


Corporate Governance Rating Report

Revised Report Banking

This Report has been prepared by JCR-ER in compliance to the regulations of Capital Market Board of Turkey

| | | |
|---|----------------------------------|--|
|  | | 8.28 AA(Trk)/bbb (Stable) |
| Corporate Governance Score & Outlook | Shareholders | 7.71 AA(Trk)/bb (Stable) |
| | Public Disclosure & Transparency | 9.04 AAA(Trk)/aa (Stable) |
| | Stakeholders | 8.10 AA(Trk)/bbb (Stable) |
| | Board of Directors | 7.95 AA(Trk)/bb (Stable) |
| Best Practices of Corporate Governance | | Beyond %10 |
| | | Comparable %90 |
| | | Below - |

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| Company Information | |
|----------------------|--|
| Trade Name | ALBARAKA TÜRK KATILIM BANKASI A.Ş. |
| Address | Saray Mah. Dr. Adnan Büyükdeniz Cad. No:6 34768 Ümraniye/İstanbul |
| Chairman | Adnan Ahmed Yusuf ABDULMALEK |
| CEO | Fahrettin YAŞI |
| Investor Relations | Phone: +90.216.666.03.03 yim@albarakaturk.com.tr |
| Web | www.albarakaturk.com.tr |
| Corporate Governance | Adem KARAKELLE |

Strengths

- Continued emphasis on Corporate Governance and the existence of a functional Corporate Governance Committee,
- Continuation of the strong staff commitment,
- Adequate level of transparency in its organizational structure and financial affairs,
- Well-preparedness against emergent and unexpected circumstances,
- Tradition of collaboration by successive managers,
- Provision of safe, healthy and spacious staff working areas,
- An efficient capital structure for sustainability of existing growth trend without any deterioration in its corporate structure.

Constraints

- Continuation of the absence of internal regulations to broaden the exercise of minority rights beyond the current legislation,
- Unequal opportunity for the employment of women, particularly in senior management,
- Continuation of the non-disclosure of remuneration provided for senior management,
- Lack of an independent member in the Board of Directors,
- Continuation of low level of transparency regarding election processes of the Board Members,
- Continuation of the lack of written regulations or public disclosure regarding the qualifications necessary for nomination to the Board of Directors.

| ALBARAKA TÜRK KATILIM BANKASI A.Ş. | | | | | |
|------------------------------------|-------|-------|-------|-------|-------|
| Financial Data | 2010* | 2009* | 2008* | 2007* | 2006* |
| Total Assets (USD mn) | 5.494 | 4.302 | 3.167 | 3.183 | 1.773 |
| Total Assets (TL mn) | 8.406 | 6.415 | 4.789 | 3.690 | 2.492 |
| Equity (TL mn) | 853 | 711 | 638 | 534 | 246 |
| Net Profit (TL mn) | 134 | 105 | 136 | 85 | 69 |
| Market Share (%) | 0.83 | 0.77 | 0.65 | 0.64 | 0.50 |
| ROAA (%) | 2.24 | 2.35 | 4.04 | 3.48 | 3.21 |
| ROAE (%) | 21.20 | 19.54 | 29.26 | 27.58 | 33.44 |
| Equity/Assets (%) | 10.14 | 11.08 | 13.32 | 14.47 | 9.87 |
| CAR-Capital Adequacy Ratio (%) | 14.09 | 15.33 | 18.12 | 21.72 | 15.29 |
| Asset Size Growth Rate (%) | 31.04 | 33.95 | 29.79 | 48.09 | 26.51 |

*End of year

Overview

Albaraka Türk Katılım Bankası A.Ş. (Albaraka Türk or Bank) is a small-scale bank carrying out activities in the field of interest-free banking. Albaraka Türk, which was established in 1984 in Turkey through the leadership of the middle eastern ABG-Albaraka Banking Group (with financial activities in the Gulf Region, Middle East and North Africa), the IDB-The Islamic Development Bank and Turkish entrepreneurs, has continued its operations in the field of interest-free banking since the beginning of 1985 with a network of 117 branches and a staff of 2,461 people as of September 2011. Shares of Albaraka have been publicly traded in IMKB (ISE-Istanbul Stock Exchange) since 2007. As of the third quarter 2011 the Bank's shareholding structure is as follows; 66.16% of the shares were held by foreign shareholders, 11.39% by local investors and 22.45% were publically traded shares. JCR-ER assigned the Bank a Corporate Governance rating of **8.14** on October 21, 2010. Through strides made in certain areas during the 12 month monitoring period, the Bank's compliance note has been raised to **8.28** and has attained the level of "outstanding" as determined by the CMB principles. In anticipation of compliance over the next 12 month monitoring period, Albaraka Türk has been assigned a "Stable" outlook.

