instruments" published in the Official Gazette dated April 7, 2015 numbered 29319, the effective date of the mentioned Communiqué has been changed as December 31, 2014 which is planned to be applied after 31 December 2017.) "Financial Instruments" before January 1, 2018. Since the Parent Bank has not chosen to early adopt TFRS 9, the accompanying financial statements have been prepared in accordance with the financial statements in the appendix of "Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337.

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

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

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

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

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

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

The portion of risk belonging to the profit sharing accounts for foreign currency non-performing loans which were funded from these accounts is evaluated at current foreign exchange rates. The portion of provisions provided for such loans belonging to profit sharing accounts are also evaluated at current foreign exchange rates.

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to consolidated financial statements
as of December 31, 2015
(Currency - Thousand Turkish Lira)

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

Since the Parent Bank provides full specific provision (except foreign branch) for the Parent Bank's portion of risk of foreign currency non-performing loans and receivables funded from profit sharing accounts and for the risk of foreign currency non-performing loans and receivables funded by equity, such loans and receivables are translated to Turkish Lira at the current exchange rates instead of exchange rates prevailing at the date of transfer of the balances to non-performing portfolio. Such implementation does not have a positive or negative impact on trading income/loss of the Group.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial assets into Turkish Lira are included in the income statement.

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

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

There are no foreign currency differences capitalized by the Group.

III. Information on consolidated associates:

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

a) Consolidation principles on joint ventures:

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

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

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

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

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III. Information on consolidated associates (continued):

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 Group.

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

| Title | Operation Center (City/Country) | Main Activities | Effective Rates (%) | Direct and Indirect Rates (%) |
|--|---------------------------------|--|---------------------|-------------------------------|
| Bereket Varlık Kiralama A.Ş. | Istanbul/Türkiye | Sukuk Issue | 100,00 | 100,00 |
| Albaraka Gayrimenkul Portföy Yönetimi A.Ş. | Istanbul/Türkiye | Real Estates Investment Fund Foundation and Management | 100,00 | 100,00 |

c) Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements:

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

When the cost of associates and subsidiaries is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

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

The derivative financial instruments of the Group consist of forward foreign currency and swap agreements. The Group records the spot foreign currency transactions in asset purchase and sale commitments.

The Group's derivative transactions, even though they provide effective economic hedges under the Group's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" and are therefore treated as "financial instruments at fair value through profit or loss" and the related gain or loss is associated with income statement.

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IV. Explanations on forward, option contracts and derivative instruments (continued):

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 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" by using internal rate of return method that equalizes the future cash flows of the financial instrument to the net present value. Profit share income is recognized on accrual basis.

Revenues regarding the profit and loss sharing investment projects are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, the Bank retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, inflow of economic benefits associated with the transaction is probable and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In accordance with the "Communiqué of Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" dated November 1, 2006 and numbered 26333, the profit share accruals of non-performing loans and other receivables are reversed and are recorded as profit share income when collected.

Profit share expense

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

VI. Explanations on fees, commission income and expenses:

Other than commission income and fees and expenses for various banking services that are reflected as income /expense when collected/ paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction.

In accordance with provisions of TAS, the portion of the commission and fees which are related to the reporting period and collected in advance for cash and non-cash loans granted is reflected to the income statement by using the internal rate of return method and straight line methods, respectively over the commission period of the related loan, respectively. Fees and commissions collected in advance which are related to the future periods are recorded under the account 'Unearned Revenues' and included in 'Miscellaneous Payables' in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share from Loans" in the income statement.

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

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VII. Explanations on financial assets:

The Group categorizes and records its financial assets as 'Financial Assets at Fair Value through Profit and Loss', 'Financial Assets Available for Sale', 'Loans and Receivables' or 'Financial Assets Held to Maturity'. Sale and purchase transactions of the financial assets mentioned above are recognized at the settlement dates. The appropriate classification of financial assets of the Group is determined at the time of purchase by the Parent Bank management taking into consideration the purpose of the investment.

Financial assets at fair value through profit or loss:

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

Trading financial assets are financial assets which are either acquired for generating profit from short-term fluctuations in prices or dealers' margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists.

Financial assets classified in this group are initially recognized at cost which reflects their fair values and are subsequently measured at fair value in the financial statements. All gains and losses arising from these valuations are reflected in the income statement.

The Parent Bank has classified share certificates in its portfolio as trading financial assets and presented them at fair value in the accompanying financial statements.

As of December 31, 2015, the Parent Bank has no financial assets classified as financial assets at fair value through profit or loss except for trading financial assets.(December 31, 2014 : None.)

Financial assets available for sale:

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. After the initial recognition, available for sale securities are measured at fair value and the unrealized gains or losses resulting from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Valuation Reserve" under equity. In case of a disposal of available for sale financial assets, value increases/decreases which have been recorded in the marketable securities valuation reserve under the equity is transferred to income statement. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

Loans and receivables:

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

Loans and receivables are carried initially at cost including the transaction costs which reflects their fair value; and subsequently recognized at the amortized cost value using the internal rate of return method in accordance with TAS 39 "Financial Assets: Recognition and Measurement". Fees, transaction costs and other similar costs in connection with the collaterals of loans and receivables are paid by the customers and accordingly not included in expense items in the income statement.

Cash loans are accounted in related accounts as specified by the Communiqu  "Uniform Chart of Accounts and Explanations to be implemented by Participation Banks" dated January 26, 2007 and numbered 26415.

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VII. Explanations on financial assets (continued):

Financial assets held to maturity:

Held to maturity financial assets are financial assets that are not classified under 'Loans and receivables' with fixed maturities and fixed or determinable payments where management has the intent and ability to hold until maturity. Held to maturity financial assets are initially recognized at cost including the transaction costs which reflects their fair value, and subsequently carried at amortized cost using the internal rate of return method. Profit share income from held to maturity financial assets is reflected in the income statement.

VIII. Explanations on impairment of financial assets:

At each balance sheet date, the Group evaluates the carrying amounts of its financial assets or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Group determines the related amount of impairment.

A financial asset or a group of financial assets incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event (loss events) subsequent to initial recognition of that asset or group of assets; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Any amount attributable to expected losses arising from any future events is not recognized under any circumstances.

If there is objective evidence that the loans granted might not be collected, general and specific provisions for such loans are expensed as 'Provision for Loan Losses and Other Receivables' in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans". Subsequent recoveries of amounts previously written off or provisions provided in prior periods are included in "Other Operating Income" in the income statement. The profit sharing accounts' portion of general and specific provisions for loans and other receivables originated from profit sharing accounts is reflected to the profit sharing accounts.

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present value which is calculated by discounting the projected cash flows in the future with the original profit share rate and the net book value; provision is provided for impairment and the provision is associated with the expense accounts.

If there is objective evidence indicating that the fair value of a financial asset available for sale, for which decreases in the fair value has been accounted in the equity, has been impaired then the total loss which was accounted directly under the equity is deducted from equity and transferred to the income statement.

If there is objective evidence indicating that an unquoted equity instrument which is not carried at fair value because its fair value cannot be reliably measured is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed.

IX. Explanations on offsetting of financial instruments:

Financial instruments are offset when the Group has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously. The sukuk investments issued by the Group which are repurchased have been offset in available for sale and subordinated loan accounts.

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

Securities subject to repurchase agreement are classified as "at fair value through profit or loss", "available-for-sale" and "held-to-maturity" according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under "Borrowings from Money Markets" in liabilities and the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under "Profit Share Expense on Money Market Borrowings" in the income statement.

The Group has no securities lending transactions.

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 no discontinued operations.

XII. Explanations on goodwill and other intangible assets:

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Intangible Assets". As of the balance sheet date, there is no goodwill in the financial statements of the Parent Bank. The Parent's Bank intangible assets consist of softwares and intangible rights. The Parent Bank has started to use the new core banking system on June 19, 2015 after waiving the prior core banking system and useful live of the new banking system has been determined as 3 years.

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

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

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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 immovables 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, 2014, 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 in accordance with TAS 16.

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

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

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

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

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period. In cases where the leasing period is not certain, the useful life is determined as 5 years. After January 1, 2010 in cases where leasing period is more than 5 years, the useful life is determined as 5 years.

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

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

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

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

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XIV. Explanations on leasing transactions:

Transactions as a lessee

Leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases and other leases are classified as operational leases.

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

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

The prepaid lease payments made under operational leases are charged to income statement on a straight line basis over the period of the lease.

Transactions as a lessor

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

XV. Explanations on provisions and contingent liabilities:

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

Provisions are recognized if; as of the balance sheet date there is a present legal or constructive obligation as a result of past events, it is probable that an outflow resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provision is booked for contingent liabilities originated as a result of past events in the period they arise if it is probable that the liability will be settled and a reliable estimate for the liability amount can be made.

XVI. Explanations on liabilities regarding employee rights:

i) Defined benefit plans:

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

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

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XVI. Explanations on liabilities regarding employee rights (continued):

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.

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.

As of December 31, 2015, actuarial loss amounts to TL 6.896. (December 31, 2014: TL 6.538 actuarial loss).

ii) Defined contribution plans:

The Group pays defined contribution plans to publicly administered Social Security Funds for its employees. The Group has no further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

iii) Short term benefits to employees:

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

XVII. Explanations on taxation:

Current tax:

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

In accordance with the Corporate Tax Law numbered 5520 published in the Official Gazette numbered 26205 dated June 21, 2006, the corporation tax rate effective from January 1, 2006 is 20%.

Turkish tax Legislation does not enable parent company to file tax returns on the basis of consolidated financial statement including subsidiaries and associates. Therefore, tax provisions presented in the related financial statements are calculated separately for all companies subject to full consolidation.

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

The prepaid taxes are calculated based on quarterly profits of the Bank using the corporate rate of 20% which must be announced by the 14th day and paid by the 17th day of the second month following the taxed period. The prepaid taxes can be deducted from the annual corporate tax calculated on the annual corporate income. The remaining prepaid tax, if any after deduction, can be refunded in cash or deducted from other financial liabilities to the government.

75% of the profits generated from the sale of properties and share certificates of which the Bank held possession for two years or more, are exempt from corporate tax if added to the capital or accounted under shareholders' equity as a special fund for 5 years according to the Corporate Tax Law.

Income generated by the transfer of properties, share certificates of subsidiaries, founders' shares, preferred shares and preemptive rights owned by corporations under legal follow-up together with their guarantors and mortgagers, which are transferred to banks due to their debts and used for winding up the debts is exempt from corporation tax. Additionally, 75% of the profit generated by sales of above mentioned instruments is also exempt from corporation tax.

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XVII. Explanations on taxation (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 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings and carry out sectorial investigations.

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

Deferred tax:

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

In accordance with TAS 12, deferred tax assets and liabilities arising from subsidiaries subject to consolidation are netted off in the subsidiaries' financial statements and presented in the assets and liabilities separately.

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

Transfer pricing:

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

According to the 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 "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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XVIII. Additional explanations on borrowings:

The Group records borrowings in accordance with (TAS 39) "Financial Instruments: Recognition and Measurement". Borrowings, except for funds collected, are recognized at amortized cost using the effective internal rate of return method in the following periods after the initial recognition.

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

The Parent Bank has subordinated loan borrowed through sukuk issuance which has convertible nature to the shares

XIX. Explanations on issued share certificates:

None.

XX. 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.

XXI. Explanations on government grants:

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

XXII. Explanations on segment reporting:

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

Segment reporting is disclosed in Section Four, Note XIV.

XXIII. Explanations on Classifications:

In order to provide comparability with the financial statements dated December 31, 2015, some classifications are made in consolidated statement of cash flows dated December 31, 2014.

XXIV. Explanations on other matters:

None.

XXV. Additional paragraph for convenience translation:

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

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Section four

Information on consolidated financial structure and risk management

I. Explanations on the consolidated capital adequacy standard ratio:

Capital adequacy ratio calculations are made in accordance with "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" (Regulation) published in the Official Gazette numbered 28337 dated June 28, 2012 starting from July 1, 2012. As of December 31, 2015, the Group's consolidated capital adequacy ratio calculated in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" is 15,16% (Parent Bank 15,27%) (December 31, 2014 : Consolidated: 13,89 %; Parent Bank: 14,15: %).

a) Risk measurement methods used in the calculation of consolidated capital adequacy standard ratio:

Capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", published in the Official Gazette numbered 28337 dated June 28, 2012, "Regulation on Credit Risk Mitigation Techniques" published in the Official Gazette numbered 29111 dated September 6, 2014 and the "Regulation on the Equity of Banks" published in the Official Gazette numbered 28756 dated September 5, 2013.

In the calculation of capital adequacy ratio the Group applies standard method for market risk, basic indicator method for operational risk and standard method for credit risk.

In the calculation of capital adequacy ratio, the data composed from accounting records prepared in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as "trading book" and "banking book" according to the Regulation.

The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortisation or impairment, are taken into account on a net basis after being reduced by the related amortisations and provisions.

In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

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

b) Information on consolidated capital adequacy standard ratio:

| Parent Bank | | | | | | | | | |
|--|------------------|-----|------------------|------------------|------------------|-------------------|----------------|---------------|------|
| | %0 | %10 | %20 | %50 | %75 | %100 | %150 | %200 | %250 |
| Value at Credit Risk | 5.691.248 | - | 3.102.140 | 4.780.174 | 3.362.048 | 13.222.520 | 131.004 | 93.528 | - |
| Risk Categories | | | | | | | | | |
| Receivables from central governments or central banks | 4.956.070 | - | - | 149.375 | - | 543 | - | - | - |
| Receivables from regional or local Governments | - | - | 13.316 | - | - | - | - | - | - |
| Receivables from administrative units and non-commercial enterprises | - | - | - | - | - | 1.481 | - | - | - |
| Receivables from multilateral development banks | 62 | - | - | - | - | - | - | - | - |
| Receivables from international organizations | - | - | - | - | - | - | - | - | - |
| Receivables from banks and brokerage houses | - | - | 2.188.942 | 222.727 | - | 223.489 | - | - | - |
| Receivables from corporates | 186.821 | - | 448.051 | 60.196 | - | 12.225.469 | - | - | - |
| Retail receivables | 100.316 | - | 36.653 | 5.483 | 3.362.048 | - | - | - | - |
| Receivables secured by mortgages on property | - | - | - | 4.342.393 | - | 5.696 | - | - | - |
| Past due receivables | - | - | - | - | - | 51.199 | 98.913 | - | - |
| Receivables defined in high risk category by BRSA | 2.266 | - | 884 | - | - | 14 | 32.091 | 93.528 | - |
| Securities collateralized by mortgages | - | - | - | - | - | - | - | - | - |
| Securitization positions | - | - | - | - | - | - | - | - | - |
| Short-term receivables from banks, brokerage houses and corporates | - | - | - | - | - | - | - | - | - |
| Investments similar to collective investment funds | - | - | - | - | - | - | - | - | - |
| Other receivables | 445.713 | - | 414.294 | - | - | 714.629 | - | - | - |

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to consolidated financial statements
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I. Explanations on consolidated capital adequacy standard ratio (continued):

| | Consolidated | | | | | | | | |
|--|------------------|----------|------------------|------------------|------------------|-------------------|----------------|---------------|----------|
| | %0 | %10 | %20 | %50 | %75 | %100 | %150 | %200 | %250 |
| Value at Credit Risk | 5.691.213 | - | 3.102.140 | 4.749.235 | 3.362.048 | 13.208.931 | 131.004 | 93.528 | - |
| Risk Categories | | | | | | | | | |
| Receivables from central governments or central banks | 4.956.070 | - | - | 149.375 | - | 543 | - | - | - |
| Receivables from regional or local Governments | - | - | 13.316 | - | - | - | - | - | - |
| Receivables from administrative units and non-commercial enterprises | - | - | - | - | - | 1.481 | - | - | - |
| Receivables from multilateral development banks | 62 | - | - | - | - | - | - | - | - |
| Receivables from international organizations | - | - | - | - | - | - | - | - | - |
| Receivables from banks and brokerage houses | - | - | 2.188.942 | 222.727 | - | 223.489 | - | - | - |
| Receivables from corporates | 186.821 | - | 448.051 | 29.257 | - | 12.225.469 | - | - | - |
| Retail receivables | 100.316 | - | 36.653 | 5.483 | 3.362.048 | - | - | - | - |
| Receivables secured by mortgages on property | - | - | - | 4.342.393 | - | 5.696 | - | - | - |
| Past due receivables | - | - | - | - | - | 51.199 | 98.913 | - | - |
| Receivables defined in high risk category by BRSA | 2.266 | - | 884 | - | - | 14 | 32.091 | 93.528 | - |
| Securities collateralized by mortgages | - | - | - | - | - | - | - | - | - |
| Securitization positions | - | - | - | - | - | - | - | - | - |
| Short-term receivables from banks, brokerage houses and corporates | - | - | - | - | - | - | - | - | - |
| Investments similar to collective investment funds | - | - | - | - | - | - | - | - | - |
| Other receivables | 445.678 | - | 414.294 | - | - | 701.040 | - | - | - |

c) Summary information related to consolidated capital adequacy standard ratio:

| | CONSOLIDATED | | PARENT BANK | |
|--|------------------|------------------|------------------|------------------|
| | Current Period | Prior Period(*) | Current Period | Prior Period(*) |
| Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR) | 1.528.726 | 1.166.055 | 1.531.051 | 1.167.538 |
| Capital Requirement for Market Risk (MRCR) | 8.228 | 13.258 | 8.235 | 13.258 |
| Capital Requirement for Operational Risk (ORCR) | 125.290 | 117.410 | 114.795 | 95.440 |
| Shareholders' Equity | 3.149.413 | 2.251.754 | 3.157.310 | 2.256.680 |
| Shareholders' Equity/((CRCR+MRCR+ORCR)*12,5*100) | %15,16 | %13,89 | %15,27 | %14,15 |
| Core Capital/((CRCR+MRCR+ORCR)*12,5)*100 | %9,71 | %10,59 | %9,80 | %10,80 |
| Tier I Capital/((CRCR+MRCR+ORCR)*12,5)*100 | %9,83 | %10,72 | %9,92 | %10,92 |

(*) Equity calculation has changed as per the "Regulation on Equities of Banks" applicable as of January 1, 2015, figures belonging to prior period are calculated as per former regulation.

