

Participation Banks 2017





ESTABLISHED IN

2002

MEMBERS

Participation banks operating in Turkey

CHAIRMAN

Melikşah UTKU

Albaraka Türk Katılım Bankası A.Ş.

BOARD MEMBERS

Albaraka Türk Katılım Bankası A.Ş.

Kuveyt Türk Katılım Bankası A.Ş.

Türkiye Finans Katılım Bankası A.Ş.

Vakıf Katılım Bankası A.Ş.

Ziraat Katılım Bankası A.Ş.

SECRETARY GENERAL

Osman AKYÜZ

AUDITORS

Süleyman SAYGI-İsmail GERÇEK

HEAD OFFICE

Saray Mahallesi, Dr. Adnan Büyükdeniz Caddesi

Akofis Park C Blok No: 8 Kat: 8

34768 Ümraniye/İstanbul/Turkey

PHONE

+90 216 636 95 00 (PBX)

FAX

+90 216 636 95 49

E-MAIL

bilgi@tkbb.org.tr

WEBSITE

www.tkbb.org.tr



CONTENTS

INTRODUCTION

- 1 Participation Banks Association of Turkey In Brief
- 2 Message by the Chairman of TKBB
- 4 Interview with the General Secretary of TKBB

IN 2017

- 10 The World Economy
- 22 The Turkish Economy
- 32 The Turkish Banking Sector
- 42 The Participation Banking Sector
- 46 The Global Interest-Free Finance and Banking
- 56 Special Report: Participation Banking Central Advisory Board

PARTICIPATION BANKS

- 58 Albaraka Türk
- 64 Kuveyt Türk
- 70 Türkiye Finans
- 76 Vakıf Participation
- 82 Ziraat Participation

FINANCIAL STATEMENTS AND DATA

- 88 Financial Data, Graphs, and Financial Statements
- 106 Contact Informations

PARTICIPATION BANKS ASSOCIATION OF TURKEY IN BRIEF

The Participation Banks Association of Turkey (TKBB), headquartered in Istanbul and established in accordance with the Banking Act, is a professional public institution of legal personality.

The foundations of the TKBB, the umbrella organization of the participation banks operating in Turkey, were laid in 2001 by the Association of Special Finance Institutions.

The title of the Association was amended as Participation Banks Association of Turkey in 2005.

The aim of the TKBB is to defend the rights and interests of participation banks within the framework of a free market

economy and the principle of full competition in accordance with banking regulations, principles and rules, to work for the healthy growth of the banking system and development of the banking profession, increase competitiveness, ensure necessary decisions that are taken for the creation of a competitive environment and prevent unfair competition and implement and demand the implementation.

In accordance with the legislation, participation banks have to be members of the Participation Banks Association of Turkey within one month of being granted their permission to operate.

Five participation banks operating in Turkey as of April 2018 are members of the TKBB.

PARTICIPATION BANKS OF TURKEY - KEY INDICATORS (2017)*

FUNDS COLLECTED

TL 105,310 million

FUNDS ALLOCATED

TL 106,733 million

TOTAL ASSETS

TL 160,136 million

SHAREHOLDERS' EQUITY

TL 13,645 million

NUMBER OF PERSONNEL

15,029

NUMBER OF BRANCHES

1,032

*Key indicators of 5 members of TKBB (As of 31 December 2017)



When compared to the previous year, the asset size of the banking sector increased by 19% in 2017, with the volume of loans increasing by 21%, deposits by 17% and total profit by 31%.

MELİKŞAH UTKU
Chairman-Participation Banks Association of Turkey (TKBB)

MESSAGE BY THE CHAIRMAN OF TKBB

AS OF THE YEAR-END 2017, THE PROPORTION OF CASH CREDITS THAT THE TURKISH BANKING SECTOR ALLOCATED TO SMEs WAS AROUND 25%, WHILE FOR PARTICIPATION BANKS THIS RATIO WAS AROUND 35%.

In 2017, macroeconomic realizations exceeded expectations, both in our country and on a global scale. After years of sluggish growth following the outbreak of the global crisis of 2008, there was a revival in the world economy and global trade. It is estimated that the global economy grew by around 4% in 2017 - with the USA and Europe, which are developed economies, having grown by about 2.5%. Funds continued to flow into developing countries, which recorded an average of 4.5% growth despite their fragilities, and the risk appetite remained brisk. Our country has attracted global attention with its growth performance, as Turkey's economy grew by an annualized rate of 5.3% in the first quarter and 5.4% in the second quarter, before demonstrating an impressive 11.3% annualized rate of growth in the third quarter. With a 7.4% growth rate in the fourth quarter, the annual growth rate for the full year ended up at 7.4%.

Turkey is one of the world's fastest growing economies. A combination of international risk being on decline and introduction of regulations to boost the economy greatly contributed to this success. In this process, the access of the SMEs and exporters to financing was facilitated and the Credit Guarantee Fund was introduced, which provided the most significant contribution to the strong growth in the economy. The banking sector has also rounded off a successful year with the support of incentives in the economy. The sector's asset size expanded by 19% YoY with loans growing by 21% and deposits by 17%. The sector's total profit climbed by 31% YoY to reach TL 49 billion.

While the year 2017 proved successful for the sector as a whole, participation banks enjoyed a performance superior to that of the sector in terms of growth. The asset size of the participation banking segment increased by 21% YoY, with credits expanding by 26% and participation funds by 27% YoY. The net profit of participation banks surged by 43% YoY in a performance exceeding the banking sector. Moreover, this growth was achieved at a time when there was a differential of almost 400 basis points between yields of conventional banks and participation banks - a tremendous achievement and a demonstration of how much our people favor the participation banks. While conventional banks increased interest rates in 2017, because we distributed the profits of previous disbursements as required by our business model and principles, the profit share ratios approach market rates over time. The rapid increase in the collected funds in these market conditions stands as an important indicator of success for the participating banks.

As of the year-end 2017, around 25% of cash credits allocated by the Turkish banking sector were directed to SMEs, whereas this ratio was around 35% for participation banks. This ratio confirms the close relationship between participation banks and the real sector. We believe SMEs have an important function in the development and the growth of our country and we will always continue to support SMEs. We will always be with our customers in many areas, not just financial support but consultancy services.

However, I believe that if we support SMEs which produce technology-based products with high added value, we will be able to advance our country even further.

At present, participation banks have market share of around 5% in the sector - a rate that has barely budged in recent years due to Bank Asya's exit from the sector. As a matter of fact, if the impact associated with Bank Asya is excluded, participation banks grew well above the banking sector average; and I am confident that we will grow more rapidly with the momentum of public participation banks entering the sector in the coming periods. Moreover, we hear that other players are also willing to enter the sector. We have an ambitious target for participation banks to achieve a 15% share in the sector by 2025. I believe that participation banks have a serious growth potential. For example, within the context of the Automatic Participation System that was recently introduced for private pensions, 67% of participants chose the interest-free model. This indicates the extent of our customer potential.

We aim to achieve healthy and sustainable growth in participation banking. For the development of participation banks, the existing of banks just is not enough because finance sector is an ecosystem. It is imperative that non-banking financial institutions operating in accordance with the principles of participation banking exist in this ecosystem. In addition, the capital markets should be a level playing field in accordance with the principles of participation banking. For example, Islamic insurance products like takaful need to get more involved. I think that there is a significant potential in this field. Therefore, developing the legislation, standards and regulations in accordance with the principles of participation banking, in line with our mission, tremendous importance. In this context, work continues unabated.

As known, our country is working to transform Istanbul into a regional and global financial center. This target includes the objective that Istanbul is also the center of Islamic finance at the same time. Indeed, there are great opportunities in this field. I believe that we need to work harder in order to transform our strengths - such as our geopolitical position, our reputation in the international arena, our strong ties with countries in the region, our sound banking sector and our strong infrastructure - into opportunities. In the upcoming period, I would like to emphasize that we will achieve better results together with our customers and shareholders with our common beliefs and efforts, and will help our country become a regional leader in the sector.

I would like to extend my sincere thanks to everyone who has contributed to participation banking.



Despite all the positive global developments in 2017, it is clear that it would be prudent to maintain a cautious business approach in 2018.

OSMAN AKYÜZ
General Secretary of TKBB

INTERVIEW WITH THE GENERAL SECRETARY OF TKBB

TURKEY EXHIBITED A STRONG ECONOMIC PERFORMANCE IN 2017, PROGRESSING WITH RESOLUTE STEPS ON A PATH OF SUSTAINABLE GROWTH.

In 2017, the global economy posted growth which exceeded forecasts, despite the geopolitical risks. What are your views on the course and future of the global economy?

In the USA, the first year of the Trump administration leaves behind new challenges in political policies, tax regulations and the Jerusalem decision, while Europe has been occupied with an election agenda and strengthening right-leaning politics. Another important issue in the EU has been the negotiations with the UK following Britain's decision to leave the EU (Brexit). The referendum held in the Catalonian region of Spain, which resulted in a decision of independence, also led to further questioning of the future of the European Union.

The policies pursued by North Korea have also created another focal point for global tensions. Rhetoric and actions suggesting that world peace could be jeopardized have brought the risk of conflict to the agenda, not only on the Korean Peninsula, but also across the globe.

Conflicts in the neighboring Middle East and the political developments spreading to the Arabian Peninsula are other problems that have had a marked effect on the markets.

Although the concerns raised by such political events in different regions of the world have dominated the global agenda, the world economy did in fact gain momentum in 2017 with the help of a recovery in developed markets as well as the economies of developing countries. The point that has been reached signals that global growth has spread over a broad base and offers promising signals for the future.

The IMF's Global Economic Outlook report, published in April 2018, stated that the world economy grew by 3.9% in 2017 and that global economic growth would remain brisk in 2018 and 2019.

While low interest rates maintained their hold on the monetary front, increased investment spending on a global scale and an increase in global trade volume and industrial production were also factors contributing to global economic growth. At the same time, the recovery in consumer and real sector confidence maintained its momentum.

The monetary policies pursued by the world's major central banks have supported economic activity and global trade. The Fed proceeded broadly in line with expectations, raising interest rates on three occasions. The European Central Bank, which was a relative latecomer to implementing a loose monetary policy compared to the Fed, acted to reduce its asset purchase program and announced that it was taking steps to normalize monetary policy in 2017. The ECB stated that although the inflation outlook remained weak, the risk of deflation had been removed.

Turkey, posted an impressive 7.4% growth for the 2017 full year.

In concluding our views of the future course of the world economy, it would be useful first of all to reflect that geopolitical balances and developments will remain important. Major players such as the USA and China will play a key role in the healthy functioning of global balances, and it is crucial that these countries follow prudent policies.

While geopolitical risks evolve to new balances, one of the most important items on the global economic agenda going forward will be the risk of trade wars between China and the USA. On the other hand, it is also of paramount importance that conflicts and political tensions are minimized by sustaining global growth and the welfare of humanity. If this equation can be squared with correct and fair approaches, the wheels of the world economy will go on turning in a healthy manner.

Finally, despite all of the positive global developments experienced in 2017, it is clear that it would be prudent to maintain a cautious business approach in 2018.

Turkey's economy received the accolade of being the fastest growing economy in the G20 in 2017. We would like to hear your views on this proud performance.

Turkey exhibited a strong economic performance in 2017; it has advanced with resolute steps on the path of sustainable growth. The growth, which exceeded expectations at 11.3% growth in the third quarter of the year when compared to the same period of the previous year, notched up its strongest performance of the last 6 years.

Our country posted an impressive 7.4% growth for the 2017 full year. An examination of GDP in 2017 finds that private consumption expenditures provided the strongest contribution to growth.

Another pleasing development was the extent that the upward trend in the global economy positively affected Turkey's exports. In particular, the recovery in countries throughout Europe - our main export markets - was reflected to our foreign trade volume.

AS IT CONTINUES ITS SUSTAINABLE DEVELOPMENT, TURKEY WILL NEED EVER INCREASING LEVELS OF CAPITAL TRANSFER AND, IN PARTICULAR, FOREIGN DIRECT INVESTMENT

The most important issue that developing economies need to address in order to ensure sustainable growth concerns foreign capital. How do you evaluate the success of our country in attracting foreign capital and its position, both now and going forward, in the current global conditions?

One of the greatest challenges developing economies face concerns seeking external resources in order to sustain development. This issue has been among the items of priority for our country throughout its economic history. The Turkish economy has a structure marked by a high degree of dollarization and where a low propensity to save is emerging as a major issue. The liberalization of our country's economy and the increasing pace of integration of the country's economy with the global economy have recently played an important role in resolving this problem.

The opening up and integration of Turkey's economy with the world started in earnest with the import substitution model that was put into practice in the 1980s. The strong, bold and decisive steps taken by the authorities, the business world and the financial sector in the 2000's have made it possible for the Turkey economy to reach its current level.

Turkey can easily benefit from the funding opportunities offered by world markets today at much better conditions than most of the countries in its peer group.

Our country is a magnet for global capital with its financial structure that is integrated into the global system and the stable management of its economy. The most recent example of this has been the 10 year period extending from the outbreak of the global financial crisis in 2008 to the current day, where Turkey was able to uninterruptedly benefit from global liquidity and reaped the rewards of the confidence bestowed upon the country thanks to its strong foundations.

In its continuing process of sustainable development, Turkey will need an ever increasing volume of capital transfer and, in particular, foreign direct investment. At this level, it is necessary to create areas which will attract investors, particularly from countries with a capital surplus, and to offer attractive opportunities. We are confident that our country will remain a strong participant in global markets in the rapidly changing conditions of the world economy, which has entered a new stage of growth.

At this point, the most important anchor will be the sustainability of political stability.

As long as Turkey correctly calibrates its political balances, it will not experience any difficulty obtaining capital from global markets and accessing the international market. It will further strengthen its position among the destinations most popular among foreign direct investors.

There have recently been plans afoot to limit private sector borrowing in foreign currency and the authorities have been carrying out some preparations in this regard. What do you think about such plans, which are expected to be introduced in the near future?

We would support the principle of limiting foreign currency borrowing by economic players who do not earn in foreign currency in terms of gains at the macro level as well as the micro level, in addition to the contribution to stability. For example, if an SME with no income in foreign currency were to borrow in foreign exchange, this would present it with a foreign exchange risk, especially at times of exchange rate volatility, and such situations give rise to economic losses that are difficult to compensate.

It is also natural that this application should have exceptions. Disbursement of foreign currency loans to companies which are in the investment process or will carry out the import of investment goods or technology will continue in a controlled manner. Exporters or businesses that have incentives will be able to use foreign currency loans provided they have certain hedging mechanisms.

Similar implementations have recently been rolled out in Indonesia and India, and have produced successful results. We believe the new implementation, which will be put into effect in our country in May 2018, will bring relief to banks as well as economic players, and will provide significant gains in terms of risk management.

As it 34 years, the participation banking sector has successfully continued its sustainable growth. What do you want to say about the current status and the future of participation banking?

Our country has a strong and deeply rooted banking sector, which has developed over a hundred years. We represent participation banking, which is one of the main function-based branches of this sector. We have been carrying out our activities for 34 years in Turkey alongside the commercial banks, and we are generating lasting value for our stakeholders.

The volume of activity in our industry has been increasing gradually each year, while the variety of products and services we offer has also been expanding and our existence has been gaining depth. In essence, our difference and the value proposition we put forward lie at the heart of our approach when it comes to executing banking as a function - in other words, in our basic philosophy.

Our banks, which respond to the needs of a broad community, who are sensitive on the issue of interest and who offer an array of products, services and solutions which are equivalent to modern commercial banking, have steadily been raising their contribution to producing the lasting value needed for the development of Turkey's economy.

IN 2017, OUR BANKS ACCOMPLISHED TREMENDOUS SUCCESS ON AN OPERATIONAL AXIS, AND IMPLEMENTED NUMEROUS INITIATIVES IN ORDER TO DEVELOP CUSTOMERS' SATISFACTION.

There are five participation banks in our sector, which has fully adopted the rules of universal, interest-free banking.

Participation banks demonstrated a successful performance in 2017. On average, our banks posted around 20.5%, a rate above the average for Turkey's banking sector as a whole, which was measured as 18.8%.

Our participation banks have expanded their capital base, which was strong in 2017, in a manner which will increasingly support their growth in the coming period.

Participation banking has also been successful in the basic functions of banking. In 2017, a 26% rate of growth was achieved in funds collected with 25.7% growth in funds disbursed. The growth rates achieved were significantly above the rate of inflation announced by Turkish Statistical Institute for 2017. They also indicate that our industry is growing in a real sense.

Participation banks increased their shareholders' equity by 18.7% YoY and their net profit by 43.1% YoY. On the other hand, the capital adequacy standard ratio of our members stood at 17% in 2017 - a ratio which was higher than the average for the sector and deposit banks.

We believe participation banks will use the growth leverage provided by their strong shareholder's equity with a prudent perspective and management approach and will develop the share they capture from the banking sector with decisive steps.

In 2017, our banks accomplished a raft of successes on the operational axis, and implemented numerous initiatives in order to develop a sense of customer belonging and satisfaction.

As of the end of 2017, the 5 participation banks operating in Turkey had a total of 1,032 branches, which constituted about 8.9% of the total branch network of the banking sector. At the same time, the total number of employees working in participation banks stood at 15,029, an increase of 3.9% compared to the previous year.

Another issue I would like to touch on within the context of the performance of the Participation Banks in 2017 is the successful performance of our banks under the Credit Guarantee Fund (CGF) implementation. In 2017, our government not only strongly increased its support for SMEs, which constitute the backbone of the economy, under the Credit Guarantee Fund and but also injected important momentum to the banking sector's efforts to transfer resources. As participating banks, we have also offered our customers funding according to our own procedures within the framework of the CGF bail system and thus demonstrated our support for economic activity.

In 2017, we implemented the steps that will enable us to respond to our stakeholders' expectations much more quickly and effectively.

The importance of the Participation Banks Association of Turkey (TKBB) for the sector is obvious. You made significant breakthroughs in 2017. Can you briefly talk about these?

The main task of the TKBB, as clearly stated in our mission, is to contribute to the healthy and sustainable development of the participation banking sector in Turkey. Our association continues its operations in an effort to offer this contribution in a different and very diverse range of topics, ranging from product diversity to perception and reputation management, training of human resources and the development of legislation, standards and regulations in accordance with the principles of participation banking, and for Istanbul to be a leading global financial center.

In 2017, we implemented steps that will enable us to respond to our stakeholders' expectations much more quickly and effectively.

Within this scope, the TKBB moved to its new office in Istanbul, and Ümraniye became its headquarters. Our human resources have been reinforced in every aspect and at every level to ensure that we can fully fulfill the functions we need to achieve our mission.

While the TKBB organizational structure has been reshaped, the new units needed have also been created.

In addition to raising recognition of the sector, our main areas continued to be strengthening the reputation, increasing cooperation with the public, universities and the private sector in all aspects, and developing sector standards.

THE CENTRAL ADVISORY BOARD, WHICH WILL WORK UNDER THE TKBB, WILL BE CONSULTED CENTRALLY ON INTEREST-FREE BANKING AND DETERMINE STANDARDS.



The Interest Free Finance Coordination Board, which constitutes the highest structure of your sector, continues to successfully carry out its activities. Is there anything you want to mention in this area?

The Interest Free Finance Coordination Board, which aims to promote the development of the interest free finance system in Turkey more rapidly and in a healthy way, and aims to contribute to our country's vision of becoming an international financial center, held its fifth meeting in March 2018. At the meeting, global and local developments in the interest-free finance sector were discussed and the details of the work to set up the Central Advisory Board, work on which has reached the final stage, were also discussed. At the same time, the Board also assessed the progress achieved in the actions included in the "Development of Participation Banking and the Interest-free Finance System Component" of the Istanbul International Finance Centre (IFC) Program.

The work on the establishment of the Central Advisory Board is continuing at full pace. Are there any details you would like to share with us about this project? What do you think about the mission of the Board, its role and the future of the TKBB?

The Central Advisory Board was organized under the 7th component of the Istanbul International Finance Centre (IFC) Program, which was announced in 2014. It is primarily aimed at improving the institutional structure and legal infrastructure of the interest-free finance system. In order to minimize the differences between the transactions made by the interest-free financial institutions, establishing a mechanism is planned in the approach, in which the BRSA – the umbrella institution that carries out surveillance of the banking sector in our country - was given responsibility to act, and work got underway. An important question we need to answer at this point is why there is a need for this mechanism.

The strengthening of the growth dynamic in Turkey's participation banking sector also requires strengthening of the legislative infrastructure, and the two are interrelated.

The strengthening growth dynamic in Turkey's participation banking sector, which has developed rapidly, requires a strengthening of legislative infrastructure; and the two are interrelated. The compatibility of products and services with the principles of interest-free finance is currently determined by the in-house advisory boards of each bank. This gives rise to discrepancies in the product and service offerings. Differences that may arise in individual applications from time to time cast doubt over the standards of our sector and can affect our reputation. This highlights the importance of the Central Advisory Board, the establishment we aim to complete in May.

We have renewed the TKBB organization, and we have created new units needed in order to meet these new services.

The Central Advisory Board, which will be operational in the presence of the TKBB, will be a board which will be consulted centrally on interest-free banking and where the principles and standards will be set. The Board will be fully independent in its operations and will consist of 5 members. Appointments to the Board will be carried out with the recommendation of the Board of Directors of the TKBB and with the appropriate opinion of the BRSA. We hope that the Central Advisory Board, whose legislative infrastructure has been completed, will support the sector.

There has also been a recent change in the senior management of the TKBB. Could you share your feelings and thoughts about this subject?

Our esteemed colleague, who had been working shoulder-to-shoulder with us in our company for 15 years, our Assistant General Secretary Mr. Osman Nihat Yılmaz has left our company for his retirement. Throughout our long period of cooperation, Mr. Yılmaz has devoted great efforts to the development of participation banking and the progress of our Association. Accordingly, on

DIGITALIZATION, WHICH HAS BEEN CARRYING OUT THE SECTOR TO A NEW DIMENSION, WILL SOON BE SHAPING BOTH THE COMPETITIVE ENVIRONMENT AND QUALITY IN THE SECTOR.

behalf our team and our Board of Directors, I would like to wish Mr. Yılmaz health and happiness in his retirement, and we offer him our gratitude for his contributions.

In the same period, we delighted to welcome our new Assistant General Secretary Mr. İsmail Vural. With his 20 years of sectoral and professional experience, we are fully convinced that he will provide a significant contribution to the dynamism that the TKBB will need during the forthcoming period of growth.

Digitalization has gained great importance in the banking sector. Could you evaluate the participation banks position with respect to digital banking?