Publication Date: October 21, 2011

"Global Knowledge supported by Local Experience"

1. Executive Summary and Rating Rationale

This revised report, which was prepared in light of JCR-ER's original methodological procedures in accordance with the Corporate Governance Principles set by the SPK (CMB-Capital Market Board), states the Bank's level of corporate structuring and corporate governance as of September 2011. This revised report, evaluated along with the first report published on October 21, 2010, will be useful to better understand the Bank's level of compliance.

The Board, shareholders, stakeholders and practices of the Bank in terms of public disclosure and transparency have been assessed within the framework of SPK regulations and information as well as findings ascertained therein has been quantified by assessments regarding weighting factors on which JCR ER has predicated the subcategories.

Subject to the preservation of integrity of regulations by the SPK and compliance with the limitations thereof, this revised report also covers such topics as "Best Practices" implementations regarding "Outlook" determinations, "Financial Efficiency" analyses, and sectorial differentiations and divergences, all of which exist in JCR ER's original methodological structure.

Findings and assessments within the content of the report are based on information and documents disclosed by the Bank to the public through various channels and also particularly submitted to JCR ER in writing and verbally, as well as reports and statistics by Participation Banks and the BDDK (BRSA-Banking Regulation and Supervision Agency).

Albaraka Türk's Corporate Governance Principles Compliance ratings as published on October 21, 2010 can be seen in the table below;

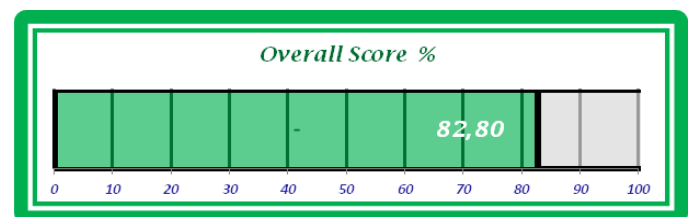
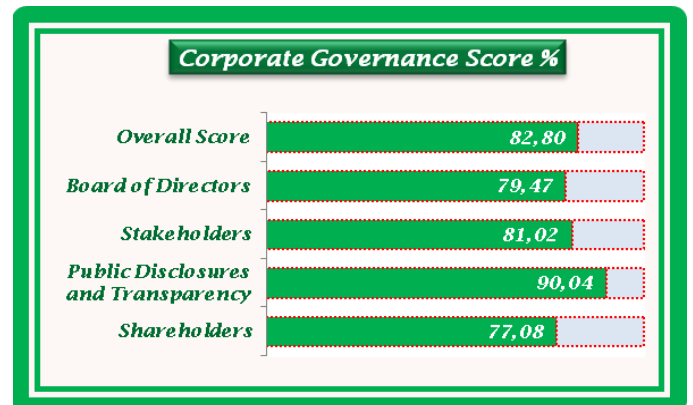
| October 21, 2010 | | | | |
|-------------------------------------|-----------------|-------------------------|----------------------------|-----------------|
| Fields | Numerical Value | Convergence Level | Notch degree | Outlook |
| Shareholders | 74.58 | AA (Trk) (Merit) | (b) (Adequate) | Positive |
| Public Disclosures and Transparency | 90.37 | AAA (Trk) (Distinctive) | (aa) (Superior) | Positive |
| Stakeholders | 80.42 | AA (Trk) (Merit) | (bbb) (Outstanding) | Positive |
| Board of Directors | 76.17 | AA (Trk) (Merit) | (bb) (Good) | Positive |
| Overall | 81.38 | AA (Trk) (Merit) | (bbb) (Outstanding) | Positive |

Through both 12 months of observation from October 21, 2010 as well as a comprehensive review done in September 2011, JCR has reached the conclusion that Albaraka Türk has maintained its compliance level in the field of Transparency and increased its compliance in terms of Shareholders, Stakeholders and the Board of Directors. JCR ER, in parallel with developments mentioned in the report, has assigned the

Bank a compliance score of **8.28**. Albaraka Türk's compliance with Corporate Governance Principles notes as of October 21, 2011 and their corresponding levels in JCR-ER's notation system are given in the following table.

| October 21, 2011 | | | | |
|-------------------------------------|-----------------|-------------------------|----------------------------|---------------|
| Fields | Numerical Value | Convergence Level | Notch degree | Outlook |
| Shareholders | 77.08 | AA (Trk) (Merit) | (bb) (Good) | Stable |
| Public Disclosures and Transparency | 90.35 | AAA (Trk) (Distinctive) | (aa) (Superior) | Stable |
| Stakeholders | 81.02 | AA (Trk) (Merit) | (bbb) (Outstanding) | Stable |
| Board of Directors | 79.47 | AA (Trk) (Merit) | (bb) (Good) | Stable |
| Overall | 82.80 | AA (Trk) (Merit) | (bbb) (Outstanding) | Stable |