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

ç) Details of consolidated shareholders' equity accounts:

Current period equity amount is calculated as per "Regulation on Equities of Banks" applicable as of January 1, 2015 published in Official gazette dated September 5, 2013 numbered 28756.

| | December 31, 2015 |
|---|-------------------|
| Tier I capital | |
| Paid-in Capital to be Entitled for Compensation after All Creditors | 900.000 |
| Share Premium | - |
| Share Cancellation Profits | - |
| Reserves | 696.531 |
| Other Comprehensive Income according to TAS | 206.751 |
| Profit | 298.263 |
| Current Period Profit | 300.843 |
| Prior Period Profit | (2.580) |
| General Reserves for Possible Losses | 88 |
| Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit | - |
| Minority Interest | - |
| Tier I capital before deductions | 2.101.633 |
| Deductions from tier I capital | |
| Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-) | 5.517 |
| Leasehold Improvements on Operational Leases (-) | 36.383 |
| Goodwill and Other Intangible Assets and Related Deferred Taxes (-) | 16.747 |
| Net Deferred Tax Asset/Liability (-) | - |
| Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-) | - |
| Direct and Indirect Investments of the Bank on its own Tier I Capital (-) | - |
| 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 (-) | - |
| 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 (-) | - |
| Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) | - |
| Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) | - |
| Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - |
| The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) | - |
| Mortgage Servicing Rights not deducted (-) | - |
| Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) | - |
| Other items to be Defined by the BRSA (-) | - |
| Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) | - |
| Total deductions from tier I capital | 58.647 |
| Total tier I capital | 2.042.986 |
| Additional core capital | |
| Preferred Stock not Included in Tier I Capital and the Related Share Premiums | - |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) | - |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) | - |
| Additional core capital before deductions | - |
| Deductions from additional core capital | - |
| Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) | - |
| 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 (-) | - |
| Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) | - |
| Total deductions from additional core capital | - |
| Total additional core capital | - |

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

Deductions from core capital

| | |
|---|------------------|
| Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | 25.119 |
| Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - |
| Total core capital | 2.017.867 |

Tier II capital

| | |
|---|------------------|
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) | 642.166 |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) | 420.300 |
| Pledged Assets of the Shareholders to be used for the Bank's Capital Increases | - |
| General Provisions | 74.819 |
| Third parties' share in the Tier II Capital | - |
| Tier II capital before deductions | 1.137.285 |

Deductions from tier II capital

| | |
|--|------------------|
| Direct and Indirect Investments of the Bank on its own Tier II Capital (-) | - |
| 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 Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-) | - |
| Other items to be Defined by the BRSA (-) | - |
| Total deductions from tier II capital | - |
| Total tier II capital | 1.137.285 |

Capital

| | |
|---|------------------|
| Loans Granted against the Articles 50 and 51 of the Banking 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 (-) | 2.459 |
| Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) | - |
| Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - |
| Other items to be Defined by the BRSA (-) | 3.280 |
| The Portion of 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 not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | - |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | - |
| The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) | - |
| Equity | 3.149.413 |

Amounts lower than excesses as per deduction rules

| | |
|---|--------|
| Remaining 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 | - |
| Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital | - |
| Remaining Mortgage Servicing Rights | - |
| Net Deferred Tax Assets arising from Temporary Differences | 18.922 |

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

| | December 31, 2014 |
|---|-------------------|
| Tier I capital | |
| Paid-in Capital to be Entitled for Compensation after All Creditors | 900.000 |
| Share Premium | - |
| Share Cancellation Profits | - |
| Reserves | 470.137 |
| Other Comprehensive Income according to TAS | 165.472 |
| Profit | 255.627 |
| Current Period Profit | 248.147 |
| Prior Period Profit | 7.480 |
| General Reserves for Possible Losses | 88 |
| Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit | - |
| Minority Interest | - |
| Tier I capital before deductions | 1.791.324 |
| Deductions from tier I capital | |
| Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-) | 5.231 |
| Leasehold Improvements on Operational Leases (-) | 43.470 |
| Goodwill and Other Intangible Assets and Related Deferred Taxes (-) | 5.082 |
| Net Deferred Tax Asset/Liability (-) | - |
| Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-) | - |
| Direct and Indirect Investments of the Bank on its own Tier I Capital (-) | - |
| 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 (-) | - |
| 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 (-) | - |
| Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) | - |
| Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) | - |
| Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - |
| The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) | - |
| Mortgage Servicing Rights not deducted (-) | - |
| Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) | - |
| Other items to be Defined by the BRSA (-) | - |
| Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) | - |
| Total deductions from tier I capital | 53.783 |
| Total tier I capital | 1.737.541 |
| Additional core capital | |
| Preferred Stock not Included in Tier I Capital and the Related Share Premiums | - |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) | - |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) | - |
| Additional core capital before deductions | - |
| Deductions from additional core capital | - |
| Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) | - |
| 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 (-) | - |
| Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) | - |
| Total deductions from additional core capital | - |
| Total additional core capital | - |

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

Deductions from core capital

Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) 20.326

Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) -

Total core capital 1.717.215

Tier II capital

Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) -

Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) 467.000

Pledged Assets of the Shareholders to be used for the Bank's Capital Increases -

General Provisions 70.947

Third parties' share in the Tier II Capital -

Tier II capital before deductions 537.947

Deductions from tier II capital

Direct and Indirect Investments of the Bank on its own Tier II Capital (-) -

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 Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-) -

Other items to be Defined by the BRSA (-) -

Total deductions from tier II capital -

Total tier II capital 537.947

Capital 2.255.162

Loans Granted against the Articles 50 and 51 of the Banking 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 (-) 1.408

Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) -

Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) -

Other items to be Defined by the BRSA (-) 2.000

The Portion of 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 not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) -

The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) -

The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) -

Equity 2.251.754

Amounts lower than excesses as per deduction rules

Remaining 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 -

Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital -

Remaining Mortgage Servicing Rights -

Net Deferred Tax Assets arising from Temporary Differences 7.375

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

d) Approaches for assessment of adequacy of internal capital requirements for current and future activities:

Charter on Internal Capital Adequacy Policy was prepared in order to define internal capital adequacy evaluation process and capital adequacy policy by the Parent Bank and was approved by the Board of Directors on October 17, 2012. The ultimate aim of such internal capital adequacy policy is to maintain capital adequacy by defining the basic principles that regulate management and implementation of internal capital adequacy, apart from exceptional circumstances.

The Parent Bank within the framework of BRSA regulations and also considering the best practices ensures the management of internal capital adequacy, pursuant to the volume, qualification and complexity of its operations. The methodology for evaluation of internal capital adequacy is considered an ongoing process and the related future studies are planned in this way.

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

e) Details on Subordinated Liabilities :

| | | |
|---|---|--|
| Issuer | ABT Sukuk Ltd. | Albaraka Sukuk Ltd. |
| Unique Identifier | XS0927211754 | XS1301525207 |
| Governing Law(s) of the Instrument | English Law | English Law |
| Special Consideration in the Calculation of Equity | | |
| As of January 1, 2015 consideration to be subject to a 10% reduction application status | Yes | No |
| Eligible at Unconsolidated / Consolidated | Unconsolidated / Consolidated | Unconsolidated / Consolidated |
| Instrument Type | Sukuk Murabaha | Sukuk Wakala |
| Amount recognized in regulatory capital (as of most recent reporting date) | TL 420.300 | TL 642.166 |
| Par Value of Instrument | 576.000 TL | 650.880 TL |
| Accounting Classification | Subordinated Loan | Subordinated Loan |
| Original date of Issuance | May 7 2013 | November 30 2015 |
| Perpetual or dated | Dated | Dated |
| Maturity date | May 7 2023 | November 30 2025 |
| Issuer call subject to prior supervisory (BRSA) approval | Yes | Yes |
| Optional call date, contingent call dates and redemption amount | Last Payment Date : 07.05.2018 Total Repayment Amount of Profit Share : USD.77.500.000,- Repayment Period: 6 months Principal Payment: USD 200.000.000 | Last Payment Date : 30.11.2020 Total Repayment Amount of Profit Share : USD.131.250.000,- Repayment Period: 6 months Principal Payment: USD 250.000.000 |
| Subsequent call dates | - | - |
| Profit Share / Dividends | | |
| Fixed or floating profit share / dividend | Fixed | Fixed |
| Profit share rate and any related index | 7,75% | 10,50% |
| Existence of a dividend stopper | - | As per BRSA regulations and Communiqués it is payable |
| Fully discretionary, partially discretionary or mandatory | Mandatory | Mandatory |
| Existence of step up or other incentive to redeem | - | - |
| Noncumulative or cumulative | Noncumulative | Noncumulative |
| Convertible or Non-convertible | | |
| If convertible, conversion trigger | - | As per BRSA regulations and Communiqués it is convertible |
| If convertible, fully or partially | - | As per BRSA'a approval it is convertible fully or partially |
| If convertible, conversion rate | - | As per BRSA'a approval it is convertible and the rate may be determined. |
| If convertible, mandatory or optional conversion | - | Subject to BRSA's approval. |
| If convertible, specify instrument type convertible into | - | Share certificate |
| If convertible, specify issuer of instrument it converts into | - | - |
| Write-down feature | | |
| If write-down, write-down trigger(s) | - | - |
| If write-down, full or partial | - | - |
| If write down, permanent or temporary | - | - |
| If temporary write-down, description of write-up mechanism | - | - |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | After all creditors and participation fund owners | After all creditors and participation fund owners |
| In compliance with article number 7 and 8 of "Own fund regulation" | Yes | No |
| Details of incompliance with article number 7 and 8 of "Own fund regulation" | 8,2,ğ | No |

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II. Explanations on consolidated credit risk:

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

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

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

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

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

Loans which are past due up to 90 days as of period ends but not impaired are defined as "Past Due Receivables". "General provision" is set aside for these loans in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

Loans which are past due for more than 90 days as of period ends or assessed as impaired based on risk assessment made are defined as "Impaired Loans". "Specific provision" is set aside for these in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

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II. Explanations on consolidated credit risk (continued):

The amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

| Risk Categories | Current Period Risk Amount | Average Risk Amount |
|--|-------------------------------|------------------------|
| Receivables from central governments or central banks | 5.105.988 | 4.872.394 |
| Receivables from regional or local governments | 13.316 | 50.498 |
| Receivables from administrative units and non-commercial enterprises | 1.481 | 712 |
| Receivables from multilateral development banks | 62 | 62 |
| Receivables from international organizations | - | - |
| Receivables from banks and brokerage houses | 2.635.158 | 2.150.225 |
| Receivables from corporates | 12.889.598 | 10.800.568 |
| Retail receivables | 3.504.500 | 3.177.664 |
| Receivables secured by mortgages on property | 4.348.089 | 5.984.167 |
| Past due receivables | 150.112 | 81.951 |
| Receivables defined in high risk category by BRSA | 128.783 | 82.944 |
| Securities collateralized by mortgages | - | - |
| Securitization positions | - | - |
| Short-term receivables from banks, brokerage houses and corporates | - | - |
| Investments similar to collective investment funds | - | - |
| Other receivables | 1.561.012 | 1.027.391 |
| Total | 30.338.099 | 28.228.576 |

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

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

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

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

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

- (5) Share of cash receivables of the Parent Bank from its top 100 and top 200 cash loan customers in total cash loans is 38 % (December 31, 2014: 38%) and 46% (December 31, 2014: 47%) respectively.

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II. Explanations on consolidated credit risk (continued):

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, 2014: 47%) and 56% (December 31, 2014: 59%) 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 33% (December 31, 2014: 35%) and 41% (December 31, 2014: 44%) respectively.

- (6) The Parent Bank's general provision amount for its credit risk is TL 170.885 (December 31, 2014: TL 153.910).

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II. Explanations on consolidated credit risk (continued):

(7) Profile on significant risks in significant regions:

| Current Period | Risk Categories (*) | | | | | | | | | | | |
|--|---------------------|--------|-------|----|-----------|------------|-----------|-----------|---------|---------|-----------|------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | Total |
| Domestic | 5.105.988 | 13.316 | 1.481 | | 2.092.510 | 12.312.592 | 3.495.258 | 4.316.649 | 143.142 | 128.783 | 1.537.764 | 29.147.483 |
| EU Countries | - | - | - | - | 194.557 | 79.585 | 1.589 | 5.460 | - | - | 131 | 281.322 |
| OECD Countries (**) | - | - | - | - | 5.316 | - | 12 | - | - | - | - | 5.328 |
| Off-shore banking regions | - | - | - | - | 11.563 | 186.013 | 4.517 | 11.883 | 6.052 | - | - | 220.028 |
| USA, Canada | - | - | - | - | 77.021 | 9.450 | 10 | - | - | - | - | 86.481 |
| Other countries | - | - | - | 62 | 254.191 | 271.020 | 3.114 | 14.097 | 918 | - | 2.002 | 545.404 |
| Associates, subsidiaries and jointly controlled entities | - | - | - | - | - | 30.938 | - | - | - | - | 21.115 | 52.053 |
| Unallocated assets/liabilities(***) | - | - | - | - | - | - | - | - | - | - | - | - |
| | 5.105.988 | 13.316 | 1.481 | 62 | 2.635.158 | 12.889.598 | 3.504.500 | 4.348.089 | 150.112 | 128.783 | 1.561.012 | 30.338.099 |

(*) 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 the 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- Receivables defined in high risk category by BRSA
- 11- Other Receivables

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II. Explanations on credit risk (continued):

Risk Profile according to sectors and counterparties:

| Sectors / Counterparties | | Risk Categories | | | | | | | | | | | Total | |
|--------------------------|--------------------------------------|-----------------|--------|-------|----|-----------|------------|-----------|-----------|-----------|---------|-----------|------------|------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | TL | FC |
| 1 | Agriculture | - | 20 | - | - | - | 146.278 | 32.432 | 18.441 | 983 | 24 | 30 | 141.439 | 56.769 |
| 1.1 | Farming and stockbreeding | - | 20 | - | - | - | 104.929 | 23.581 | 13.713 | 866 | 10 | 28 | 109.890 | 33.257 |
| 1.2 | Forestry | - | - | - | - | - | 37.220 | 7.453 | 3.880 | 117 | 13 | 2 | 27.671 | 21.014 |
| 1.3 | Fishery | - | - | - | - | - | 4.129 | 1.398 | 848 | - | 1 | - | 3.878 | 2.498 |
| 2 | Manufacturing | - | 12.295 | - | - | - | 6.360.096 | 1.222.273 | 981.409 | 62.682 | 147 | 276 | 5.686.473 | 2.952.705 |
| 2.1 | Mining | - | - | - | - | - | 120.955 | 21.624 | 13.321 | 655 | 4 | 1 | 91.268 | 65.292 |
| 2.2 | Production | - | - | - | - | - | 5.422.235 | 1.184.208 | 946.454 | 61.962 | 140 | 105 | 5.310.361 | 2.317.038 |
| 2.3 | Electricity, gas, water | - | 12.295 | - | - | - | 816.906 | 16.441 | 21.634 | 65 | 3 | 170 | 284.844 | 570.375 |
| 3 | Construction | - | - | - | - | - | 1.089 | 3.202.259 | 431.204 | 1.833.811 | 31.845 | 510 | 4.254.772 | 1.246.482 |
| 4 | Services | 5.105.443 | 23 | - | 62 | 2.633.560 | 2.825.416 | 684.575 | 547.113 | 48.480 | 390 | 1.558.969 | 6.452.128 | 6.951.903 |
| 4.1 | Wholesale and retail trade | - | 438 | - | - | 496 | 1.348.004 | 453.653 | 218.319 | 32.848 | 291 | 19 | 1.585.783 | 467.870 |
| 4.2 | Hotel, food and beverage services | - | - | - | - | - | 50.873 | 37.764 | 30.404 | 123 | 12 | 40 | 59.996 | 59.220 |
| 4.3 | Transportation and telecommunication | - | - | - | - | - | 146.655 | 56.464 | 18.119 | 8.124 | 13 | 9 | 128.333 | 101.051 |
| 4.4 | Financial institutions | 5.105.443 | - | - | 62 | 2.622.538 | 629.764 | 18.114 | 88.897 | 2.528 | - | 1.558.803 | 3.989.589 | 6.036.560 |
| 4.5 | Real estate and renting services | - | - | - | - | 10.526 | 300.571 | 43.486 | 156.583 | 1.477 | 20 | 19 | 424.802 | 87.880 |
| 4.6 | Self-employment services | - | - | - | - | - | 272.079 | 23.070 | 2.796 | 2.605 | 10 | 75 | 112.805 | 187.830 |
| 4.7 | Education services | - | - | - | - | - | 18.562 | 5.880 | 11.107 | - | 8 | 1 | 34.898 | 660 |
| 4.8 | Health and social services | - | - | - | - | - | 58.908 | 46.144 | 20.888 | 775 | 36 | 3 | 115.922 | 10.832 |
| 5 | Other | 545 | 540 | 1.481 | - | 509 | 355.549 | 1.134.016 | 967.315 | 6.122 | 128.124 | 1.227 | 2.502.064 | 93.364 |
| 6 | Total | 5.105.988 | 13.316 | 1.481 | 62 | 2.635.158 | 12.889.598 | 3.504.500 | 4.348.089 | 150.112 | 128.783 | 1.561.012 | 19.036.876 | 11.301.223 |
| | | | | | | | | | | | | | 30.338.099 | 2.595.428 |

- 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 the Multilateral Development Bank
- 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- Receivables defined in high risk category by BRSA
- 11- Other Receivables

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II. Explanations on consolidated credit risk (continued):

Distribution of risks with term structure according to remaining maturities:

| Risk Categories | Time to Maturity | | | | |
|--|------------------|------------------|------------------|------------------|-------------------|
| | 1 month | 1-3 months | 3-6 months | 6-12 months | 1 year and over |
| 1 Receivables from central governments or central banks | - | 260.034 | - | 503.208 | 886.805 |
| 2 Receivables from regional or local governments | - | 12.062 | - | 711 | - |
| 3 Receivables from administrative units and non-commercial enterprises | - | - | - | - | - |
| 4 Receivables from multilateral development banks | - | - | - | - | - |
| 5 Receivables from international organizations | - | - | - | - | - |
| 6 Receivables from banks and brokerage houses | 19.378 | 585.840 | 6.410 | 1.566 | 497 |
| 7 Receivables from corporates | 470.834 | 1.021.207 | 1.211.714 | 2.195.607 | 6.200.891 |
| 8 Retail receivables | 171.162 | 209.382 | 349.635 | 671.198 | 1.826.783 |
| 9 Receivables secured by mortgages on property | 99.316 | 144.930 | 256.214 | 700.089 | 2.878.656 |
| 10 Past due receivables | 197 | 2.002 | 9.211 | 4.280 | 11.821 |
| 11 Receivables defined in high risk category by BRSA | - | - | - | 42.474 | 86.309 |
| 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 | 18 | 39 | - | 74 | - |
| TOTAL | 760.905 | 2.235.496 | 1.833.184 | 4.119.207 | 11.891.762 |

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

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

| | | | | | | | | | | | Deductions from Shareholders' Equity |
|--------------|--------------------------------------|-----------|-----|-----------|-----------|-----------|------------|---------|--------|------|--------------------------------------|
| Risk Weights | | %0 | %10 | %20 | %50 | %75 | %100 | %150 | %200 | %250 | |
| 1 | Amount before credit risk mitigation | 5.401.811 | - | 2.719.672 | 4.742.194 | 3.504.500 | 13.742.226 | 132.525 | 95.171 | - | 5.739 |
| 2 | Amount after credit risk mitigation | 5.691.213 | - | 3.102.140 | 4.749.235 | 3.362.048 | 13.208.931 | 131.004 | 93.528 | - | 5.739 |

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II. Explanations on consolidated credit risk (continued):

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

For loans which are classified as impaired loans due to delay of collection of principal or profit share 90 days and above, and/or negative risk assessments of credit worthiness of the debtor; "specific provision" is set aside in the accompanying financial statements as of December 31, 2015.

For loans which are classified as past due not impaired loans due to delay of collection of principal or profit share up to 90 days; "general provision" is set aside in the accompanying financial statements as of December 31, 2015.

| Sectors / Counterparties | Loans | | | |
|--|----------------|-----------|-------------------|------------|
| | Impaired Loans | Past Due | Value Adjustments | Provisions |
| 1 Agriculture | 7.989 | 5.067 | 113 | 6.181 |
| 1.1 Farming and stockbreeding | 6.048 | 4.817 | 110 | 4.559 |
| 1.2 Forestry | 1.937 | 246 | 3 | 1.618 |
| 1.3 Fishery | 4 | 4 | - | 4 |
| 2 Manufacturing | 186.933 | 349.936 | 7.306 | 108.756 |
| 2.1 Mining | 2.635 | 1.849 | 71 | 1.566 |
| 2.2 Production | 184.008 | 263.673 | 6.196 | 106.967 |
| 2.3 Electricity, gas, water | 290 | 84.414 | 1.039 | 223 |
| 3 Construction | 114.738 | 345.578 | 6.974 | 76.981 |
| 4 Services | 127.555 | 341.330 | 5.505 | 66.301 |
| 4.1 Wholesale and retail trade | 83.838 | 74.877 | 1.368 | 42.132 |
| 4.2 Hotel, food and beverage services | 353 | 6.034 | 75 | 228 |
| 4.3 Transportation and telecommunication | 20.631 | 12.551 | 242 | 10.145 |
| 4.4 Financial institutions | 3.527 | 22.179 | 288 | 369 |
| 4.5 Real estate and renting services | 2.936 | 112.901 | 1.134 | 1.379 |
| 4.6 Self-employment services | 14.849 | 108.425 | 2.319 | 11.412 |
| 4.7 Education services | 42 | 1.012 | 16 | 42 |
| 4.8 Health and social services | 1.379 | 3.351 | 63 | 594 |
| 5 Other | 31.198 | 134.682 | 1.828 | 22.628 |
| 6 Total | 468.413 | 1.176.593 | 21.726 | 280.847 |

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

The Parent Bank provides specific provisions for loans which are overdue for 90 days or more. The collaterals are being taken into consideration while providing specific provisions in accordance with the Provisioning Communiqué.

The Parent bank provides general loan provision for loans classified as first and second group loan portfolio. This provision is calculated in accordance with the "Regulation on procedures and principles for determination of qualifications of loans and other receivables by banks and provisions to be set aside" communiqué.

| Risk Weight | Opening Balance | Provision made during the period | Reversal of Provisions | Other Adjustments (*) | Closing Balance |
|-----------------------|-----------------|----------------------------------|------------------------|-----------------------|-----------------|
| 1 Specific Provisions | 287.261 | 130.188 | (143.792)(**) | 7.190 | 280.847 |
| 2 General Provisions | 153.910 | 12.869 | (1.607) | 5.713 | 170.885 |

(*) Determined according to currency differences.