Digitalization is an essential component of the financial sector, becoming an extremely vital function and competence. Offering your products and services to large customer masses, regardless of the time and space, and in the fastest and most effective manner is only possible through the intensive use of technology. This undoubtedly involves cost. Digitalization offers a significant cost advantage for the banking sector when compared to physical distribution channels.

Refusing to use IT or avoiding it would be tantamount to breaking from the race. Today, banks offer cheaper services on digital platforms as well as producing safer and faster services.

I am delighted to say that all five participating banks operating in our country have adopted digitalized banking as an important goal and a force for future development. Our members are transforming their superstructures and infrastructures in line with the global principles of digitalized banking, and are undertaking serious efforts and investments.

Digitalization, which has been carrying the sector to a new dimension, will soon be shaping both the competition environment and the quality in the sector.

Being able to develop perceptions about participation banking in the masses is of great importance for the future of the industry. How would you define your role as an Association?

The way the masses perceive participation banking and reputation management are two issues which we attach great importance to, and they are key to our future success. Our penetration rates will improve to the extent that we can introduce our participation banking to all of our stakeholders, whatever their age, and our sector will carry its ambition in the banking ecosystem to new levels.

The TKBB continues its multi-faceted activities on perception and reputation management. Our publications, our cooperation with the university, our close work with the authorities and the training activities we offer our members of the sector are always considered under this title and constitute an important component of our strategy document.

In 2017, the TKBB focused on publishing activities. We have collaborated with Istanbul University in order to translate 20 works of literature, that can be described as classics of participation banking, into Turkish. We aim to publish the first book in the summer of 2018. Another publication, "Step by Step Participation Banking for SMEs", has been prepared with the aim of explaining participation banking to SMEs.

Interest is growing in our Participation Finance magazine, which entered its 2nd year of publication. Our publication, offered in digital format as well as in a written format, reaches wide masses and contains news and developments from our industry.

Our work is not limited to these efforts. All of our activities, such as our committees operating under the auspices of the TKBB, the workshops we have carried out, our training activities and our international collaborations, are focused on contributing to our sector. As such, I would like to extend our thanks to all of our team and our stakeholders working in cooperation with the TKBB for their unwavering and determined support in developing our ecosystem.

Could you briefly sum up your expectations and views regarding 2018?


Our sector aims to continue its growth in parallel with the previous year in 2018. The important point here is to proactively and carefully manage the risks that may arise in global markets from time to time. Our participation banks are determined in the support they provide to Turkey's economy, by using growth opportunities to the full.

Another issue we consider important for our industry has been the two public banks which have joined us recently. The activities of the public participation banks as well as the government support have begun to accelerate the growth of our industry. We anticipate that this positive momentum will continue.

Entering its 35th year in 2018, participation banking is one of the cornerstones of Turkey's economy and is an integral part of the banking ecosystem.

With an importance and value which is understood every day in a global dimension, the participation banking sector has a wide horizon and offers a future full of successes. Participation banking has also provided a significant contribution to financial literacy as a result of the wider use of banking services, while significantly increasing the support it has provided to the economy.

I would like to offer my sincerest thanks and best wishes to our banks working together with such determination and self-sacrifice in order to provide a permanent contribution to the country's economy, which we sincerely believe will continue its growth and strengthen even further, to the welfare of the society and to all our stakeholders.



GLOBAL ECONOMIC
ACTIVITY GAINED
MOMENTUM IN 2017
WHEN COMPARED TO
PREVIOUS PERIODS.

DEVELOPED COUNTRIES,
PARTICULARLY
JAPAN AND THOSE
IN THE EUROZONE,
DEMONSTRATED A
POSITIVE GROWTH
PERFORMANCE IN 2017.

THE RAPID GROWTH
OF TURKEY'S
ECONOMY HAS BEEN
THE MOST IMPORTANT
FACTOR IN BOOSTING
ECONOMIC GROWTH
IN EASTERN EUROPE.

THE WORLD ECONOMY

THE RATE OF GROWTH IN GLOBAL PRODUCTION INCREASED FROM 3.2% IN 2016 TO 3.8% IN 2017 - THE HIGHEST IN THE POST-2013 PERIOD.

GLOBAL ECONOMIC DEVELOPMENTS IN 2017

The improvement in financial conditions, supportive policies, an environment of growing confidence and the drop in commodity prices in the first three quarters of 2017, giving way to an increase in the last quarter, were the key developments impacting economic growth during the year.

GLOBAL GROWTH

The positive growth performance in global economic activity recorded in the first half of 2017 continued in the third quarter of the year. The global economy enjoyed a higher rate of growth than in the previous period, fueled by both developed and developing countries. In addition to gratifying progress in consumer and real sector confidence indices, the recovery tendency in developing and emerging economies, in parallel with rising commodity prices, contributed positively to economic growth in the world.

The rate of growth in global GDP increased from 3.2% in 2016 to 3.8% in 2017 - its highest rate in the post-2013 period. As a result of this, it is estimated that global GDP, which stood at USD 75.3 trillion in 2016, rose to USD 79.3 trillion by the end of 2017.

Developed countries, particularly Japan as well as those in the Eurozone, demonstrated a positive growth performance in 2017, while the slowdown in growth in the UK continued. Among developing countries, growth rates increased throughout Latin America and Eastern Europe. While the recovery in Brazil in Latin America gained a significant degree of momentum, the rapid growth of Turkey's economy was the most important factor boosting the growth rate in the Eastern Europe region. During the period, despite a slowdown in China's growth rate, growth rates in other Asian countries, particularly India, increased. As a result, the Asian region notched up a growth rate in the third quarter which was equivalent to that recorded in the previous period.

2017 GLOBAL GDP ESTIMATE

USD 79.3 trillion

GROWTH IN THE WORLD ECONOMY (%)

| | Realization | | Projection | |
|-------------------------------------|-------------|------|------------|------|
| | 2016 | 2017 | 2018 | 2019 |
| World Output | 3.2 | 3.8 | 3.9 | 3.9 |
| Advanced Economies | 1.7 | 2.3 | 2.5 | 2.2 |
| US | 1.5 | 2.3 | 2.9 | 2.7 |
| Europe (Euro Zone) | 1.9 | 2.3 | 2.4 | 2.0 |
| Germany | 1.8 | 2.5 | 2.5 | 2.0 |
| France | 1.2 | 1.8 | 2.1 | 2.0 |
| Italy | 0.9 | 1.5 | 1.5 | 1.1 |
| Spain | 3.3 | 3.1 | 2.8 | 2.2 |
| Japan | 0.9 | 1.7 | 1.2 | 0.9 |
| UK | 1.9 | 1.8 | 1.6 | 1.5 |
| Canada | 1.4 | 3.0 | 2.1 | 2.0 |
| Other Advanced Economies | 2.3 | 2.7 | 2.7 | 2.6 |
| Developing Economies | 4.4 | 4.8 | 4.9 | 5.1 |
| Russia | (0.2) | 1.5 | 1.7 | 1.5 |
| Developing Europe | 3.2 | 5.8 | 4.3 | 3.7 |
| Developing Asia | 6.4 | 6.5 | 6.5 | 6.6 |
| China | 6.7 | 6.9 | 6.6 | 6.4 |
| India | 7.1 | 6.7 | 7.4 | 7.8 |
| Middle East and North Africa | 4.9 | 2.6 | 3.4 | 3.7 |
| Latin America | (0.7) | 1.3 | 2.0 | 2.8 |

Source: The IMF World Economic Outlook (the International Monetary Fund World Economic Outlook Report), April 2018



INCREASED INVESTMENTS IN DEVELOPED ECONOMIES AND THE RECOVERY IN DOMESTIC DEMAND HAVE INFLUENCED DEVELOPMENTS IN GLOBAL TRADE.

GLOBAL TRADE

Global trade, which is directly related to international investment, posted a strong 4.9% rate of real growth in 2017, bringing to an end the weak run that had characterized the previous two years.

The growth in trade has become more pronounced in emerging markets and emerging economies, which increased their growth in their trade volumes commodity from 2.2% in 2016 to 6.4% in 2017, with increase in the commodity exporters' investment rates that was following a low course before. Also, the rate of investment - that has increased in developed economies - and recovery in domestic demand have also affected the progress of global trade.

IN 2017, GROWTH IN GLOBAL TRADE

4.9%

CONTRIBUTION FROM EMERGING MARKETS

6.4%

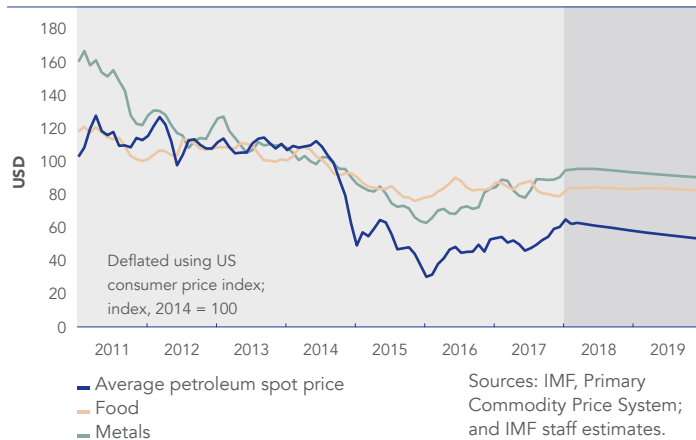
WORLD TRADE VOLUME GROWTH (2016-2019) (%)

| | Realization | | Projection | |
|---------------------------|-------------|------------|------------|------------|
| | 2016 | 2017 | 2018 | 2019 |
| World Trade Volume | 2.2 | 4.9 | 5.1 | 4.7 |
| Import-Advanced Economies | 2.4 | 4.0 | 5.1 | 4.5 |
| Import-Emerging Markets | 1.9 | 6.4 | 6.0 | 5.6 |
| Export-Advanced Economies | 3.4 | 4.2 | 4.5 | 3.9 |
| Export-Emerging Markets | 2.1 | 6.4 | 5.1 | 5.3 |
| Oil Prices | (15.7) | 23.3 | 18.9 | (6.5) |

Source: IMF World Economic Outlook, April 2018

THE TREND IN COMMODITY AND CRUDE OIL PRICES

23.3% In 2017, one of the commodities to witness the highest increase in prices was oil.



COMMODITY AND PETROLEUM PRICES

One area that should be examined while evaluating developments in the global economy is the movements in commodity prices, which have profound effects on both supply and demand.

The general commodity index increased by 9% compared to the previous quarter on the back of a rise in energy and industrial metal prices. Energy prices increased by 14.1% during the period while industrial metal prices increased recorded a 6.8% increase, with precious metal and agricultural product prices falling by 0.4% and 2.7%, respectively.

Looking at price trends of some basic inputs in USD terms, the biggest increases in prices during 2017 were seen in prices of coal (27.8%), copper (26.7%), crude oil (23.3%), aluminum (22.7%) and cotton (12.6%), while there were declines in prices of sugar (11.3%) and silver (0.5%).



Commodity prices, especially oil and natural gas, have been on the rise since autumn of 2017. The medium-term outlook appears stable.

Both demand and supply driven developments were instrumental in the upward movement of petrol prices.

Oil prices had declined by a record 47.2% in 2015, both affected by developments in the world economy while in turn developing them, and this decline continued in 2016 when prices decreased by 15.7%. However, with to a revival in the global economy and heightened regional risks, oil prices increased by 17.4% in 2017.

As well as a buoyant growth performance in the global economy, an extremely cold winter in North America led to a demand-driven upward effect on oil prices. As far as production is concerned, OPEC and Russia - which account for 40% of the world's total oil production - extended OPEC's decision to cut

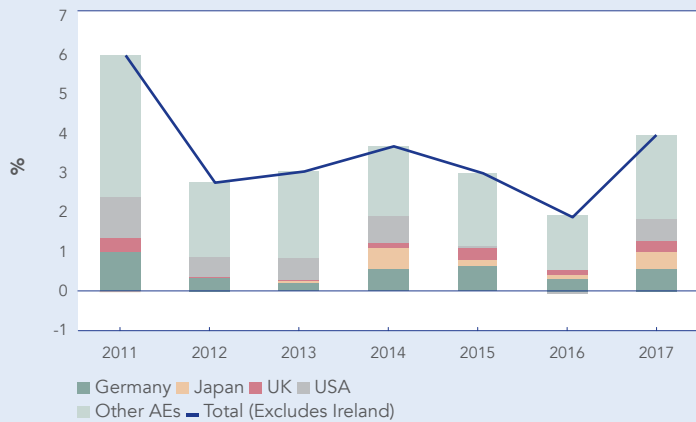
production, originally taken at the beginning of 2017 in order to bring the oil market to a more balanced point, until the end of 2018 because the anticipated balance had not been achieved.

In addition, geopolitical risks in the Middle East have put upward pressure on oil prices amid extended concerns over oil supplies. Most notably, political developments in Iran during the second week of January precipitated a surge in Brent type crude oil prices to USD 69/ bbl. In view of termed Brent crude oil contracts, it is predicted that crude oil prices will end the year 2018 at around USD 67/ bbl.

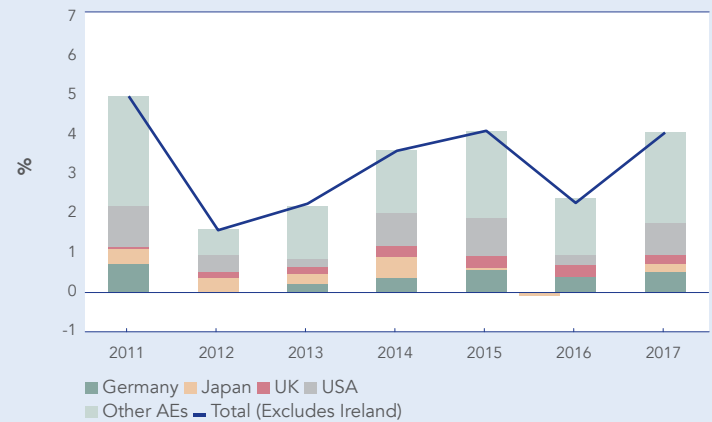
THE TRADE RECOVERY WAS PARTICULARLY PRONOUNCED IN EMERGING MARKET AND DEVELOPING ECONOMIES.

CONTRIBUTIONS TO GLOBAL TRADE GROWTH

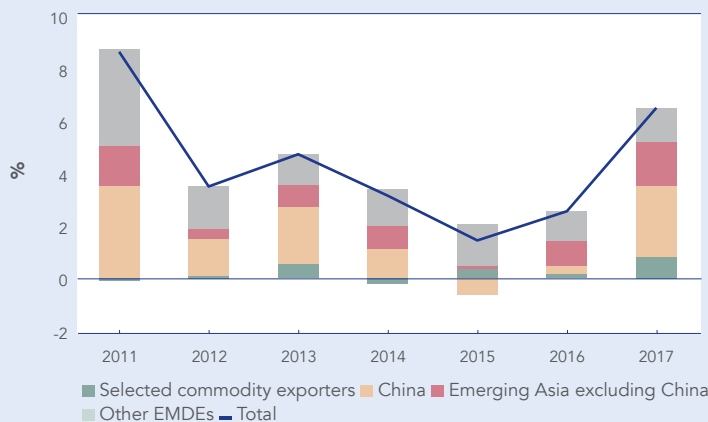
ADVANCED ECONOMIES: EXPORT GROWTH



ADVANCED ECONOMIES: IMPORT GROWTH

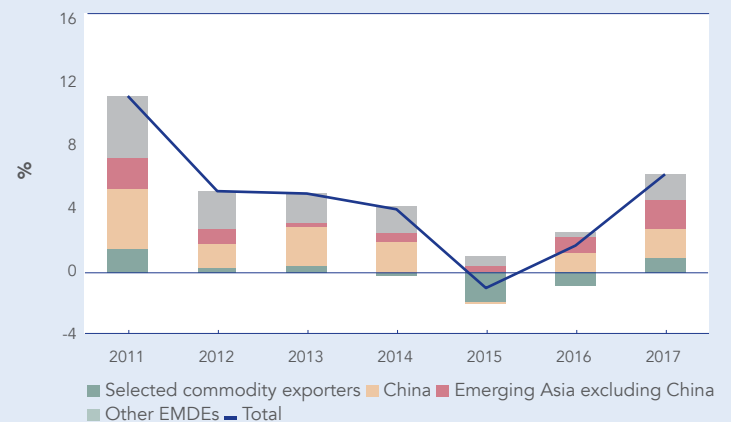


EMERGING MARKET AND DEVELOPING ECONOMIES: EXPORT GROWTH



Selected commodity exporters = Angola, Brazil, Ecuador, Nigeria, Russia.

EMERGING MARKET AND DEVELOPING ECONOMIES: IMPORT GROWTH



Source: IMF

GLOBAL INFLATION

Global inflation rates remained low, despite a robust global growth outlook and the upward trend in commodity prices, especially due to rising energy prices.

The headline inflation rate followed a flat course in the developed country grouping, but demonstrated some increase in developing countries. Likewise, while the core inflation rate remained largely unchanged in the developed country grouping, it exhibited a limited decline in developing countries.

Based on 2017 estimates, Argentina and Turkey stand out from their peers in terms of consumer inflation figures, with their high readings. They are followed by South Africa and Mexico. This inflation figures were a key reason behind the high levels of interest rates in these countries. In the US economy, in addition to the fact that the increases in nominal wages are not creating inflationary pressures despite low rates of unemployment,

THE US ECONOMY

2% inflation target

While the core inflation rate remained largely unchanged in the developed country grouping, it displayed a limited decline in developing countries.

the fact that the survey and market-based expectations were close to the 2% inflation target indicates a low and stable inflation outlook.

It is thought that the ECB's supportive monetary policy steps and the acceleration of pay rises on the back of decreasing idle capacity due to growth will place a degree of pressure on inflationary trends in the Eurozone in the medium-term. In Japan, as inflationary expectations follow developments with a lag, inflation is expected to take some time to converge with the 2% target.

On the other hand, the fall in the British pound due to the uncertainty surrounding future relations between the UK and the EU relations, carried



INFLATION HAS BEEN EDGING HIGHER DUE TO RISING OIL PRICES, WHILE CORE INFLATION REMAINS RELATIVELY BENIGN.

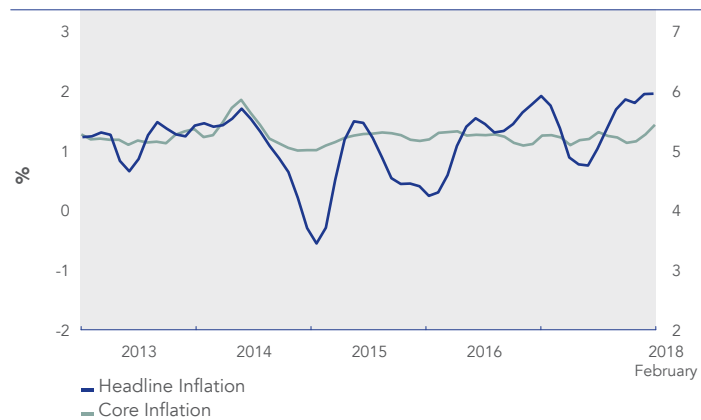
inflation to above the target due to increasing import prices; however, medium-term inflation expectations were realized around the target. Unless import prices fall in the near future, it is estimated that inflation in the UK will remain above the target, despite edging towards it.

The main factors that may create an upward risk in terms of global inflation in the upcoming period include a potential increase in commodity prices (especially oil), due to the possibility of weakness in local currencies of developing countries, along with strengthening economic activity and geopolitical risks.

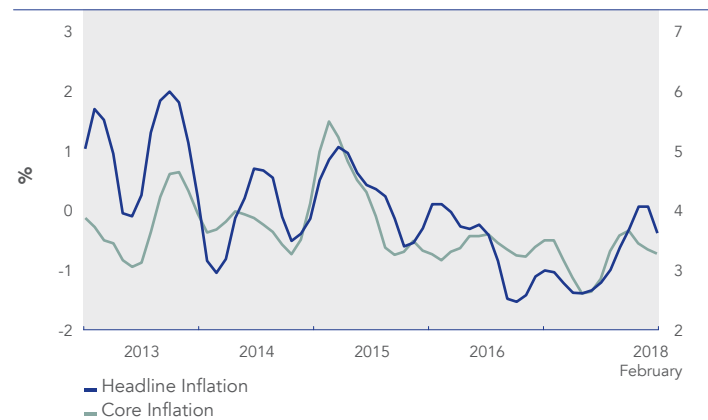
GLOBAL INFLATION

Three-month moving average; annualized percent change, unless noted otherwise

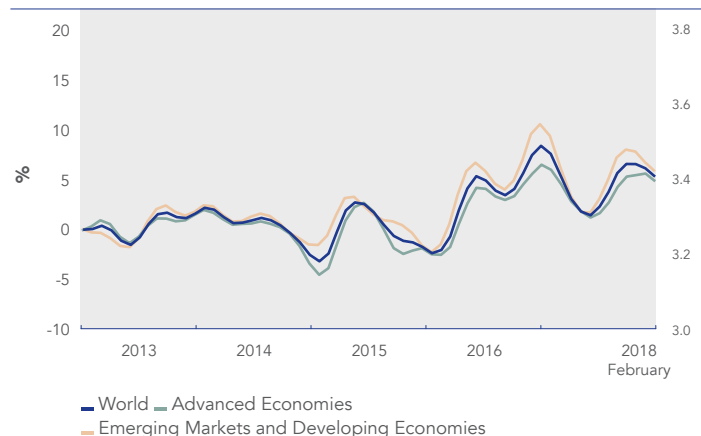
ADVANCED ECONOMIES



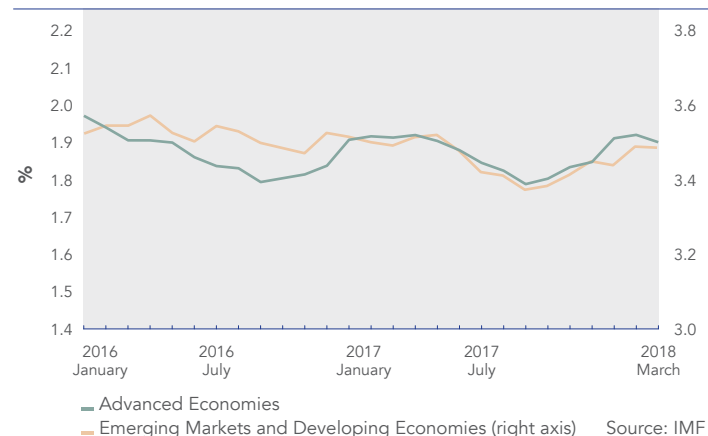
EMERGING MARKETS AND DEVELOPING ECONOMIES



PRODUCER PRICE INFLATION



CONSUMER PRICE INFLATION



Source: IMF



The largely heterogeneous stance taken by developing countries in their monetary policy in the third quarter of 2017 continues.