JCR ER's notation system may be viewed at: http://www.jcra.com.tr/Administrator/files/436_kyder_notation.pdf



| Corporate Governance Overall Results |
|--------------------------------------|
| 8.28 |
| AA (Trk)/bbb |
| Stable |

- **Outlook (Corporate Governance):**

Albaraka Türk, during the 12 month monitoring period, resolved and planned to eliminate or improve the following deficiencies and discrepancies included in the report dated October 21, 2010;

- Creation of a more comprehensive dividend policy to be submitted for approval by the general assembly,
- Setup and approval by the general meeting of a “Corporate Social Responsibility Policy” which will constitute a landmark for traditional social responsibility projects,
- Appointment of at least two new members to the board with independent qualifications in the general meeting to be held in 2011,
- Determination in writing of eligibility qualifications for candidacy of board membership to be submitted for approval by a general meeting,
- Election procedures of board members to be put into writing and disclosed to the public.

However, it was determined through evaluations made at the end of this period that no progress has been realized. For this reason, the Bank’s outlook has been revised to **“Stable”**.

2. Company Overview

Albaraka Türk is a small-scale participation bank maintaining its activities in the field of Turkish interest-free banking. The Turkish banking sector consists of deposit banking, development and investment banking, and participation banking.

The development of participation banking in Turkey began in 1985. Currently, 4 banks operate in Turkey as Participation Banks. These banks were established to serve savings depositors and business owners who abstain from interest and commercial banks. However, they have begun to execute functions well beyond this target by quality and diversity in its services and products.

These institutions, formerly operating under the name “Special Finance Institutions”, currently maintain their operations as “Participation Banks” within the framework of the Banking Law no. 5411 which came into force in 2005.

Albaraka Türk, as the first financial institution to offer interest-free banking services in Turkey, was established in 1984 in Istanbul by the leadership of Turkish entrepreneurs, Albaraka Banking Group and the Islamic Development Bank and started its operations in 1985. In 2007, a portion of its shares began to be publicly traded on the IMKB.

As of September 2011, 66.16% of the Bank’s capital belonged to foreign investors. Albaraka Banking Group, the Islamic Development Bank, and the Alharthy Family are among these shareholders. Of the remaining shares, 11.33%

belong to Turkish shareholders and 22.51% are publicly traded on the IMKB. No Turkish shareholder has registered shares of more than 5%. The shareholder structure of the Bank on a yearly basis is given in Table 1.

Total assets of the qualified shareholder ABG-Albaraka Banking Group (ABG) reached USD16.5 bn as of 1Q2011. Equity was USD1.8 bn. The Group, carrying on its activities based on interest-free banking principles, maintains its operations through its affiliates operating in the fields of corporate, commercial, retail and investment banking in Jordan, Lebanon, Egypt, Tunisia, Algeria, Sudan, South Africa, Syria, Pakistan, Bahrain and Turkey and its representatives in Indonesia and Libya. The Group, whose shares are traded on the Bahrain and Dubai Stock Exchanges, has been assigned a note of BBB- with a Negative outlook by Standard and Poor’s.

Presently, the Bank offers both corporate and retail banking services through its total of 117 branches, 47 of which are located in Istanbul. Additionally, it offers foreign trade services to its customers via its correspondent banking network of over 390 banks in 72 countries. Also through bank branches, the Bank provides insurance services on behalf of 5 different insurance companies, brokerage services on behalf of one brokerage agency, precious metals trading options, fast money transfer services and credit card and merchant (POS) services.

During the monitoring period, Albaraka moved to their newly constructed headquarters in Ümraniye, Istanbul. The move to the new building which designed to provide a modern and safe working environment for employees did not hamper banking activities.

Of the total staff force of 2,461 in the headquarters and branches, nearly 80% are personnel with graduate and higher levels of education.

The share of the 4 participation banks among the 48 banks in the total Turkish banking sector increased from 4.03% in FY2009 to 4.30% as of December 2010 and was 4.21% in June 2011. Albaraka Türk’s share was approximately 0.76%. In terms of asset size, the market share of Albaraka Türk among the 4 participation banks was 17.99% as of June 2011. Main balance sheet items and ratios which reflect the Bank’s financial structure are listed in Table 2 of the Appendix.