(**) Related balance includes reversal of provisions regarding write-offs in the amount of TL 94.592.

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II. Explanations on consolidated credit risk (continued):

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

| | Current period | Prior period |
|---|-----------------------|---------------------|
| Central Bank of the Republic of Turkey | 4.069.921 | 2.933.726 |
| Trading financial assets | 671 | - |
| Due from banks | 2.482.614 | 1.648.235 |
| Available-for-sale financial assets | 1.007.762 | 631.277 |
| Loans | 18.557.965 | 15.474.046 |
| Held to maturity investments | 762.890 | 783.309 |
| Finance lease receivables | 947.427 | 709.646 |
| Other assets | 4.927 | 10.860 |
| Total balance sheet items subject to credit risk | 27.834.177 | 22.191.099 |
| Contingent liabilities | 8.664.057 | 8.078.509 |
| Commitments | 1.329.475 | 928.650 |
| Total off-balance sheet items subject to credit risk | 9.993.532 | 9.007.159 |
| Total credit risk exposure | 37.827.709 | 31.198.258 |

Explanations on credit rating system:

The Parent Bank assesses the credit quality of customers through rating systems developed for the loan and finance lease customers. The principal criteria used in the rating systems are the volume of transactions of the customer with the Parent Bank, payment performance of the customer and income generated from the customer.

The table below presents the concentration information of the loans and finance lease receivables classified according to the rating systems:

| | Current period | Prior period |
|---------------|-----------------------|---------------------|
| Above average | %13,56 | %16,01 |
| Average | %77,62 | %75,26 |
| Below average | %8,82 | %8,73 |

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III. Explanations on consolidated market risk:

(1) The Parent Bank measures its market risk exposures within the framework of "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in Official Gazette numbered 28337 dated June 28, 2012 by using standardized approach and allocates statutory capital accordingly. On the other hand, market risk is also calculated for testing purposes using internal model methods (Value at Risk) and the results are validated by back test analysis. The VaR (Value at Risk) is calculated daily by using Variance, Covariance, EWMA, Monte Carlo and historical simulation methods and the results are reported to senior management.

The Board of Directors set the risk limits by taking into account the main risk factors and these limits are periodically revised in accordance with the market conditions and the Parent Bank's strategies. Furthermore, the Board of Directors ensure that, the necessary measures are to be taken by risk management department and top level management in respect of defining, measuring, prioritizing, monitoring and managing the risks exposed by the Parent Bank.

The riskiness of on and off balance sheet positions which will occur due to the market volatility is measured regularly. The information related to market risk taken into consideration in calculation of legal capital is stated below.

a) Information related to consolidated market risk:

| | Amount |
|--|---------|
| (I) Capital requirement to be employed for general market risk - standard method | 63 |
| (II) Capital requirement to be employed for specific risk - standard method | 63 |
| Capital requirement against specific risks of securitisation positions- standard method | - |
| (III) Capital requirement to be employed for currency risk - standard method | 7.181 |
| (IV) Capital requirement to be employed for commodity risk - standard method | - |
| (V) Capital requirement to be employed for swap risk - standard method | - |
| (VI) Capital requirement to be employed for market risk of options - standard method | - |
| (VII) Capital requirement against counterparty credit risks - standard method | 921 |
| (VIII) Capital requirement to be employed for market risks of banks using risk measurement model | - |
| (IX) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI+VII) | 8.228 |
| (X) Amount subject to market risk (12,5 X VIII) or (12,5 x IX) | 102.850 |

b) Average market risk table concerning market risk calculated as of month ends during the period:

| | Current period | | | Prior period | | |
|------------------------------------|----------------|---------------|--------------|---------------|---------------|--------------|
| | Average | Maximum | Minimum | Average | Maximum | Minimum |
| Interest Rate Risk | - | - | - | - | - | - |
| Share Certificates Risk | 125 | 129 | 122 | 791 | 898 | 722 |
| Currency Risk | 7.408 | 12.690 | 4.095 | 10.406 | 12.360 | 7.711 |
| Commodity Risk | - | - | - | - | - | - |
| Swap Risk | - | - | - | - | - | - |
| Option Risk | - | - | - | - | - | - |
| Counterparty Credit Risk | 925 | 2.271 | - | 172 | 406 | - |
| Total Value Subject to Risk | 8.458 | 15.090 | 4.217 | 11.369 | 13.664 | 8.433 |

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III. Explanations on consolidated market risk (continued):

(2) Quantitative information on counterparty risk:

The "counterparty credit risk" is calculated according to the fair value methodology indicated in the Appendix-2 Part 3 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

Replacement cost of agreements having positive value is calculated by revaluation of agreements according to their fair values. Potential credit risk amount is acquired by multiplying related ratios on agreement types by agreement amounts or amounts subject to the transaction.

| | Balance(*) | |
|---------------------------------|-------------------|-------------------|
| | December 31, 2015 | December 31, 2014 |
| Interest Rate Contracts | - | - |
| Foreign Exchange Rate Contracts | 23.013 | - |
| Commodity Contracts | - | - |
| Equity Shares Related Contracts | - | - |
| Other | - | - |
| Gross Positive Fair Value | - | - |
| Netting Benefits | - | - |
| Net Current Exposure Amount | - | - |
| Collateral Received | - | - |
| Net Derivative Position | 23.013 | - |

(*) Includes only the counterparty risks arising from trading book.

(3) Explanations on calculation of capital requirements through a risk measurement model which is permitted to be used by the authorities:

None.

IV. Explanations on consolidated operational risk:

a) Amount subject to operational risk is calculated with the help of basic indicator method according to article fourteen of "Regulation on Measurement and Assessment of Capital Adequacy of Banks". Annual gross profit calculated based on adding net fee and commission income, dividend income except for dividends from subsidiaries and associates, trading gain/loss (net) and other operational income to net profit share income; and deducting the profit/loss from selling assets except from trading accounts, extraordinary income, operating expense due to support services from a bank, main shareholder of the bank and compensations from insurance.

b) In case of using the basic indicator approach, the related information is as below:

| | 2 PP Value | 1 PP Value | CP Value | Total number of years for which gross income is positive | Rate (%) | Total |
|--|---------------|---------------|----------|---|-------------|-----------|
| Gross Income | - | 782.732 | 887.798 | 835.265 | 15 | 125.290 |
| Amount subject to Operational Risk (Total*12,5) | | | | | | 1.566.122 |

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V. Explanations on consolidated currency risk:

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

- 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.
- The Group does not have any derivative financial instruments held for hedging purposes.
- 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.
- 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, 2015 - Balance sheet evaluation rate | 2,880 | 3,142 |
| As of December 30, 2015 | 2,880 | 3,142 |
| As of December 29, 2015 | 2,880 | 3,142 |
| As of December 28, 2015 | 2,880 | 3,156 |
| As of December 25, 2015 | 2,880 | 3,156 |
| As of December 24, 2015 | 2,880 | 3,152 |

- 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 full TL 2,883 for 1 USD (December 2014 : full TL 2,272), full TL 3,145 for 1 EURO (December 2014 : full TL 2,794).

Foreign currency sensitivity:

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

The following table details the Group's sensitivity to a 10% change in the USD and EURO rates. A negative amount indicates a decrease effect in profit/loss or equity of the 10% value change of USD and EUR against TL.

| % Change in foreign currency rate | | Effect on profit / loss | | Effect on equity | |
|-----------------------------------|--------------|-------------------------|-------------------|-------------------|-------------------|
| | | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| USD | 10% increase | 1.587 | 6.042 | (177) | 88 |
| USD | 10% decrease | (1.587) | (6.042) | 177 | (88) |
| EURO | 10% increase | 4.264 | (294) | 859 | - |
| EURO | 10% decrease | (4.264) | 294 | (859) | - |

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V. Explanations on consolidated currency risk (continued):

Information on currency risk of the Group:

| Current Period | EUR | USD | Other FC(*) | Total |
|--|------------------|-------------------|------------------|-------------------|
| Assets | | | | |
| Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey | 656.963 | 2.891.870 | 461.761 | 4.010.594 |
| Banks | 97.595 | 1.621.763 | 163.286 | 1.882.644 |
| Financial assets at fair value through profit and loss | 14 | 20.840 | 2 | 20.856 |
| Money market placements | - | - | - | - |
| Available-for-sale financial assets | 10.863 | 254.427 | - | 265.290 |
| Loans and financial lease receivables(**) | 2.666.335 | 5.605.514 | 2.166 | 8.274.015 |
| Subsidiaries, associates and joint ventures | - | - | - | - |
| Held-to-maturity investments | - | - | - | - |
| Derivative financial assets for hedging purposes | - | - | - | - |
| Tangible assets | - | - | 1.336 | 1.336 |
| Intangible assets | - | - | 476 | 476 |
| Other assets (***) | 452 | 1.475 | 993 | 2.920 |
| Total assets | 3.432.222 | 10.395.889 | 630.020 | 14.458.131 |
| Liabilities | | | | |
| Current account and funds collected from banks via participation accounts | 320.601 | 183.686 | 3.950 | 508.237 |
| Other current and profit sharing accounts | 2.196.276 | 5.892.879 | 412.610 | 8.501.765 |
| Money market borrowings | - | - | - | - |
| Funds provided from other financial institutions and subordinated loans | 850.195 | 3.485.705 | - | 4.335.900 |
| Marketable securities issued | - | 977.001 | - | 977.001 |
| Miscellaneous payables | 5.216 | 47.093 | 765 | 53.074 |
| Derivative financial liabilities for hedging purposes | - | - | - | - |
| Other liabilities | 370 | 4.532 | 2.802 | 7.704 |
| Total liabilities | 3.372.658 | 10.590.896 | 420.127 | 14.383.681 |
| Net balance sheet position | 59.564 | (195.007) | 209.893 | 74.450 |
| Net off balance sheet position | (16.929) | 210.880 | (191.644) | 2.307 |
| Derivative financial instruments assets(****) | 8.320 | 249.140 | 7.599 | 265.059 |
| Derivative financial instruments liabilities(****) | 25.249 | 38.260 | 199.243 | 262.752 |
| Non-cash loans (*****) | 1.298.973 | 3.054.388 | 35.294 | 4.388.655 |
| Prior Period | | | | |
| Total assets | 2.598.470 | 7.739.710 | 417.265 | 10.755.445 |
| Total liabilities | 2.601.411 | 7.679.287 | 370.529 | 10.651.227 |
| Net balance sheet position | (2.941) | 60.423 | 46.736 | 104.218 |
| Net off balance sheet position | - | - | - | - |
| Derivative financial instruments assets | - | - | - | - |
| Derivative financial instruments liabilities | - | - | - | - |
| Non-cash loans(*****) | 1.130.253 | 2.775.456 | 23.435 | 3.929.144 |

(*) TL 446.121 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 39.682 of the balance in Banks in other FC column represent precious metals accounts with banks, TL 294.008 of the balance in Other current and profit sharing accounts in other FC column represent precious metals deposits accounts.

(**) The balance includes foreign currency indexed loans and financial lease receivables of TL 5.068.133 (December 31, 2014: TL 4.720.625).

(***) Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 431 (December 31, 2014: TL 873) is included in other assets.

(****) In the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 45.969 and derivative financial instruments liabilities include foreign currency sale commitment in the amount of TL 64.837 (December 31, 2014: foreign currency purchase commitment: none, foreign currency sale commitment: none)

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

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

The Parent Bank does not have an associate and subsidiary quoted at Borsa İstanbul.

VII. Explanations on consolidated liquidity risk:

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

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

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

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

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

The Parent Bank's funding management is carried out in compliance with the ALCO decisions. Funding and placement strategies are developed by assessing liquidity of the Parent Bank.

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

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

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

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VII. Explanations on consolidated liquidity risk (continued):

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

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

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

Consolidated Liquidity Coverage Ratio :

| | Current Period | Rate of "Percentage to be taken into account" not implemented Total value | | Rate of "Percentage to be taken into account" implemented Total value | |
|----|--|---|------------------|---|------------------|
| | | TL+FC | FC | TL+FC | FC |
| 1 | HIGH QUALITY LIQUID ASSETS | | | 4.646.672 | 3.219.811 |
| | High quality liquid assets | | | | |
| 2 | CASH OUTFLOWS | | | | |
| 3 | Retail and Small Business Funds Collected | 11.185.760 | 4.553.060 | 1.118.576 | 455.306 |
| 4 | Stable Funds Collected | - | - | - | - |
| 5 | Less stable Funds Collected | 11.185.760 | 4.553.060 | 1.118.576 | 455.306 |
| 6 | Unsecured Funding other than Retail and Small Business | | | | |
| 7 | Customers Deposits | 5.457.231 | 2.634.109 | 2.807.463 | 1.411.013 |
| 8 | Operational Funds Collected | 138.796 | 137.828 | 34.699 | 34.457 |
| 9 | Non-Operational Funds Collected | 2.740.796 | 1.270.374 | 1.467.273 | 782.629 |
| 10 | Other Unsecured Funding | 2.577.639 | 1.225.907 | 1.305.491 | 593.927 |
| 11 | Secured funding | - | - | - | - |
| 12 | Other Cash Outflows | 93.544 | 64.836 | 93.544 | 64.836 |
| 13 | Liquidity needs related to derivatives and market valuation changes on derivatives transactions | 93.544 | 64.836 | 93.544 | 64.836 |
| 14 | Debts related to the structured financial products | - | - | - | - |
| 15 | Commitment related to debts to financial markets and other off balance sheet liabilities | - | - | - | - |
| 16 | Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments | - | - | - | - |
| 17 | Other irrevocable or conditionally revocable commitments | 8.582.626 | 3.943.011 | 753.816 | 370.595 |
| 18 | TOTAL CASH OUTFLOWS | - | - | 4.773.399 | 2.301.750 |
| 19 | CASH INFLOWS | | | | |
| 20 | Secured Lending Transactions | - | - | - | - |
| 21 | Unsecured Lending Transactions | 3.881.434 | 2.240.888 | 2.982.449 | 1.874.782 |
| 22 | Other contractual cash inflows | 155.463 | 102.406 | 155.463 | 102.406 |
| 23 | TOTAL CASH INFLOWS | 4.036.897 | 2.343.294 | 3.137.912 | 1.977.188 |
| | | | | Upper limit applied amounts | |
| 24 | TOTAL HQLA | - | - | 4.646.672 | 3.219.811 |
| 25 | TOTAL NET CASH OUTFLOWS | - | - | 1.635.487 | 575.438 |
| 26 | Liquidity Coverage Ratio (%) | - | - | 284,12 | 559,54 |

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

| | Current Period - 31.12.2015 | |
|--------------|-----------------------------|------------|
| | TL+FC | FC |
| Lowest Week | 276,20 | 314,95 |
| | 11.11.2015 | 06.10.2015 |
| Highest Week | 387,85 | 570,73 |
| | 18.12.2015 | 30.11.2015 |
| Average (%) | 327,59 | 460,32 |

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VII. 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 (**)(***) | Total |
|--|--------------------|--------------------|--------------------|------------------|------------------|------------------|-----------------------|-------------------|
| Current Period | | | | | | | | |
| Assets | | | | | | | | |
| Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey | 1.907.432 | 2.997.366 | - | - | - | - | - | 4.904.798 |
| Banks | 1.913.140 | 496.316 | 73.158 | - | - | - | - | 2.482.614 |
| Financial Assets at Fair Value Through Profit and Loss | 790 | 671 | - | 20.822 | - | - | - | 22.283 |
| Money Market Placements | - | - | - | - | - | - | - | - |
| Available-For-Sale Financial Assets | 12.865 | 61.675 | 313.919 | 149.698 | 451.860 | 30.610 | - | 1.020.627 |
| Loans (*) | - | 1.776.936 | 2.145.921 | 6.456.191 | 7.631.096 | 1.146.578 | 348.670 | 19.505.392 |
| Held-To-Maturity Investments | - | - | - | 358.557 | 404.333 | - | - | 762.890 |
| Other Assets | - | - | 9 | 2.328 | 2.663 | - | 813.843 | 818.843 |
| Total Assets | 3.834.227 | 5.332.964 | 2.533.007 | 6.987.596 | 8.489.952 | 1.177.188 | 1.162.513 | 29.517.447 |
| Liabilities | | | | | | | | |
| Current account and funds collected from banks via participation accounts | 138.797 | 284.605 | 84.223 | 18.864 | - | - | - | 526.489 |
| Other current and profit sharing accounts | 4.122.243 | 11.191.072 | 3.296.629 | 1.199.687 | 5.175 | - | - | 19.814.806 |
| Funds provided from other financial institutions and subordinated loans | - | 341.587 | 350.662 | 858.029 | 1.558.742 | 1.226.880 | - | 4.335.900 |
| Money Market Borrowings | - | 770.959 | - | - | - | - | - | 770.959 |
| Marketable securities issued | - | - | - | - | 977.001 | - | - | 977.001 |
| Miscellaneous payables | - | 141.889 | 31.168 | 9.244 | - | - | 504.088 | 686.389 |
| Other liabilities | - | 31.163 | 18.447 | - | - | - | 2.356.293 | 2.405.903 |
| Total Liabilities | 4.261.040 | 12.761.275 | 3.781.129 | 2.085.824 | 2.540.918 | 1.226.880 | 2.860.381 | 29.517.447 |
| Net Liquidity Gap | (426.813) | (7.428.311) | (1.248.122) | 4.901.772 | 5.949.034 | (49.692) | (1.697.868) | - |
| Prior period | | | | | | | | |
| Total Assets | 1.959.555 | 4.760.268 | 2.379.007 | 5.448.846 | 7.300.800 | 505.655 | 660.354 | 23.014.485 |
| Total Liabilities | 3.375.771 | 11.277.161 | 2.143.386 | 2.552.411 | 998.095 | 304.134 | 2.363.527 | 23.014.485 |
| Net Liquidity Gap | (1.416.216) | (6.516.893) | 235.621 | 2.896.435 | 6.302.705 | 201.521 | (1.703.173) | - |

- (*) Leasing receivables are included under loans. Unallocated amount represents the amount arising from advances granted for uninvoiced leasing receivables and net non-performing loans transactions.
- (**) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans, are included here.
- (***) The unallocated other liabilities column consists of equity, provisions and deferred tax liabilities.

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VII. Explanations on consolidated liquidity risk (continued):

Analysis of financial liabilities based on the remaining contractual maturities:

The table below is prepared taking into consideration undiscounted amounts of financial liabilities of the Group and earliest dates required to be paid. The profit share expenses to be paid on funds collected calculated on the basis of account value per unit are included in the table below:

| | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Total |
|---|------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|
| Current period | | | | | | | |
| Funds Collected | 4.261.040 | 11.475.677 | 3.380.852 | 1.218.551 | 5.175 | - | 20.341.295 |
| Funds Borrowed from Other Financial Institutions and subordinated loans | - | 341.998 | 384.098 | 1.055.730 | 2.222.493 | 1.596.240 | 5.600.559 |
| Marketable securities issued | - | - | - | 61.037 | 1.129.178 | - | 1.190.215 |
| Borrowings from Money Markets | - | 771.890 | - | - | - | - | 771.890 |
| Total | 4.261.040 | 12.589.565 | 3.764.950 | 2.335.318 | 3.356.846 | 1.596.240 | 27.903.959 |
| Prior period | | | | | | | |
| Funds Collected | 3.375.771 | 10.354.741 | 1.764.251 | 1.137.498 | 10.793 | - | 16.643.054 |
| Funds Borrowed from Other Financial Institutions and subordinated loans | - | 642.655 | 331.791 | 1.443.956 | 336.677 | 430.807 | 3.185.886 |
| Marketable securities issued | - | 276 | - | 49.752 | 993.870 | - | 1.043.898 |
| Borrowings from Money Markets | - | 116.881 | - | - | - | - | 116.881 |
| Total | 3.375.771 | 11.114.553 | 2.096.042 | 2.631.206 | 1.341.340 | 430.807 | 20.989.719 |

Breakdown of commitment and contingencies according to their remaining contractual maturities:

| | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Unallocated | Total |
|-------------------------------------|------------------|----------------|----------------|------------------|------------------|---------------|-------------|------------------|
| Current Period | | | | | | | | |
| Letters of guarantee (*) | 3.871.393 | 330.530 | 930.443 | 1.471.529 | 1.086.597 | 39.796 | - | 7.730.288 |
| Bank acceptances | 28.324 | - | - | - | - | - | - | 28.324 |
| Letters of credit | 633.963 | - | 4.987 | 354 | 288 | - | - | 639.592 |
| Other commitments and contingencies | - | 265.853 | - | - | - | - | - | 265.853 |
| Total | 4.533.680 | 596.383 | 935.430 | 1.471.883 | 1.086.885 | 39.796 | - | 8.664.057 |
| Prior Period | | | | | | | | |
| Letters of guarantee (*) | 3.523.368 | 174.087 | 388.300 | 1.622.644 | 1.138.964 | 25.278 | - | 6.872.641 |
| Bank acceptances | 33.055 | - | - | - | - | - | - | 33.055 |
| Letters of credit | 537.894 | 39.456 | 2.227 | 4.627 | 5.066 | - | - | 589.270 |
| Other commitments and contingencies | - | 583.543 | - | - | - | - | - | 583.543 |
| Total | 4.094.317 | 797.086 | 390.527 | 1.627.271 | 1.144.030 | 25.278 | - | 8.078.509 |

(*) Remaining maturities presented for letters of guarantees represents the expiration periods. The correspondent of letters of guarantee has the right to demand the liquidation of the letter when the transaction stated at the letter is not realized.