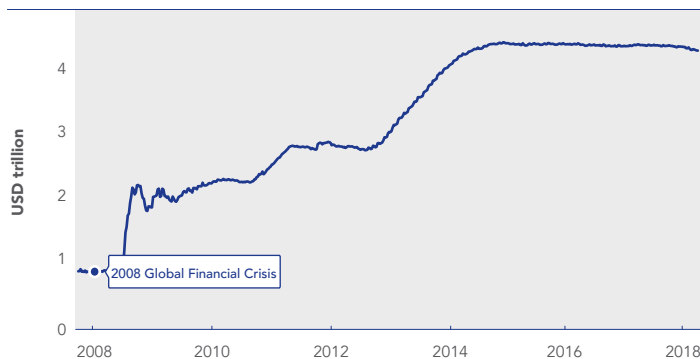
GLOBAL MONETARY POLICIES

The effects of global monetary policies on financial markets were limited in 2017. Risk appetite remained brisk, so even if portfolio flows to developing countries were subject to interruption due to geopolitical developments, they followed a strong and steady course throughout 2017.

The Fed, one of the most important determinants of the course of the global monetary policy, carried out three interest rate hikes in 2017 in line with the expectations and the predictions of the FOMC (the Federal Open Market Committee) members. Since these steps were broadly in line with expectations, the market reaction was moderate. Concerns that the Fed was heading towards a more hawkish monetary policy in September and October 2017 did dent global risk appetite somewhat and portfolio flows to developing economies lost momentum, but did not dry up. However, the easing in concerns with regard to the Fed's monetary policy following the FOMC meeting in December paved the way for a rebound in global risk appetite. Portfolio inflows to developing countries strengthened again in December.

THE FEDERAL RESERVE BALANCE SHEET

USD **4.4** trillion (31 December 2017)



Source: Fed

THE EUROPEAN UNION

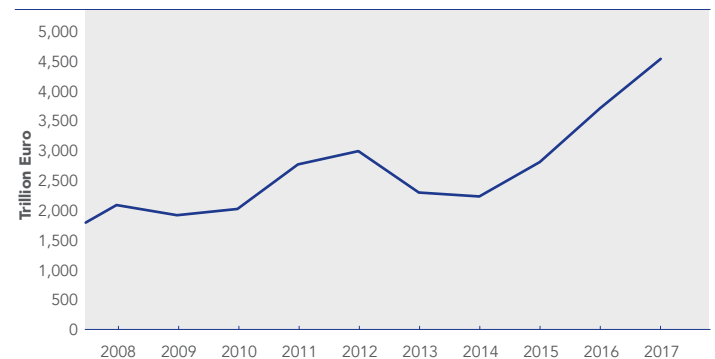
2.2% growth forecast*

*2018

The ECB did not change its monetary policy outlook in the December meeting, and again emphasized that even though it would wind down its Quantitative Easing program, it would be some time before interest rates increased and that the

THE EUROPEAN CENTRAL BANK BALANCE SHEET

USD **4.5** trillion (31 December 2017)



Source: ECB



bond purchases would continue to in order to maintain the bond stake not sure what was meant here?. Despite this, the upward revision of growth forecasts, especially for 2018 (where the projection was raised from 1.8% to 2.2%) led to a slight strengthening of the Euro.

The Bank of England increased interest rates by 25 basis points in its November meeting against a backdrop of rising inflation and weakening growth. It is thought that the Bank will need to further tighten its monetary policy in the next 2-3 years.

The Bank of Japan, which has continued to implement a supportive monetary policy, had not signaled any tightening until recently. Although no official explanation was forthcoming, the reduction in purchases of long-term bonds in early January was considered as the first move towards tightening. Tightening trend in other developed countries' monetary policies continued within expectations. The central banks of South Korea, Canada and the Czech Republic also increased interest rates between October and January.

The largely heterogeneous monetary policy among developing countries that was observed in the third quarter of 2017 continues. In the fourth quarter of 2017, the central banks of Brazil, Russia and Colombia pressed forward in loosening their monetary policies. Despite that, the expectations for 2018 indicate that the central banks are approaching the end of the loosening process.

The Central Banks of developed countries, particularly the Federal Reserve (Fed) in the USA and the European Central Bank, are expected to continue their monetary policy normalization process at a moderate pace in the period ahead. Accordingly, global financial conditions, the high risk appetite and positive global growth outlook are expected to continue to support portfolio flows into developing countries in 2018.

EXPECTATIONS FOR THE UPCOMING PERIOD

Despite the current positive outlook for the global economy and financial conditions, there are downward risks for the coming period.

The implementation of tax reform in the USA has fueled optimism in the US stock market. The tightening monetary policy and rise in Treasury bond yields in the USA may turn out to be more rapid than expected if the policy shift causes an increase in budget deficits.

In addition, if the normalization processes - which have been started to be announced by the central banks of other developed countries - proceeds at a faster pace than has been predicted, it is possible that the positive sentiment in the financial markets could sour. Moreover, the high level of private sector borrowing in some developing countries, particularly China, is considered a source of risk which could increase financial fragility.

On the other hand, uncertainties over global economic policies, trends towards increasing protectionism and geopolitical risks are emerging as factors which could limit the growth potential of the global economy. However, in parallel with these developments and the present risks, international organizations have moderately raised their forecasts for world growth.

In the OECD Global Economic Outlook Report, the growth estimate for global economic growth for 2017 was raised from 3.5% to 3.6%, with projections of future world growth raised to 3.7% for 2018 and to 3.6% for 2019. The report emphasized the need to intensify structural and financial actions in order to boost the long-term growth potential in this process, in which developed countries have reduced their monetary policy support.

THERE SHOULD BE A FOCUS ON THE IMPLEMENTATION OF REFORM PACKAGES THAT BOOST GROWTH IN THE PRIVATE SECTOR IN ORDER TO INCREASE EFFICIENCY, PROVIDE HIGHER WAGES AND SECURE GROWTH.

The report also highlighted the need for a focus on the implementation of reform packages that boost the private sector in order to increase efficiency, provide higher wages and more comprehensive growth, noting that countries should give priority to initiatives which bring maximum benefit to growth and inclusiveness in the medium term. It was stated that eliminating unnecessary obstacles in competition and investing in infrastructure for new technologies would provide the required increase in efficiency.

In the World Bank's Global Economic Outlook January 2018 Report, the 2017 growth estimate for the world economy was increased from 2.7% to 3%. Growth forecasts for 2018 and 2019 were increased from 3.0% and 2.9% to 3.1% and 3% respectively. While the World Bank predicts that the growth in developed countries will decline slowly and will be 2.2% in 2018,

as the expansionist monetary policies implemented post-crisis by the central banks have been slowly withdrawn. The World Bank predicts that the growth will accelerate some in developing countries, and reach 4.5%.

Inflation expectations for 2018 are generally higher for developed and developing economies.

Key factors that could risk a rise in global inflation in the coming period include a devaluation in the local currencies of developing countries in case the monetary policy normalization processes being undertaken by the Fed and ECB are realized more rapidly than anticipated, strengthening economic activity and potential increases in commodity prices, especially oil, due to geopolitical risks.

Inflation is generally expected to be higher in 2018 for developed and developing economies.



THE WORLD ECONOMY

3.7% growth forecast*

*2018, OECD

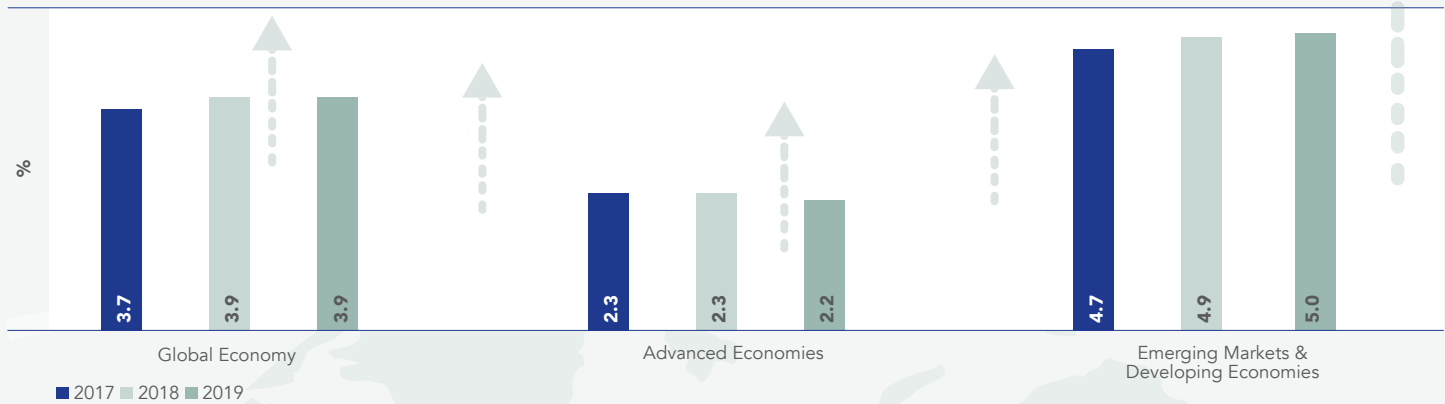
THE WORLD ECONOMY

3.1% growth forecast*

*2018, World Bank

BRIGHTER PROSPECTS

Global economic activity continues to firm up.



RISKS

The global economy is expected to maintain its growth rate in the near future, but risks remain.

Correction in Financial Markets

- A process triggered by a tighter monetary policy being implemented in the USA to tackle inflation
- Increase in financial fragility

Introverted Policies

- Increasing legislation / trade restrictions

Growth in Investments

- Smaller than expected impact from the change in tax policy in the USA
- Policy uncertainties

Noneconomic Factors

- Geopolitical tensions
- Political uncertainty
- Risks associated from implementing reforms
- Weather anomalies and climate events

POLICY MAKERS' PRIORITIES

Common Policy Objectives

- raise potential growth
- proactively increase resilience
- ensure more inclusive growth

Promotion of Free and Fair Trade with Global Cooperation

Emerging Markets

The use of monetary policies to support demand, if necessary; avoiding delays in reforms and budget adjustments.

Developed Economies

Control of inflation and careful regulation of monetary policy; structural reforms that will boost potential growth

Low Income Countries

Diversification of the economy and taking measures to increase resilience

Source: IMF





TURKEY'S ECONOMY
ACHIEVED A NEW
SUCCESS IN TERMS OF
GROWTH WITH 7.4%
GROWTH IN 2017.

FISCAL DISCIPLINE WAS
MAINTAINED, DESPITE
HIGHER GOVERNMENT
SPENDING.

UNEMPLOYMENT
REMAINED AT 10.9%,
WHILE WORKFORCE
PARTICIPATION STOOD AT
47.1%.

THE TURKISH ECONOMY

THE TURKISH ECONOMY ACHIEVED 7.4% GROWTH IN 2017, RANKING AS THE FASTEST GROWING ECONOMY IN THE G20.

A NEW CHAPTER IN THE SUCCESS STORY OF THE TURKISH ECONOMY

After posting growth of 5.4% in the first and second quarters of 2017, the Turkish economy - which managed notched up a record 11.3% growth in the third quarter - displayed its strongest growth performance in 6 years. In the last quarter of the year, the economy grew by 7.3% compared to the same period of the previous year (year-on-year) according to the chain volume index, in parallel with expectations. The Turkish economy achieved 7.4% growth on an annual basis, to rank as the fastest growing economy in the G20.

The recovery in domestic consumption and investment, which was supported by stimulus packages, and in particular the loans disbursed under the Credit Guarantee Fund, played a decisive role in the growth momentum achieved in 2017. The low base effect was also instrumental in achieving the high level of growth in 2017.

A look at the component activities of gross domestic product finds that while the added value of the agricultural sector increased by 4.7% as a chain volume index in 2017, the industrial sector added value increased by 9.2% and the construction sector added value increased by 8.9%. The added value of the services sector, which is composed of the sum of trade, transportation, accommodation and food service activities, increased by 10.7%.

Looking at GDP in accordance with the expenditure method, it is seen that private consumption expenditures were the main



Consumption expenditures were the main driver of growth in 2017.

GDP

USD **851** billion

GDP PER PERSON

USD **10,597**

driver pushing growth upwards throughout the year. In the first quarter of the year, the highest contribution to GDP growth came from net exports, while in the second quarter of the year it was investment expenditures in the driving seat. In the third quarter of the year, consumption expenditures contributed 7 percentage points to growth, following the 1.9% contribution in the second quarter. This contribution stood at 4.1 percentage points in the fourth quarter.

Private consumption expenditures contributed 3.7 percentage points to growth throughout the year. Following private consumption expenditures, investment spending provided the most significant support to growth in 2017. Despite a slowdown in construction investment in the fourth quarter, these expenditures strongly drove growth higher throughout the year.

In 2017, Gross domestic product (GDP), calculated through the production method and at current prices, stood at TL 3,105 billion (USD 851 billion), marking an increase of 19% compared to the previous year. Per capita was calculated as TL 38,660 in 2017, which at current prices equates to USD 10,597 in US dollar terms.

GDP GROWTH

| | GDP (TL billion) | GDP (USD billion) | GDP growth (%) | Per capita GDP (USD) |
|------|------------------|-------------------|----------------|----------------------|
| 2010 | 1,160 | 772 | 8.5 | 10,560 |
| 2011 | 1,394 | 832 | 11.1 | 11,205 |
| 2012 | 1,570 | 871 | 4.8 | 11,588 |
| 2013 | 1,810 | 950 | 8.5 | 12,480 |
| 2014 | 2,044 | 935 | 5.2 | 12,112 |
| 2015 | 2,339 | 862 | 6.1 | 11,019 |
| 2016 | 2,609 | 863 | 3.2 | 10,883 |
| 2017 | 3,105 | 851 | 7.4 | 10,597 |

Source: Ministry of Development

IN 2017, GROSS DOMESTIC PRODUCT (GDP) INCREASED BY 19% YoY AT CURRENT PRICES UNDER THE PRODUCTION APPROACH TO REACH TL 3,105 BILLION.

GDP GROWTH BY PRODUCTION APPROACH

Chain linked volume index percentage change [2009=100]

| | 2016 | | | | 2017 | | | |
|------------------------------------|-------|-------|-------|------|------|------|-------|------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Agriculture | (3.4) | (3.4) | (3.5) | 0.4 | 5.6 | 6.6 | 3.3 | 6.0 |
| Industry | 8.1 | 4.7 | (1.8) | 5.9 | 6.7 | 6.7 | 14.9 | 8.8 |
| Manufacturing | 7.8 | 4.8 | (3.1) | 5.7 | 6.0 | 6.4 | 15.4 | 8.2 |
| Services | | | | | | | | |
| Construction | 2.5 | 12.8 | 2.8 | 3.2 | 5.2 | 5.5 | 18.6 | 5.8 |
| Trade, Transport and Accommodation | 2.6 | 1.0 | (6.3) | 3.7 | 6.5 | 6.1 | 21.4 | 9.0 |
| Information and Communication | 4.7 | 7.2 | 3.0 | 8.2 | 10.3 | 10.5 | 16.8 | 12.0 |
| Financial and Insurance Activities | 9.4 | 13.3 | 0.8 | 12.2 | 9.9 | 9.4 | (5.8) | 1.8 |
| Real Estate Activities | 4.2 | 4.6 | 2.8 | 2.8 | 2.8 | 2.7 | 2.8 | 2.2 |
| Taxes-Subsidies | 4.2 | 4.6 | 1.5 | 4.8 | 0.7 | 3.7 | 9.2 | 3.7 |
| GDP | 4.8 | 4.9 | (0.8) | 4.2 | 5.4 | 5.4 | 11.3 | 7.3 |

GDP GROWTH BY EXPENDITURE APPROACH

Chain linked volume index percentage change [2009=100]

| | 2016 | | | | 2017 | | | |
|---------------------------------|------|-------|-------|-----|------|-------|------|------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Public Consumption | 12.4 | 15.0 | 5.8 | 6.1 | 9.0 | (2.7) | 6.7 | 7.4 |
| Private Consumption | 2.5 | 5.2 | 0.5 | 6.3 | 3.8 | 2.7 | 11.0 | 6.6 |
| Fixed Capital Investment | 6.2 | 2.0 | 0.3 | 1.2 | 3.0 | 6.6 | 13.2 | 6.0 |
| Exports of goods and services | 1.9 | (1.7) | (9.4) | 2.5 | 10.1 | 11.1 | 17.9 | 9.3 |
| Imports of goods and services | 2.8 | 7.1 | 2.1 | 2.9 | 0.9 | 2.2 | 15.0 | 22.7 |
| GDP (Expenditure) | 4.8 | 4.9 | (0.8) | 4.2 | 5.4 | 5.4 | 11.3 | 7.3 |





Incentive packages and loans, especially those used within the scope of the CGF, stimulated domestic consumption and investment.

PRODUCTION INDICATORS

(% change over the same month of the previous year)

| | 2017 | | | | | | | | | | | |
|---|-------|-------|------|------|-------|--------|------|-------|-------|-------|-------|--------|
| | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
| Total Industry | 6.0 | 0.3 | 6.5 | 7.1 | 6.0 | (2.3) | 29.3 | 7.8 | 18.0 | 11.3 | 9.7 | 10.6 |
| Intermediate Goods | 3.1 | (1.2) | 6.0 | 4.3 | 7.7 | (3.0) | 31.4 | 7.1 | 17.6 | 12.3 | 10.9 | 14.3 |
| Durable Consumer Goods | (2.4) | (0.2) | 12.3 | 1.8 | (2.6) | (6.5) | 28.3 | 17.8 | 37.5 | (2.2) | 9.3 | 9.7 |
| Non-Durable Consumer Goods | 6.3 | (0.1) | 2.8 | 2.2 | 3.8 | (4.3) | 26.6 | 7.4 | 16.1 | 10.5 | 7.7 | 8.8 |
| Investment Goods | 14.4 | 1.4 | 9.4 | 21.4 | 8.0 | 1.9 | 38.1 | 7.9 | 19.1 | 16.5 | 13.7 | 9.0 |
| Manufacturing Industry | 6.1 | (0.5) | 6.2 | 7.3 | 5.7 | (2.7) | 31.1 | 7.8 | 18.4 | 11.7 | 10.1 | 11.0 |
| Mining | 1.4 | 2.7 | 7.5 | 5.5 | 10.0 | 2.7 | 26.3 | 9.2 | 18.1 | 6.9 | 5.6 | 11.1 |
| Energy | 8.1 | 7.5 | 8.6 | 5.5 | 6.6 | (0.5) | 16.7 | 7.6 | 14.1 | 7.9 | 6.4 | 3.9 |
| Electricity | 7.2 | 8.2 | 7.6 | 4.8 | 5.9 | (1.0) | 16.2 | 7.1 | 14.1 | 8.0 | 7.3 | 4.4 |
| Automotive | 29.6 | 13.5 | 22.1 | 19.2 | 21.6 | 6.6 | 33.9 | (5.5) | 14.1 | 7.9 | 8.9 | (15.6) |
| White Goods | 6.2 | 7.8 | 23.9 | 23.3 | 6.1 | (10.3) | 39.9 | 5.3 | 14.7 | 5.1 | (5.4) | (3.6) |
| Total Industrial Turnover Index | 27.0 | 19.2 | 28.1 | 28.2 | 28.7 | 13.5 | 54.8 | 26.7 | 38.1 | 33.1 | 30.8 | 27.9 |
| Manufacturing Industry Turnover Index | 27.1 | 19.1 | 28.0 | 27.9 | 28.7 | 13.4 | 54.8 | 26.4 | 38.1 | 33.1 | 30.8 | 27.8 |
| Real Sector Confidence Index | (5.9) | 1.2 | 1.6 | 0.6 | (0.9) | 4.4 | 1.4 | 8.4 | 5.2 | 8.4 | 2.7 | 5.9 |
| Index Values | | | | | | | | | | | | |
| Capacity Utilization in Manufacturing Industry | 77.0 | 76.8 | 76.7 | 78.4 | 78.8 | 79.0 | 78.7 | 78.8 | 79.0 | 79.7 | 79.9 | 79.0 |
| PMI (Production, SA) | 48.7 | 49.7 | 52.3 | 51.7 | 53.5 | 54.7 | 53.6 | 55.3 | 53.5 | 52.8 | 52.9 | 54.9 |

UNEMPLOYMENT MAINTAINED AT 10.9% LEVEL WITH WORKFORCE PARTICIPATION OF 47.1%.

Throughout Turkey, the number of unemployed aged 15 or above stood at 3,454,000, an increase of 124,000 when compared to 2017. The rate of unemployment remained unchanged, at 10.9%. The rate of unemployment stood at 9.4% for men, marking a decrease of 0.2 percentage points, and at 14.1% for women, marking a 0.4 point increase.

The non-agricultural rate of unemployment stood at 13% - unchanged from the previous year. While the youth unemployment rate, which covers the 15-24 age group, stood at 20.8% with an increase of 1.2 percentage points, the unemployment rate for the 15-64 age group remained unchanged at 11.1%.

In 2017, the number of people in gainful employment increased to 28,189,000, with the employment rate rising to 47.1%. The employment rate stood at 65.6% for men (increasing by 0.5 percentage points), and at 28.9% for women (increasing by 0.9 percentage points).

19.4% of those employed were working in the agricultural sector, 19.1% in the industrial sector, 7.4% in the construction sector and 54.1% in the services sector. When compared to the previous year, the service sector's share in employment increased by 0.4 percentage points and the share of the construction sector in total employment increased by 0.1 percentage point; while the share of the agricultural sector in overall employment decreased by 0.1 percentage points. There was a 0.4 percentage point decline in the

The number of people in employment increased to 28,189,000, while the employment rate rose to 47.1%. The employment rate for men was realized at 65.6%, with a 0.5 percentage point increase, and 28.9% for women, with a 0.9 percentage point increase.

share of people working in the industrial sector by 0.4 points.

In 2017, the overall workforce stood at 31,643,000 persons, increasing by 1,108,000 compared to the previous year, while employment the participation rate stood at 52.8%, increasing by 0.8 points. The employment participation rate for men stood at 72.5% (an increase of 0.5 percentage points) while the employment participation rate in women stood at 33.6% (an increase of 1.1 points).