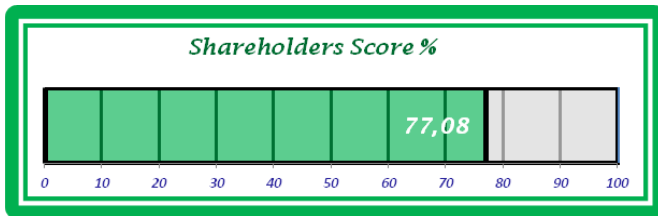
All shares in its portfolio of its sole affiliate, Komili Kağıt, were sold during the monitoring period. All information regarding this sale was disclosed on the Public Disclosure Platform (KAP) in a timely manner.

The Board of the Bank is composed of 11 members. Six members are proposed by the foreign shareholders and 5 by the Turkish shareholders owning the registered shares. Of these, 8 members have no executive position and 3 work actively in the Bank. Qualifications of the Board members are exhibited in detail in Table 3 of the Appendix.

3. Activities About Shareholders

Through both the 12 months of observation from October 21, 2010 as well as a comprehensive review done in September 2011, compliance in the Shareholder field has been raised from a score of **7.46** (“Adequate”) to **7.71** (“Good”). The bank’s level in this field and their corresponding notes are outlined below;

- Numerical value is **7.71**,
- Convergence Level **AA(Trk)** representing the category of “Merit Compliance”,
- Notch degree (**bb**) representing the category of “Good”,
- Outlook (**Stable**)



| |
|-----------------------------|
| Shareholders Results |
| 7.71 |
| AA (Trk)/bb |
| Stable |

Activities carried out during the monitoring period in the Shareholder field:

- ✓ 6 “road shows” were organized by the Investor Relations Department and attended by domestic and foreign investors. A total of 37 presentations were made to investors. Additionally, 38 meetings were held in the Headquarters at the request of investors.
- ✓ Approximately 150 inquiries were answered by specialists in the Investor Relations Department.
- ✓ The 2010 general meeting was held on March 30, 2011 at the Headquarters building. The meeting was observed by one of our analysts and the works undertaken by the Bank were closely observed prior, during and following the meeting. Pre-meeting preparations, announcements and invitations were carried out by the Investor Relations Department according to Corporate Governance Principles. Within the framework of democratic principles, in the meeting all shareholders were treated equally, the Bank’s 2010 activities were outlined, all shareholders were given the right to address each agenda item

and voting was done by an open show of hands. Following the meeting the relevant documents were disclosed to investors on the internet site.

- ✓ No shareholders have canceled any agreement or opened any lawsuit against the Bank. No findings of discrimination against any shareholder were made.
- ✓ In line with the BRSA’s recommendations for all banks, the 2010 realized profit was announced in the general meeting to the shareholders. After setting aside the legal reserves, the first dividend of TL13.5 mn was distributed and the remaining TL114 mn was designated as reserves. The dividend distribution table was disclosed to the public via the company’s website following the general meeting. However, the Bank’s management has not yet provided a written dividend policy that fully meets the Principles of Corporate Governance.

• Outlook (Shareholders):

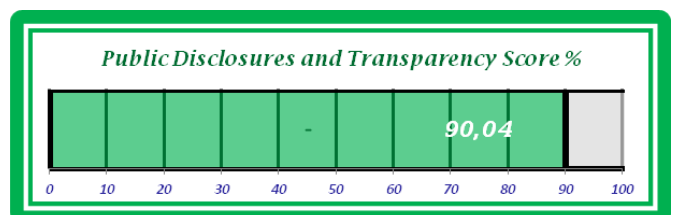
JCR-ER is of the opinion that during the following monitoring period the Bank will maintain its level of compliance with Corporate Governance Principles in the Shareholders field. For this reason, the Outlook for this section has been determined as “Stable”.

4. Activities About Public Disclosure and Transparency

The Investor Relations Department, employing 4 people under the responsibility of Assistant General Manager Mr. Ayhan KESER, is responsible for the activities within the framework of public disclosure and transparency.

The compliance level of the Bank with the rules and implementations in this important section which provides the disclosure of information and documents needed by shareholders and stakeholders while protecting trade secrets has been maintained at **9.04** from the previous year. The bank’s level in this field and their corresponding notes are outlined below;

- Numerical value of **9.04**,
- Convergence Level **AAA(Trk)** representing the category of “Distinctive Compliance”,
- Notch degree (**aa**) representing the category of “Superior”,
- Outlook (**Stable**)



| |
|--|
| Public Disclosures and Transparency Results |
| 9.04 |
| AAA (Trk)/aa |
| Stable |

Activities carried out during the monitoring period in this field:

- ✓ The Bank disclosed a total of 8 notifications to the KAP in 2010 and 16 in 2011. Following these disclosures, the Bank was not delisted on the IMKB and no extra information was requested.
- ✓ The Bank's quarterly financial statements were released to the public within the period specified by CMB legislation and posted on the internet site.
- ✓ The Bank's website is kept up to date. A link to the KAP is included. Significant improvements in the Bank's organizational structure and operations are published in a timely manner. For example, important decisions such as the sale of the Bank's affiliate, assistant general director appointments and the selection of new board members were immediately reported to the KAP.
- ✓ Information regarding the Banking sector and the Bank's market share were included in the 2010 annual report.
- ✓ The Bank's 2010 financial tables were audited by the independent audit firm Ernst and Young. The Bank has a three year agreement with the same audit firm, which will carry out independent auditing activities in 2011 as well.