VIII. Explanations on consolidated securitisation positions:

None. (December 31, 2014: None)

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IX. Explanations on consolidated credit risk mitigation techniques:

On and off balance sheet offsetting agreements are not utilized.

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

- a) Financial collaterals (Government securities, cash, deposit or participation fund pledge, gold, stock pledge),
- b) Guarantees.

The credibility of guarantors is monitored and evaluated within the framework of credit revision periods. Collaterals obtained by the 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.

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.

The information related to amount and type of collaterals which are applied in the calculation of risk weighted amount of risk categories within the scope of the Communiqué on "The Risk Mitigation Techniques" is provided below.

Collaterals in terms of Risk Categories:

| Risk Categories | Amount | Financial Collaterals | Other/Physical Collaterals | Guarantees and Credit Derivatives |
|--|------------|-----------------------|----------------------------|-----------------------------------|
| Receivables from central governments or central banks | 5.105.988 | - | - | - |
| Receivables from regional or local governments | 13.316 | - | - | - |
| Receivables from administrative units and non-commercial enterprises | 1.481 | - | - | - |
| Receivables from multilateral development banks | 62 | - | - | - |
| Receivables from international organizations | - | - | - | - |
| Receivables from banks and brokerage houses | 2.635.158 | - | - | - |
| Receivables from corporates | 12.889.598 | 520.757 | - | 12.552 |
| Retail receivables | 3.504.500 | 105.745 | - | 36.707 |
| Receivables secured by mortgages on property | 4.348.089 | - | - | - |
| Past due receivables | 150.112 | - | - | - |
| Receivables defined in high risk category by BRSA | 128.783 | 3.150 | - | 14 |
| Securities collateralized by mortgages | - | - | - | - |
| Securitization positions | - | - | - | - |
| Short-term receivables from banks, brokerage houses and corporates | - | - | - | - |
| Investments similar to collective investment funds | - | - | - | - |
| Other receivables | 1.561.012 | - | - | - |

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X. Explanations on consolidated leverage ratio:

As of 31 December 2015, consolidated leverage ratio of the Parent Bank calculated from the arithmetic average of the last 3 months is %5,01 (31 December 2014: %5,34). This ratio is above the minimum required. The most important reason for the difference in leverage ratio between current and previous period is the increase in the balance sheet assets.

Disclosure of consolidated leverage ratio template :

| | | Current Period | Prior Period |
|----|--|-------------------|-------------------|
| | | 31 Aralık 2015(*) | 31 Aralık 2014(*) |
| | Balance sheet assets | | |
| 1 | Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals) | 28.891.918 | 22.363.467 |
| 2 | (Assets deducted from Core capital) | (79.064) | (63.423) |
| 3 | Total risk amount of balance sheet assets (sum of lines 1 and 2) | 28.812.854 | 22.300.044 |
| | Derivative financial assets and credit derivatives | | |
| 4 | Cost of replenishment for derivative financial assets and credit derivatives | 20.043 | - |
| 5 | Potential credit risk amount of derivative financial assets and credit derivatives | 4.913 | - |
| 6 | Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5) | 24.956 | - |
| | Financing transactions secured by marketable security or commodity | | |
| 7 | Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet) | 139.204 | 63.645 |
| 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) | 139.204 | 63.645 |
| | Off-balance sheet transactions | | |
| 10 | Gross notional amount of off-balance sheet transactions | 9.880.604 | 8.691.256 |
| 11 | (Correction amount due to multiplication with credit conversion rates) | - | - |
| 12 | Total risk of off-balance sheet transactions (sum of lines 10 and 11) | 9.880.604 | 8.691.256 |
| | Capital and total risk | | |
| 13 | Core Capital | 1.947.891 | 1.658.691 |
| 14 | Total risk amount(sum of lines 3, 6, 9 and 12) | 38.857.618 | 31.054.945 |
| | Leverage ratio | | |
| 15 | Leverage ratio | 5,01 | 5,34 |

(*) The arithmetic average of the last 3 months in the related periods

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XI. Explanations on consolidated risk management objectives and policies:

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.

Basically the Parent Bank is exposed to market, liquidity, credit and strategic risk, reputation risk, and operational risk and determines risk policies, procedures to be implemented, and risk limits approved by Board of Directors for risks that can be quantified. The related limits are monitored, reported and maintained within the set limits by the units under Internal Systems and the related departments in the Parent Bank. Risk Management Unit, organized within the frame of Risk Management regulations, undertakes activities for measuring, monitoring, controlling and reporting risks.

Market Risk

Market Risk is the probability of loss that the Parent Bank may be exposed to due to the bank's general market risk, foreign exchange risk, specific risk, commodity risk, settlement risk and counterparty credit risk in trading book.

Exchange rate risk or foreign currency risk which is one of the factors that constitutes market risk, defines the probability of loss due to the effects of possible changes in currency to all the Bank's foreign currency assets and liabilities. Security position risk is the negations in the Bank's revenues and thus shareholders' equity, cash flows, asset quality and finally in meeting the commitments arising from negative movements in security prices included in the Bank's trading accounts.

Within the framework of market risk, the Parent Bank calculates foreign currency position risk, general market risk for security position risk and specific risks via standard method and reports to the legal authority. The Parent Bank also measures the foreign currency position risk by various internal methods for testing purposes. The variations between daily predicted value at risk and actual values and back testing practices are used to determine the accuracy and performance of these tests. The potential durability of portfolio against unpredictable risks that can be exposed is measured by stress tests including stress scenarios.

The Parent Bank continuously monitors the compliance of market risk with the limits determined by legal regulations. Additionally foreign currency risk is reviewed by Assets and Liabilities Committee. The Parent Bank's strategy for the currency risk is keeping it at a balance and not having any short or long position.

Liquidity Risk

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

Funding liquidity risk explains the probability of loss occurs in case of unable to meet the Bank's all anticipated and unanticipated cash flow requirements without damaging daily operations or the financial position.

Market liquidity risk is the probability of loss in case of the Bank's failure to close any position or stabilize market prices due to market depth or over fluctuations.

Maturity mismatch, impairment of the asset quality, unpredictable source outflows, decrease in profit and economic crisis situations are the factors that might cause the occurrence of the liquidity risk.

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XI. Explanations on consolidated risk management objectives and policies (continued):

For liquidity risk, cash flows are monitored daily and preventive and remedial precautions are taken to meet obligations on time and in the required manner. Liquidity risk is evaluated on a weekly basis from Assets and Liabilities committee.

Regarding liquidity risk of the Parent Bank, in order to meet liquidity needs arising from unpredictable movements in the markets, the Parent Bank prefers to implement the policy of maintaining quality liquid assets in adequate proportion by considering previous liquidity experiences and minimum liquidity adequacy ratios set by legal regulations.

Credit Risk

Credit risk represents the Bank's possibility of losses due to loan customers not fulfilling the terms of their agreements partially or in full. At the same time, this risk includes market value loss arising from the deterioration of the financial position of the counterparty. Within the scope of the definition of the credit risk used, on balance and off balance sheet portfolios are included.

In the Parent Bank, credit allocation authority belongs to the Board of Directors. The Board of Directors takes necessary measures by establishing policies related to allocation and approval of loans, credit risk management policies and other administrative issues; by ensuring implementation and monitoring of these policies. The Board of Directors transferred its credit allocation authority to the Credit Committee and Head-office in line with the policies and procedures defined by the legal regulations. Head-office Credit Committee exercises the credit allocation authority through units of the Bank/ regional offices and branches. The Parent Bank grants credits on the basis of limits determined for each individual customer and group of customers separately and core banking system prevents customers' credit risks being in excess of their limits.

The Parent Bank pays attention in order not to result in sectoral concentration that might affect credit portfolio in a negative way. Maximum effort is being made to prevent risks from concentrating on few customers. Credit risk is continuously monitored and reported by units under internal systems and other risk management divisions. By this way, harmonization of credit risk with credit risk management policy and application standards is maintained.

Operational Risk

Operational risk is defined as the possibility of loss occurring due to insufficient or unsuccessful internal processes, persons and systems or external incidents. Although legal risk and compliance risk are included in this risk group, reputation risk and strategy risk (arising from misjudgements at wrong times) are excluded.

Operational risk is a risk type that exists in all functions of the Parent Bank. It might arise from employee mistakes, an error caused by the system, transactions made based on inadequate or incorrect legal information, information flow failure among levels under Parent Bank organization structure, ambiguity in limits of authorization, structural and/or operational changes, natural disasters, terror and fraud.

Operational risk is categorized under five groups according to its sources by the Parent Bank: employee risk, technological risks, organization risk, legal-compliance risk and external risks.

The Parent Bank also takes necessary preventive measures in order to keep operational risk at an acceptable level.

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XI. Explanations on consolidated risk management objectives and policies (continued):

Other risks

Other risks the Parent Bank is exposed to are strategic risk, reputation risk, counterparty risk, compliance risk, residual risk, country risk, and concentration risk.

The Parent Bank's risk management system, in order to prevent and/or control strategic risks, is prepared against changes in economic, political and socio-political conditions, laws, legislation and similar regulations that could affect the Parent Bank's operations, status and strategies significantly and observes these issues in contingency and business continuity plan implementations.

Reputation risk is defined as events and situations arising from all services, functions and relations of the Parent Bank that would cause to lose confidence in the Bank and damage its image. The Parent Bank's risk management system in order to prevent and/or control reputation risk, switches on a proactive communication mechanism by giving priority to its customers whenever it is determined that the Parent Bank's reputation or image is damaged. The system, ready for the worst case scenarios in advance, takes into account the level of the relationship between operational risks and reputation risk, its level and its effect.

Residual risk is the risk that arises in case that the risk mitigation techniques are not as effective as expected. Senior management procures the implementation of residual risk management policy and strategy that is approved by Board of Directors. Moreover, It considers maturity match between credit and collateral, some factors like changes due to negative market movements for risk management.

Counterparty credit risk is the probability that one of the parties of a transaction where both sides are imposed with liability becomes default on his liability before the last payment in the cash flow of the transaction. The Parent Bank should manage counterparty credit risk in accordance with the volume, quality and complexity of its activities within the framework of legal legislation.

Compliance risk means those risks which are related to sanctions, financial losses and/ or loss of reputation that the Bank may suffer in the event that the Parent Bank's operations and the attitudes and acts of the Parent Bank's staff members are not in conformity and compliance with the current legislation, regulations and standards. The Head of Legislation and Compliance Unit, who shall be appointed by the Board of Directors, shall be accountable for the purposes of planning, arranging, conducting, managing, assessing, monitoring and coordinating the corporate compliance activities.

Country risk is the probability of loss that the Parent Bank may be exposed to in case borrowers in one country fail or shirk to fulfill their foreign obligations due to uncertainties in economic, social and political conditions. The Parent Bank constitutes its commercial connections with foreign fiscal institutions and countries, as a result of feasibility studies made for country's economic conditions within legal restrictions and through consideration of market conditions and customer satisfaction.

Concentration risk is the probability of experiencing large scale losses due to one single risk amount or risk amounts in particular risk types that may threaten the body of the Parent Bank and the capability of operating its principal activities. Policies in regards to concentration risk are classified as sectoral concentration, concentration to be created on the basis of collateral, concentration on the basis of market risk, concentration on the basis of types of losses, concentration arising from participation fund and other financing providers.

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XII. Explanations on presentation of financial assets and liabilities at fair value:

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

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

The fair values of held-to-maturity investments are determined based on market prices.

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

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

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

| | Carrying value | | Fair value | |
|---|-------------------|-------------------|-------------------|-------------------|
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| Financial Assets | | | | |
| Money market placements | - | - | - | - |
| Banks | 2.482.614 | 1.648.235 | 2.482.614 | 1.648.235 |
| Financial assets at fair value through profit and loss | 22.283 | 5.611 | 22.283 | 5.611 |
| Financial assets available for sale | 1.020.627 | 632.952 | 1.020.627 | 632.952 |
| Held to maturity investments | 762.890 | 783.309 | 771.264 | 794.685 |
| Loans and financial lease receivables | 19.505.392 | 16.183.692 | 19.198.865 | 15.593.643 |
| Financial Liabilities | | | | |
| Funds collected from banks via current accounts and profit sharing accounts | 526.489 | 572.717 | 526.489 | 572.717 |
| Other current and profit sharing accounts | 19.814.806 | 16.070.337 | 19.814.806 | 16.070.337 |
| Funds provided from other financial institutions | 4.335.900 | 2.870.898 | 3.953.925 | 2.632.176 |
| Marketable securities issued | 977.001 | 790.662 | 950.235 | 750.342 |
| Miscellaneous payables | 686.389 | 510.172 | 686.389 | 510.172 |

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

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

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

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XII. Explanations on presentation of financial assets and liabilities at fair value (continued):

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(**) | Level I | Level II | Level III | Total |
|--|-----------|----------|-----------|-----------|
| Financial assets | | | | |
| Financial assets at fair value through profit and loss | 790 | 21.493 | - | 22.283 |
| Public sector debt securities | - | - | - | - |
| Equity securities | 790 | - | - | 790 |
| Derivative financial assets held for trading | - | 20.822 | - | 20.822 |
| Other | - | 671 | - | 671 |
| Financial assets- available for sale | 1.007.762 | - | 10.743 | 1.018.505 |
| Equity securities (*) | - | - | 10.743 | 10.743 |
| Public sector debt securities | 887.157 | - | - | 887.157 |
| Other marketable securities | 120.605 | - | - | 120.605 |
| Financial liabilities | | | | |
| Derivative financial liabilities held for trading | - | - | - | - |
| Derivative financial liabilities for hedging purposes | - | - | - | - |
| Prior period | Level I | Level II | Level III | Total |
| Financial assets | | | | |
| Financial assets at fair value through profit and loss | 5.611 | - | - | 5.611 |
| Public sector debt securities | - | - | - | - |
| Equity securities | 5.611 | - | - | 5.611 |
| Derivative financial assets held for trading | - | - | - | - |
| Other | - | - | - | - |
| Financial assets- available for sale | 631.277 | - | - | 631.277 |
| Equity securities (*) | - | - | - | - |
| Public sector debt securities | 588.615 | - | - | 588.615 |
| Other marketable securities | 42.662 | - | - | 42.662 |
| Financial liabilities | | | | |
| Derivative financial liabilities held for trading | - | - | - | - |
| Derivative financial liabilities for hedging purposes | - | - | - | - |

(*) The shares of Visa Europa, which are not traded in an active market and presented under equity securities in available for sale assets and carried at cost since it is impossible to determine its fair value before December 31, 2015, are revalued basing on its indicator transaction value (cash to be collected and preferred stock) related to mentioned shares' take-over to Visa Inc. and the related revaluation difference are presented in shareholders' equity.

(**) In the current period, there is no classification between level I and level II.

As of December 31, 2015 and 2014 the Parent Bank carries the real estates at fair value under tangible assets. Level III section is used in determining the related fair values.

XIII. 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.

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XIV. Explanations on consolidated business segments:

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

| Current Period | Retail | Commercial and Corporate | Treasury | Undistributed | Total |
|---|------------------|--------------------------|-----------------|------------------|----------------|
| Total Assets | 2.772.567 | 17.672.285 | 2.232.251 | 6.840.344 | 29.517.447 |
| Total Liabilities | 13.119.733 | 8.362.364 | 5.539.490 | 399.832 | 27.421.419 |
| Total Equity | - | - | - | 2.096.028 | 2.096.028 |
| Net profit share income/(expense)(*)(**) | (335.961) | 1.289.430 | (66.717) | (816) | 885.936 |
| Net fees and commissions income/(expense) | 15.291 | 144.737 | (17.866) | (6.165) | 135.997 |
| Other operating income /(expense) | 14.574 | 13.494 | 65.787 | (584.392) | (490.537) |
| Provision for loan losses and other receivables | (14.738) | (94.013) | - | (48.392) | (157.143) |
| Profit/(loss) before tax | (320.834) | 1.353.648 | (18.796) | (639.765) | 374.253 |
| Provision for tax | - | - | - | (73.410) | (73.410) |
| Net profit / (loss) for the period | (320.834) | 1.353.648 | (18.796) | (713.175) | 300.843 |

| Prior Period | Retail | Commercial and Corporate | Treasury | Undistributed | Total |
|---|------------------|--------------------------|----------------|------------------|----------------|
| Total Assets | 1.935.081 | 14.168.295 | 1.844.257 | 5.066.852 | 23.014.485 |
| Total Liabilities | 11.475.842 | 5.358.452 | 4.057.039 | 337.147 | 21.228.480 |
| Total Equity | - | - | - | 1.786.005 | 1.786.005 |
| Net profit share income/(expense)(*)(**) | (359.080) | 947.417 | 110.637 | - | 698.974 |
| Net fees and commissions income/(expense) | 8.849 | 132.867 | (8.955) | (4.425) | 128.336 |
| Other operating income /(expense) | 12.578 | 36.621 | 2.289 | (408.154) | (356.666) |
| Provision for loan losses and other receivables | (12.559) | (91.955) | - | (45.062) | (149.576) |
| Profit/(loss) before tax | (350.212) | 1.024.950 | 103.971 | (457.641) | 321.068 |
| Provision for tax | - | - | - | (72.921) | (72.921) |
| Net profit / (loss) for the period | (350.212) | 1.024.950 | 103.971 | (530.562) | 248.147 |

(*) The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Parent Bank.

(**) Since the management uses net profit share income/ (expense) as a performance measurement criteria, profit share income and expense is presented net.

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Section five

Explanations and notes on the consolidated financial statements

I. Explanations and notes related to assets:

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

| | Current Period | | Prior Period | |
|-----------------------|----------------|------------------|----------------|------------------|
| | TL | FC | TL | FC |
| Cash/Foreign currency | 124.648 | 283.565 | 88.803 | 106.119 |
| CBRT | 698.140 | 3.371.781 | 263.590 | 2.670.136 |
| Other (*) | 71.416 | 355.248 | - | 538 |
| Total | 894.204 | 4.010.594 | 352.393 | 2.776.793 |

(*) As of December 31, 2015, Includes precious metals amounting to TL 12.370 (December 31, 2014: TL 538) and cash in transit amounting to TL 414.294. (December 31,2014: None)

b) Information related to CBRT:

| | Current Period | | Prior Period | |
|-----------------------------|----------------|------------------|----------------|------------------|
| | TL | FC | TL | FC |
| Unrestricted demand deposit | 695.445 | 377.110 | 263.328 | 278.761 |
| Unrestricted time deposit | - | - | - | - |
| Restricted time deposit (*) | 2.695 | 2.994.671 | 262 | 2.391.375 |
| Total | 698.140 | 3.371.781 | 263.590 | 2.670.136 |

(*) As of December 31, 2015, the reserve requirement held in standard gold is TL 433.751 (December 31, 2014: TL 340.792).

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, 2015, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 5% to 11,5% depending on maturity of deposits and the compulsory rates for the foreign currency liabilities are within an interval from 5% to 25% depending on maturity of deposits.

The Central Bank of Republic of Turkey has launched to pay income on TL reserves since November 2014 and on USD reserves , reserve options and unrestricted deposits since May 2015.