LABOR MARKET DEVELOPMENT

| | Annual | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Labor Force Participation Rate (%) | 47.4 | 47.6 | 48.3 | 50.5 | 51.3 | 52.0 | 52.8 |
| Civil Labor Force (thousand) | 25,594 | 26,141 | 27,047 | 28,786 | 29,678 | 30,535 | 31,643 |
| Civil Employment (thousand) | 23,266 | 23,937 | 24,601 | 25,933 | 26,621 | 27,205 | 28,189 |
| Agriculture | 5,412 | 5,301 | 5,204 | 5,470 | 5,483 | 5,305 | 5,464 |
| Non-Agriculture | 17,854 | 18,636 | 19,397 | 20,463 | 21,138 | 21,900 | 22,724 |
| Industry | 4,842 | 4,903 | 5,101 | 5,315 | 5,332 | 5,296 | 5,383 |
| Services | 11,332 | 12,016 | 12,528 | 13,236 | 13,892 | 14,617 | 15,246 |
| Construction | 1,680 | 1,717 | 1,768 | 1,912 | 1,914 | 1,987 | 2,095 |
| Unemployed (thousand) | 2,328 | 2,204 | 2,445 | 2,853 | 3,057 | 3,330 | 3,454 |
| Unemployment Rate (%) | 9.1 | 8.4 | 9.0 | 9.9 | 10.3 | 10.9 | 10.9 |
| Non-Agriculture Unemployment Rate (%) | 11.3 | 10.3 | 10.9 | 12.0 | 12.4 | 13.0 | 13.0 |
| Youth Unemployment Rate (%) | 16.8 | 15.8 | 17.1 | 17.9 | 18.5 | 19.6 | 20.8 |
| Employment Rate by Sector (% Share) | | | | | | | |
| Agriculture | 23.3 | 22.1 | 21.2 | 21.1 | 20.6 | 19.5 | 19.4 |
| Non-Agriculture | 76.7 | 77.9 | 78.8 | 78.9 | 79.4 | 80.5 | 80.6 |
| Industry | 20.8 | 20.5 | 20.7 | 20.5 | 20.0 | 19.5 | 19.1 |
| Services | 48.7 | 50.2 | 50.9 | 51.0 | 52.2 | 53.7 | 54.1 |
| Construction | 7.2 | 7.2 | 7.2 | 7.4 | 7.2 | 7.3 | 7.4 |

Source: Ministry of Development

DUE TO THE FALL OF TL AGAINST THE FOREIGN EXCHANGE BASKET AND THE RISE IN PRICES OF IMPORTS, ESPECIALLY OIL, THE CPI ENDED 2017 AT 11.92%.

AN UPWARD MOVEMENT IN CONSUMER PRICE INFLATION THROUGHOUT THE YEAR

The rate of Consumer inflation ended year 2017 at 11.92% due to the depreciation of the Turkish lira against the foreign currency basket and the resulting increase in the cost of imports, principally oil. As such, the year-end rate of inflation was the highest realized in the 2003-based series.

Consumer inflation in the food and non-alcohol-tobacco segments was higher than expected, with food inflation remaining well above projections to reach 13.79%. Other major expenditure groups to record a substantial increase were miscellaneous goods and services (12.77%), household goods (12.74%) and health (11.90%). The domestic producer price index (DPPI) increased by 15.47% in December 2017 when

compared to the same month of the previous year, and by 15.82% when compared to the average of the previous twelve months.

CHANGES IN PRICES (%)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|------|------|------|------|------|------|------|
| Rate of change in 12 month moving averages | | | | | | | |
| PPI* | 11.1 | 6.1 | 4.5 | 10.3 | 5.3 | 4.3 | 15.8 |
| CPI* | 6.5 | 8.9 | 7.5 | 8.9 | 7.7 | 7.8 | 11.1 |
| Annual rate of change | | | | | | | |
| PPI* | 13.3 | 2.5 | 7.0 | 6.4 | 5.7 | 9.9 | 15.5 |
| CPI* | 10.5 | 6.2 | 7.4 | 8.2 | 8.8 | 8.5 | 11.9 |

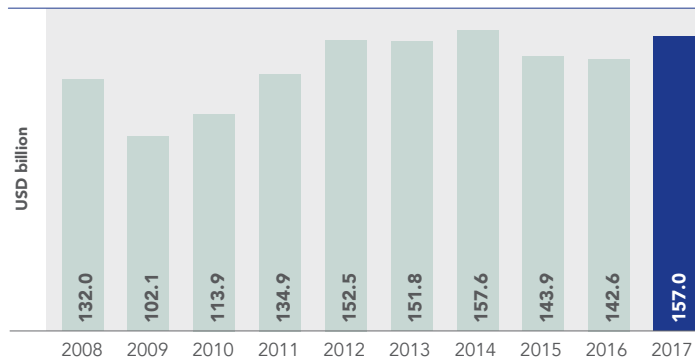
*PPI: Domestic Producer Price Index,

*CPI: Consumer Price Index

Source: TurkStat

ANNUAL EXPORTS

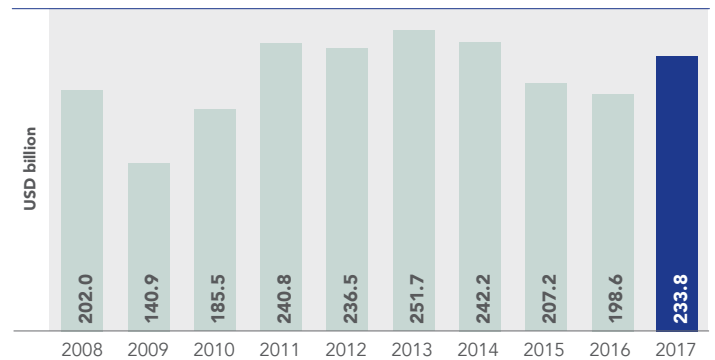
USD **157.0** billion



Source: TurkStat

ANNUAL IMPORTS

USD **233.8** billion



Source: TurkStat



THE FOREIGN TRADE DEFICIT EXPANDED BY 36.8% YEAR-ON-YEAR IN 2017, TO REACH USD 76.7 BILLION FOR THE FULL YEAR.

WIDENING TREND IN FOREIGN TRADE DEFICIT

The foreign trade deficit widened by 36.8% in 2017, reaching USD 76.7 billion by the end of the year. The course of the gold trade, decisions taken to support the economy during the period, the rise in oil prices and the strong performance in domestic economic activity all played a part in the rapid rise in imports.

According to the foreign trade data announced by the Turkish Statistical Institute, exports totaled USD 157 billion in 2017, increasing by 10.2% YoY, while imports stood at USD 234 billion, increasing by 17.7% YoY. Export coverage declined to 67.2% by the end of 2017.

The foreign trade deficit, excluding energy and gold, remained broadly unchanged at USD 37.3 billion for the 12 month period. This was partly a result of the increase in energy prices but also the increase in imports of intermediate goods, which offer an important contribution to economic growth. The rise in imports of intermediate goods since November 2016 stands as an indicator that economic activity has recovered when compared to the previous year. When we look at these domestic developments, we see that while the acceleration of loan disbursement within the scope of the Credit Guarantee Fund (CGF) has been an important driving force of the recovery in economic activity, the economic recovery throughout the EU stands out as another important factor affecting our foreign trade.

CURRENT ACCOUNT DEFICIT BECOMES MORE PRONOUNCED.

In 2017, current account deficit stood at USD 47.1 billion, increasing by 42.1% YoY. However, USD 12 billion of this USD 14 billion widening in the current account deficit resulted from the net gold imports. The increase of around 25% in the price of Brent crude, on a YoY basis, also put upward pressure on the current account deficit. Once the net energy and gold trade is excluded, the current account deficit was just USD 4.3 billion. The rise in tourism revenues in 2017 limited the widening of

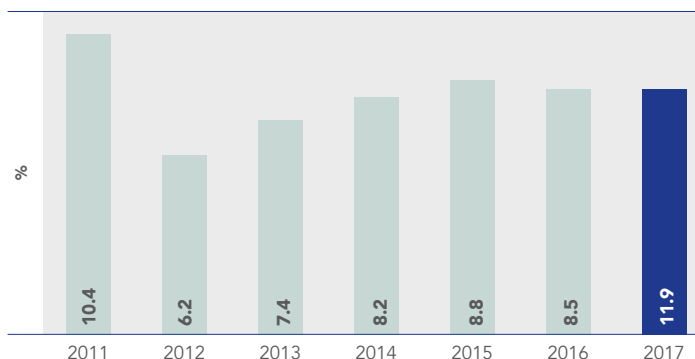
The foreign trade deficit, excluding energy and gold, remained largely unchanged at USD 37.3 billion for the 12 month period.

the current account deficit. Portfolio investments, which increased by 285.6% YoY, ended 2017 at USD 24.3 billion and played an important role in financing the current account deficit. Net direct investments, meanwhile, declined by 20.3% YoY to come in at USD 8.1 billion in 2017. Despite the rise in December, other investments provided a net contribution of USD 6.5 billion to the financing of the current account deficit in 2017.



INFLATION IN TURKEY - CPI

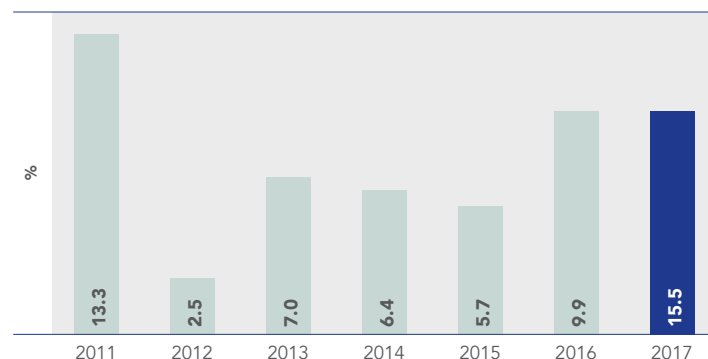
11.9%



Source: TurkStat

INFLATION IN TURKEY - PPI

15.5%



Source: TurkStat

FOREIGN TRADE AND CURRENT ACCOUNT BALANCE

| (USD million) | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|-----------|----------|----------|----------|----------|----------|----------|
| Exports (FOB) | 134,907 | 152,462 | 151,803 | 157,610 | 143,839 | 142,530 | 157,020 |
| Imports (CIF) | 240,842 | 236,545 | 251,661 | 242,177 | 207,234 | 198,618 | 233,800 |
| Balance of Foreign Trade | (105,935) | (84,083) | (99,859) | (84,567) | (63,395) | (56,089) | (76,780) |
| Volume of Foreign Trade | 375,749 | 389,007 | 403,464 | 399,787 | 351,073 | 341,148 | 390,819 |
| Foreign Trade Volume/GDP (%) | 45.2 | 44.7 | 42.5 | 42.9 | 40.8 | 39.5 | 45.9 |
| Exports/Imports (%) | 56.0 | 64.5 | 60.3 | 65.1 | 69.4 | 71.8 | 67.2 |
| Energy Imports | 54,117 | 60,116 | 55,916 | 54,889 | 37,842 | 27,167 | 37,204 |
| Brent Crude Oil Prices per Barrel (USD) | 113.4 | 112.0 | 109.4 | 97.5 | 52.4 | 43.5 | 54.2 |
| Balance of Current Account | (74,402) | (47,963) | (63,642) | (43,644) | (32,109) | (33,137) | (47,100) |
| Balance of Current Account/GDP (%) | (8.9) | (5.5) | (6.7) | (4.7) | (3.7) | (3.8) | (5.5) |
| Balance of Current Account Excluding Gold | (69,624) | (53,672) | (51,863) | (39,748) | (36,064) | (34,927) | (37,128) |
| Balance of Current Account Excluding Gold/GDP (%) | (8.4) | (6.2) | (5.5) | (4.2) | (4.2) | (4.0) | (4.4) |
| Travel Revenues | 25,054 | 25,345 | 27,997 | 29,552 | 26,616 | 18,743 | 22,478 |
| Net Direct Investments | (13,812) | (9,638) | (9,927) | (6,069) | (12,906) | (10,196) | (8,128) |
| Direct Investments Input | 16,182 | 13,744 | 13,563 | 13,119 | 18,002 | 13,343 | 10,830 |
| CBRT Gross FX Reserves | 78,458 | 99,923 | 110,928 | 106,902 | 92,922 | 92,209 | 84,111 |
| CBRT Total Reserves | 110,511 | 137,488 | 147,850 | 141,824 | 128,047 | 129,684 | 136,076 |

STRONG FISCAL DISCIPLINE DESPITE RISE IN GOVERNMENT SPENDING

Throughout 2017, budget indicators produced a more positive performance than the projections set out in the Medium Term Program (MTP). While budget revenues exceeded the amount set out in the Medium Term Program by TL 18.3 billion, the budget deficit was TL 14.3 billion lower than the TL 47.4 billion included in the Medium Term Program. On the other hand, non-interest budget spending over-ran the year-end expectations. When compared to the budget targets announced at the beginning of 2017, the realizations did broadly meet the targets, with the exception of government spending.

Backed by the revival in economic activity in the whole of 2017, tax revenues exceeded the year-end target by TL 25 billion to

come in TL 15.5 billion above the MTP estimate. The collection of 94% of the accrued taxes was also a factor in the strong performance in tax revenues. With the effect of the weakening of the TL during this period, import duties provided the highest contribution to tax revenues, expanding by approximately 30%. Corporation tax receipts also provided substantial support to the budget balance throughout the year, contrary to its decline in December. On the other hand, domestic VAT receipts were weak throughout 2017.

The 2017 year-end realizations indicate that fiscal discipline was largely preserved, despite the recently adopted expansionary fiscal policies. While the budget deficit stood at TL 47.4 billion, the budget deficit increased from 1.1% of GDP in 2016 to 2% of GDP in 2017.



BUDGET DEFICIT

TL 47.4 billion

BUDGET DEFICIT/GDP

2%

THE YEAR-END 2017 REALIZATIONS SHOW THAT FISCAL DISCIPLINE HAS BEEN LARGELY MAINTAINED DESPITE THE EXPANSIVE FISCAL POLICIES ADOPTED DURING THE YEAR.



In December, CBRT raised its lending interest rate from 12.25% to 12.75% within the framework of the late liquidity window facility.

CBRT RATE HIKE TOWARDS THE END OF THE YEAR

The Central Bank of the Republic of Turkey (CBRT) sought to maintain financial stability while tackling inflation throughout the year using the monetary policy tools available within its mandate. Although the CBRT provided confidence in the markets in its steps to prevent any hard movements in exchange rates which conflicted with economic realities, and to stabilize the TL, the TL exhibited a negative performance when compared to the currencies of other developing countries.

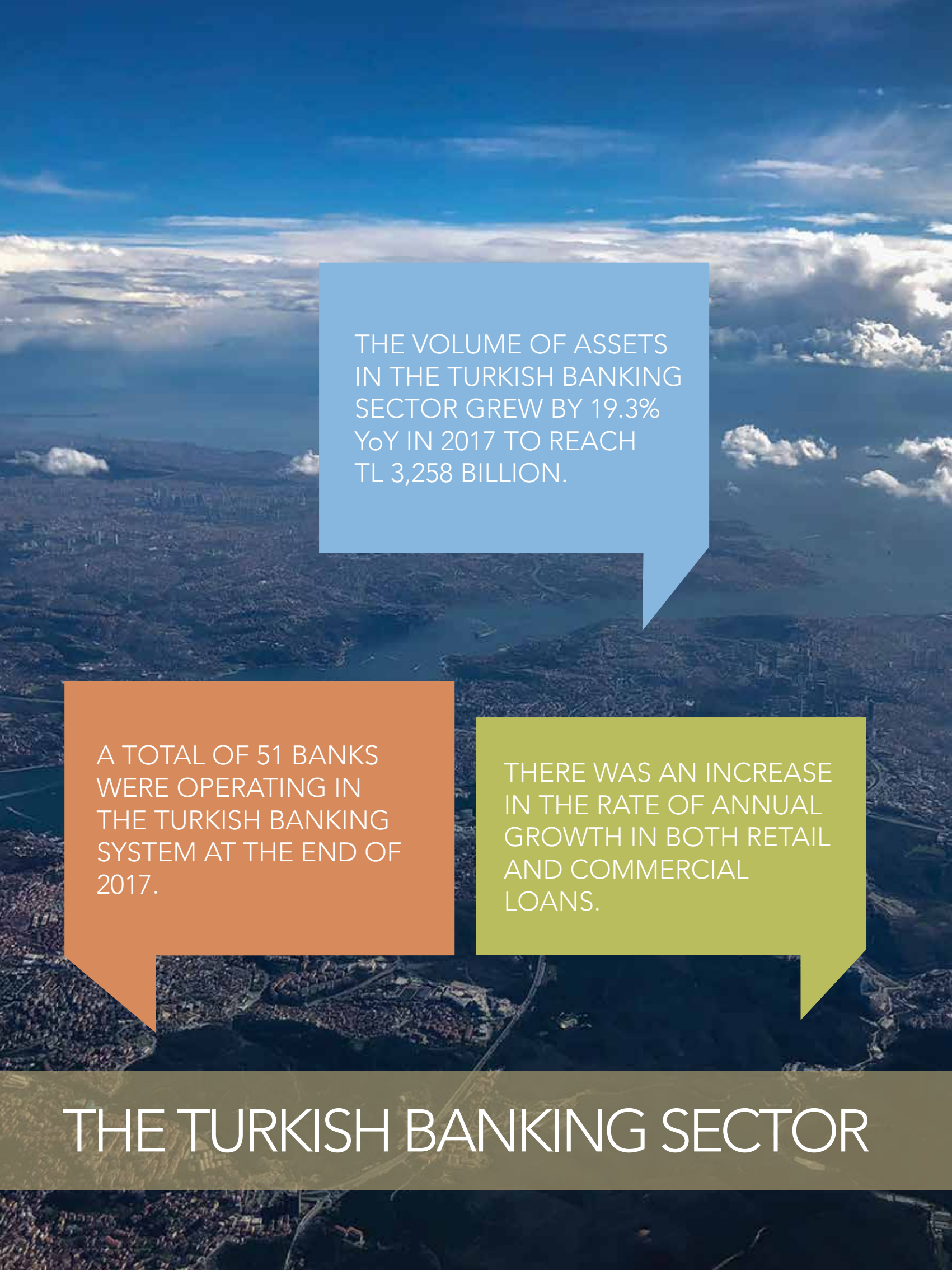
The CBRT, which kept policy interest rates unchanged at 8% throughout the year, did not see any improvement in inflation expectations and pricing behavior; initially, it drew the entire CBRT funding to the Late Liquidity Window as of 22 November 2017 and raised the average funding cost by about 25 basis points to 12.25%. Then, within the framework of the Late Liquidity Window facility, it increased the lending interest rate from 12.25% to 12.75% in December.

LOOKING TO THE FUTURE

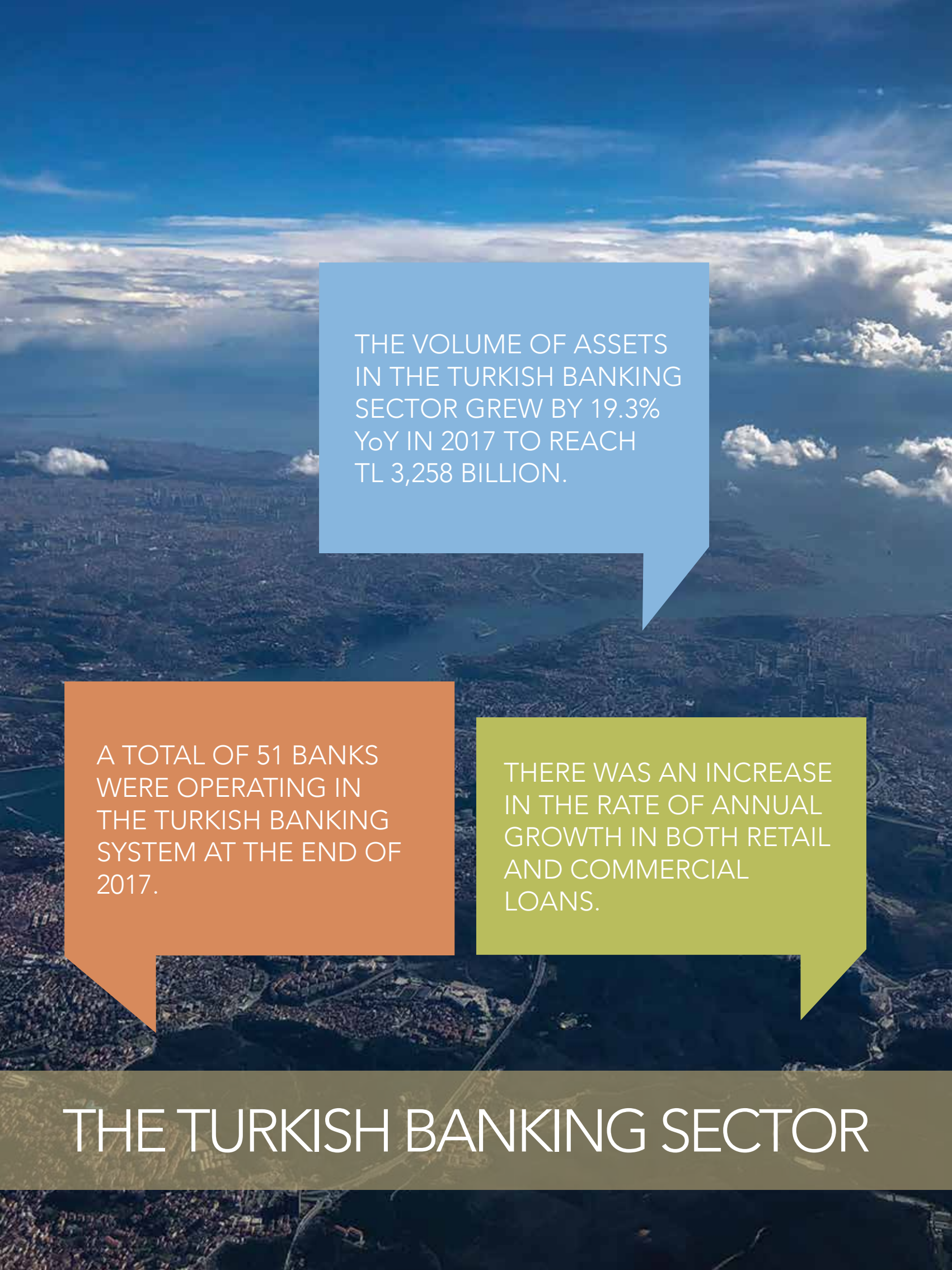
Key developments for Turkey in the near future will be the efforts to reduce the impact of geopolitical and political tensions on the economy, ramping up private investment and industrial production, stabilizing the growth composition on an investment-export axis and bringing inflation back to single digit levels again. As a result of these efforts, a sustainable growth model will be established.