• **Outlook (Public Disclosure and Transparency):**

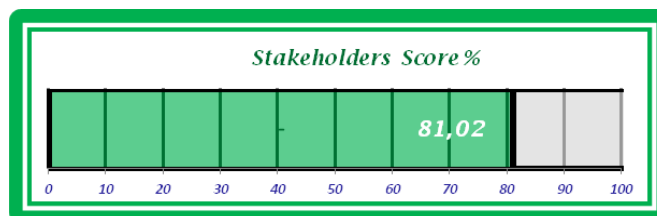
JCR-ER is of the opinion that during the following monitoring period the Bank will maintain its level of compliance with Corporate Governance Principles in the Public Disclosure and Transparency field. For this reason, the Outlook for this section has been determined as "**Stable**".

5. Activities about Stakeholders

With the exception of upper-level managers, a company's employees, customers, suppliers, creditors, public authorities and the public in general are considered as the stakeholders of an institution. The rules and practices in this main section primarily aim to secure the rights of stakeholders and to facilitate the exercise of their rights, thus to maximize their contributions to the institution.

Through both the 12 month observation period from October 21, 2010 as well as a comprehensive review done in September 2011, it was observed that the Bank's move to a newly constructed headquarters building has provided a more secure, healthy and comfortable working environment for the Bank's employees, who are stakeholders in the Company. For this reason, the Bank's compliance level in this filed has been increased from **8.04** to **8.10**. The bank's level in this field and their corresponding notes are outlined below;

- Numerical value of **8.10**,
- Convergence Level **AA(Trk)** representing the category of "**Merit Compliance**",
- Notch degree (**bbb**) representing the category of "**Outstanding**",
- Outlook (**Stable**)



| |
|-----------------------------|
| Stakeholders Results |
| 8.10 |
| AA (Trk)/ bbb |
| Stable |

Activities carried out during the monitoring period in the Stakeholders field:

- ✓ Four lawsuits were opened against the bank by employees. These lawsuits are currently ongoing.
- ✓ The Bank's Headquarters moved to their own, newly constructed building in Ümraniye, Istanbul. The building creates a more secure, comfortable and modern working environment.
- ✓ During the monitoring period, the Bank hired 519 new employees, 186 employees left the company and 5 employees retired. No loss in employee rights was observed during these developments.
- ✓ The Customer Relations Department and Call Center handled approximately 250 to 300 complaints quarterly through e-mail, problem notification form, fax and post. Responses were given within an average of 2 days.
- ✓ No lawsuits were filed against the Bank by suppliers.
- ✓ Within the scope of social responsibility, the Bank, through Bereket Vakfi, continued to provide

educational scholarships to needy students. Additionally, it was one of the supporters of the "Türkiye Ağaçlanıyor" program. The support that was begun last year for the development of the traditional art of calligraphy also continued this year.

• **Outlook (Stakeholders):**

JCR-ER is of the opinion that during the following monitoring period the Bank will maintain its level of compliance with Corporate Governance Principles in the Stakeholders field. For this reason, the Outlook for this section has been determined as "**Stable**".

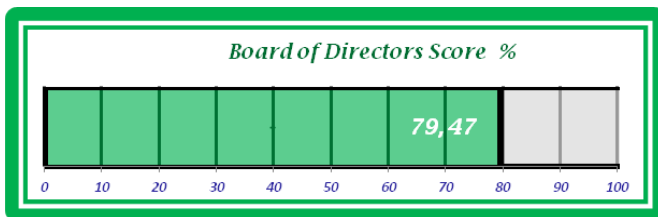
6. Activities about Board of Directors

This section consists of the board functions, qualifications, duties, powers and responsibilities of its members and the upper-level managers, and rules and practices related with established systems for effective supervision and control.

During the 12 months of observation from October 21, 2010 as well as a comprehensive review done in September 2011 it was detected that the Board of Directors members and top-level managers moved to a healthier more secure and comfortable working environment also engendered a more effective means of communication among managers. For this reason, the Bank's compliance in the field of Board of Directors was increased from **7.62** to **7.95**.