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

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

None. (December 31, 2014: None)

b) Table of positive differences related to derivative financial assets held for trading:

| | Current Period | | Prior Period | |
|----------------------|----------------|---------------|--------------|----------|
| | TL | FC | TL | FC |
| Forward Transactions | - | - | - | - |
| Swap Transactions | - | 20.822 | - | - |
| Futures Transactions | - | - | - | - |
| Options | - | - | - | - |
| Other | - | - | - | - |
| Total | - | 20.822 | - | - |

3. a) Information on banks:

| | Current Period | | Prior Period | |
|-----------------------------------|----------------|------------------|----------------|------------------|
| | TL(*) | FC | TL | FC |
| Banks | | | | |
| Domestic | 599.970 | 1.456.406 | 511.402 | 731.224 |
| Abroad | - | 426.238 | - | 405.609 |
| Foreign head offices and branches | - | - | - | - |
| Total | 599.970 | 1.882.644 | 511.402 | 1.136.833 |

(*) Includes blockaged amount TL 569.474 (December 31,2014:475.384) booked under TL accounts arising from POS transactions.

b) Information on foreign bank accounts:

| | Current period | | Prior period | |
|---------------------------|---------------------|-------------------|---------------------|-------------------|
| | Unrestricted amount | Restricted amount | Unrestricted amount | Restricted amount |
| European Union Countries | 194.411 | - | 83.042 | - |
| USA and Canada | 77.021 | - | 225.731 | - |
| OECD Countries (*) | 5.316 | - | 2.696 | - |
| Off-shore banking regions | 3.096 | - | 758 | - |
| Other | 146.394 | - | 93.382 | - |
| Total | 426.238 | - | 405.609 | - |

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

4. Information on financial assets available-for-sale:

a) Information on financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked:

The Parent Bank has collateralized sukuk investments with a nominal amount of TL 217.577 and carrying value of TL 226.102 to CBRT with respect to money market transactions and subjected to repurchase agreements. (December 31, 2014: None)

As of December 31,2015, available for sale investments given as a guarantee or blocked amount to TL 34.132. (December 31, 2014: None)

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

b) Information on financial assets available-for-sale:

| | Current Period | Prior Period |
|-------------------------------|------------------|----------------|
| Debt securities | 1.009.985 | 631.582 |
| Quoted on a stock exchange(*) | 1.009.985 | 631.582 |
| Unquoted | - | - |
| Share certificates | 12.865 | 1.675 |
| Quoted on a stock exchange | - | - |
| Unquoted (**) | 12.865 | 1.675 |
| Impairment provision (-) | 2.223 | 305 |
| Total | 1.020.627 | 632.952 |

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

(**) Besides including unquoted equity securities, The shares of Visa Europa, which are not traded in an active market and carried at cost since it is impossible to determine its fair value before December 31, 2015, are revalued basing on its indicator transaction value related to mentioned shares' take-over to Visa Inc. and the related revaluation difference is presented in financial statements of December 31, 2015

5. Information on loans and receivables:

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

| | Current Period | | Prior Period | |
|--|----------------|----------------|---------------|----------------|
| | Cash | Non-cash | Cash | Non-cash |
| Direct loans granted to shareholders | 80.073 | 62.236 | 8.808 | 35.469 |
| Corporate shareholders | 79.777 | 61.294 | 8.663 | 35.119 |
| Real person shareholders | 296 | 942 | 145 | 350 |
| Indirect loans granted to shareholders | 47.947 | 62.416 | 50.238 | 69.492 |
| Loans granted to employees | 8.985 | 28 | 7.742 | - |
| Total | 137.005 | 124.680 | 66.788 | 104.961 |

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

b) Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables:

| | Standard loans and other receivables | | | Loans and other receivables under close monitoring | | |
|---------------------------------|--------------------------------------|-----------------------------|---------------|--|-----------------------------|---------------|
| | Loans and other receivables (Total) | Restructured or rescheduled | | Loans and other receivables (Total) | Restructured or rescheduled | |
| | | Extension of Repayment Plan | Other | | Extension of Repayment Plan | Other |
| Cash loans | | | | | | |
| Loans | 17.754.205 | 212.812 | 18.546 | 616.194 | 55.255 | 20.557 |
| Export loans | 405.706 | 2.365 | - | 838 | - | - |
| Import loans | 1.431.798 | 19.465 | 2.312 | 10.718 | 803 | 40 |
| Business loans | 9.269.509 | 161.888 | 10.572 | 398.946 | 44.946 | 11.359 |
| Consumer loans | 2.700.852 | 6.505 | 1.009 | 25.316 | 175 | 62 |
| Credit cards | 189.347 | - | - | 4.092 | - | - |
| Loans given to financial sector | 4.337 | - | - | - | - | - |
| Other (*) | 3.752.656 | 22.589 | 4.653 | 176.284 | 9.331 | 9.096 |
| Other receivables | | | | | | |
| Total | 17.754.205 | 212.812 | 18.546 | 616.194 | 55.255 | 20.557 |

(*) Details of other loans are provided below:

| | |
|--|------------------|
| Commercial loans with installments | 1.917.320 |
| Other investment credits | 860.946 |
| Loans given to abroad | 490.739 |
| Profit and loss sharing investments (**) | 362.430 |
| Loans for purchase of marketable securities for customer | 263.529 |
| Other | 33.976 |
| Total | 3.928.940 |

(**) As of December 31, 2015, the related balance represents profit and loss sharing investment projects (12 projects) which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects is done within the framework of the signed contract between the Parent Bank and the counterparty after the cost of the projects is clarified and net profit of projects is determined once the project / stages of the project are completed. In case the transaction subject to the profit and loss sharing investment project results in a loss, the Parent Bank's share of loss is limited with the funds invested in the project by the Parent Bank. In the current period the Parent Bank recognized TL 54.862 (December 31, 2014: TL 57.388) income in the accompanying financial statements in relation to such loans and presented in the profit share on loans in the income statement.

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1. Explanations and notes related to assets (continued):

| | Extension of Repayment Plan | |
|-----------------|--------------------------------------|--|
| | Standard loans and other receivables | Loans and other receivables under close monitoring |
| 1 or 2 times | 212.812 | 55.255 |
| 3, 4 or 5 times | - | - |
| Over 5 times | - | - |

| Extension Periods | Standard loans and other receivables | Loans and other receivables under close monitoring |
|-------------------|--------------------------------------|--|
| 0 - 6 months | 32.996 | 14.773 |
| 6 - 12 months | 28.349 | 3.137 |
| 1 - 2 years | 41.995 | 10.596 |
| 2 - 5 years | 94.057 | 24.855 |
| 5 years and over | 15.415 | 1.894 |

In accordance with the Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans" published in Official Gazette dated December 30, 2011 and numbered 28158, information related to the loans granted to maritime sector :

As of December 31, 2015, the Parent Bank has loan receivables amounting to TL 21.971 arising from rescheduled loans within the scope of related Communiqué.

c) Maturity analysis of cash loans:

| Cash Loans | Standard Loans and Other Receivables | | Loans and Other Receivables Under Close Monitoring | |
|---|--------------------------------------|---------------------------------|--|-----------------------------|
| | Loans and Other Receivables | Restructured or Rescheduled(**) | Loans and Other Receivables | Restructured or Rescheduled |
| Short term loans and other receivables | 4.013.248 | 46.538 | 72.664 | 8.323 |
| Loans | 4.013.248 | 46.538 | 72.664 | 8.323 |
| Other receivables | - | - | - | - |
| Medium and long-term loans and other receivables(*) | 13.509.599 | 184.820 | 467.718 | 67.489 |
| Loans | 13.509.599 | 184.820 | 467.718 | 67.489 |
| Other receivables | - | - | - | - |
| Total | 17.522.847 | 231.358 | 540.382 | 75.812 |

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

(**) Includes extensions, reductions and other changes in payment plans.

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

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

| | Short-term | Medium and long-term | Total |
|--|---------------|----------------------|------------------|
| Consumer loans-TL | 22.080 | 2.698.962 | 2.721.042 |
| Housing loans | 3.613 | 2.427.216 | 2.430.829 |
| Vehicle loans | 3.581 | 119.160 | 122.741 |
| Consumer loans | 14.886 | 152.586 | 167.472 |
| Other | - | - | - |
| Consumer loans-FC indexed | - | - | - |
| Housing loans | - | - | - |
| Vehicle loans | - | - | - |
| Consumer loans | - | - | - |
| Other | - | - | - |
| Consumer loans-FC | - | - | - |
| Housing loans | - | - | - |
| Vehicle loans | - | - | - |
| Consumer loans | - | - | - |
| Other | - | - | - |
| Retail credit cards-TL | 57.240 | - | 57.240 |
| With installment | 21.188 | - | 21.188 |
| Without installment | 36.052 | - | 36.052 |
| Retail credit cards-FC | - | - | - |
| With installment | - | - | - |
| Without installment | - | - | - |
| Personnel loans-TL | 3.145 | 1.981 | 5.126 |
| Housing loans | - | 243 | 243 |
| Vehicle loans | 95 | 1.266 | 1.361 |
| Consumer loans | 3.050 | 472 | 3.522 |
| Other | - | - | - |
| Personnel loans-FC indexed | - | - | - |
| Housing loans | - | - | - |
| Vehicle loans | - | - | - |
| Consumer loans | - | - | - |
| Other | - | - | - |
| Personnel loans-FC | - | - | - |
| Housing loans | - | - | - |
| Vehicle loans | - | - | - |
| Consumer loans | - | - | - |
| Other | - | - | - |
| Personnel credit cards-TL | 3.859 | - | 3.859 |
| With installment | 1.752 | - | 1.752 |
| Without installment | 2.107 | - | 2.107 |
| Personnel credit cards-FC | - | - | - |
| With installment | - | - | - |
| Without-installment | - | - | - |
| Overdraft account-TL(real person) | - | - | - |
| Overdraft account-FC(real person) | - | - | - |
| Total | 86.324 | 2.700.943 | 2.787.267 |

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

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

| | Short-term | Medium and long-term | Total |
|--|----------------|----------------------|------------------|
| Commercial installment loans-TL | 39.142 | 1.303.165 | 1.342.307 |
| Business loans | 7.241 | 365.312 | 372.553 |
| Vehicle loans | 19.252 | 306.872 | 326.124 |
| Consumer loans | 12.649 | 630.981 | 643.630 |
| Other | - | - | - |
| Commercial installment loans-FC indexed | 863 | 527.186 | 528.049 |
| Business loans | - | 189.345 | 189.345 |
| Vehicle loans | 548 | 80.080 | 80.628 |
| Consumer loans | 315 | 257.761 | 258.076 |
| Other | - | - | - |
| Commercial installment Loans-FC | - | 46.964 | 46.964 |
| Business loans | - | - | - |
| Vehicle loans | - | - | - |
| Consumer loans | - | 46.964 | 46.964 |
| Other | - | - | - |
| Corporate credit cards-TL | 132.340 | - | 132.340 |
| With installment | 28.942 | - | 28.942 |
| Without installment | 103.398 | - | 103.398 |
| Corporate credit cards-FC | - | - | - |
| With installment | - | - | - |
| Without installment | - | - | - |
| Overdraft account-TL (legal entity) | - | - | - |
| Overdraft account-FC(legal entity) | - | - | - |
| Total | 172.345 | 1.877.315 | 2.049.660 |

e) Allocation of loans by customers:

| | Current Period | Prior Period |
|--------------|-------------------|-------------------|
| Public | 13.012 | 106.554 |
| Private | 18.357.387 | 15.327.778 |
| Total | 18.370.399 | 15.434.332 |

f) Breakdown of domestic and foreign loans:

| | Current Period | Prior Period |
|----------------|-------------------|-------------------|
| Domestic loans | 17.879.660 | 15.093.302 |
| Foreign loans | 490.739 | 341.030 |
| Total | 18.370.399 | 15.434.332 |

g) Loans granted to subsidiaries and associates:

As of the balance sheet date, there are no cash loans granted to subsidiaries and associates.

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Notes related to consolidated financial statements
As of December 31, 2015
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I. Explanations and notes related to assets (continued):

ğ) Specific provisions for loans:

| | Current Period | Prior Period |
|--|----------------|----------------|
| Loans and receivables with limited collectibility | 20.420 | 23.769 |
| Loans and receivables with doubtful collectibility | 56.714 | 40.451 |
| Uncollectible loans and receivables | 192.801 | 212.500 |
| Total | 269.935 | 276.720 |

In addition to specific provision for loans amounting TL 269.935 (December 31, 2014: TL 276.720), provision amounting to TL 10.912 (December 31, 2014: TL 10.541) have been provided for fees and commissions and other receivables with doubtful collectability which sums up to total TL 280.847 (December 31, 2014: TL 287.261). Specific provision for loans amounting to TL 179.220 (December 31, 2014: TL 183.120) represents participation account share of specific provisions of loans provided from participation accounts.

h) Information on non-performing loans and receivables (net):

h.1) Non-performing loans and receivables which are restructured or rescheduled:

| | III. Group Loans and receivables with limited collectibility | IV. Group Loans and receivables with doubtful collectibility | V. Group Uncollectible loans and receivables |
|---|--|--|---|
| Current period | | | |
| (Gross amount before specific provisions) | 49.844 | 9.817 | 14.785 |
| Restructured loans and other receivables | 49.844 | 9.817 | 14.785 |
| Rescheduled loans and other receivables | - | - | - |
| Prior period | | | |
| (Gross amounts before special provisions) | 62 | 1.132 | 19.288 |
| Restructured loans and other receivables | 62 | 1.132 | 19.288 |
| Rescheduled loans and other receivables | - | - | - |

h.2) Movements of non-performing loans:

| | III. Group Loans and receivables with limited collectibility | IV. Group Loans and receivables with doubtful collectibility | V. Group Uncollectible loans and receivables |
|---|--|--|---|
| Closing balance of prior period | 39.183 | 48.450 | 228.801 |
| Additions in the current period (+) | 295.816 | 17.714 | 37.087 |
| Transfers from other categories of non-performing loans (+) | - | 177.282 | 100.133 |
| Transfers to other categories of non-performing loans (-) | 177.282 | 100.133 | - |
| Transfers to standard loans (-) | - | 1.711 | 267 |
| Collections in the current period (-) | 34.115 | 27.902 | 53.019 |
| Write offs (-) | 3 | 1.098 | 91.435 |
| Corporate and commercial loans | - | 1.097 | 89.199 |
| Retail loans | 3 | 1 | 2.212 |
| Credit cards | - | - | 24 |
| Other | - | - | - |
| Closing balance of the current period | 123.599 | 112.602 | 221.300 |
| Specific provisions (-) | 20.420 | 56.714 | 192.801 |
| Net balance at the balance sheet | 103.179 | 55.888 | 28.499 |

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

Non-performing loans and receivables in the amount of TL 457.501 (December 31, 2014: TL 316.434) comprise TL 281.719 (December 31, 2014: TL 194.337) of participation account share of loans and receivables provided from participation accounts.

In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability amounting to TL 10.912 (December 31, 2014: TL 10.541). In the current period, collections from fees, commissions and other receivables with doubtful collectability amounted to TL 3.763.

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

| | III. Group Loans and receivables with limited collectibility | IV. Group Loans and receivables with doubtful collectibility | V. Group Uncollectible loans and receivables |
|-------------------------------------|--|--|---|
| Current period: | | | |
| Period end balance | 1.114 | 43 | - |
| Specific provision (-) | 317 | 12 | - |
| Net balance on balance sheet | 797 | 31 | - |
| Prior period: | | | |
| Period end balance | 15 | 12 | - |
| Specific provision (-) | 4 | 7 | - |
| Net balance on balance sheet | 11 | 5 | - |

h.4) Gross and net non-performing loans and other receivables per customer categories:

| | III. Group Loans and receivables with limited collectibility | IV. Group Loans and receivables with doubtful collectibility | V. Group Uncollectible loans and receivables |
|---|--|--|---|
| Current period (net) | 103.179 | 55.888 | 28.499 |
| Loans to individuals and corporates (gross) | 123.599 | 112.602 | 221.300 |
| Specific provision (-) | 20.420 | 56.714 | 192.801 |
| Loans to individuals and corporates (net) | 103.179 | 55.888 | 28.499 |
| Banks (gross) | - | - | - |
| Specific provision (-) | - | - | - |
| Banks (net) | - | - | - |
| Other loans and receivables (gross) | - | - | - |
| Specific provision (-) | - | - | - |
| Other loans and receivables (net) | - | - | - |
| Prior period (net) | 15.414 | 7.999 | 16.301 |
| Loans to individuals and corporates (gross) | 39.183 | 48.450 | 228.801 |
| Specific provision (-) | 23.769 | 40.451 | 212.500 |
| Loans to individuals and corporates (net) | 15.414 | 7.999 | 16.301 |
| Banks (gross) | - | - | - |
| Specific provision (-) | - | - | - |
| Banks (net) | - | - | - |
| Other loans and receivables (gross) | - | - | - |
| Specific provision (-) | - | - | - |
| Other loans and receivables (net) | - | - | - |

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

i) Liquidation policy for uncollectible loans and receivables:

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

i) Information on "Write-off" policies:

The write-off policy of the Parent Bank for receivables under follow up is to retire the receivables from assets in case of determination of the inability of collection through follow-up by the decision of Parent Bank management.

Loans and other receivables, which have been deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette numbered 26333 dated November 01, 2006, have been written-off as per the decision of the Parent Bank Management dated October 28, 2015 numbered 1480. In 2015, non-performing loans amounting to TL 94.592 were written-off (December 31,2014 : TL 19.336).

j) Other explanations on loans and receivables:

Aging analysis of past due but not impaired financial assets per classes of financial instruments is stated below:

| Current Period | Less than 30 days | 31-60 days | 61-90 days | Total |
|-----------------------|------------------------------|-----------------------|-----------------------|------------------|
| Loans and Receivables | | | | |
| Corporate Loans | 1.307.983 | 296.077 | 294.939 | 1.898.999 |
| Consumer Loans | 135.307 | 25.018 | 4.579 | 164.904 |
| Credit Cards | 37.982 | 739 | 386 | 39.107 |
| Total | 1.481.272 | 321.834 | 299.904 | 2.103.010 |
| Prior Period | Less than 30 days | 31-60 days | 61-90 days | Total |
| Loans and Receivables | | | | |
| Corporate Loans | 422.348 | 92.033 | 221.102 | 735.483 |
| Consumer Loans | 79.128 | 14.155 | 2.874 | 96.157 |
| Credit Cards | 3.708 | 990 | 339 | 5.037 |
| Total | 505.184 | 107.178 | 224.315 | 836.677 |

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

6. Information on held-to-maturity investments:

6.1) Information on held-to-maturity investments subject to repurchase transactions, given as a guarantee or blocked:

As of December 31, 2015, held to maturity investments given as a guarantee or blocked amount to TL 80.576. Held to maturity investments subject to repurchase agreements amount to TL 553.490 (December 31, 2014 : Held to maturity investments given as a guarantee or blocked amount to TL 30.982, held to maturity investments subject to repurchase agreements amount to TL 113.775).

6.2) Information related to government securities held to maturity:

| | Current Period | Prior Period |
|---------------------------------|-----------------------|---------------------|
| Government Bonds | - | - |
| Treasury Bills | - | - |
| Other Government Securities (*) | 762.890 | 783.309 |
| Total | 762.890 | 783.309 |

(*) Consists of Sukook certificates issued by Undersecretariat of Treasury of Turkey.