In the coming period, global risk appetite is expected to precipitate an increase in the flow of capital movements to developing countries, and in portfolio inflows to Turkey in parallel with the easing of geopolitical risks, along with strengthening support from tourism, the recovery in the global growth and a positive contribution to growth and the current account balance through exports, on the back of the movement in the real exchange rate.

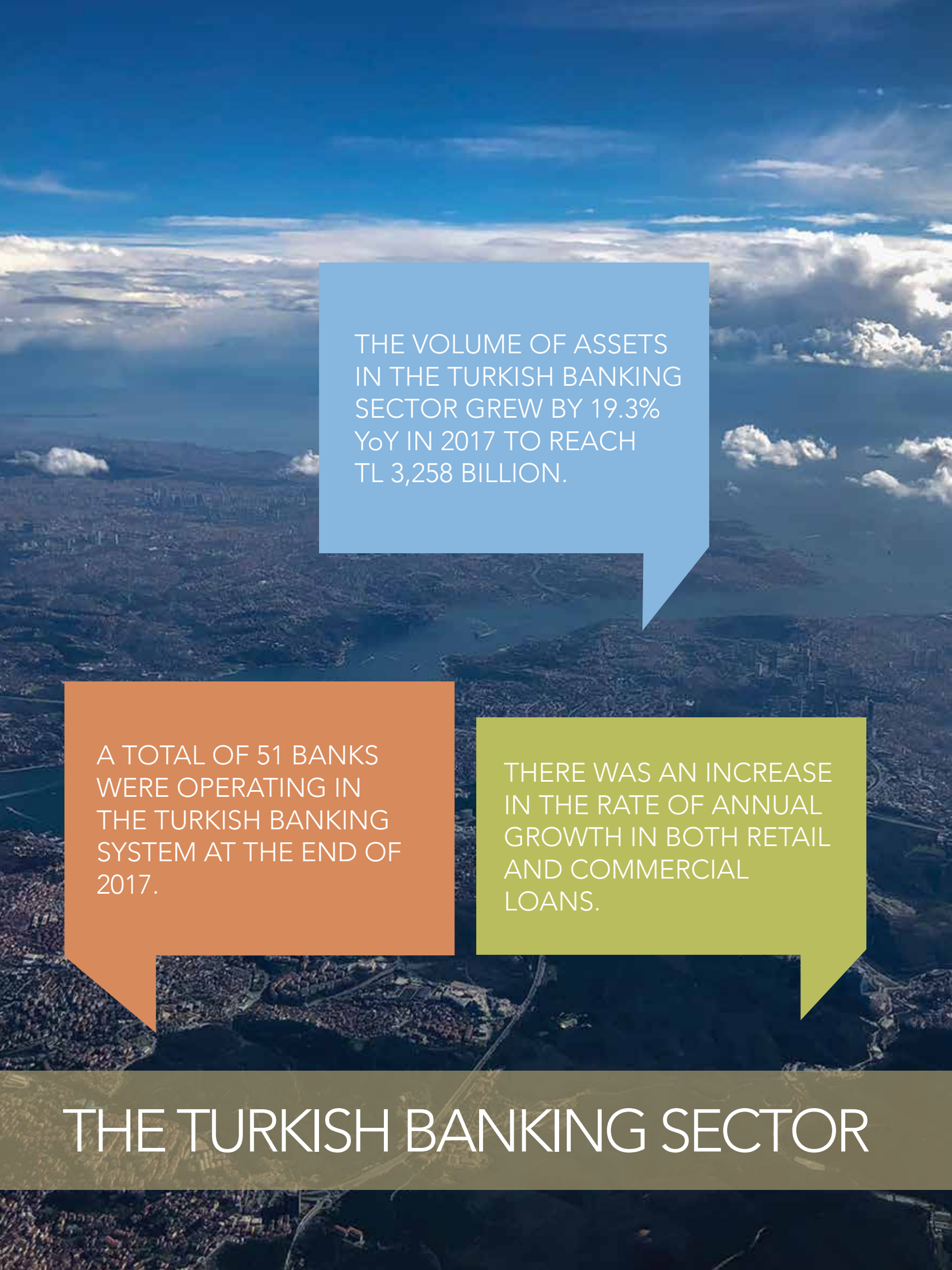


An aerial photograph of a city, likely Istanbul, with a large blue callout box in the upper right quadrant. The city is densely packed with buildings, and a large body of water is visible in the center. The sky is blue with scattered white clouds.

THE VOLUME OF ASSETS
IN THE TURKISH BANKING
SECTOR GREW BY 19.3%
YoY IN 2017 TO REACH
TL 3,258 BILLION.

An aerial photograph of a city, likely Istanbul, with a large orange callout box in the lower left quadrant. The city is densely packed with buildings, and a large body of water is visible in the center. The sky is blue with scattered white clouds.

A TOTAL OF 51 BANKS
WERE OPERATING IN
THE TURKISH BANKING
SYSTEM AT THE END OF
2017.

An aerial photograph of a city, likely Istanbul, with a large green callout box in the lower right quadrant. The city is densely packed with buildings, and a large body of water is visible in the center. The sky is blue with scattered white clouds.

THERE WAS AN INCREASE
IN THE RATE OF ANNUAL
GROWTH IN BOTH RETAIL
AND COMMERCIAL
LOANS.

THE TURKISH BANKING SECTOR

THE INVESTMENTS FROM SOME OF TURKEY'S LARGEST GROUPS IN THE SECTOR WAS ONE OF THE MOST IMPORTANT FACTORS BEHIND THE SUCCESSFUL PERFORMANCE.

The year 2017 was a more vibrant year in terms of economic growth in Turkey than 2016. In an economic environment where a growth rate of 11.3% was recorded in the third quarter of the year, the banking sector remained one of the country's strongest sectors. The strong infrastructure of public banks and the fact that Turkey's largest groups are investing in the sector stand as important factors behind the successful performance.

The Turkish banking sector also managed to maintain its position in 2017 in the face of global economic and political fluctuations following the mergers and acquisitions and investments undertaken by foreign companies.

THE TURKISH BANKING SECTOR IN FIGURES

There were a total of 51 banks operating in the Turkish banking system at the end of 2017, including 33 deposit banks, 13 development and investment banks and 5 participation banks.

NUMBER OF PERSONNEL

208 thousand

NUMBER OF BANK BRANCHES AND PERSONNEL

The total number of branches of deposit banks and development and investment banks was 11,585 as of December 2017, employing a total of 208,280 personnel. This compared with 11,747 branches and 210,910 personnel at the end of 2016. As such, the number of branches in the banking sector decreased by 1.4% YoY in 2017, while the number of personnel decreased by 1.2%.

TURKISH BANKING SECTOR

| Number of Banks | December 2017 |
|---|---------------|
| Deposit Banks | 33 |
| Public Banks | 3 |
| Private Banks | 9 |
| Foreign Banks | 20 |
| Banks under BRSA control | 1 |
| Development and Investment Banks | 13 |
| Participation Banks | 5 |
| Total | 51 |

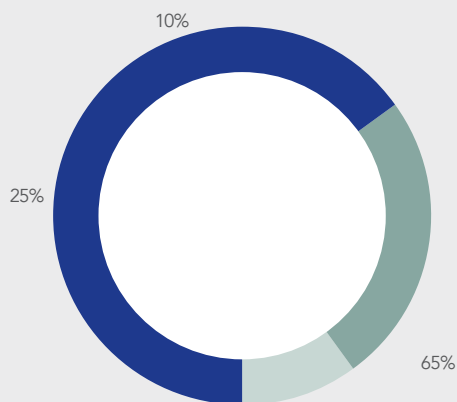
Source: BRSA

NUMBER OF BRANCHES

11,585 branches



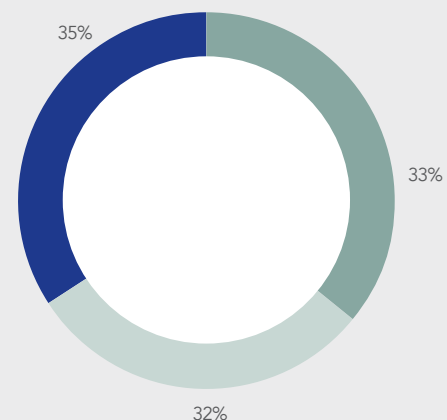
Distribution of Banks



■ Deposit Banks ■ Development and Investment Banks ■ Participation Banks

Source: BRSA

Distribution of Branches



■ Private Banks ■ Public Banks ■ Foreign Banks

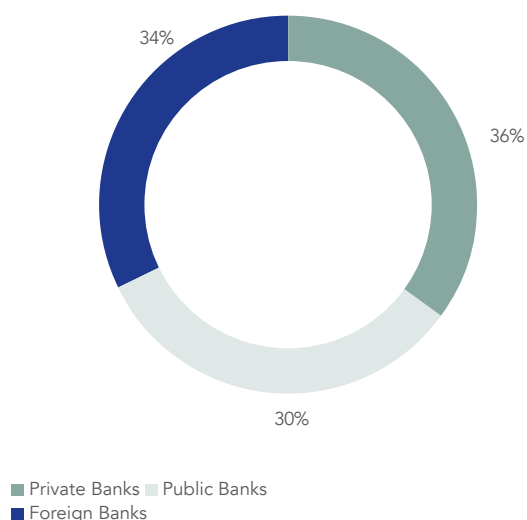
Source: BRSA

AS A RESULT OF THE EXPANSION IN LOANS, WHICH ACCOUNT FOR MORE THAN 60% OF ASSETS, THE ANNUAL GROWTH RATE IN ASSETS REACHED 20.5% IN THE THIRD QUARTER.

PERSONNEL



NUMBER OF PERSONNEL SHARES



Source: BRSA

BALANCE SHEET INDICATORS OF THE TURKISH BANKING SECTOR

The volume of assets in the Turkish banking sector increased by 19.3% YoY in 2017 to reach TL 3,258 billion. As a result of the expansion in loans, which constituted more than 60% of assets, a development spurred by the credit guarantee fund (CGF), the annual rate of growth in the volume of assets increased to 20.5% in the third quarter. Due to the slowdown in the annual growth rate of loans, the annual rate of asset growth edged back to 19.3% in the last quarter.

SELECTED INDICATORS

| | 2016-2017 | |
|---------------------------|--------------|-------------|
| | TL Billion | (%) |
| Assets | | |
| Cash and Cash Equivalents | 262 | 17.6 |
| Reserves | 227 | 23.1 |
| Loans | 2,098 | 21.0 |
| NPL (gross) | 64 | 10.0 |
| Securities | 402 | 14.3 |
| Other Assets | 270 | 13.1 |
| Total Assets | 3,258 | 19.3 |

| Liabilities | | |
|--------------------------|--------------|-------------|
| Deposits | 1,711 | 17.7 |
| Debt to Banks | 475 | 13.8 |
| Repo Transactions | 99 | (28.2) |
| Securities Issued | 145 | 25.1 |
| Shareholders' Equity | 359 | 19.6 |
| Other Liabilities | 468 | 53.3 |
| Total Liabilities | 3,258 | 19.3 |

*Includes the total amount of cash, CBRT, and receivables from money markets and banks.

Source: BRSA



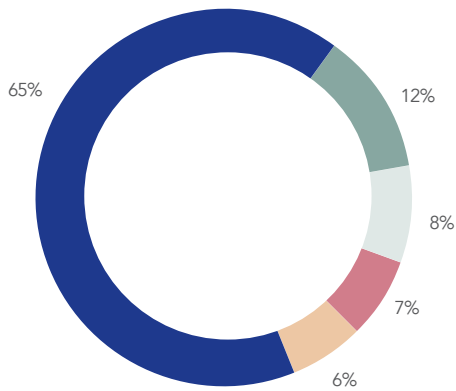
THE INCREASE IN LOANS GRANTED THROUGH THE CGF RAISED THE SHARE OF LOANS IN TOTAL ASSETS TO HISTORIC HIGHS.

ASSETS

In 2017, 65% of the sector's total assets were composed of loans, with the securities portfolio accounting for a 12% share, cash and cash-like items with a 6% share, required reserves accounting for 7% and other assets having an 8% share. As a result of the increase in loans granted through the CGF, the share of loans in total assets rose to historic high levels. The increase in loans also led to a decrease in the share of the securities portfolio in total assets.

The volume of loans increased by 21% YoY in 2017 to TL 2,098 billion, of which TL 1,414 billion consisted of Turkish Lira denominated loans and TL 684 billion of foreign currency loans. The increase in loans in 2017 was driven by CGF support, a revival in domestic demand and increased demand for credit resulting from the expansionary fiscal policies implemented. As a result of the base effect, the most rapid annual increase in loans was realized in the third quarter, at 23.9% YoY. As the annual rate of growth in Turkish Lira (TL) loans gathered pace to reach its highest level since the first quarter of 2014, the currency adjusted and unadjusted credit growth rates approached each other for the first time since September 2016.

TOTAL ASSETS



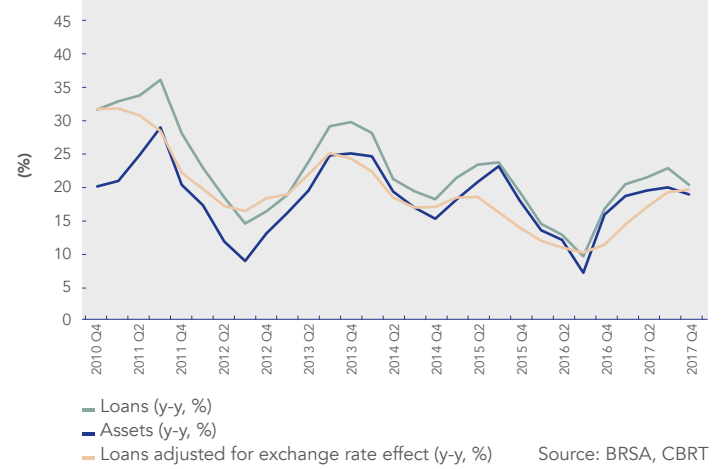
■ Loans ■ Securities ■ Other Assets ■ Reserves
■ Cash and Cash Equivalents

Source: BRSA

The annual rates of growth in both retail and commercial loans both increased in 2017. The CGF became the dominant factor in the expansion of commercial loans, while the rise in domestic demand was influenced the rise in retail loans.

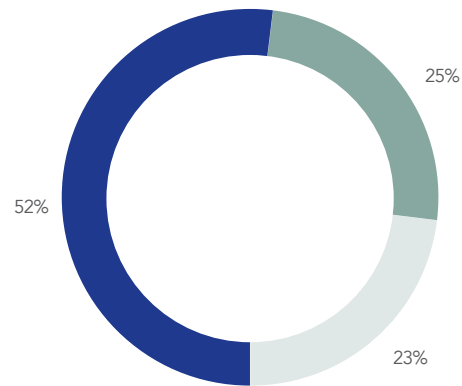
DEVELOPMENT IN LOANS

GROWTH In 2017, the annual rate of growth in individual and commercial loans increased



Source: BRSA, CBRT

DISTRIBUTION OF LOANS



■ Commercial and Corporate Loans ■ Loans to SMEs
■ Consumer Loans and Credit Cards

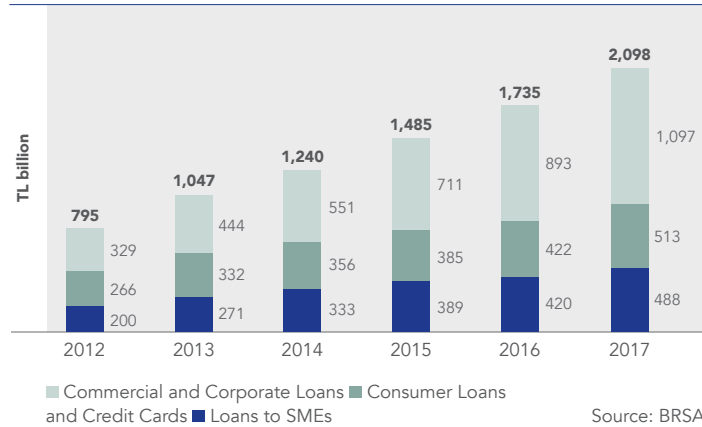
Source: BRSA

Loans expanded by 21% YoY to TL 2,098 billion.

IN 2017, CONSUMER LOANS ACCOUNTED FOR 41% OF RETAIL LOANS WHILE MORTGAGE LOANS HAD A 39% SHARE, WITH CREDIT CARD LOANS COMPRISING 19% OF CONSUMER LOANS.

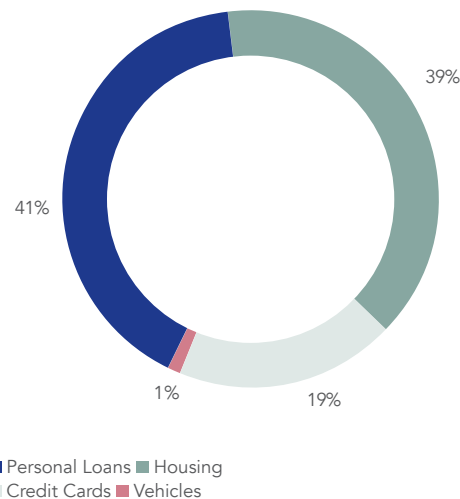
DEVELOPMENT IN LOAN TYPES

22.5% growth in commercial and corporate loans (2017)



The volume of retail loans expanded by 16.3% YoY to TL 488.4 billion in 2017.

DISTRIBUTION OF CONSUMER LOANS



DEVELOPMENT IN LOAN TYPES

The disbursement of loans under the CGF program was concentrated mostly in March, April and May. However, due to the base effect, the annual rate of growth in lending reached its highest level in the third quarter. There was a slight slowdown in the annual rate of growth in lending in the fourth quarter, with commercial and corporate loans growing by 22.5% YoY to TL 1,610 billion. In addition, the volume of TL denominated commercial loans increased by 30.2% YoY, its highest rate since the first quarter of 2014; on the other hand, the volume of foreign currency (FX) commercial loans increased by just 13.4% YoY, the lowest level since the third quarter of 2016.

Retail loans were recorded as TL 488.4 billion in 2017 with an increase of 16.3% YoY. In the year ending December 2017, the sum of individual credit card loans increased to TL 91 billion.

The volume of the mortgage loans stood at TL 192 billion at the end of 2017, with total consumer loans of TL 199 billion. In addition to the rise in market interest rates during the year, there was an increase in interest rates on credit, especially after the limits for CGF loans were reached.

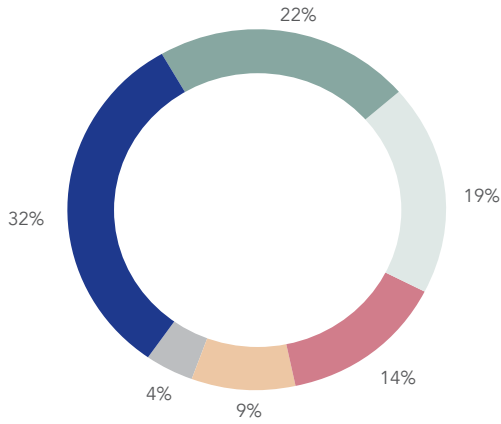
Consumer loans accounted for a 41% share of retail loans, with mortgage loans comprising a 39% share and credit card loans having a 19% share.

As of the end of 2017, the volume of non-cash loans stood at TL 658 billion. Letters of guarantee comprised the highest share in non-cash loans with 75% followed by letters of credit (14%).

Non-performing loans in the sector increased by 9.9% in 2017 to TL 63.9 billion. An increase in the annual rate of increase in loans in 2017 and the use of part of the funding provided under



NON-CASH LOANS



■ Letter of Guarantees Against Collaterals
■ Open Letter of Guarantees ■ Other Letter of Guarantees
■ Letters of Credit ■ Other Non-Cash Loans ■ Acceptance Credits

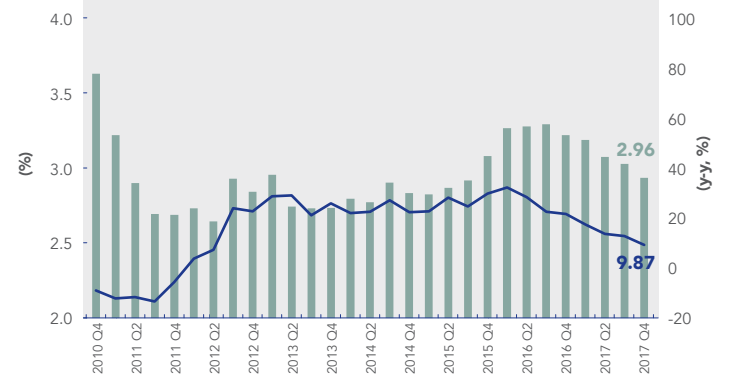
Source: BRSA

the CGF for restructuring purposes paved the way for a slower increase in the volume of non-performing loans. Thus, the sum of non-performing loans increased at a rate of just 9.9% in 2017, the lowest since the second quarter of 2012.

Following the slowdown in the annual growth rate of non-performing loans, the non-performing loan ratio fell to 2.96%, its lowest level since the third quarter of 2015.

NON-PERFORMING LOANS

TL 63.9 billion total amount of NPL (2017)

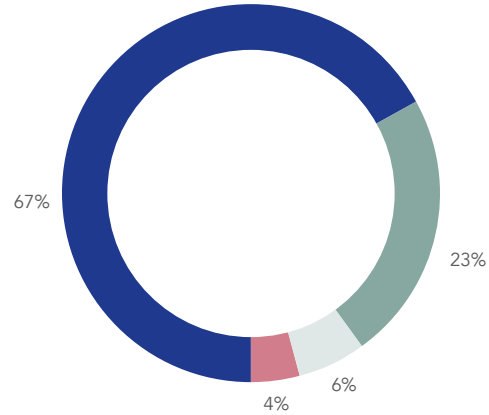


■ NPL/loans Ratio (%)
— NPL (y-y, %) (Right Axis)

Source: BRSA

The securities portfolio expanded by 14.3% YoY in 2017 to TL 401.7 billion. The Treasury's higher borrowing - which was a result of the increasing borrowing requirement on the back of the expansionary fiscal policy in 2017 - became a determining factor in the expansion in the securities portfolio.