The bank's level in this field and their corresponding notes are outlined below:

- Numerical value is **7.95**,
- Convergence Level **AA(Trk)** representing the category of "**Merit Compliance**",
- Notch degree (**bb**) representing the category of "**Good**",
- Outlook (**Stable**)



| |
|-----------------------------------|
| Board of Directors Results |
| 7.95 |
| AA (Trk) / bb |
| Stable |

Activities carried out during the monitoring period in this field:

- ✓ At the general meeting held on March 30, 2011 the shareholders approved the 2010 activities of the Board of Directors.
- ✓ From the Board of Directors, two members representative of the Albaraka Banking Group were replaced by two members representing the same group. These changes were disclosed to the KAP.
- ✓ In March 2011, two assistant general managers were appointed and these changes were disclosed to the KAP.
- ✓ Five Board of Director meetings were held during the monitoring period and 64 decisions were taken. Additionally, 11 decisions were reached upon proposal of the General Director and consensus by signature of all Board Members, in accordance with the Turkish Commercial Code. Thus, a total of 75 decisions were taken by the Board in this period.
- ✓ All Board of Director Meeting preparations, applications and follow-ups were handled in accordance to Corporate Governance principles.
- ✓ The Board of Director's Secretariat prepared and sent meeting agendas as well as relevant information to all Board members a week prior to the meeting date. During the meeting, the necessary services were provided to the members, minutes were kept in accordance to regulations and the KAP was notified of all decisions required to be disclosed to the public.
- ✓ The Audit Committee, within the scope of the Board of Directors, held 4 meetings in the monitoring period. Recommendations made in these meetings were presented to the Board.
- ✓ The Corporate Governance Committee held 4 meetings in the monitoring period. Recommendations made in these meetings were presented to the Board.

• **Outlook(Board of Directors):**

JCR-ER is of the opinion that during the following monitoring period the Bank maintains its level of compliance with Corporate Governance Principles in the Board of Directors field. For this reason, the Outlook for this section has been determined as "**Stable**".

7. Best Practices

As of 2010, there were 15 deposit banks in the Turkish banking sector which are traded on the IMKB. With the merger of two banks at the beginning of 2011, that number now stands at 14. Among these, two are participation banks. By asset size, six of these 14 are large-scale banks while the remaining 8, including Albaraka, are small and medium-scale. In this section of the report, JCR-ER has chosen 20 managerial and supervisory corporate governance practices which are outlined in the table below and Albaraka's level of

compliance is compared with that of the 13 other publicly traded banks in its peer group. According to the results obtained from these comparisons, those over the sector average are denoted as **"Beyond"**, those on average as **"Comparable"**, and those below average as **"Below"**.

In the 12-month monitoring period since the first report, the most important change amongst the peer group was the merger of two banks, lowering the total number to 14. Additionally, one large-scale bank formed a Corporate Governance Committee within the Board of Directors. However, both of these changes have had no effect and the comparison results were the same as the previous year.

In the last period's comparison of the selected 20 practices, the Bank was located in the "beyond" category in 2, and "comparable" for the remaining 18.

Albaraka was again compared with data from the peer group, which was reviewed and revised in September 2011. The results obtained are given in the table below. Albaraka Türk was located above the sector average in the practices of "transfer of shares" and "disclosure of the ultimate individual shareholders". The Bank was located at a comparable level for the remaining 18 practices.

| Sequence Number | Selected administrative and supervisory practices | Sectoral Comparison Level | | |
|------------------------------------|---|---------------------------|------------|-------|
| | | Beyond | Comparable | Below |
| 1 | Shareholders have right to request to a special auditor must be ruling of the articles of association | | x | |
| 2 | Important decisions taken by general assembly meeting | | x | |
| 3 | Preference voting rights | | x | |
| 4 | Minority rights Preference voting rights | | x | |
| 5 | Cumulative voting system | | x | |
| 6 | Transfer of shares | x | | |
| 7 | Disclosure of the future plans and budgets | | x | |
| 8 | Disclosure of the ultimate individual shareholders | x | | |
| 9 | Independent member of the board of directors, | | x | |
| 10 | Non-executive member of the board of directors, | | x | |
| 11 | Corporate governance committee | | x | |
| 12 | Disclosure of fees for upper level management, | | x | |
| 13 | Information policy | | x | |
| 14 | Ethics rules | | x | |
| 15 | Human resources policy | | x | |
| 16 | Secretariat of the board of directors | | x | |
| 17 | Risk management system | | x | |
| 18 | Internal control system | | x | |
| 19 | Internal audit unit | | x | |
| 20 | Audit committee | | x | |
| Total Number | | 2 | 18 | 0 |
| The percentage level of compliance | | 10,00% | 90,00% | 0,00% |

8. Financial Efficiency

The share of the participation banks in the Turkish banking sector as a whole was 3.84% in FY2007, increased to 4.31% in FY2010 and stood at 4.21% as of June 2011.