6.3) Information on held-to-maturity investments:

| | Current Period | Prior Period |
|-------------------------------|-----------------------|---------------------|
| Debt Securities | 762.890 | 783.309 |
| Quoted on a stock exchange(*) | 762.890 | 783.309 |
| Unquoted | - | - |
| Impairment provision(-) | - | - |
| Total | 762.890 | 783.309 |

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

6.4) Movement of held-to-maturity investments:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Balance at beginning of period | 783.309 | 745.390 |
| Foreign currency differences on monetary assets | - | - |
| Purchases during period | 391.427 | 350.000 |
| Disposals through sales and redemptions | (476.442) | (366.063) |
| Impairment provision (-) | - | - |
| Income accruals | 64.596 | 53.982 |
| Closing balance | 762.890 | 783.309 |

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

7. Associates (net):

a) Information on unconsolidated associates:

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

| Name | Address (City/ Country) | Parent Bank's share percentage- If different voting percentage (%) | Parent Bank's risk group share percentage (%) |
|------------------------|----------------------------|---|---|
| Kredi Garanti Fonu A.Ş | Ankara / Turkey | 1,69 | - |

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the unaudited financial statements as of September 30, 2015.

| Total assets | Shareholders' equity | Total fixed assets | Dividend or profit share income | Income from marketable securities | Current period income/loss | Prior period income/loss | Fair value |
|-----------------|-------------------------|--------------------------|--|---|----------------------------------|-----------------------------|------------|
| 316.348 | 313.416 | 5.836 | - | - | 19.899 | - | - |

b) Information on consolidated associates:

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

8. Information on subsidiaries (net):

a) Information on unconsolidated subsidiaries:

As of balance sheet date, the Group does not have unconsolidated subsidiary.

b) Information on consolidated subsidiaries:

i) Bereket Varlık Kiralama A.Ş, 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 Market 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 Market Board of Turkey dated October 6, 2011 numbered 32/923. The founding capital of the Company is TL 50. As of December 31, 2015 the capital of the Company is TL 250. Bereket Varlık Kiralama A.Ş. is consolidated using full consolidation method as of December 31, 2015.

The balances of Bereket Varlık Kiralama A.Ş. presented in the table below have been obtained from the audited financial statements as of December 31, 2015

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

b) Information on consolidated subsidiaries (continued):

| Name | Address (City/ Country) | Parent Bank's share percentage- If different voting percentage (%) | Risk share percentage of other shareholders (%) |
|------------------------------|----------------------------|---|---|
| Bereket Varlık Kiralama A.Ş. | İstanbul / Türkiye | 100,00 | - |

| Total assets | Shareholders' equity | Total fixed assets | Dividend or profit share income | Income from marketable securities | Current period income/loss | Prior period income/loss | Fair value |
|-----------------|-------------------------|--------------------------|--|--|----------------------------------|-----------------------------|---------------|
| 1.018.176 | 106 | 4 | - | - | (67) | (77) | - |

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. Albaraka Gayrimenkul Portföy Yönetimi A.Ş. is consolidated using full consolidation method as of December 31, 2015.

The balances of Albaraka Gayrimenkul Portföy Yönetimi A.Ş. presented in the table below have been obtained from the audited financial statements as of December 31, 2015.

| Name | Address (City/ Country) | Parent Bank's share percentage- If different voting percentage (%) | Risk share percentage of other shareholders (%) |
|---------------------------------------|----------------------------|---|---|
| Albaraka Gayrimenkul Portföy Yön.A.Ş. | İstanbul / Türkiye | 100,00 | - |

| Total assets | Shareholders' equity | Total fixed assets | Dividend or profit share income | Income from marketable securities | Current period income/loss | Prior period income/loss | Fair value |
|--------------|-------------------------|--------------------------|--|--|----------------------------------|-----------------------------|------------|
| 4.808 | 4.745 | 7 | - | - | (255) | - | - |

9. Information on investments in joint- ventures:

a) Information on unconsolidated investments in joint- ventures:

The Group does not have unconsolidated investments in joint- ventures as of the balance sheet date.

b) Information on consolidated investments in joint- ventures:

The Parent Bank has founded Katılım Emeklilik ve Hayat A.Ş ("Company") – a private pension and insurance company- through equal partnership with Kuveyt Turk Katılım Bankası A.Ş in the form of joint venture in accordance with Board of Directors' decision dated May 10, 2013 numbered 1186, and permission of BRSA dated September 24, 2013 numbered 4389041421.91.11-24049. Company registered on December 17, 2013 and noticed in Trade registry gazette dated December 23, 2013 and numbered 8470. As of December 31, 2015 Katılım Emeklilik ve Hayat A.Ş. is subject to consolidation by the Parent Bank.

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to consolidated financial statements
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I. Explanations and notes related to assets (continued):

| Joint-Ventures | The Parent Bank's shareholding percentage (%) | Groups shareholding percentage (%) | Current Assets | Non-Current Assets | Long Term Debts | Income | Expense |
|---------------------------------|---|------------------------------------|----------------|--------------------|-----------------|--------|---------|
| Katılım Emeklilik ve Hayat A.Ş. | 50,00 | 50,00 | 24.970 | 236.128 | 237.340 | 24.948 | 29.400 |

The financials from unaudited financial statements as of December 31, 2015 are presented above.

10. Information on lease receivables (net):

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

| | Current Period | | Prior Period | |
|-------------------|------------------|----------------|----------------|----------------|
| | Gross | Net | Gross | Net |
| Less than a year | 325.587 | 257.672 | 208.180 | 173.564 |
| 1 to 4 years | 577.191 | 523.390 | 352.652 | 315.581 |
| More than 4 years | 187.285 | 166.365 | 221.780 | 220.501 |
| Total | 1.090.063 | 947.427 | 782.612 | 709.646 |

b) Information on net investments through finance lease:

| | Current Period | Prior Period |
|---|----------------|----------------|
| Gross finance lease receivables | 1.090.063 | 782.612 |
| Unearned finance lease receivable (-) | 142.636 | 72.966 |
| Net receivable from finance leases | 947.427 | 709.646 |

c) General explanation on finance lease contracts:

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

Information on leasing receivables:

| | Standard loans and Other receivables | | Loans and other receivables under close monitoring | |
|---------------------------------|--------------------------------------|-----------------------------|--|-----------------------------|
| | Loans and other receivables | Restructured or rescheduled | Loans and other receivables | Restructured or rescheduled |
| | Extension of Repayment Plan | | Extension of Repayment Plan | |
| | | Other | | Other |
| Finance lease receivables (Net) | 916.510 | 89.366 | 30.917 | - |

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

11. Information on derivative financial assets for hedging purposes:

None. (December 31,2014: None)

12. Information on tangible assets:

| Current period | Immovables | Leased tangible assets | Vehicles | Other | Assets held for sale | Total |
|---|------------|------------------------|----------|-----------|----------------------|-----------|
| Cost | | | | | | |
| Opening balance: January 1,2015 | 338.576 | - | 1.667 | 196.420 | 70.775 | 607.438 |
| Additions | 9.492 | - | 801 | 22.112 | 27 | 32.432 |
| Revaluation differences | 31.988 | - | - | - | - | 31.988 |
| Disposals | (16.035) | - | (821) | (2.559) | (20.482) | (39.897) |
| Impairment losses(-)/Reversal of impairment losses | - | - | - | - | 94 | 94 |
| Transfers | - | - | - | - | 23.549 | 23.549 |
| Ending balance: December 31,2015 | 364.021 | - | 1.647 | 215.973 | 73.963 | 655.604 |
| Accumulated depreciation(-) | | | | | | |
| Opening balance: January 1,2015 | 27.733 | - | 1.278 | 88.827 | 2.461 | 120.299 |
| Depreciation expense | 7.494 | - | 230 | 30.083 | 1.307 | 39.114 |
| Reversal of depreciation of the disposed assets | (2.540) | - | (609) | (566) | (1.233) | (4.948) |
| Transfers | - | - | - | - | - | - |
| Ending balance: December 31,2015 | 32.687 | - | 899 | 118.344 | 2.535 | 154.465 |
| Total cost at the end of the year | 364.021 | - | 1.647 | 215.973 | 73.963 | 655.604 |
| Total accumulated depreciation at the end of the year | (32.687) | - | (899) | (118.344) | (2.535) | (154.465) |
| Closing net book value | 331.334 | - | 748 | 97.629 | 71.428 | 501.139 |

| Prior period | Immovables | Leased tangible assets | Vehicles | Other | Assets Held for sale | Total |
|---|------------|------------------------|----------|----------|----------------------|-----------|
| Cost | | | | | | |
| Opening balance: January 1, 2014 | 262.486 | - | 2.077 | 155.578 | 56.224 | 476.365 |
| Additions | 2.226 | - | 14 | 49.058 | 218 | 51.517 |
| Revaluation differences | 73.598 | - | - | - | - | 73.598 |
| Disposals | - | - | (424) | (8.216) | (7.619) | (16.259) |
| Impairment losses(-)/Reversal of impairment losses | 266 | - | - | - | (1.093) | (828) |
| Transfers | - | - | - | - | 23.045 | 23.045 |
| Ending balance: December 31, 2014 | 338.576 | - | 1.667 | 196.420 | 70.775 | 607.438 |
| Accumulated depreciation(-) | | | | | | |
| Opening balance: January 1, 2014 | 21.837 | - | 1.423 | 71.083 | 1.408 | 95.751 |
| Depreciation expense | 5.896 | - | 277 | 25.653 | 1.255 | 33.082 |
| Reversal of depreciation of the disposed assets | - | - | (422) | (7.909) | (202) | (8.534) |
| Transfers | - | - | - | - | - | - |
| Ending balance: December 31, 2014 | 27.733 | - | 1.278 | 88.827 | 2.461 | 120.299 |
| Total cost at the end of the year | 338.576 | - | 1.667 | 196.420 | 70.775 | 607.438 |
| Total accumulated depreciation at the end of the year | (27.733) | - | (1.278) | (88.827) | (2.461) | (120.299) |
| Closing net book value | 310.843 | - | 389 | 107.593 | 68.314 | 487.139 |

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

As of December 31, 2015, the immovables of the Parent Bank have been revalued by an independent valuer and revaluation fund of TL 189.092 (December 31, 2014: TL 153.179) net of deferred tax and depreciation has been reflected in the financial statements. The carrying value of the aforesaid immovables would have been TL 109.007 (December 31, 2014: TL 106.810) if revaluation method had not been adopted.

13. Information on intangible assets:

a) Opening and ending book values and accumulated depreciation balances:

| | Current Period | Prior Period |
|-----------------------------|----------------|---------------|
| Cost | 86.636 | 50.452 |
| Accumulated depreciation(-) | 42.353 | 23.557 |
| Total (net) | 44.283 | 26.895 |

b) Intangible assets movement between the beginning and end of the period:

| | Current Period | Prior Period |
|-------------------------------|----------------|---------------|
| Opening balance | 26.895 | 15.929 |
| Additions | 36.124 | 20.570 |
| Disposals net (-) | - | - |
| Depreciation expense (-) | 18.736 | 9.604 |
| Closing net book value | 44.283 | 26.895 |

14. Information on investment property:

None. (December 31, 2014: None)

15. Information related to deferred tax asset:

As of December 31, 2015, Group calculated deferred tax asset of TL 44.887 (December 31, 2014: TL 35.388) and deferred tax liability of TL 29.797 (December 31, 2014: TL 43.692) on all tax deductible/ taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods and presented them as net in the accompanying financial statements. (December 31, 2014: TL 8.304 Deferred Tax Liability)

| | Tax Base | Deferred Tax Amount |
|---|----------------|---------------------|
| Rediscount on profit share and prepaid fees and commission income and unearned revenues | 165.320 | 33.064 |
| Provisions for retirement and vacation pay liabilities | 53.039 | 10.607 |
| Difference between carrying value and tax base of tangible assets | 3.680 | 736 |
| Provision for impairment | 2.070 | 414 |
| Other | 326 | 66 |
| Deferred tax asset | 224.435 | 44.887 |
| Revaluation difference of property | 90.650 | 18.130 |
| Financial assets available for sale valuation difference | 13.770 | 2.754 |
| Trading securities valuation difference | - | - |
| Rediscount on profit share | 7.020 | 1.404 |
| Other | 37.545 | 7.509 |
| Deferred tax liability | 148.985 | 29.797 |
| Deferred tax asset (net) | 75.450 | 15.090 |

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

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

Assets held for sale consist of tangible assets which have been acquired due to non-performing loans and are accounted in the consolidated financial statements in accordance with the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Assets Held for Sale".

| | Current Period | Prior Period |
|--|----------------|---------------|
| Opening Balance | 27.678 | 28.407 |
| Additions | 37.242 | 34.403 |
| Disposals | (18.246) | (12.634) |
| Transfers (*) | (23.549) | (23.045) |
| Impairment Provision(-)/Reversal of Impairment Provision | 306 | 547 |
| Net closing balance | 22.819 | 27.678 |

(*) The balance has been transferred to assets to be disposed included in tangible assets.

As of December 31, 2015, TL 22.539 of the assets held for sale is comprised of real estates, TL 280 is comprised of other tangible assets.

The Group has no discontinued operations and assets of discontinued operations. (December 31, 2014: None)

17. Information on other assets:

As of the balance sheet date, the Group's other assets balance is TL 218.298 (December 31, 2014: TL 76.411) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.

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II. Explanations and notes related to liabilities:

1. Information on funds collected:

a) Information on maturity structure of funds collected:

| Current Period | Demand | Up to 1 month | Up to 3 months | Up to 6 months | Up to 9 months | Up to 1 year | Over 1 year | Accumulated participation accounts | Total |
|---|------------------|----------------|-------------------|----------------|----------------|----------------|------------------|------------------------------------|-------------------|
| I. Real Persons Current Accounts | | | | | | | | | |
| Non-Trade TL | 771.214 | - | - | - | - | - | - | - | 771.214 |
| II. Real Persons Participation Accounts Non-Trade TL | - | 418.623 | 5.626.945 | 84.267 | - | 91.904 | 533.772 | - | 6.755.511 |
| III. Current Account other-TL | 1.235.919 | - | - | - | - | - | - | - | 1.235.919 |
| Public Sector | 38.481 | - | - | - | - | - | - | - | 38.481 |
| Commercial Institutions | 1.138.159 | - | - | - | - | - | - | - | 1.138.159 |
| Other Institutions | 52.254 | - | - | - | - | - | - | - | 52.254 |
| Commercial and Other Institutions | 6.056 | - | - | - | - | - | - | - | 6.056 |
| Banks and Participation Banks | 969 | - | - | - | - | - | - | - | 969 |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 2 | - | - | - | - | - | - | - | 2 |
| Foreign Banks | 947 | - | - | - | - | - | - | - | 947 |
| Participation Banks | 20 | - | - | - | - | - | - | - | 20 |
| Other | - | - | - | - | - | - | - | - | - |
| IV. Participation Accounts-TL | - | 128.900 | 2.248.305 | 62.236 | - | 22.997 | 106.211 | - | 2.568.649 |
| Public Sector | - | - | 2.114 | - | - | - | - | - | 2.114 |
| Commercial Institutions | - | 127.370 | 1.895.081 | 48.471 | - | 21.781 | 102.397 | - | 2.195.080 |
| Other Institutions | - | 1.528 | 162.999 | 13.765 | - | 1.236 | 3.814 | - | 183.342 |
| Commercial and Other Institutions | - | 2 | 170.828 | - | - | - | - | - | 170.830 |
| Banks and Participation Banks | - | - | 17.283 | - | - | - | - | - | 17.283 |
| V. Real Persons Current Accounts Non- Trade FC | 1.005.988 | - | - | - | - | - | - | - | 1.005.988 |
| VI. Real Persons Participation Accounts Non-Trade FC | - | 259.827 | 3.269.145 | 85.684 | - | 176.141 | 558.294 | - | 4.349.091 |
| VII. Other Current Accounts FC | 1.142.114 | - | - | - | - | - | - | - | 1.142.114 |
| Residents in Turkey-Corporate | 796.423 | - | - | - | - | - | - | - | 796.423 |
| Residents Abroad-Corporate | 207.863 | - | - | - | - | - | - | - | 207.863 |
| Banks and Participation Banks | 137.828 | - | - | - | - | - | - | - | 137.828 |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | - | - | - | - | - | - | - | - | - |
| Foreign Banks | 106.227 | - | - | - | - | - | - | - | 106.227 |
| Participation Banks | 31.601 | - | - | - | - | - | - | - | 31.601 |
| Other | - | - | - | - | - | - | - | - | - |
| VIII. Participation Accounts other- FC | - | 109.229 | 1.805.612 | 164.175 | - | 55.447 | 84.338 | - | 2.218.801 |
| Public sector | - | - | - | - | - | - | - | - | - |
| Commercial institutions | - | 77.065 | 1.087.442 | 84.549 | - | 34.474 | 16.457 | - | 1.299.987 |
| Other institutions | - | 901 | 231.702 | - | - | 2.980 | - | - | 235.583 |
| Commercial and Other Institutions | - | 995 | 237.658 | 4.087 | - | 2.201 | 67.881 | - | 312.822 |
| Banks and Participation Banks | - | 30.268 | 248.810 | 75.539 | - | 15.792 | - | - | 370.409 |
| IX. Precious Metals Deposits | 105.805 | 41.027 | 132.729 | 7.025 | - | 3.736 | 3.686 | - | 294.008 |
| X. Participation Accounts Special Fund Pools TL | - | - | - | - | - | - | - | - | - |
| Residents in Turkey | - | - | - | - | - | - | - | - | - |
| Residents Abroad | - | - | - | - | - | - | - | - | - |
| XI. Participation Accounts Special Fund Pools – FC | - | - | - | - | - | - | - | - | - |
| Residents in Turkey | - | - | - | - | - | - | - | - | - |
| Residents Abroad | - | - | - | - | - | - | - | - | - |
| Total ((I)+(II)+.....+(IX)+(X)+(XI)) | 4.261.040 | 957.606 | 13.082.736 | 403.387 | - | 350.225 | 1.286.301 | - | 20.341.295 |

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II. Explanations and notes related to liabilities (continued):

| Prior Period | Demand | Up to 1 month | Up to 3 months | Up to 6 months | Up to 9 months | Up to 1 year | Over 1 year | Accumulated participation accounts | Total |
|---|------------------|------------------|-------------------|-------------------|-------------------|-----------------|----------------|--|-------------------|
| I. Real Persons Current Accounts Non-Trade TL | 651.085 | - | - | - | - | - | - | - | 651.085 |
| II. Real Persons Participation Accounts Non-Trade TL | - | 3.221.702 | 2.450.686 | 129.932 | - | 38.739 | 433.932 | - | 6.274.991 |
| III. Current Account other-TL | 1.084.588 | - | - | - | - | - | - | - | 1.084.588 |
| Public Sector | 27.473 | - | - | - | - | - | - | - | 27.473 |
| Commercial Institutions | 1.027.822 | - | - | - | - | - | - | - | 1.027.822 |
| Other Institutions | 28.390 | - | - | - | - | - | - | - | 28.390 |
| Commercial and Other Institutions | 49 | - | - | - | - | - | - | - | 49 |
| Banks and Participation Banks | 854 | - | - | - | - | - | - | - | 854 |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 2 | - | - | - | - | - | - | - | 2 |
| Foreign Banks | 801 | - | - | - | - | - | - | - | 801 |
| Participation Banks | 51 | - | - | - | - | - | - | - | 51 |
| Other | - | - | - | - | - | - | - | - | - |
| IV. Participation Accounts-TL | - | 512.441 | 984.970 | 123.546 | - | 30.191 | 120.187 | - | 1.771.335 |
| Public Sector | - | 18.575 | 41 | - | - | - | - | - | 18.616 |
| Commercial Institutions | - | 446.099 | 883.116 | 24.953 | - | 8.209 | 115.749 | - | 1.478.126 |
| Other Institutions | - | 35.074 | 65.275 | 7.311 | - | 886 | 4.438 | - | 112.984 |
| Commercial and Other Institutions | - | 12.693 | 7.107 | - | - | - | - | - | 19.800 |
| Banks and Participation Banks | - | - | 29.431 | 91.282 | - | 21.096 | - | - | 141.809 |
| V. Real Persons Current Accounts Non- Trade FC | 764.756 | - | - | - | - | - | - | - | 764.756 |
| VI. Real Persons Participation Accounts Non-Trade FC | - | 1.711.026 | 1.199.277 | 151.563 | - | 26.657 | 422.339 | - | 3.510.862 |
| VII. Other Current Accounts FC | 743.223 | - | - | - | - | - | - | - | 743.223 |
| Residents in Turkey-Corporate | 576.703 | - | - | - | - | - | - | - | 576.703 |
| Residents abroad-Corporate | 51.011 | - | - | - | - | - | - | - | 51.011 |
| Banks and Participation Banks | 115.509 | - | - | - | - | - | - | - | 115.509 |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | - | - | - | - | - | - | - | - | - |
| Foreign Banks | 115.091 | - | - | - | - | - | - | - | 115.091 |
| Participation Banks | 418 | - | - | - | - | - | - | - | 418 |
| Other | - | - | - | - | - | - | - | - | - |
| VIII. Participation Accounts other-FC | - | 408.717 | 922.390 | 43.286 | - | 117.148 | 11.558 | - | 1.503.099 |
| Public Sector | - | - | - | - | - | - | - | - | - |
| Commercial Institutions | - | 327.919 | 679.277 | 5.108 | - | 92.161 | 951 | - | 1.105.416 |
| Other Institutions | - | 28.777 | 7.295 | 9 | - | - | - | - | 34.081 |
| Commercial and Other Institutions | - | 25.756 | 10.315 | - | - | 2.379 | 10.607 | - | 49.057 |
| Banks and Participation Banks | - | 28.265 | 225.503 | 38.169 | - | 22.608 | - | - | 314.545 |
| IX. Precious Metals Deposits | 132.119 | 96.393 | 102.886 | 3.586 | - | 611 | 3.520 | - | 339.115 |
| X. Participation Accounts Special Fund Pools TL | - | - | - | - | - | - | - | - | - |
| Residents in Turkey | - | - | - | - | - | - | - | - | - |
| Residents abroad | - | - | - | - | - | - | - | - | - |
| XI. Participation Accounts Special Fund Pools -FC | - | - | - | - | - | - | - | - | - |
| Residents in Turkey | - | - | - | - | - | - | - | - | - |
| Residents abroad | - | - | - | - | - | - | - | - | - |
| Total (I+II+.....+IX+X+XI) | 3.375.771 | 5.950.279 | 5.660.209 | 451.913 | - | 213.346 | 991.536 | - | 16.643.054 |