BREAKDOWN OF SECURITIES PORTFOLIO

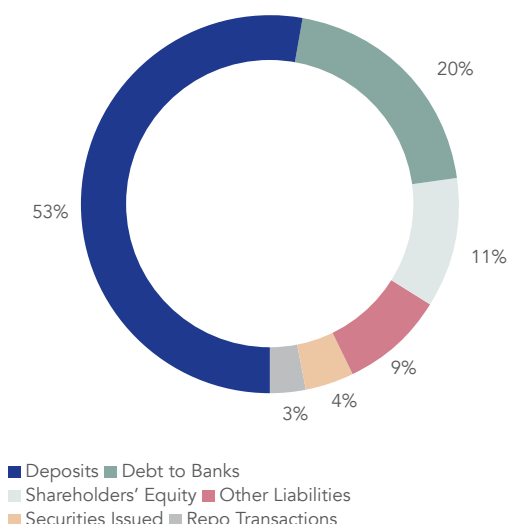


■ Government Bonds ■ Treasury Eurobonds ■ Other ■ Sukuk

Source: BRSA



LIABILITIES



Source: BRSA

LIABILITIES

In 2017, deposits accounted for the highest share of total liabilities in the banking sector, at 53%, with non-deposit sources accounted for 36% of total liabilities, and shareholders' equity accounting for 11%.

Total deposits increased by 17.7% YoY in 2017 to reach TL 1,711 billion, while the annual rate of growth in deposits gained pace to reach 22% due to the increase in credit growth during the year and the recovery in economic activity. However, with the base effect and slowdown in loan growth in the final quarter of the year, the annual rate of increase in deposits fell back to its lowest level in the year.

On the other hand, the loans to deposit ratio remained above 100%, with the loans to deposits ratio standing at 1.16 as of December 2017. The high level of this ratio was one of the factors behind the rise in deposit interest rates, while precipitating upward movement in marginal interest rates.

LOANS TO DEPOSIT RATIO

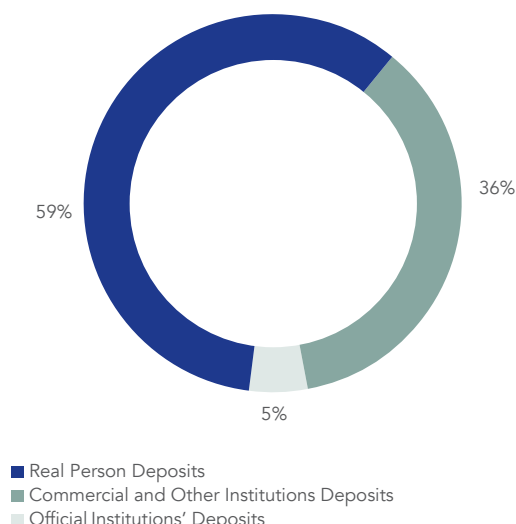
Of the total deposits, TL 954 billion consist of TL Deposits / Participation Funds, TL 732 billion of Foreign Exchange Deposits Account / Participation Funds and TL 24 billion of precious metal accounts. Looking at the detail of the increase in deposits, the rate of increase in FX deposits slowed, while there is an increase in TL deposits. In addition, in the last quarter, the increase in foreign exchange deposits slowed down and an annual increase of 23.9% was achieved. On the other hand, the annual rate of increase in currency adjusted deposits declined from 12.5% to 11.1% in the last quarter.

While 59% of total deposits in 2017 were composed of real person deposits, the share of commercial deposits and deposits held by other institutions was 36%, and the share of deposits held by public institutions stood at 5%.

DISTRIBUTION OF DEPOSITS BY TYPE

A breakdown of deposits by maturity shows that the maturity of deposits was concentrated in a 1-3 month time frame in 2017 as it was in 2016. In 2017, time deposits with maturities of 1-3 months, which witnessed a 16.5% increase in volumes, accounted for 53% of total deposits. Time deposits with maturities of 1-3 months were followed by demand deposits, which had a 21.2% share in total deposits. The most rapid increase in 2017 was in deposits

DEPOSITS ACCORDING TO TYPES



Source: BRSA

with maturities of 6-12 months, which had the lowest share in total deposits, at 3.7%. Deposits with a maturity of between 6-12 months increased by 27.7% compared to the previous year. There was a marked slowdown in the annual rate of growth in time deposits with maturities of 3-6 months. The annual rate of growth in time deposits with maturities of 3-6 months plunged from 19% in 2016 to 5% in 2017.

Non-deposit liabilities, which increased by 15% in 2016, increased by 21.6% YoY in 2017 to TL 1,188 billion. This rapid increase accelerated the sector's search for sources of funding to meet the increased credit demand, resulting in a rapid increase in both deposits and non-deposit resources in 2017. On the other hand, the cost of non-deposit resources increased in 2017. The Federal Reserve (Fed) and the Bank of England (BoE) increased interest rates, raising the cost of funds from abroad.

Domestically, the CBRT increased the cost of local resources by maintaining its tight monetary policy stance and by equalizing the weighted average funding cost to the late liquidity window lending rate in the last quarter of the year and then raising the interest rate to 12.75%. As a result of all these developments, the share of TL-denominated resources increased by 1 percentage point compared to the year 2016, despite the fact that foreign currency resources maintained their weight in non-deposit resources, with a 64.6% share.

In 2017, the shareholders' equity of the banking sector increased by 19.6% YoY to TL 359.09 billion. The acceleration of the increase in profit rates in the last quarter of the year after the deceleration in the third quarter was one of the factors behind the rise in shareholders' equity. The share of shareholders' equity in total liabilities remained unchanged with respect to the previous year, at 11%.

The capital adequacy ratio of the sector, which stood at 15.57% in 2016, rose to 16.87% in 2017.

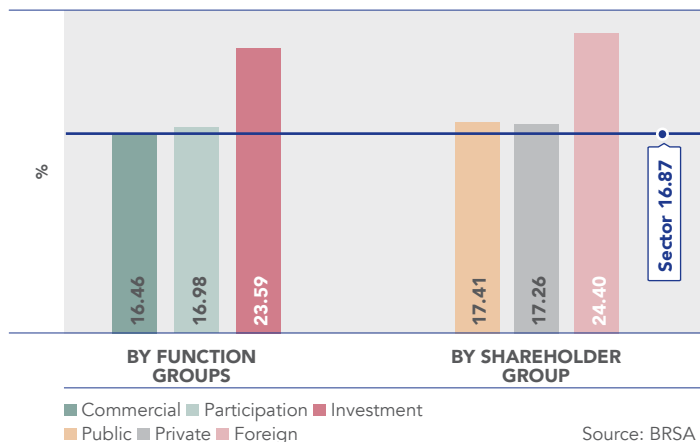
PROFITABILITY

Non-interest income in the banking sector, which increased by 10.4% YoY in 2016, increased by 19.7% YoY in 2017 to reach TL 55.7 billion. Fees and commissions received from loans increased by 11.7% in 2016, while this increase stood at 16.1% in 2017. Banking services expanded by 7.2% in 2016 and by 21.2% in 2017.

THE BANKING SECTOR'S RETURN ON EQUITY AND ASSET PROFITABILITY INCREASED IN ALL PUBLIC, DOMESTIC PRIVATE AND FOREIGN BANKING GROUPS WHEN COMPARED TO THE PREVIOUS YEAR.

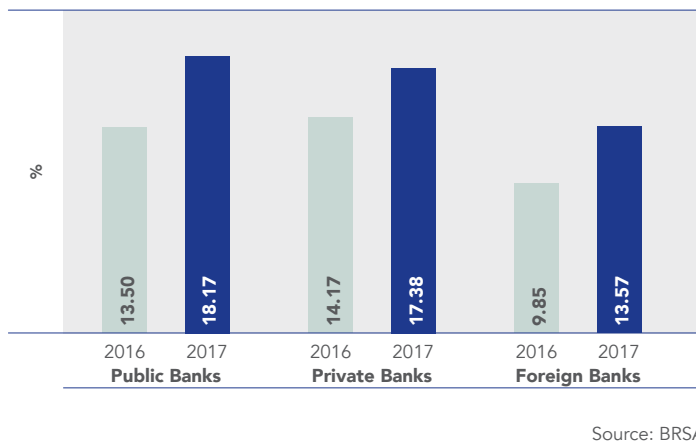
CAPITAL ADEQUACY RATIO (%)

16.87% CAR (2017)



PROFIT FOR THE PERIOD (TL BILLION)

13.7% return on equity



There was an improvement in profitability ratios in the banking sector in 2017. The sector's Return on Equity and asset profitability increased in all public, domestic private and foreign banking groups when compared to the previous year. Government measures and support from regulatory agencies, helping to ease the burden on banks, as well as government stimulus packages to support growth were considered to be effective in this improvement.

The sector's net profit for the period rose by 30.9% YoY in 2017 to reach TL 49.1 billion. Raising deposit interest rates in order to fund the increasing loan volume in 2017 led to a narrowing in the interest margin, limiting the rise in net profit in the period to below that of the previous year. On the other hand, the increase in profit precipitated an increase in asset and equity profitability. The Return on Assets, which stood at 1.37% in 2016, rose to 1.51% while the Return on Equity increased from 12.5% to 13.7%.

LOOKING TO 2018...

The Turkish banking sector is expected to face two major challenges in 2018. The first will be to maintain and expand market share in the face of mounting threats from technological disruption, and the second will be to hold onto high value customer segments and customers. On the other hand, sector players will be able to achieve success in this challenging conjuncture by developing innovative new solutions for their customers, creating confidence in the sector for establishing sustainable customer relationships, fully adapting to the increasing regulatory burden, and by implementing prevention systems for emerging cyber threats.

Interest rates, which are one of the criteria for the performance of the sector, remain high due to the macroeconomic conditions. High credit costs also present a risk to the financing and sustainability of the growth.

The new increased capital ratios, to be brought in line with Basel III criteria, will lead to an increase in the cost of capital, emphasizing the importance of liquidity.

In order for the Turkish economy to sustain the 7.4% growth it achieved in 2017, it is considered that the total loan volume would have to increase by 2%. This rate is expected to be reached, given that the credit support for SMEs and the financial performance of the construction sector will remain strong.

In addition, as a result of the normalization in the economies of developed countries in the near future, the flow of liquidity into developing countries may dry up somewhat. The decline in portfolio flows to countries exposed to geopolitical risks, such as Turkey, may result in an increase in the cost of funds in the banking sector as well as a possible rise in interest rates and weakening in the local currency. The new capital ratios to be brought up with Basel III will lead to the increase in cost of capital and the increase in the importance of liquidity.

In all of these developments, it is important that the fiscal policy contains no tax increases - and none are expected - in order to ensure the healthy and sustainable growth of the investment environment.

ABOUT THE FUTURE...

STRENGTHS

- Investments of reputable foreign capital in the banking sector.
- The speed at which Turkish business leaders can adapt to crisis periods, and their superlative ability to manage crises.
- Continuity of young and qualified workforce.
- Compliance with technological developments and the use of technology in global standards in the financial sector.
- High liquidity, asset quality, strong capital and low leverage ratio.
- A low penetration rate and strong growth potential.

WEAKNESSES

- Low domestic savings.
- Tight funding positions due to the underdeveloped nature of the debt market and high-volume short-term external borrowings.
- Lower per capita income when compared to developed countries.
- Indirect credit risks arising from high commercial loans and foreign currency transactions.
- High funding and brokerage costs.
- High unregistered economic value.

THREATS

- The rise in foreign debt of Turkish banks is one of the most important problems facing the sector - but it should be borne in mind that the sector's foreign exchange liquidity is sufficient to cover foreign currency short term debts.
- Exchange rates are highly sensitive to political volatility.
- Turkey's geopolitical risks have remained high for a long period of time.
- Turkey's EU membership process is bogged down.
- The high level of foreign currency debt in the private sector - Turkey's Achilles heel in 2017. In particular, the depreciation of the TL has increased the need for equity.
- Loans used by construction firms are among the high-risk asset categories for banks.
- Low savings rates, despite all efforts

OPPORTUNITIES

- Turkey's young population means the Turkish banking sector is attractive for foreign capital. The demographic outlook therefore offers opportunities.
- The government's growth policy, supported by frequently revised strategic plans, constitutes an opportunity for foreign capital.
- Investment incentive schemes offer significant opportunities.
- The Turkish banking sector uses technology very effectively and acts swiftly in the implementation of new technologies.
- The development of participation banks that incorporate individuals, who share similar attitudes towards the concept of interest, and have thus hitherto kept their money out of the system, represents an important opportunity for the sector.
- The presence of a large segment that has not yet benefited from the banking system due to its position as a developing country (banking penetration rate) stands as another opportunity in the sector.





PARTICIPATION
BANKS CONTRIBUTED
STRONGLY TO THE
TURKISH ECONOMY IN
2017.

THE FIVE PARTICIPATION
BANKS OPERATING IN
TURKEY HAD A TOTAL OF
1,032 BRANCHES AT THE
END OF 2017.

THE NET PROFIT OF
PARTICIPATION BANKS
INCREASED BY 43% YoY
TO TL 1,584 MILLION.

THE PARTICIPATION BANKING SECTOR

AS OF 2017, FIVE PARTICIPATION BANKS WERE OPERATING IN TURKEY - ALBARAKA TÜRK, KUVEYT TÜRK, TÜRKİYE FİNANS, ZİRAAT PARTICIPATION AND VAKIF PARTICIPATION.

Participation banking, also referred to as Islamic banking or interest-free banking, has recently become a rapidly growing and developing part of the financial sector and the banking system.

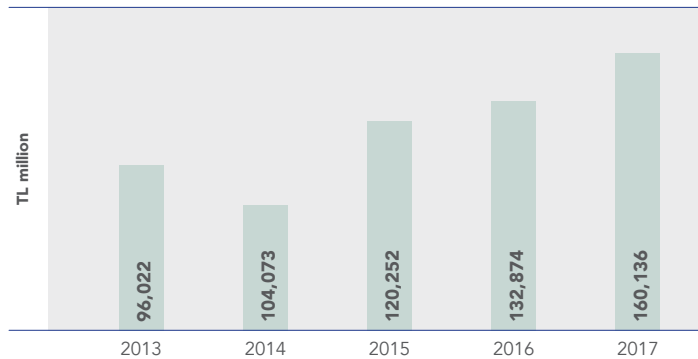
In recent years, Islamic finance, which is of interest to many people and organizations, is a sector that exists not only in Islamic countries, but also in the world and which offers great growth potential. Participation banks represent one of the most important pillars of the Islamic finance sector.

Participation banks are among the three components of the banking sector, along with deposit banks and development and investment banks.

Participation banks have presented a new alternative alongside deposit banks, and have contributed to the diversification of the banking sector by bringing off-system idle funds that, for various reasons, had not been included in the economic cycle into the sector within the framework of interest-free banking principles,

DEVELOPMENT IN TOTAL ASSETS

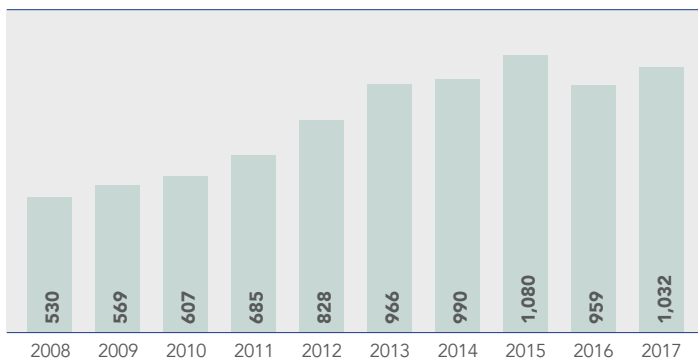
20.5% growth (2017)



Source: BRSA

DEVELOPMENT IN THE NUMBER OF BRANCHES

1,032 branches (2017)



Source: BRSA

NUMBER OF PLAYERS IN THE SECTOR

5 participation banks

by creating a field of attraction for international funds avoiding interest and at the same time by offering traditional banking services.

As of 2017, there were five participation banks operating in Turkey - Albaraka Türk, Kuveyt Türk, Türkiye Finans, Ziraat Participation and Vakıf Participation.

Participation banks, which have grown more successful with each passing year in the banking sector in Turkey, continue to grow and expand their share in the sector.

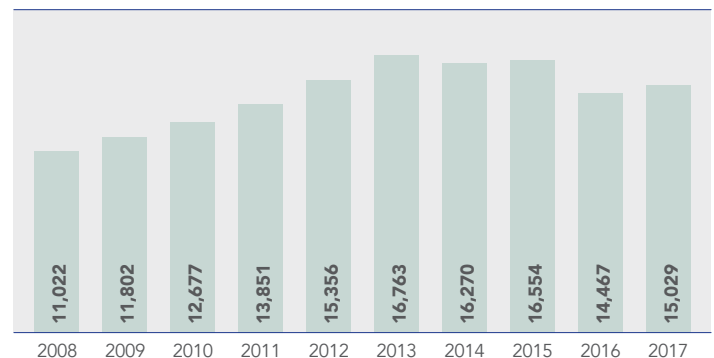
Participation banks in Turkey have reached an important juncture in terms of their total assets, shareholders' equity, funds collected, loans disbursed, capital adequacy standard ratios, net profitability ratios and their number of employees.

The five participation banks operating in Turkey at the end of 2017 had a total of 1,032 branches, with the participation banks accounting for about 8% of all the branches in the banking sector network.

As of the end of 2017, the total number of employees of participation banks increased by 3.9% compared to the previous year to be recorded at 15,029.

NUMBER OF PERSONNEL

15,029 personnel (2017)



Source: BRSA

PARTICIPATION BANKING IS A TYPE OF BANKING THAT REDUCES THE RISK OF LIABILITIES IN THE BALANCE SHEET AND INCREASES THE SECURITY OF LOANS AND THEREFORE THE QUALITY OF ASSETS.

NUMBER OF BRANCHES AND PERSONNEL (2008-2017)

| Year | Branches | Change (%) | Personnel | Change (%) |
|------|----------|------------|-----------|------------|
| 2008 | 530 | 26 | 11,022 | 20 |
| 2009 | 569 | 7 | 11,802 | 7 |
| 2010 | 607 | 7 | 12,677 | 7 |
| 2011 | 685 | 13 | 13,851 | 9 |
| 2012 | 828 | 21 | 15,356 | 11 |
| 2013 | 966 | 17 | 16,763 | 9 |
| 2014 | 990 | 2 | 16,270 | -3.1 |
| 2015 | 1,080 | 9 | 16,554 | 1.7 |
| 2016 | 959 | (11.2) | 14,467 | (12.6) |
| 2017 | 1,032 | 8 | 15,029 | 3.9 |

Source: TKBB, BRSA

INTERNET BANKING DATA OF THE PARTICIPATION BANKING SECTOR

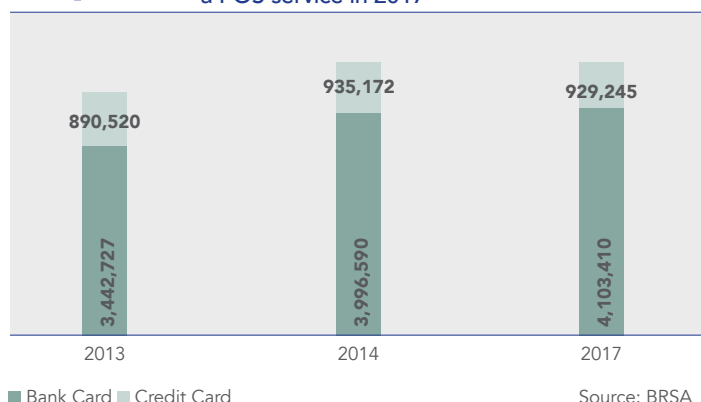
| | 2015 | 2016 | 2017 |
|-------------------------------|-------------|-------------|-------------|
| Number of Active Clients | 474,368 | 515,290 | 636,436 |
| Business Volume (TL thousand) | 137,213,758 | 163,262,888 | 192,020,017 |

ADC DATA OF THE PARTICIPATION BANKING SECTOR

| | 2015 | 2016 | 2017 |
|-------------|-----------|-----------|-----------|
| ATM | 1,358 | 1,523 | 1,688 |
| POS | 78,684 | 79,427 | 88,491 |
| Bank Card | 3,442,727 | 3,996,590 | 4,103,410 |
| Credit Card | 890,520 | 935,172 | 929,245 |

DEVELOPMENT IN DEBIT AND CREDIT CARDS

88,491 The number of Turkish participation banks with a POS service in 2017



Source: BRSA

Participation banks provide added value to the economy through their significant contributions such as transferring funds to the real sector, improving income distribution, increasing employment opportunities and reducing the size of the informal economy.

Participation banking is a type of banking that reduces the risk of liabilities in the balance sheet and increases the security of loans and therefore the quality of assets.

This characteristic also demonstrated itself in the results of participation banks in 2017. The total volume of assets of participation banks operating in Turkey - Albaraka Türk, Kuveyt Türk, Türkiye Finans, Vakıf Participation and Ziraat Participation - reached TL 160,136 million in 2017, marking an increase of 20.5% compared to the previous year.

The net profit of participation banks increased by 43% YoY from TL 1,106 million in 2016 to TL 1,584 million in 2017. Shareholders' equity increased by 18.7% YoY to TL 13,645 million.



THE BRANCH EXPANSION AND INSTITUTIONALIZATION ACTIVITIES UNDERTAKEN BY PUBLIC PARTICIPATION BANKS CONTRIBUTED POSITIVELY TO THE SECTOR IN TERMS OF CUSTOMER SATISFACTION AND SERVICE QUALITY.

KEY INDICATORS OF PARTICIPATION BANKING SECTOR

| | 2016 | 2017 | Change (%) |
|-----------------------------|---------|---------|------------|
| Funds Collected | 81,505 | 105,310 | 29.2 |
| Funds Collected TL | 48,313 | 57,494 | 19.0 |
| Funds Collected FC | 29,984 | 43,180 | 44.01 |
| Precious Metals FC | 3,208 | 4,636 | 44.51 |
| Funds Allocated | 84,880 | 106,733 | 25.75 |
| Total Assets | 132,874 | 160,136 | 20.52 |
| Shareholders' Equity | 11,494 | 13,645 | 18.7 |
| Net Profit | 1,106 | 1,584 | 43.1 |

Source: TKBB, BRSA

PARTICIPATION BANKING SECTOR ASSET SIZE AND SECTORAL SHARE (MILLION TL, 2013-2017)

| | Total Assets | Change (%) | Sector Share (%) |
|-------------|--------------|------------|------------------|
| 2013 | 96,022 | 36.7 | 5.5 |
| 2014 | 104,073 | 8.4 | 5.2 |
| 2015 | 120,252 | 15.27 | 5.1 |
| 2016 | 132,874 | 10.5 | 4.9 |
| 2017 | 160,136 | 20.5 | 4.9 |

Source: TKBB, BRSA

Among the participation banks, Kuveyt Türk achieved the highest net profit in 2017, at TL 674 million, followed by Türkiye Finans (TL 375 million), Albaraka Türk (TL 237 million), Ziraat Participation (TL 159 million) and Vakıf Participation (TL 138 million).