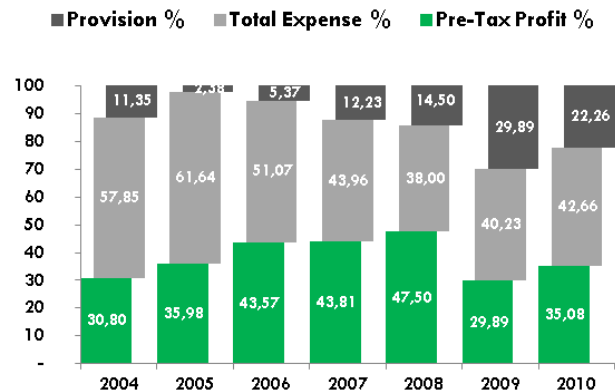
| | 2007 | 2008 | 2009 | 2010 | June 2011 |
|--|--------|--------|--------|--------|-----------|
| Participation Banks' market share in banking sector | 3.84% | 3.50% | 4.03% | 4.31% | 4.21% |
| Participation Banks' asset size (TL mn) | 19,445 | 25,770 | 33,628 | 43,339 | 48,282 |
| | 2007 | 2008 | 2009 | 2010 | June 2011 |
| Albaraka Turks' market share among participation banks | 18.98% | 18.58% | 19.08% | 19.40% | 17.99% |
| Albaraka Turks' market share in banking sector | 0.73% | 0.65% | 0.77% | 0.84% | 0.76% |
| Albaraka Turks' asset size (TL mn) | 3,690 | 4,789 | 6,415 | 8,406 | 8,685 |

Albaraka Türk's market share amongst participation banks rose from 18.98% in FY2007 to 19.4% in FY2010, but decreased to 17.99% as of June 2011.

In the comparison of performance, while Albaraka Türk's FY2009 and FY2010 profitability and capital adequacy ratios were slightly below the sector and participation bank averages, they were far above the international reference values.

The absolute and relative profit amounts produced in the previous years along with possessed equity amounts provide the adequate funding to contribute to the sustainability and possible improvement of Albaraka Türk's compliance level with corporate governance principles.

In terms of the sustainability of profitability, the high level of impaired loans in recent years poses a major threat on profitability. As seen in the chart below, in terms of total income, the share reserved for provisions rose to 35.08% as of FY2010.



However, despite the increase in impaired loans, concurrent increases in the provisions led to an improvement in asset quality. The provision ratio was 77.27% in FY2007 and 88.81% in FY2009. Although it decreased to 85.68% in FY2010, this ratio was over both that of the sector as a whole (84.41%) and of participation banks (70.53%).

JCR-ER is of the opinion that in order to ensure the continuity of the existing growth, the Bank has an adequate capital structure and sufficient profit generation to support this capital structure, provided that no deterioration takes place in the balance sheet composition. Considered closely in the existing structure, the Bank's capital adequacy ratio was 15.33% as of FYE2009 and 14.09% as of FY2010 and the equity/liabilities ratio was 12.46%.

Exchange rate risk and interest rate risk resulting from transactions within and off the balance sheet was very low. This situation supported the low level of volatility in and the stability of profitability.

In conclusion;

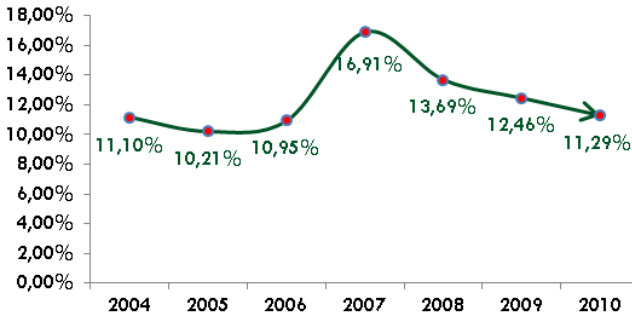
- ✓ The level of internal funds generated in the last 6 years,
- ✓ Existing balance sheet composition securing this profitability, and
- ✓ Risk components within the balance sheet composition

of Albaraka Türk are adequate to exceedingly contribute to the sustainability and even improvement of the Bank's compliance level with the corporate governance principles.

Standard Capital Adequacy Ratio % (Solo)



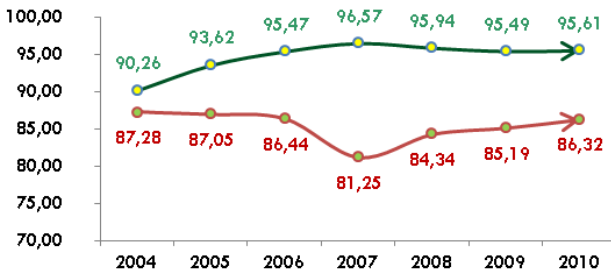
Equity/Liabilities %



The ever increasing positive balance of the balance sheet composition in terms of free equity ratio was another important basis of the Bank's profitability.