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II. Explanations and notes related to liabilities (continued):

b) Saving deposits and other deposits accounts insured by Saving Deposit Insurance Fund:

b.1) Exceeding the limit of Insurance Fund:

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of Insurance Fund:

| | Under the guarantee of Insurance | | Exceeding the guarantee of Insurance | |
|--|----------------------------------|--------------|--------------------------------------|--------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| Real persons' current and participation accounts not subject to trading transactions | | | | |
| Turkish Lira accounts | 4.031.698 | 3.576.170 | 3.495.029 | 3.349.906 |
| Foreign currency accounts | 1.556.831 | 1.296.029 | 4.115.302 | 3.265.958 |
| Foreign branches' deposits subject to foreign authorities insurance | - | - | - | - |
| Off-shore deposits under foreign authorities' insurance | - | - | - | - |

Funds collected by Participation Banks (except foreign branches) from current and participation accounts denominated in Turkish Lira or foreign currency up to a limit of maximum TL 100 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law Numbered 5411.

b.2) Funds collected which are not under the guarantee of insurance fund:

Funds collected of real persons which are not under the guarantee of insurance fund:

| | Current Period | Prior Period |
|---|----------------|--------------|
| Foreign Branches' Profit Sharing Accounts and Other Accounts | 21.595 | 29.444 |
| 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 | 8.825 | 7.451 |
| 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 liabilities (continued):

2. Information on derivative financial liabilities held for trading:

None. (December 31, 2014: None)

3. Information on borrowings:

The Parent Bank has obtained a Syndicated Murabaha Loan from international markets amounting to USD 87.500.000 and EUR 98.250.000 with maturity of one year, amounting to USD 458.500.000 and EUR 56.250.000 with maturity of more than one year, totaling to USD 546.000.000 and EUR 154.500.000. (December 31, 2014: one year maturity: USD 151.000.000 and EUR 54.400.000, more than one year maturity: USD 135.000.000 and EUR 98.000.000).

As of December 31, 2015, the Parent Bank has wakala borrowings in accordance with investment purpose wakala contracts from banks in the amounts of USD 161.448.187 and EUR 112.419.953 (December 31, 2014: USD 359.955.589 and EUR 113.435.323).

a) Information on banks and other financial institutions:

| | Current Period | | Prior Period | |
|--|----------------|------------------|--------------|------------------|
| | TL | FC | TL | FC |
| Loans from CBRT | - | - | - | - |
| Loans from domestic banks and institutions | - | 149.903 | - | 67.165 |
| Loans from foreign banks, institutions and funds | - | 2.946.440 | - | 2.331.307 |
| Total | - | 3.096.343 | - | 2.398.472 |

b) Maturity analysis of funds borrowed:

| | Current Period | | Prior Period | |
|----------------------|----------------|------------------|--------------|------------------|
| | TL | FC | TL | FC |
| Short-Term | - | 884.552 | - | 1.746.725 |
| Medium and Long-Term | - | 2.211.791 | - | 651.747 |
| Total | - | 3.096.343 | - | 2.398.472 |

c) Additional disclosures on concentration areas of Bank's liabilities:

The Parent Bank does not have concentration on customer or sector group providing funds.

4. Information on Securities Issued :

The Group has issued sukuk at June 30, 2014 in the amounts of USD 350.000.000 with five year maturity and 6.25% yearly profit rate determined to collect funds from various investors. The Group has practised this transaction through its subsidiary Bereket Varlık Kiralama A.Ş. founded particularly for the related issue.

a) Breakdown of sukuk issued :

| | Current Period | | Prior Period | |
|--------------|----------------|----------------|--------------|----------------|
| | TL | FC | TL | FC |
| Sukuk issued | - | 977.001 | - | 790.662 |
| Total | - | 977.001 | - | 790.662 |

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II. Explanations and notes related to liabilities (continued):

5. Breakdown of items in other liabilities which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total:

None. (December 31, 2014: None)

6. Lease payables:

a) Information on finance lease transactions:

a.1) Information on financial lease agreements:

The Group has no obligation from finance lease operations as of balance sheet date.

a.2) Explanations on the changes in agreements and new obligations originating from these changes:

None.

a.3) Explanations on the obligations originating from finance leases:

None.

b) Explanations on operational leases:

The Parent Bank has rented some branches, warehouses, storage and some of the administrative vehicles through operational lease agreements. The Parent Bank does not have any overdue liabilities arising on the existing operational lease agreements.

The rent payments resulting from the operational leases which the Parent Bank will pay in future periods are as follows:

| | Current Period | Prior Period |
|------------------|-----------------------|---------------------|
| Less than a year | 40.057 | 34.737 |
| 1 to 4 years | 103.291 | 92.312 |
| Over 4 years | 96.642 | 95.845 |
| Total | 239.990 | 222.894 |

7. Information on hedging derivative financial liabilities:

None. (December 31, 2014: None)

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II. Explanations and notes related to liabilities (continued):

8. Information on provisions:

a) Information on general provisions:

| | Current Period | Prior Period |
|--|----------------|----------------|
| General provisions | 170.885 | 153.910 |
| I. Group loans and receivables (Total) | 142.268 | 115.490 |
| Participation Accounts' Share | 87.710 | 67.736 |
| Bank's Share | 54.558 | 47.754 |
| Others | - | - |
| Additional provision for loans and receivables with extended maturities for loans and receivables in Group I | 8.270 | 49 |
| Participation Accounts' Share | 3.586 | 44 |
| Bank's Share | 4.684 | 5 |
| Others | - | - |
| II. Group loans and receivables (Total) | 14.436 | 23.414 |
| Participation Accounts' Share | 8.356 | 15.227 |
| Bank's Share | 6.080 | 8.187 |
| Others | - | - |
| Additional provision for loans and receivables with extended maturities for loans and receivables in Group II | 3.494 | 8.743 |
| Participation Accounts' Share | 2.692 | 5.694 |
| Bank's Share | 802 | 3.049 |
| Others | - | - |
| Non-cash loans | 14.181 | 15.006 |
| Others | - | - |

b) Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:

As of December 31, 2015, provision for foreign exchange losses on foreign currency indexed loans and lease receivables amounting to TL 27.874 (December 31, 2014: TL 15.086) has been offset against the loans and financial lease receivables included in the assets of the balance sheet.

c) Information on specific provisions for non-cash loans that are not indemnified:

As of December 31, 2015, the Parent Bank has provided specific provisions amounting to TL 22.394 (December 31, 2014: TL 15.328) for non-cash loans that are not indemnified.

ç) Other provisions:

ç.1) Information on general reserves for possible losses:

| | Current Period | Prior Period |
|--|----------------|--------------|
| General Reserves for Possible Losses (*) | 88 | 88 |
| Total | 88 | 88 |

(*) The balance represents provision for the lawsuits against the Parent Bank with high probability of realization and cash outflows.

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II. Explanations and notes related to liabilities (continued):

ç.2) Information on nature and amount of other provisions exceeding 10% of total provisions:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Provisions allocated from profit shares to be distributed to profit sharing accounts(*) | 40 | 23.117 |
| Provision for unindemnified letter of guarantees | 18.469 | 15.328 |
| Payment commitments for cheques | 3.925 | 2.574 |
| Provision for promotions related with credit cards and promotion of banking services | 80 | 217 |
| General reserves for possible losses | 88 | 88 |
| Financial assets at fair value through profit and loss | 429 | - |
| Other (**) | 4.910 | 5.061 |
| Total | 27.941 | 46.385 |

(*) Represents participation accounts' portion of specific provisions, general provisions and Saving Deposits Insurance Fund premiums provided in accordance with the article 14 of Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans".

(**) Indicates other provision amount for possible losses in loan portfolio

d) Information on provisions for employee rights:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 30.241 (December 31, 2014: TL 26.201), vacation pay liability amounting to TL 7.048 (December 31, 2014: TL 6.328) and performance premium reserve amounting to TL 15.750 (December 31, 2014 : None) totaling to TL 53.039 (December 31, 2014: TL 32.529). 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 (%) | 8,40 | 8,40 |
| Estimated increase rate of salary ceiling (%) | 6,90 | 6,00 |
| Rate used in relation to possibility of retirement (*) (%) | 62,26 | 73,71 |

(*) The rate has been calculated depending on the years of service of the employees; the rate presented in the table represents the average of such rates.

Movement of the reserve for employment termination benefits in the balance sheet is as follows:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Prior period ending balance | 26.201 | 16.526 |
| Provisions made in the period | 6.486 | 4.324 |
| Actuarial gain/(loss) | 358 | 6.958 |
| Paid during the period | (2.804) | (1.607) |
| Balance at the end of the period | 30.241 | 26.201 |

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II. Explanations and notes related to liabilities (continued):

9. Information on taxes payable:

a) Explanations on current tax liability:

a.1) As of December 31, 2015, the Group's corporate tax payable is TL 20.714 (December 31, 2014: TL 24.034) after offsetting prepaid corporate tax.

a.2) Information on taxes payable:

| | Current Period | Prior Period |
|-----------------------------------|-----------------------|---------------------|
| Corporate taxes payable | 20.714 | 24.034 |
| Banking insurance transaction tax | 11.775 | 11.050 |
| Taxation on securities income | 11.747 | 9.391 |
| Value added tax payable | 895 | 710 |
| Taxation on real estate income | 665 | 561 |
| Foreign exchange transaction tax | - | - |
| Other | 6.130 | 5.048 |
| Total | 51.926 | 50.794 |

a.3) Information on premiums:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Social security premiums-employee | 2.646 | 2.190 |
| Social security premiums-employer | 2.878 | 2.380 |
| Bank pension fund premium- employees | - | - |
| Bank pension fund premium- employer | - | - |
| Pension fund membership fees and provisions- employees | - | - |
| Pension fund membership fees and provisions- employer | - | - |
| Unemployment insurance-employee | 187 | 154 |
| Unemployment insurance-employer | 373 | 308 |
| Other | - | - |
| Total | 6.084 | 5.032 |

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II. Explanations and notes related to liabilities (continued):

b) Information on deferred tax liability of the parent bank:

There is not any deferred tax liability as of December 31, 2015. The information for December 31, 2014 is as follows:

| | Tax Base | Deferred Tax Amount |
|---|-----------------|--------------------------------|
| Rediscount on profit share and prepaid fees and commission income and unearned revenues | 137.820 | 27.564 |
| Provisions for retirement and vacation pay liabilities | 32.529 | 6.506 |
| Difference between carrying value and tax base of tangible assets | 4.105 | 821 |
| Provision for impairment | 2.215 | 443 |
| Other | 271 | 54 |
| Deferred tax asset | 176.940 | 35.388 |
| Revaluation difference of property | 191.475 | 38.295 |
| Financial assets available for sale valuation difference | 12.540 | 2.508 |
| Trading securities valuation difference | 1.930 | 386 |
| Rediscount on profit share | 125 | 25 |
| Other | 12.390 | 2.478 |
| Deferred tax liability | 218.460 | 43.692 |
| Deferred tax liability (net) | 41.520 | 8.304 |

10. Liabilities for assets held for sale and discontinued operations:

None. (December 31, 2014: None)

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II. Explanations and notes related to liabilities (continued):

11. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:

| | Current Period | | Prior Period | |
|---------------------------------------|----------------|------------------|--------------|----------------|
| | TL | FC | TL | FC |
| Loans from Domestic Banks | - | - | - | - |
| Loans from other Institutions | - | - | - | - |
| Loans from Foreign Banks | - | - | - | - |
| Loans from other Foreign Institutions | - | 1.239.557 | - | 472.426 |
| Total | - | 1.239.557 | - | 472.426 |

The Parent Bank obtained subordinated loan on May 7, 2013 from the investors not resident in Turkey through its structured entity Albaraka Türk Sukuk Limited amounting to USD 200.000.000 with 10 years maturity with a grace period of five years. The profit rate of the subordinated loan with grace period of five years' with 10 years total maturity was determined as 7,75%.

The Parent Bank obtained subordinated loan on November 30, 2015 from the investors not resident in Turkey through its structured entity Albaraka Sukuk Limited amounting to USD 250.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of 5 years with 10 years total maturity was determined as 10,50%. The Parent Bank has repurchased the sukuk issued in the amount of USD 24.000.000 and this amount is offset in available for sale assets and subordinated loans.

12. Information on shareholders' equity:

a) Presentation of paid-in capital:

| | Current Period | Prior Period |
|-----------------|----------------|--------------|
| Common stock | 900.000 | 900.000 |
| Preferred stock | - | - |

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the 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 Parent's application to the Capital Market Board on the same date was approved on March 7, 2013 and the registered capital ceiling was determined as TL 2.500.000 to be valid until December 31, 2017.

| Share Capital System | Paid-in Capital | Ceiling |
|----------------------|-----------------|-----------|
| Registered Capital | 900.000 | 2.500.000 |

c) Information on the share capital increases during the period and their sources; other information on increased capital in the current period:

There is no capital increase in the current period.

ç) Information on share capital increases from capital reserves during the current period:

There is no share capital increase from capital reserves during the current period.

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II. Explanations and notes related to liabilities (continued):

- d) Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments:**

There are no capital commitments till the end of the last fiscal year and following interim period.

- e) Estimated effects on the shareholders equity of the Parent Bank , of predictions to be made by taking into account previous period indicators regarding the 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 (*) | 4.203 | 6.812 | 9.155 | 880 |
| Foreign exchange difference | - | - | - | - |
| Total | 4.203 | 6.812 | 9.155 | 880 |

(*) The amount represents the net balance after deferred tax liability.

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III. Explanations and notes related to off-balance sheet commitments:

1. Explanations on off balance sheet commitments:

a) Type and amount of irrevocable loan commitments:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Commitments for credit card limits | 521.562 | 510.257 |
| Payment commitments for cheques | 500.882 | 353.093 |
| Asset purchase and sale commitments | 187.332 | - |
| Loan granting commitments | 116.862 | 59.439 |
| Tax and funds liabilities arising from export commitments | 2.035 | 1.506 |
| Commitments for promotions related with credit cards and banking activities | 599 | 523 |
| Other irrevocable commitments | 203 | 3.832 |
| Total | 1.329.475 | 928.650 |

b) Type and amount of possible losses and commitments arising from off-balance sheet items:

b.1) Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:

| | Current Period | Prior Period |
|-------------------------------|-----------------------|---------------------|
| Guarantees | 7.730.288 | 6.872.641 |
| Acceptances | 28.324 | 33.055 |
| Letters of credit | 639.592 | 589.270 |
| Other guaranties and sureties | 265.853 | 583.543 |
| Total | 8.664.057 | 8.078.509 |

b.2) Revocable, irrevocable guarantees and other similar commitments and contingencies:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Letters of guarantees | 7.730.288 | 6.872.641 |
| Long standing letters of guarantees | 4.956.813 | 4.602.603 |
| Temporary letters of guarantees | 293.937 | 345.357 |
| Advance letters of guarantees | 278.642 | 289.778 |
| Letters of guarantees given to customs | 247.773 | 219.657 |
| Letters of guarantees given for obtaining cash loans | 1.953.123 | 1.415.246 |
| Sureties and similar transactions | 265.853 | 583.543 |
| Total | 7.996.141 | 7.456.184 |

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III. Explanations and notes related to off-balance sheet commitments (continued):

c) Within the Non-cash Loans

c.1) Total amount of non-cash loans:

| | Current Period | Prior Period |
|--|------------------|------------------|
| Non-cash loans given against cash loans | 1.953.123 | 1.415.246 |
| With original maturity of 1 year or less | 441.733 | 903.720 |
| With original maturity of more than 1 year | 1.511.390 | 511.526 |
| Other non-cash loans | 6.710.934 | 6.663.263 |
| Total | 8.664.057 | 8.078.509 |

c.2) Sectoral risk concentration of non-cash loans:

| | Current period | | | | Prior period | | | |
|--------------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | TP | (%) | FC | (%) | TP | (%) | FC | (%) |
| Agricultural | 73.452 | 1,72 | 39.514 | 0,90 | 99.639 | 2,41 | 25.056 | 0,64 |
| Farming and stockbreeding | 60.693 | 1,42 | 13.675 | 0,31 | 54.739 | 1,32 | 23.906 | 0,61 |
| Forestry | 11.284 | 0,26 | 23.341 | 0,53 | 44.856 | 1,08 | - | - |
| Fishery | 1.475 | 0,04 | 2.498 | 0,06 | 44 | 0,01 | 1.150 | 0,03 |
| Manufacturing | 932.582 | 21,81 | 2.434.207 | 55,47 | 1.119.292 | 26,98 | 1.955.461 | 49,77 |
| Mining | 22.933 | 0,54 | 61.431 | 1,40 | 33.103 | 0,80 | 78.965 | 2,01 |
| Production | 678.558 | 15,87 | 1.627.801 | 37,09 | 772.471 | 18,62 | 1.335.795 | 34,00 |
| Electricity, gas and water | 231.091 | 5,40 | 744.975 | 16,98 | 313.718 | 7,56 | 540.701 | 13,76 |
| Construction | 1.176.191 | 27,51 | 645.842 | 14,72 | 1.077.293 | 25,96 | 606.437 | 15,43 |
| Services | 1.691.894 | 39,57 | 1.150.416 | 26,21 | 1.662.751 | 40,06 | 1.076.420 | 27,40 |
| Wholesale and retail trade | 690.202 | 16,14 | 555.381 | 12,65 | 276.452 | 6,66 | 97.533 | 2,48 |
| Hotel, food and beverage services | 22.976 | 0,54 | 96.734 | 2,20 | 8.320 | 0,20 | 77.802 | 1,98 |
| Transportation and telecommunication | 65.131 | 1,52 | 71.640 | 1,63 | 50.769 | 1,22 | 182.038 | 4,63 |
| Financial Institutions | 17.638 | 0,41 | 118.816 | 2,71 | 79.009 | 1,90 | 522.572 | 13,30 |
| Real estate and renting services | 622.039 | 14,55 | 103.532 | 2,36 | 134.764 | 3,25 | 39.300 | 1,00 |
| Self-employment services | 119.216 | 2,79 | 187.680 | 4,28 | 15.253 | 0,37 | 4.073 | 0,10 |
| Education services | 31.998 | 0,75 | 1.319 | 0,03 | 21.604 | 0,52 | 41 | 0,01 |
| Health and social services | 122.694 | 2,87 | 15.314 | 0,35 | 1.076.580 | 25,94 | 153.061 | 3,90 |
| Other | 401.283 | 9,39 | 118.676 | 2,70 | 190.390 | 4,59 | 265.770 | 6,76 |
| Total | 4.275.402 | 100,00 | 4.388.655 | 100,00 | 4.149.365 | 100,00 | 3.929.144 | 100,00 |

c.3) Information on the non-cash loans classified in Group I and Group II:

| | I st Group | | II nd Group | |
|-------------------------------------|------------------|------------------|---------------|---------------|
| | TL | FC | TL | FC |
| Non-cash loans | 4.238.879 | 4.368.945 | 36.523 | 19.710 |
| Letters of guarantee | 4.232.955 | 3.445.448 | 36.523 | 15.362 |
| Bank acceptances | - | 28.324 | - | - |
| Letters of credit | - | 635.244 | - | 4.348 |
| Endorsements | - | - | - | - |
| Underwriting commitments | - | - | - | - |
| Factoring commitments | - | - | - | - |
| Other commitments and contingencies | 5.924 | 259.929 | - | - |

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III. Explanations and notes related to off-balance sheet commitments (continued):

2. Explanations on derivative transactions:

| | Derivative transactions according to purpose | |
|---|--|-------------------|
| | December 31, 2015 | December 31, 2014 |
| Trading Derivatives | | |
| Foreign Currency Related Derivative Transactions (I) | 417.005 | - |
| Currency Forwards-Purchases, sales | - | - |
| Currency Swaps-Purchases, sales | 417.005 | - |
| Currency Futures | - | - |
| Currency Options-Purchases, sales | - | - |
| Interest Rate Related Derivative Transactions (II) | - | - |
| Interest rates forwards-Purchase, sales | - | - |
| Interest rates swaps-Purchases, sales | - | - |
| Interest rates options-Purchases, sales | - | - |
| Interest rates futures-Purchases, sales | - | - |
| Other Trading Derivatives (III) | - | - |
| A. Total Trading Derivatives (I + II + III) | 417.005 | - |
| Hedging Derivatives | - | - |
| Fair value hedges | - | - |
| Cash flow hedges | - | - |
| Foreign currency investment hedges | - | - |
| B. Total Hedging Derivatives | - | - |
| Total Derivatives Transactions (A+B) | 417.005 | - |

3. Explanations on contingent assets and liabilities:

The Parent Bank has made a provision amounting to TL 88 (December 31,2014: TL 88), as presented under "Other Provisions" note in Section Five Note II.8.ç ,for the lawsuits opened by various real persons and legal entities against the Bank with high probability of realization and cash outflows. Although there are other ongoing lawsuits against the Parent Bank, the Parent Bank considers the probability of a negative result in ongoing litigations resulting in cash outflows as remote.