Vakıf Participation achieved the biggest increase in its net profit when compared to the end of 2016, with its bottom line expanding by 626.4%, followed by Ziraat Participation (418.1% increase) and Türkiye Finans (26.7% increase).

Kuveyt Türk commanded the largest asset volume of any participation bank in Turkey, with TL 57.1 billion of assets in 2017, followed by Türkiye Finans (TL 39.1 billion) and Albaraka Türk (TL 36.2 billion). Ziraat Participation and Vakıf Participation had a total asset volume of TL 14.4 billion and TL 13.2 billion respectively.

Participation banks play an important role in attracting Gulf capital to Turkey.

With the issuance of the Turkish Treasury's rent certificate (sukuk), it has become possible to attract a significant amount of capital from the Gulf region to our country, which has a resource deficit. Sukuk issuances - which have so far exceeded TL 59 billion - have contributed positively to the Turkish economy.

Participation banks are striving to achieve healthy and sustainable growth for future periods.

Participation banks have been able to steadily expand their funding opportunities at favorable costs and maturities thanks to various structured financing products in the international markets. Participation banks have also played an important role in the "Murabaha" financing brought over from the Gulf region through syndications, which have gradually become more widespread. In our country, more than USD 2 billion of financing has been provided through this newly developed financing model.

SUKUK ISSUANCES (2010-2017, THOUSAND TL)

| | |
|----------------------------|------------|
| Participation Banks | 23,084,605 |
| Private Companies | 325,000 |
| Sovereign | 36,839,914 |
| Total | 59,924,519 |

Source: Undersecretariat of Treasury, MKK, TKBB

Participation banks are aiming to achieve healthy and sustainable growth in the coming periods as well.

The rapid development in the field of branches and the institutionalization of public participation banks entering the sector in recent years has contributed positively to all participation banks in terms of customer satisfaction and quality of service. The public sector's focus on more specific niche areas in this field is expected to provide substantial support in increasing sector penetration and reaching new customers.

The fact that the strong performance of the participation banks in 2017 has been welcomed with great interest both at home and abroad is considered a sign of the increase in appetite of public institutions and private companies to enter the sector, as well as from international players in the near future.



THE TOTAL ASSETS OF
THE GLOBAL INTEREST-
FREE FINANCE SECTOR
INCREASED BY 7% IN
2016.

INTEREST-FREE BANKING
ACCOUNTED FOR 73%
OF THE SECTOR'S TOTAL
ASSETS.

INTEREST-FREE FUNDS,
WHICH GREW BY 37%
YoY, WERE THE DRIVING
FORCE OF INTEREST-FREE
CAPITAL MARKETS.

THE GLOBAL INTEREST-FREE
FINANCE AND BANKING

AS OF 2016, A TOTAL OF 1,407 FINANCIAL INSTITUTIONS WERE OPERATING IN THE GLOBAL INTEREST-FREE FINANCE SECTOR.

The assets of the global interest-free finance sector continued to grow in 2017.

Following the recent contraction due to the decline in oil prices, the interest-free financial system has begun to strengthen again. The sector's total assets increased by 7% YoY in 2016, from USD 2.1 trillion in 2015 to USD 2.2 trillion.

The Iranian, Saudi Arabian and Malaysian markets, which are home to three major interest-free financial markets in the global sector, accounted for 65% of the total assets of the sector (USD 1.4 trillion). As of the end of 2016, the interest-free financing assets of these countries amounted to USD 560 billion for Iran, USD 431 billion for Saudi Arabia and USD 335 billion for Malaysia. In the same period, the depreciation in the Ringgit precipitated a decrease in the volume of Malaysia's total interest-free financial assets.

As of 2016, a total of 1,407 financial institutions were operating in the global interest-free finance sector. Interest-free banking constituted 73% of the total interest-free financial assets of the sector. The banking sector is followed by sukuk (16% share of total interest-free financial assets), other interest-free financial institutions (6%), interest-free funds (4%) and the takaful sector (2%).

It is observed that the two driving forces of interest-free capital markets - sukuk and interest-free funds - moved in opposite directions in 2016. Interest-free funds, which grew by 37%, constituted the industry's strongest growing product group, while the growth in the sukuk market remained limited to 1%. The partial recovery in oil prices helped interest-free financial institutions and mutual funds strengthen again.

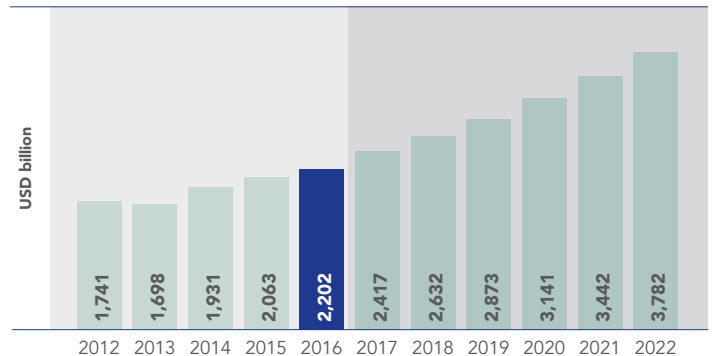
TOTAL ASSETS

USD 2.2 trillion

In recent years, the tendency of large-scale government issuers to return to traditional bonds to reduce their costs has been the main reason for the decline in sukuk issuances. In 2017, however, the introduction of new players into the market, the increase in public sukuk issuances and the emergence of Saudi Arabia as an important player in the global sukuk market brought the period of stagnation to an end, and the market has begun to rise again.

ISLAMIC FINANCE ASSETS GROWTH

USD 3,782 billion volume of interest-free financial assets (2022 E)



E: Estimate

Source: ICD-Thomson Reuters



MALAYSIA ISSUED USD 39 BILLION WORTH OF SUKUK IN 2016, CONSTITUTING 72% OF THE TOTAL SUKUK VOLUME IN CIRCULATION IN THE SOUTHEAST ASIAN MARKET.

Malaysia leading the global sukuk market.

The Southeast Asian market remains the largest market for this segment with USD 54 billion of new sukuk issuances in 2016 and its volume of sukuk in circulation reaching USD 206 billion.

In 2016 Malaysia issued USD 39 billion worth of sukuk, accounting for 72% of Southeast Asian issuances and 46% of global issuances. The country maintains its leadership in the sukuk sector with a total volume of USD 168 billion of sukuk in circulation, representing 82% of the total of Southeast Asia.

In 2016, Indonesia followed Malaysia with a sukuk volume of USD 37 billion in circulation and total sukuk issuance worth USD 14 billion.

Indonesia ranks second after Malaysia in global sukuk issuance, and third in terms of the amount of sukuk in circulation after Malaysia and Saudi Arabia. Malaysia and Indonesia achieved significant legislative breakthroughs in 2016 and 2017 to improve the sukuk market.

A relative slowdown in the GCC area sukuk market in 2017 as well.

There was a slowdown in the pace of sukuk issuances in Gulf Cooperation Council (GCC) countries, which were adversely affected by the decline in oil revenues.

While the volume of sukuk issued in the region stood at USD 19 billion in 2016, this amount was behind the level seen in 2015 in terms of volume. The volume of sukuk in circulation increased by 7% YoY to USD 111 billion. The United Arab Emirates, with its USD 7 billion of new sukuk issuances, ranked first among the GCC countries, and second in terms of the volume of sukuk in

Sukuk issuances increased by 45.3% YoY to reach USD 97.9 billion in 2017.

circulation at USD 32 billion after Saudi Arabia, which has USD 53 billion of sukuk in circulation.

Saudi Arabia announced the Saudi Vision 2030 economic program in April 2016. The program is principally an ambitious reform plan that will shift the economy away from its dependence on oil and attract foreign investment, and promises a future for very large scale sukuk issuances.

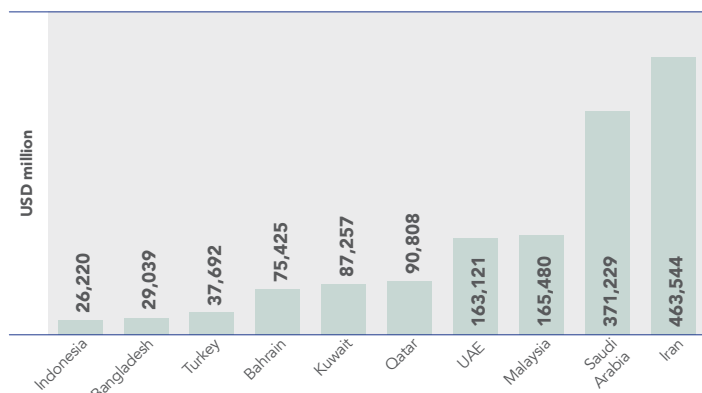
Saudi Arabia, which opened its stock market to foreign direct investors in June 2015, also made it possible for qualified foreign investors to buy stock market instruments such as bonds and sukuk in 2017. Saudi Arabia aims to attract foreign asset managers to the market.

There has been an increase in public sukuk issuances in different parts of the world.

In 2016 and 2017, many countries in different parts of the world were increasingly moving towards sukuk issuances.

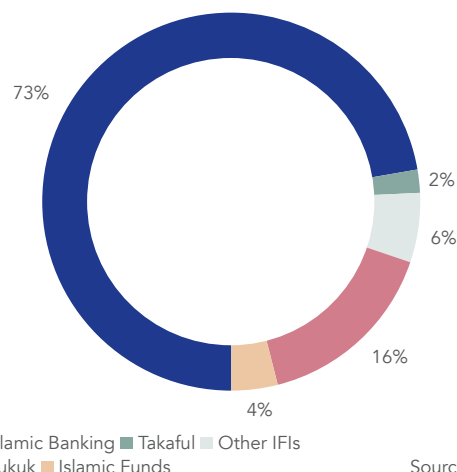
The first public sukuk issuance was realized in Jordan in May 2016. Tunisia announced that it was

TOP COUNTRIES IN ISLAMIC BANKING ASSETS (2016)



Source: ICD-Thomson Reuters

ISLAMIC FINANCE ASSETS DISTRIBUTION



Source: ICD-Thomson Reuters



preparing for the first sukuk issuance in May 2017, and Morocco and Algeria were among the countries preparing for sukuk issuance.

In the Sub-Saharan Africa region, where current sukuk stocks expanded from just from USD 273 million in 2015 to USD 1.5 billion in 2016, attention is also directed towards public issuances. In 2016, the Ivory Coast, Togo and Senegal each issued USD 263 million work of Sukuk.

Oman is another country with strong growth potential for the sukuk market. After the sukuk law was enacted in 2016, there has been an increase in sukuk transactions, and Oman is poised to become a big player in the region.

2017 was an important year for the interest-free finance system and important steps were taken to regulate the sector.

Many market participants are paying much more attention to standardization than before. Standardization plays a key role in terms of growth and will increase the sector's ability to innovate.

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB) established several new standards in 2017 to regulate sukuk issuances. The continuation of this trend and the correct implementation of these standards are important for the sector's regulatory control, transparency and healthy development.

Further expansion in Sukuk issuances in 2017.

In 2017, sukuk issuances increased by 45.3% YoY to USD 97.9 billion (2016: USD 67.4 billion), a development mainly driven by the large-scale issues in the GCC countries.

The issuance by the Dubai Islamic Bank in February 2017 with a 2022 maturity and value of USD 1 billion marked the largest financial sukuk transaction ever undertaken.

Although financial institutions and companies continued to issue regularly throughout the year, the limelight was undoubtedly on public issuers in the interest-free debt capital market in 2017. The sukuk market in the GCC countries continued to grow in 2017 with the USD 9 billion issuance in April and other high-demand domestic issuances in Saudi Arabia.

Saudi Arabia issued a total of USD 17 billion throughout the year, which accounted for 40% of global, long-term country sukuk issuances in the first eight months of 2017. Oman issued USD 2 billion worth of sukuk in May, while Pakistan, Indonesia, Bahrain, Hong Kong and Malaysia were among the largest issuers. Nigeria, on the other hand, was in the market with a long-awaited USD 328 million sukuk issuance in September.

While the restructured sukuk model was warmly welcomed by the Iranian government, there has been an increase in Treasury transactions. In the January-November 2017 period, more than USD 1.2 billion of public sukuk transactions were carried out in the Iranian capital market with ijara sukuk and murabaha sukuk transactions.

In October of the same year, the Treasury of the Republic of Turkey completed the issuance of sukuk and gold denominated bonds.

Socially responsible investment and green finance

Ethical financing, including socially responsible investment and green financing, offers an important opportunity for development in the interest-free financial system, which stems from strong global interest. Malaysia is one of the markets that will benefit from this opportunity.

Malaysia, which set out and announced a socially responsible investment sukuk framework in 2014, issued the world’s first two green sukuk issuances with financing in the field of renewable energy in 2017.

The launch of Malaysia’s first green sukuk represents an important milestone, reinforcing its position as a leading interest-free financial market and strengthening its value proposition as a sustainable financial center.

Takaful and other interest-free finance products play a role in the growth of the interest-free finance market.

The size of the takaful sector in the GCC region increased by 6% to USD 19 billion in 2016.

Following the decline in oil prices, there were developments in the region affecting the takaful market. The most significant of these were the consolidation observed in the sector, the introduction of VAT and the expansion of compulsory health insurance plans.

Saudi Arabia continues to be the world’s largest takaful market. Some 35 companies hold a total of USD 15 billion in takaful assets, of which 53% are managed by the top five major companies.

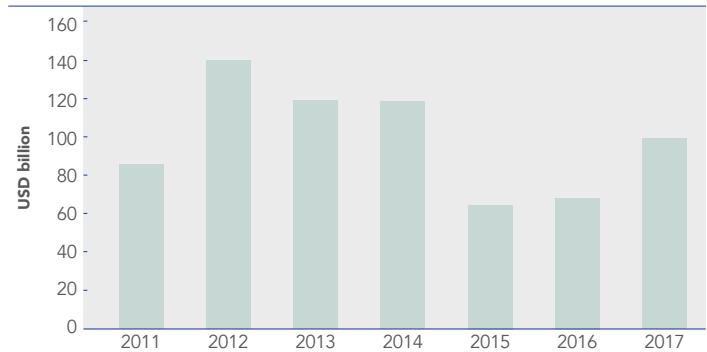
While Saudi Arabia needs takaful to support economic development, the decision taken by the Saudi Arabian government in September 2017 to allow women to drive cars will increase the sum of premiums generated on land vehicle insurance in the Saudi Takaful sector.

In 2016, a total of 571 interest-free non-banking financial institutions were operating in 50 countries, in addition to the banks and takaful companies.

Southeast Asia is the largest market for non-banking financial institutions, with a total asset volume of USD 46 billion as of the end of 2016. The second largest region is the GCC region, with total asset volumes reaching USD 38 billion at the end of 2016. Saudi Arabia still has the highest total volume of assets in the region, at USD 13 billion. In terms of the number of interest-free non-banking financial institutions, Saudi Arabia is ranked second with 73 institutions, behind Kuwait where 76 institutions are operating.

Given that the assets of other interest-free non-bank financial institutions in the GCC region correspond to only 4.8% of total interest-free banking assets, it is thought that the financing and investment companies in GCC countries may play a more significant role in the development of the sector in the coming years.

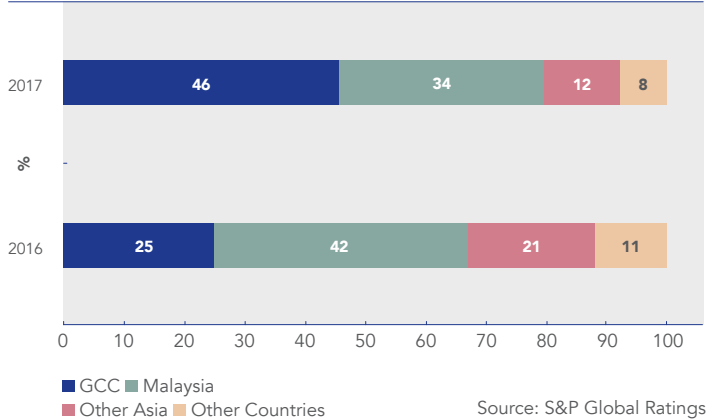
GLOBAL SUKUK ISSUANCE



Source: S&P Global Ratings

SUKUK ISSUANCE BY REGION

46% share of GCC region



Source: S&P Global Ratings



THE AMOUNT OF INTEREST-FREE FUND ASSETS MANAGED BY IRAN, REACHED USD 38 BILLION AT THE END OF 2016, AFTER POSTING A CAGR OF 28%.

On the other hand, interest-free financial institutions represent the easiest way to enter the interest-free financing sector. India is one of the best examples of a country where interest-free finance sector activities are conducted by interest-free financial institutions.

The recovery of the economic growth in core markets has precipitated a recovery in interest-free funds.

The amount of interest-free fund assets managed by Iran, which is the leader in interest-free funds, reached USD 38 billion at the end of 2016, after posting a CAGR of 28%. This trend in fund performance, which has improved in local markets to reflect rising expectations since the sanctions were lifted in January 2016, is largely due to investments in local stocks. A total of 18 new interest-free funds were established in Iran during 2016.

Countries such as Malaysia, Saudi Arabia and Pakistan were ranked in the top 10 in terms of interest-free fund assets in 2016. This development points to a recovery in the average cumulative performance of these countries, which was negative in the previous year. The fact that many of the interest-free funds invest in stocks and are adversely affected by the economic slowdown associated with the decline in oil prices reflects their more volatile and risky property when compared to other asset classes.

Digital financial technology is an important tool in the spread of interest-free finance.

Digital financial technology or "FinTech" has demonstrated impressive growth on a global scale.

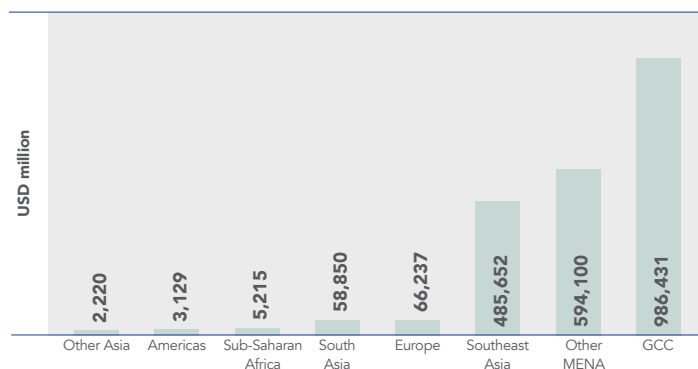
The sector grew by around 400% between 2013 and 2014, quadrupling in volume from USD 3 billion to USD 12 billion. Although FinTech is a broad term, the segments of FinTech, which focus on mobile banking and digital platforms, constitute the main pillars of growth.

The creation of profitable, scaled and diversified banking institutions using artificial intelligence and technological advances in large data is seen as an opportunity for interest-free financing.

FinTech, which is developing rapidly, has been proven to offer many advantages over traditional banks. The most important of these was that it enables broad and widespread financial participation. FinTech will continue to bring a positive impact to people's lives if regulators create the right incentives and develop a sound regulatory framework while the industry is still small.

Studies carried out by the World Bank reveal that a significant number of adults around the world are not using financial products. This situation promises significant growth potential for the interest-free financial system, as it does for the conventional finance system.

ISLAMIC FINANCE ASSETS BY REGION (2016)

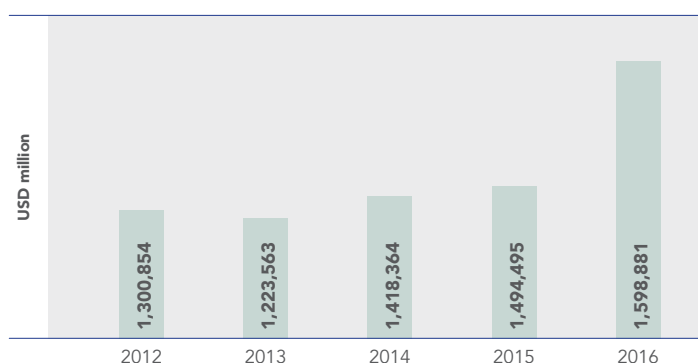


Source: ICD-Thomson Reuters



ISLAMIC BANKING ASSETS GROWTH

USD **1.6** trillion



Source: ICD-Thomson Reuters



Using FinTech, interest-free financing will provide solutions to individuals and small businesses with easy access to financing; with the development of sophisticated digital platforms, new forms of interest-free financial intermediation can be created and participation in the system can be made even easier. When it comes to interest-free banks, it is noteworthy that there is significant potential in mobile banking technologies.

As a recent example of these applications, “Your Bank” (Senin Bankan) stands out as the first digital interest free banking platform to be offered by Kuveyt Türk Participation Bank in Turkey. The platform provides customers with the opportunity to apply for credit or credit cards without having to go to a branch office, and offers a wide range of products and solutions ranging from finance or life insurance.

Blockchain has been one of the most important developments in FinTech in 2017 in the interest-free finance sector. Many interest-free banks now use blockchain technology to transfer funds.

According to the most recent figures, the mass funding area constitutes more than a third of the interest-free FinTech market (35%), followed by banking software and payments (17.5%) and money transfer and FX (13.6%). Insurance technology and data and analytics have the smallest shares.

While Malaysia is also leading in this area, Indonesia, the UAE and the United Kingdom are other global financial centers to have experienced development in interest-free FinTech.

The driving force of growth in alternative interest-free financial channels is the FinTech/new venture (start-up) ecosystems of these FinTech centers, while the unlimited mobile experience provided with digital technologies would provide an opportunity for the further development of interest-free finance.

Malaysia, Indonesia, the UAE and the United Kingdom are the global financial centers to have experienced development in interest-free FinTech.

Interest-free capital markets offer strong growth potential.

The share of the interest-free banking sector is expected to decline from 73% in 2016 to 64% in 2022, as a result of the rapid growth expected in other interest-free financial segments.

Although many interest-free funds invest in stocks and can easily be affected by market movements, the interest-free asset management segment is the one to offer the highest growth potential.

The expectation of growth in interest-free capital markets, which will reach USD 403 billion in 2022, is similar to the growth factors in interest-free banking. Growth is expected to take place in Malaysia, Saudi Arabia and Iran, which are the three strongest markets.

Malaysia, the most developed market in the interest-free finance system, is also working to take advantage of the increasing demand for interest-free socially responsible investment funds. Interest-free investment options in Malaysia and Indonesia are the focal point of the financial markets and interest-free pension and pilgrimage funds have seen a surge in popularity.

USING FINTECH, INTEREST-FREE FINANCING WILL PROVIDE SOLUTIONS TO INDIVIDUALS AND SMALL BUSINESSES WITH EASY ACCESS TO FINANCING.