Total Earning Assets/Total Assets %

Total Costly Liabilities/Total Assets %



| TABLE:1 | | | | | | | |
|---------------------------------|---------------|----------------|---------------|---------------|---------------|------------------|-----|
| SHAREHOLDING STRUCTURE | | | | | | | |
| Paid Capital | Years | 2007 | 2008 | 2009 | 2010 | June 2011 | |
| | TL mn | | 270 | 270 | 539 | 539 | 539 |
| | USD mn | | 232 | 178 | 362 | 352 | 333 |
| Shareholders | | Share % | | | | | |
| ALBARAKA BANKING GROUP | | 54,06 | 54,06 | 54,06 | 54,06 | 54,06 | |
| ISLAMIC DEVELOPMENT BANK | | 7,84 | 7,84 | 7,84 | 7,84 | 7,84 | |
| ALHARTHY FAMILY | | 3,46 | 3,46 | 3,46 | 3,46 | 3,46 | |
| OTHER FOREIGN PARTNERS | | 1,15 | 1,06 | 0,80 | 0,80 | 0,80 | |
| LOCAL PARTNERS | | 12,92 | 12,44 | 11,61 | 11,35 | 11,33 | |
| PUBLIC | | 20,57 | 21,14 | 22,23 | 22,49 | 22,51 | |
| Total | | 100,00 | 100,00 | 100,00 | 100,00 | 100,00 | |

TABLE:2**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**

| Financial Data | 2010* | 2009* | 2008* | 2007* | 2006* |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Assets (USD mn) | 5.494 | 4.302 | 3.167 | 3.183 | 1.773 |
| Total Assets (TL mn) | 8.406 | 6.415 | 4.789 | 3.690 | 2.492 |
| Equity (TL mn) | 853 | 711 | 638 | 534 | 246 |
| Net Profit (TL mn) | 134 | 105 | 136 | 85 | 69 |
| Market Share (%) | 0,83 | 0,77 | 0,65 | 0,64 | 0,50 |
| ROAA (%) | 2,24 | 2,35 | 4,04 | 3,48 | 3,21 |
| ROAE (%) | 21,20 | 19,54 | 29,26 | 27,58 | 33,44 |
| Equity/Assets (%) | 10,14 | 11,08 | 13,32 | 14,47 | 9,87 |
| CAR-Capital Adequacy Ratio (%) | 14,09 | 15,33 | 18,12 | 21,72 | 15,29 |
| Asset Size Growth Rate (%) | 31,04 | 33,95 | 29,79 | 48,09 | 26,51 |

**Table: 3
BOARD OF DIRECTORS**

| Name | Task | Profession | Date Elected | Experience (Year) | Education | Executive/Non Executive | Independent/Not Independent | Committee Membership |
|-------------------------------|---------------------------|-------------|--------------|-------------------|-----------|-------------------------|-----------------------------|----------------------|
| Adnan Ahmet Yusuf ABDULMALEK | Chairman | Banker | 2005 | 37 | MA | Non Executive | Not Independent | Incentives Committee |
| Yağın ÖNER | Vice -President | Banker | 1985 | 38 | MA | Executive | Not Independent | |
| Osman AKYÜZ | Member | Banker | 1996 | 24 | B/A | Non Executive | Not Independent | Incentives Committee |
| İbrahim Fayez Humaid ALSHAMSI | Member | Banker | 2005 | 40 | B/A | Non Executive | Not Independent | Corp.Gov. Committee |
| Hood Hashem Ahmed Hashem | Member | Banker | 2011 | 10 | B/A | Non Executive | Not Independent | |
| Khalifa Taha Hamood | Member | Banker | 2011 | 15 | B/A | Non Executive | Not Independent | |
| Ekrem PAKDEMİRLİ | Member | Academician | 2007 | 9 | PhD | Non Executive | Not Independent | |
| Mitat AKTAŞ | Member | Banker | 2008 | 26 | MA | Executive | Not Independent | Audit Committee |
| Hamad Abdulla A. EQAB | Member | Banker | 2008 | 17 | B/A | Non Executive | Not Independent | Audit Committee |
| Fahad Abdullah A. ALRAJHI | Member | Banker | 2008 | 23 | B/A | Non Executive | Not Independent | Corp.Gov. Committee |
| Fahrettin YAŞI | Member General Manager | Banker | 2009 | 22 | MA | Executive | Not Independent | Incentives Committee |