4. Explanations on services rendered on behalf of third parties:

The Group has no 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 statement of income:

I. Information on profit share income:

a) Information on profit share income received from loans:

| | Current Period | | Prior Period | |
|---|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Profit share received from loans (*) | 1.527.470 | 181.419 | 1.255.868 | 120.550 |
| Short Term Loans | 418.602 | 20.455 | 552.910 | 13.494 |
| Medium and Long Term Loans | 1.100.716 | 160.958 | 695.778 | 107.045 |
| Profit Share on Non-Performing Loans | 8.152 | 6 | 7.180 | 11 |

(*) Includes fees and commission income on cash loans.

b) Information on profit share income received from banks:

| | Current Period | | Prior Period | |
|----------------------------------|----------------|--------------|--------------|--------------|
| | TL | FC | TL | FC |
| CBRT | 6.718 | 3.545 | 492 | - |
| Domestic Banks | - | - | - | - |
| Foreign Banks | - | 36 | - | 1.882 |
| Head Offices and Branches Abroad | - | - | - | - |
| Total | 6.718 | 3.581 | 492 | 1.882 |

c) Information on profit share income received from marketable securities:

| | Current Period | | Prior Period | |
|--|----------------|--------------|---------------|--------------|
| | TL | FC | TL | FC |
| From financial assets held for trading | - | - | - | - |
| From financial assets at fair value through profit or loss | - | - | - | - |
| From financial assets available-for-sale | 62.858 | 5.435 | 36.656 | 3.578 |
| From held-to-maturity investments | 64.596 | - | 53.982 | - |
| Total | 127.454 | 5.435 | 90.638 | 3.578 |

ç) Information on profit share income received from associates and subsidiaries:

None. (December 31, 2014: None)

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IV. Explanations and notes related to the statement of income (continued):

2. Explanations on profit share expenses:

a) Information on profit share expense paid to funds borrowed:

| | Current Period | | Prior Period | |
|----------------------------------|----------------|----------------|--------------|---------------|
| | TL | FC | TL | FC |
| Banks | - | 50.701 | - | 39.791 |
| CBRT | - | - | - | - |
| Domestic banks | - | 3.127 | - | 473 |
| Foreign banks | - | 47.574 | - | 39.318 |
| Head offices and branches abroad | - | - | - | - |
| Other institutions | - | 51.336 | - | 34.561 |
| Total | - | 102.037 | - | 74.352 |

b) Profit share expense paid to associates and subsidiaries:

| | Current Period | | Prior Period | |
|---|----------------|----------|--------------|----------|
| | TL | FC | TL | FC |
| Profit share paid to Investments in Associates and Subsidiaries | 98 | - | 179 | - |
| Total | 98 | - | 179 | - |

c) Profit share expenses paid to marketable securities issued:

| | Current Period | | Prior Period | |
|--|----------------|---------------|--------------|---------------|
| | TL | FC | TL | FC |
| Profit share expenses paid to marketable securities issued | - | 59.165 | - | 24.764 |
| Total | - | 59.165 | - | 24.764 |

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IV. Explanations and notes related to the statement of income (continued):

ç) Distribution of profit share expense on funds collected based on maturity of funds collected:

| Account name | Profit sharing accounts | | | | | | Accumulated profit sharing account | Total |
|--|-------------------------|----------------|----------------|----------------|---------------|------------------|------------------------------------|----------------|
| | Up to 1 month | Up to 3 months | Up to 6 months | Up to 9 months | Up to 1 year | More than 1 year | | |
| TL | | | | | | | | |
| Funds collected from banks through current and profit sharing accounts | - | 4.139 | 2.914 | - | 6 | - | - | 7.059 |
| Real persons' non-trading profit sharing accounts | 112.942 | 351.446 | 8.701 | - | 6.821 | 42.840 | - | 522.750 |
| Public sector profit sharing accounts | 382 | 420 | - | - | - | - | - | 802 |
| Commercial sector profit sharing accounts | 22.591 | 120.054 | 5.278 | - | 1.015 | 8.901 | - | 157.839 |
| Other institutions profit sharing accounts | 1.575 | 17.858 | 1.173 | - | 101 | 369 | - | 21.076 |
| Total | 137.490 | 493.917 | 18.066 | - | 7.943 | 52.110 | - | 709.526 |
| FC | | | | | | | | |
| Banks | 1.196 | 6.806 | 807 | - | 643 | - | - | 9.452 |
| Real persons' non-trading profit sharing accounts | 15.439 | 47.227 | 2.237 | - | 2.703 | 11.079 | - | 78.685 |
| Public sector profit sharing accounts | - | - | - | - | - | - | - | - |
| Commercial sector profit sharing accounts | 3.377 | 15.647 | 727 | - | 1.593 | 246 | - | 21.590 |
| Other institutions profit sharing accounts | 643 | 4.430 | 129 | - | 74 | 743 | - | 6.019 |
| Precious metals deposits | 927 | 2.757 | 165 | - | 55 | 103 | - | 4.007 |
| Total | 21.582 | 76.867 | 4.065 | - | 5.068 | 12.171 | - | 119.753 |
| Grand total | 159.072 | 570.784 | 22.131 | - | 13.011 | 64.281 | - | 829.279 |

3. Information on dividend income:

| | Current Period | | Prior Period | |
|---|----------------|----------|--------------|----------|
| | TP | YP | TP | YP |
| From trading financial assets | 10 | - | 180 | - |
| From financial assets at fair value through profit and loss | - | - | - | - |
| From available for sale financial assets | - | - | - | - |
| Other | 509 | - | - | - |
| Total | 519 | - | 180 | - |

4. Explanations on trading income/loss (net):

| | Current Period | Prior Period |
|--|------------------|------------------|
| Income | 6.809.954 | 3.295.553 |
| Income from capital market transactions | 2.243 | 1.484 |
| Income from derivative financial instruments | 73.239 | 21.681 |
| Foreign exchange income | 6.734.472 | 3.272.388 |
| Loss (-) | 6.757.384 | 3.242.296 |
| Loss on capital market transactions | 20 | 10 |
| Loss on derivative financial instruments | 5.146 | 540 |
| Foreign exchange losses | 6.752.218 | 3.241.746 |
| Trading income/loss (net) | 52.570 | 53.257 |

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IV. Explanations and notes related to the statement of income (continued):

5. Explanations related to other operating income:

| | Current Period | Prior Period |
|---|----------------|---------------|
| Reversal of prior year provisions | 89.166 | 79.768 |
| Income from sale of assets | 16.742 | 9.863 |
| Reimbursement for communication expenses | 3.798 | 3.295 |
| Reimbursement for bank statement expenses | 120 | 980 |
| Cheque book charges | 806 | 754 |
| Other income | 2.775 | 2.159 |
| Total | 113.407 | 96.819 |

6. Provisions for loan losses and other receivables of the Bank:

| | Current Period | Prior Period |
|---|----------------|----------------|
| Specific provisions for loans and other receivables | 130.834 | 86.262 |
| Loans and receivables in III. Group | 43.412 | 64.093 |
| Loans and receivables in IV. Group | 46.642 | 10.500 |
| Loans and receivables in V. Group | 36.222 | 6.530 |
| Doubtful commission, fee and other receivables | 4.558 | 5.139 |
| General provision expenses | 12.869 | 45.361 |
| Provision expenses for possible losses | - | 31 |
| Impairment losses on marketable securities | 194 | 26 |
| Financial assets at fair value through profit and loss | 124 | 26 |
| Financial assets available for sale | 70 | - |
| Impairment losses on associates, subsidiaries, joint ventures and held to maturity investments | - | - |
| Associates | - | - |
| Subsidiaries | - | - |
| Joint ventures | - | - |
| Held to maturity investments | - | - |
| Other | 13.246 | 17.896 |
| Total | 157.143 | 149.576 |

TL 78.376 (December 31, 2014: TL 59.340) of the total specific provisions provided for loans and other receivables amounting to TL 130.834 (December 31, 2014: TL 86.262) is the participation accounts portion of specific provision provided for loans and other receivables.

TL 9.287 (December 31, 2014: TL 18.515) of the total general loan loss provisions provided for loan and other receivables amounting to TL 12.869 (December 31, 2014: TL 45.361) is the participation accounts portion of general loan loss provision provided for loans and other receivables.

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IV. Explanations and notes related to the statement of income (continued):

7. Information on other operating expenses:

| | Current Period | Prior Period |
|---|----------------|----------------|
| Personnel expenses | 354.537 | 281.884 |
| Provision for retirement pay liability | 3.676 | 2.717 |
| Deficit provision for pension fund | - | - |
| Impairment expenses of tangible assets | - | - |
| Depreciation expenses of tangible assets | 39.114 | 31.812 |
| Impairment expenses of intangible assets | - | - |
| Impairment expense of goodwill | - | - |
| Amortization expenses of intangible assets | 18.735 | 9.603 |
| Impairment provision for investments accounted for under equity method | - | - |
| Impairment expenses of assets to be disposed | 404 | 1.347 |
| Depreciation expenses of assets to be disposed | 1.307 | 1.257 |
| Impairment expenses of assets held for sale and assets of discontinued operations | 1.036 | 3 |
| Other operating expenses | 136.737 | 106.864 |
| Operating lease expenses | 53.549 | 41.220 |
| Maintenance expenses | 10.639 | 6.256 |
| Advertisement expenses | 10.192 | 8.166 |
| Other expenses | 62.357 | 51.222 |
| Loss on sale of assets | 1.215 | 351 |
| Other(*) | 98.046 | 66.630 |
| Total | 654.807 | 502.468 |

(*) Details of other balance are provided as below:

| | Current Period | Prior Period |
|------------------------------------|----------------|---------------|
| Saving Deposit Insurance Fund | 32.571 | 27.223 |
| Taxes, Duties, Charges and Funds | 23.794 | 19.445 |
| Bonus Reserve Expenses | 15.750 | - |
| Expertise and Information Expenses | 11.825 | 9.170 |
| Audit and Consultancy Fees | 7.648 | 7.174 |
| Other | 6.458 | 3.618 |
| Total | 98.046 | 66.630 |

8. Explanations on income/loss from continued operations before taxes:

As the Parent Bank does not have any discontinued operations, there is no explanation related to income/loss from discontinued operations before taxes.

The Parent Bank's income before tax increased by 16% compared to prior period and is realized as TL 374.253. Income before tax comprises net profit share income in the amount of TL 885.936 and fees and commission income in the amount of TL 135.997. Total other operating expenses amount to TL 654.807.

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IV. Explanations and notes related to the statement of income (continued):

9. Explanations on tax provision for continued and discontinued operations:

Tax provision for continued operations:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Income before tax | 374.253 | 321.068 |
| Tax calculated with tax rate of 20% | 74.851 | 64.214 |
| Other additions and disallowable expenses | 18.276 | 15.939 |
| Deductions | (15.466) | (6.871) |
| Provision for current taxes | 77.661 | 73.282 |
| Provision for deferred taxes | (4.251) | (361) |
| Continuing Operations Tax Provision | 73.410 | 72.921 |

Since the group does not have any discontinued operations, there is no tax provision for discontinued operations.

10. Explanations on net income/loss from continued and discontinued operations:

The Group has no discontinued operations. Net income for the period has been realized as TL 300.843 (December 31, 2014: TL 248.147) by deducting tax provision expense amounting to TL 73.410 (December 31, 2014: TL 72.921) from profit from continued operations amounting to TL 374.253 (December 31, 2014: TL 321.068).

11. Explanations on net income/ loss:

a) The nature and amount of certain income and expense items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period:

None.

b) The effect of the change in accounting estimates to the net income/loss; including the effects on the future period:

None.

c) Income / loss of minority interest:

None.

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IV. Explanations and notes related to the statement of income (continued):

12. Components of other items which constitute at least 20% of the total of other items, if the total of other items in income statement exceed 10% of the total of income statement:

| Other Fees and Commissions Received | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Member firm-POS fees and commissions | 33.618 | 30.130 |
| Clearing room fees and commissions | 15.482 | 16.039 |
| Commissions on money orders | 10.602 | 8.323 |
| Appraisal fees | 8.808 | 7.389 |
| Insurance and brokerage commissions | 8.229 | 5.109 |
| Other | 12.842 | 12.230 |
| Total | 89.581 | 79.220 |

| Other Fees and Commissions Paid | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Funds borrowed fees and commissions | 17.941 | 11.281 |
| Credit cards fees and commissions | 8.002 | 6.092 |
| Member firm-POS fees and commissions | 11.162 | 7.469 |
| Other | 14.204 | 7.574 |
| Total | 51.309 | 32.416 |

V. Explanations and notes related to the statement of changes in shareholders' equity:

- a) There is no declaration of dividends made subsequent to the balance sheet date, and prior to the announcement of the financial statements.

Decision related to the dividend distribution will be taken in the General Assembly. General Assembly has not been held as of the date of finalization of the accompanying financial statements.

- b) "Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are recognized in the "Marketable securities valuation reserve" account under equity, until the financial assets are sold, disposed of or impaired at which time they are transferred to the statement of income. TL 1.225 increase has occurred after the revaluation of available-for-sale securities (December 31, 2014: TL 18.471 increase).
- c) Revaluation funds related to tangible and intangible assets and foreign exchange differences arising from translation of tangible and intangible assets of foreign branch of the Parent Bank are accounted under equity in revaluation reserve on tangible assets and revaluation reserve on intangible assets.
- d) Foreign exchange differences arising from translation of income statement of foreign branch of the Parent Bank are accounted in other capital reserves amounts to TL 4.368. (December 31, 2014: TL 1.305).

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VI. Explanations and disclosures related to the statement of cash flows:

a) Components of cash and cash equivalents and accounting policy applied in their determination:

"Cash" is defined as cash in vault and foreign currency cash, money in transit, 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.

(i). Cash and cash equivalents at the beginning of the period:

| | Current Period | Prior Period |
|--|------------------|------------------|
| Cash | 737.011 | 503.284 |
| Cash in TL/foreign currency | 194.922 | 128.349 |
| Cash in transit | - | - |
| CBRT | 542.089 | 374.935 |
| Cash equivalents | 1.171.537 | 1.028.493 |
| Domestic banks | 767.242 | 700.780 |
| Foreign banks | 404.295 | 327.713 |
| Total cash and cash equivalents | 1.908.548 | 1.531.777 |

(ii). Cash and cash equivalents at the end of the period:

| | Current Period | Prior Period |
|--|------------------|------------------|
| Cash | 1.895.062 | 737.011 |
| Cash in TL/foreign currency | 408.213 | 194.922 |
| Cash in transit | 414.294 | - |
| CBRT | 1.072.555 | 542.089 |
| Cash equivalents | 1.912.992 | 1.171.537 |
| Domestic banks | 1.486.902 | 767.242 |
| Foreign banks | 426.090 | 404.295 |
| Total cash and cash equivalents | 3.808.054 | 1.908.548 |

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 187.352 (December 31, 2014: TL 162.051) 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 181.979 (December 31, 2014: TL 88.751) 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 124.317 as of December 31, 2015 (December 31, 2014: TL 58.299).

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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 (*) | 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 |
| Loans and other receivables | | | | | | |
| Balance at the beginning of the period | - | - | 5 | - | 50.238 | 69.492 |
| Balance at the end of the period | - | - | 8 | - | 47.939 | 62.444 |
| Profit share and commission income received | - | - | - | - | 23 | 582 |

b) Prior period:

| Risk Group of the Parent Bank | 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 |
| Loans and other receivables | | | | | | |
| Balance at the beginning of period | - | - | 28 | - | 1.476 | 15.514 |
| Balance at end of period | - | - | 5 | - | 50.238 | 69.492 |
| Profit share and commission income received | - | - | - | - | 437 | 257 |

(*) 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(*) | 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 |
| Current and profit sharing accounts | | | | | | |
| Balance at the beginning of period | 1.430 | 5.703 | 5.354 | 3.224 | 248.343 | 185.192 |
| Balance at the end of period | 2.927 | 1.430 | 5.563 | 5.354 | 266.101 | 248.343 |
| Profit share expense | 265 | 500 | 123 | 152 | 13.214 | 7.368 |

(*) As of December 31, 2015 wakala borrowings obtained from risk group of the Parent Bank through investment purpose wakala contracts amount to USD 125.440.079 and EURO 90.816.893 (December 31, 2014: USD 241.859.711 and EURO 100.017.980). The profit share expense relating to such borrowings for the period between January 1, 2015 – December 31, 2015 is TL 12.345 (December 31, 2014: 16.656 TL).

c.2) Information on forward and option agreements and other similar agreements with related parties:

The Group does not have forward and option agreements with the risk group of the Bank.

As of December 31, 2015; the Group has paid TL 12.321 (December 31, 2014: TL 10.033) to top management.

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to consolidated financial statements
As of December 31, 2015
(Currency - Thousand Turkish Lira)

VIII. Explanations related to domestic, foreign and off-shore branches or investments and foreign representative offices:

1. Information on the domestic and foreign branches and representative offices of the Bank:

| | Number | Number of Personnel | | | |
|-------------------------------|--------|---------------------|---------|-------------------------------|-------------------------|
| Domestic Branches | 212 | 3.720 | | | |
| | | | Country | | |
| Foreign Representation Office | - | - | - | | |
| | | | | | |
| | | | | | |
| | | | | Total Assets (thousand TL) | Statutory Share Capital |
| Foreign Branches | 1 | 16 | Iraq | 244.001 | USD 7.000.000 |
| | | | | | |
| | | | | | |
| Off-Shore Branches | - | - | - | - | - |
| | | | | | |
| | | | | | |

2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure:

In 2015, the Parent Bank has opened 11 domestic branches.

IX. Explanations related to subsequent events:

According to the framework of Repurchase Programme approved in the General Assembly of the Parent Bank dated March 25, 2015, The Parent Bank has repurchased its shares with a nominal value of TL 1.900 between January 18, 2016 and January 26, 2016.

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to consolidated financial statements
As of December 31, 2015
(Currency - Thousand Turkish Lira)

Section six

- I. Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification :**

None.

Section seven

Independent Auditors' report

- I. Explanations on independent auditors' report:**

Group's consolidated financial statements as of and for the period ended December 31, 2015 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a Member Firm of Ernst & Young Global Limited) and the independent auditors' report dated March 7, 2016 is presented at the beginning of the financial statements and related notes.

- II. Other notes and explanations prepared by the independent auditors:**

None.