SHARE OF INTEREST-FREE BANKING (2022 estimate)

64%

INTEREST-FREE CAPITAL MARKETS (2022 estimate)

USD 403 billion

Countries that have not issued sukuk before are expected to enter this market in the coming period. It is rumored that the UK will issue a sukuk after Brexit, which is expected to take place in 2019, with the issue expected to be in the order of £1 billion.

New issuance plans in Niger, Kenya, Ghana, Morocco, Egypt and Tunisia in Africa, Kazakhstan in Central Asia, and Sri Lanka, the Philippines and the Maldives in Asia indicate that 2018 will be a bumper year for Treasury issuances.

It is expected that the high borrowing needs of the Governments of the GCC countries will support the sector and that the treasury issuances will reach USD 148 billion in 2018.



New horizons for the interest-free finance system

The strongest focus of interest-free finance is the mission to meet the financing needs for global development and, in particular, to meet the needs of SMEs. The new initiatives launched by the Indonesian Financial Services Agency and the Islamic Development Bank and Malaysia's USD 100 million interest-free Venture Capital Fund stand out as exemplary examples in this direction.

Such developments are extremely important for countries with large Muslim populations, such as Indonesia, Malaysia, Pakistan and India, where more than 50% of economic activity is carried out by SMEs.

The high degree of adoption of digital Banking and FinTech has supported the competitiveness and sustainability of the sector over the traditional financial system. Significant developments gained through mass funding campaigns include a robo-consulting firm that is compatible with the world's first interest-free system and the first gold platform compatible with the interest-free system. With increasing efforts to support ecosystems of financial technology, FinTech companies are soon expected to join the industry as new entrants in major interest-free financial centers. Meanwhile, other financial products such as takaful, murabaha and foundations continue to expand as new interest-free financial markets are opened around the world.

Interest-free financial institutions focus on productivity to adapt to difficult economic conditions, and governments are working to further support the interest-free finance industry.

Cooperation is being entered into between the Participation Banks and takaful institutions in the GCC countries - Indonesia, Malaysia and Pakistan - with the aim of increasing their competitive power; there has been an increase in consolidation movements in the sector.

The governments of countries like Iraq, Morocco, Algeria and Tunisia are heading towards interest-free financing in order to attract investment in the face of falling public revenues.





LOOKING TO THE FUTURE...

On course for a CAGR of 9.5% in Interest-Free Finance Assets

There have been a number of positive developments in the sector since 2016, with a leap in the performance of the largest markets of interest-free finance, including the GCC countries.

Sector assets are projected to grow in the coming period with total assets expected to grow at a CAGR of 9.5% until 2022, reaching USD 3.8 trillion.

A Strategic Tool for Policy Makers

Data pertaining to the global interest-free financial system, which turned positive in 2017, clearly reveals that interest-free financing could serve as a strategic tool for policy makers, especially when it comes to tackling the economic slowdown in the Middle East.

In the Presence of Global Risks

Various expansions and moves to expand the market in the coming period will have an important bearing on the future of the sector.

Although the significant financing needs of the core interest-free financial markets are predictable, the tight global liquidity conditions, escalating geopolitical risks and the slow progress in the standardization of interest-free financial instruments stand out among the risk factors that may prevent the full potential of the interest-free financial market from being unleashed.

Interest-Free Banking on course to grow by 50%

By virtue of commanding the highest share in total interest-free financial assets, interest-free banking remains the main driving force of growth.

Interest-free banking is expected to grow by 50% between 2016 and 2022. Iran and Saudi Arabia, the world's largest markets for interest-free banking, are undergoing an economic transformation to increase the role of interest-free finance banks.

Sources:
 ICD-THOMSON REUTERS/Islamic Finance Development Report 2017
 Islamic Finance News/13 December 2017
 S&P/Global Sukuk Market Outlook: Another Strong Performance In 2018?
 THOMSON REUTERS/State of the Global Islamic Economy Report 2017/18
 IIFM/ Sukuk Report (6th Edition)
 ISLAMIC FINANCIAL SERVICES BOARD/Islamic Financial Services Industry Stability Report 2017





PARTICIPATION BANKING CENTRAL ADVISORY BOARD



The global interest-free banking sector has demonstrated strong growth momentum, especially in the last 10 years following the global financial crisis.

In parallel with this development, the elimination of existing implementation differences on a global scale is of great importance for the sustainability of the system.

In the global interest-free finance system, advisory mechanisms have been established to ensure that the practices implemented by the banks are in compliance with interest-free principles and to ensure standardization in products and services, and decisive steps have been taken towards further development of the work being carried out in this field.

Legislative infrastructure needs to be strengthened in order to strengthen the growth dynamics in the Turkish participation banking sector, which has recorded an upward performance in recent years. With banks' own bank advisory committees determining the degree of conformity of products and services to the principles of interest-free finance gives rise to discrepancies in product and service offerings, and the questioning of these issues may adversely affect the credibility and reputation of the participation banking system.

Action plans have been prepared for the establishment of a structure that will ensure that such discrepancies are eliminated and the product-services are standardized, taking into account interest-free finance principles in order to reach a wider audience with healthy growth and product diversity in the Turkish participation banking sector, and new formations will be implemented.

The Central Advisory Board took part in the Istanbul International Financial Center's (IFM) Action Plan and TKBB Strategy document.

The Central Advisory Board was regulated under the component of Participation Banking and Development of Interest-Free

Finance System No. 7 of the Istanbul International Financial Center (IFM) Program, which was announced to the public in December 2014. Under this component, in Action No. 89 it is stated that "A mechanism will be developed to minimize the differences arising between transactions undertaken by interest-free financial institutions." The action No. 89 is determined under the scope of the Policy 3 and the BRSA has been appointed as the action coordinator.

With the action in which the Ministry Of Development, the Prime Ministry Undersecretariat to the Treasury, the Presidency of Religious Affairs, the CMB, the CBRT, the SDIF, Borsa Istanbul and the Turkey Participation Banks Association have identified as relevant institutions, a mechanism is planned to be developed which will provide standardization in the field of interest-free finance in order to remove confusion that may arise as a result of interest-free financial institutions adopting different applications for similar products and services, while also increasing confidence in the sector and ensuring the wider acceptance of the sector.

The Central Advisory Board was also included in the Turkish Participation Banking Strategy Document, which was published by the TKBB in March 2015 and which contains the 10-year strategy to be followed by the Association in 2015-2025.

Within the scope of Action Plan 4, which is included in the document, the actions regarding the establishment of the Board - which was one of the Actions to be Taken to Reach Strategic Targets - were determined under the strategies of the establishment of the Advisory Board for participation banks and the standardization of bank advisory boards in participation banks.

The document envisages the establishment of a structure of the Board consisting of permanent and substitute representatives from the bank advisory boards, the Presidency of Religious Affairs, the Supreme Council of Religious Affairs and academics from local universities (or theologians). In addition, it is stated that the

THE CENTRAL ADVISORY BOARD WILL CONTRIBUTE TO THE FURTHER DEVELOPMENT OF STANDARDIZATION IN THE TURKISH PARTICIPATION BANKING SECTOR AND TO IMPROVING THE REPUTATION OF THE SECTOR.

Board should assume responsibility for the drafting standards for participation banking products and services.

Infrastructure related to the Central Advisory Board established.

In order to determine the professional principles and standards regarding participation banking, the Communiqué on the Formation, Duties, Working Procedures and Principles of the Advisory Board constituted by the TKBB in accordance with the BRSA Decision dated 22 February 2018 and numbered 7736 was accepted with the decision numbered 253 taken the Board of Directors of the TKBB dated 2 April 2018, and it entered into force.

The Central Advisory Board is intended to start operating in the first half of 2018 and to guide the sector. The formation and the main areas of activity of the Board, in which the secretariat services are to be provided by the TKBB, and which will serve in an independent structure, are summarized below.

The Advisory Board will consist of five members appointed for a period of five years upon the recommendation of the Board of Directors of the TKBB while taking into account the appropriate view of BRSA.

Three members of the Advisory Board shall be required to hold a PhD in the field of Islamic sciences, one of the members shall be chosen among candidates proposed by the Presidency of Religious Affairs among members of the Supreme Council of Religious Affairs, and one of the members shall be required to hold a bachelor's degree or graduate degree in Economics, Finance, Banking, Law or equivalent fields, with at least seven years of managerial experience in the field of participation banking.



The Advisory Board will consist of five members appointed upon the recommendation of the TKBB and the "appropriate" opinion of the BRSA.

In order to ensure that the Advisory Board's activities are carried out effectively, the Secretariat of the Advisory Board shall be established, where full or part-time personnel shall be appointed by the Board of Directors in order to conduct research activities, prepare study reports, record decisions taken, notify the interested parties and to follow up and to fulfill other duties assigned by the Advisory Board, while counselling services will be provided where deemed necessary.

Main duties of the Advisory Board

- To follow up standards published by international organizations in the field of participation banking and to determine the professional principles and standards which participation banks are required to comply with.
- To reach general qualified decisions in order to eliminate the differences in implementation between participation banks, where deemed necessary,
- To evaluate the work and transactions of participation banks in accordance with the professional principles and standards set out in subparagraph (a) and general qualified decisions taken under subparagraph (b),
- In case of applications, to express opinions to public institutions and organizations, professional institutions holding the qualifications of public institutions and to other institutions within the scope of interest-free finance activities,
- Within the framework of the principles set forth by the Board of Directors and the approval of the Chairman of the Board of Directors, to organize programs for the promotion or training of the professional principles and standards of participation banking, to publish publications and to participate in programs organized for this purpose.



2017 has been a successful year for both Turkish and global economies. Turkey continued to grow in spite of vulnerabilities in global markets.

Melihşah UTKU
General Manager-Albaraka Türk

2017 has been a successful year for both Turkish and global economies. Turkey continued to grow in spite of vulnerabilities in global markets. We have become one of the highest growing economies in 2017. With government incentives playing a significant role during this period, CGF had a critical impact on our economy. This application provided relief for many companies and this had a positive impact on the banking industry. Participation banking recorded a noticeable success under these circumstances.

Turkey's first participation bank with more than three decades of experience, forward-looking vision, skilled human resources, and advanced technology leadership, Albaraka Türk is the country's pioneer institution and strongest practitioner of participation banking. Without compromising its service quality after all these years, Albaraka Türk continued its growth and had a brilliant year in 2017.

Our total assets reached TL 36 billion in 2017, up 10% year-on-year. Funds collected went up 10% to TL 25 billion while utilized credits extended rose to TL 25 billion, up 11%. The ratio of utilized credits to total assets was 70%. Net profit share income increased by 24% and reached TL 1,270 million and our net profit was TL 237 million. Our shareholders' equity, while maintaining a strong level, reached TL 2.5 billion and our capital adequacy ratio is 17%, which is parallel to the banking sector.

Growing its customer base further, Albaraka Türk expanded its branch network to 220 locations. We continued efforts to improve customer experience and enhance customer satisfaction toward our products and services. In 2017, our Bank expanded its product range with innovative products and services, continued its growth via infrastructure investments and newly developed products, and boosted its productivity even further. Thanks to the investments we made in technology, we increased our service competence in alternative distribution channels and this positively affected our results.

With our trust-based business partnership model we have always been close to our customers and continued our support to the real economy. Development of SMEs and their contribution to our economic development are our priorities and we provide financing to manufacturing and trading fields under participation banking principles. Having a ratio of 45% of SME credits in total credits is an evidence of our support. Powered by its main shareholder Albaraka Banking Group, Albaraka Türk serves as an intermediary that facilitates Turkish industry and investors in opening up to the world.

Albaraka Türk provides incubation and acceleration opportunities to entrepreneurs with financial technology-based business ideas and projects via Albaraka Garage – a first for Turkish participation banks.

2017 has been a year of many novelties while we strengthened our position in the Turkish banking industry with our performance. As the biggest supporter of entrepreneurial activity, Albaraka Türk provides incubation and acceleration opportunities to entrepreneurs with financial technology-based business ideas and projects via Albaraka Garage – the first incubator center among Islamic banks in the world. In addition to Albaraka Garage, we also activated the innovative and entrepreneurial spirit in our organization through our “Discover” program to support entrepreneurship within the organization.

Transformation for the future continues. In the future we will witness the change of business style in the direction of automation and development of internet of things. We work on renewing our corporate culture and increasing our organizational adaptation to these changes. In the upcoming periods our agenda will be on making innovation a natural part of all our processes. Digitalization, customized products and services will have a significant role in our bank’s strategy. Within this framework, our efforts to create models to customized financial services continue in full speed.

As a requisite of our vision of “Becoming the World’s Best Participation Bank” we want to implement innovations in many areas by keeping abreast of developments in the rapidly changing financial world. Our goal is to offer all of our physical branch services from one end to the other in a digital platform. With this in mind, we will change our branch concept. Operational burden on our branch staff will decrease with our smaller-sized, highly effective and technologically equipped branches. They will focus more on sales and marketing and our relations with customers will be much stronger.

With our vision of being the world’s best participation bank we will prepare for the future with innovation and continue our way with the mission of adding value to our stakeholders.

Our target for 2018 as Albaraka Türk is sustainable growth. In numerical terms we aim for a 15% growth. Our priority will be digitalization in the following period. We want to expand our customer base in accordance with our strategy and we will focus on increasing our asset quality. We will diversify our product and service offerings based on customer needs and expectations. Digitalization is at the center of our strategic road map. We will include developments in financial technologies in our agenda for the sake of customer loyalty and personalized customer experience. We aim for full compliance of our banking infrastructure, processes, distribution channels and products to digital ecosystem in the upcoming period. In the meantime, expansion in other countries is another significant item in our agenda. Besides opening branches abroad we are planning to establish a digital Islamic bank and I believe this will create a tremendous impression.

With our vision of being the world’s best participation bank we will prepare for the future with innovation and continue our way with the mission of adding value to our stakeholders.

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

| | |
|--|---|
| Establishment Date | 1985 |
| Main Shareholders* | Al Baraka Banking Group B.s.c. 54.06% Islamic Development Bank 7.84% Alharthy Family 3.46% Other 0.52% Publicly Quoted 25.13% |
| Chairman | Adnan Ahmed Yusuf ABDULMALEK |
| General Manager | Melikşah UTKU |
| Headquarters | Saray Mah. Dr. Adnan Büyükdeniz Cad. No: 6 34768 Ümraniye, İstanbul/Turkey |
| Phone | +90 216 666 01 01 |
| Fax | +90 216 666 16 00 |
| Web Site | www.albarakatürk.com.tr |
| SWIFT Code | BTFHTRIS |
| EFT Code | 0203 |
| Number of Domestic Branches | 219 |
| Number of Branches Abroad | 1 |
| Number of Representative Offices Abroad | - |
| Financial Subsidiaries Abroad | - |
| Number of Employees | 3,899 |

*The Bank’s shareholders with an interest of 5% and above, their shares and the percentage of publicly held shares.

Melikşah UTKU**CEO / General Manager**

Mr. Utku was born in Ankara in 1968. He graduated from Mechanical Engineering Department of Boğaziçi University (Istanbul, 1990). He completed his graduate studies in London School of Economics (1990-1992) and his Master's Degree on economic development in Marmara University (Istanbul, 1998). In 2004, he served as a consultant to the General Manager of Albaraka Turk. In 2006- 2007, he was the Chief Economist at Albaraka Turk. In addition, he was a columnist for Yeni Şafak newspaper for over 10 years (1995-2009). He later worked as Investor Relations Manager between 2007 and 2009. He continued as CIO-Assistant General Manager in December 2009 and was later appointed as CFO-primarily responsible for Financial Affairs, Budget and Financial Reporting and Corporate Communication Departments. He was a board member of Borsa Istanbul between 2013 to 2016. As the General Manager of Albaraka Turk since October 2016 Mr. Utku continues his duty, as well as the Chairman of Bereket Varlık Kiralama A.Ş., Albaraka Portföy Yönetimi A.Ş., Katılım Emeklilik ve Hayat A.Ş. and Albaraka Kültür Sanat ve Yayıncılık A.Ş. and he serves as a member of board in CIBAFI (General Council for Islamic Banks and Financial Institutions) & TKBB (Participation Banks Association of Turkey), where he previously served as a chairman.

Turgut SİMİTCİOĞLU**Deputy General Manager**

Mr. Simitcioğlu was born in Erzurum in 1961. He graduated from Education Faculty in King Suud University (Saudi Arabia, 1989). He started his Professional career as an officer in the central branch of Albaraka Turk in 1990. Later, he advanced to Assistant Chief and Chief (1993-1997), Second Manager and Assistant Manager (1997-2001) positions within the same branch. Between 2001 and 2003, he became Vice Manager. Then, he continued as Manager of central branch in the Corporate Banking Department in 2003 until 2009. In 2009, he was appointed as Assistant General Manager primarily responsible for Credits Operations, International Banking Operations, Payment Systems Operations, Banking Services Operations and Risk Follow-Up Departments. As of January 2017, he was appointed as Senior Assistant General Manager. He continues his duty as Senior Assistant General Manager. Departments which Simitcioğlu is responsible for: Sales Job Family, Marketing Job Family, Treasury and Financial Institutions.

Mehmet Ali VERÇİN**Deputy General Manager**

Mr. Verçin was born in Kurtalan (Siirt) in 1962. He graduated from the Department of Economics of the Faculty of Political Sciences in Ankara University. He worked for several private companies between 1984 and 1993 as the manager of exporting affairs as well as marketing manager. He started working as a Specialist in Marketing Projects in Albaraka Turk in 1993. He has been promoted as Chief, Second Manager, Assistant Manager and then onto Executive in the Project and Marketing Department (1993-2000) at Albaraka Turk. Mr. Verçin has been Assistant General Manager since 2005 responsible for Corporate Marketing, Treasury Marketing and Investment Projects Departments. As of January 2017, he was appointed as Senior Assistant General Manager. Departments which VERÇİN is responsible for: IT Job Family, Operations Job Family, Human Values Job Family

Temel HAZIROĞLU**Chief Finance Officer**

Mr. Haziroğlu was born in Trabzon in 1955. He graduated from the Department of Mathematical Engineering in Istanbul Technical University (1980) and completed his Master's Degree in Management Department of Social Sciences Institute at

Istanbul Sabahattin Zaim University (Istanbul, 2015). He worked as a programmer, system analyst and Assistant Manager of IT for Türkiye Emlak Bankası. He worked as the IT Manager at Albaraka Turk between 1986 and 1991. He continued in the trading sector as an independent consultant from 1992 to 1995. In 1996, he was again appointed to Albaraka Turk where he worked as Manager of IT department and Deputy Manager of Human Resources and Administrative Affairs Department. Since January 2017, he is responsible for Financial Affairs Department, Financial Reporting Department, Strategic Planning Department, and Process Management and Organization Department

Nihat BOZ**Chief Legal Officer**

Mr. Boz was born in Kars in 1963. He graduated from the Faculty of Law in Istanbul University in 1985. After being a self-employed lawyer between 1985 and 1987, he was appointed as a lawyer to the Legal Affairs Department at Albaraka Turk in 1987. He later became Assistant Manager and Manager within the same department (1995-1996). Between 2002 and 2009, Mr. Boz was head legal consultant at Albaraka Turk. He served as Assistant General Manager responsible for Legal Advisory and Legal Follow-Up Departments of Albaraka Turk from December 2009 until January 2017. He has been the Assistant General Manager for Legal Advisory since then.

Süleyman ÇELİK**Chief Administrative and Human Values Officer**

Mr. Çelik was born in Samsun in 1963. He graduated from Faculty of Economics and Administrative Sciences, Public Administration Department of Marmara University. In 1988, he started his working life in the Foreign Operations Department at the Albaraka Turk. Respectively, he worked in the Foreign Operations Department between 1988 and 1996, Fatih Branch between 1996 and 1997, and Ümraniye Branch between 1997 and 2000. But, in 2000, He resigned from Albaraka Turk Participation Bank and began working at Türkiye Finans Participation Bank. Between 2000 and 2011, respectively, he was a manager at Ümraniye Branch, Sultanhamam Branch, Credit Operation Department and Human Resource Department. In 2011, he returned to Albaraka Turk Participation Bank and became a manager in the Üsküdar Branch. In 2012, he was appointed as a manager of Human Values Department and continued this duty until 2017. He has become an Assistant General Manager in the month of January 2017 and he is responsible for Human Values Department, Education, Performance and Career Development Department, Administrative Affairs Department, and Construction and Real Estate Department

Nevzat BAYRAKTAR**Chief Sales Officer**

He was born in 1969 in Bayburt. He graduated from Eskişehir Anadolu University, Department of Management in 1993. He received English language education at Leeds Metropolitan University in England between the years 1993-1994. He has the certificate of independent accountant and financial advisor and the certificate of independent auditor. After working at Esbank in Foreign Transactions Department approximately for 1 year, he started to work at Albaraka Türk in Project and Marketing Department as Assistant Specialist. Mr. Bayraktar, who continued to work at Albaraka Türk as the second manager in the Main Branch in 2003, became the Central Branch Manager in 2010 and continued this service until the end of 2016. He was appointed as Vice President in January, 2017. He has still been serving as Vice President responsible for Corporate Sales Department, Commercial Sales Department, Retail Sales Department, regions and branches.

Fatih BOZ

Chief Operations Officer

Mr. Boz was born in Edirne in 1973. He graduated from the Faculty of Political Sciences of Ankara University in 1995. He completed his Master's Degree in political science from the same university. In 1995-1998, he worked as a director for various companies. In 1998, he joined Albaraka Turk family as an inspector assistant in the Inspection Board. In 2003, he served as Deputy Director of Operations Department, Branch Manager in 2006-2009, Manager at Project Management Department in 2010-April 2011, and later as Credits Operations Manager. During his tenure, he worked on many bank projects. In January 2017 he was appointed as Assistant General Manager responsible for central operations 2017 and he is responsible for Credit Limit Management Department, Banking Services Operations Department, Foreign Trade Operations Department, Payment Systems Operations Department, and Credits Operations Department.

Hasan ALTUNDAĞ

Chief Marketing Officer

Having graduated from Ankara University Department of Economics, Hasan Altundağ started his banking career in 1986 at Yapı ve Kredi Bank as an internal auditor at the Board of Auditors. Until 1999, he served as Auditor, Assistant Manager responsible for Operations and Assistant Field Manager respectively. Altundağ, who served as the Branch Manager at a participation bank between 1999-2004, joined Albaraka Türk Participation Bank family in March 2004. He served as the Manager of the Sultanhamam Branch at Albaraka Türk between 2004-2005, as Marketing Regional Manager between 2005-2011, as the Manager of the Transformation Administration Office between 2011-2013 and as the Manager of Strategy and Corporate Performance Department between 2013-2016. Hasan Altundağ, who was appointed as the Vice President responsible for Marketing as of January, 2017, has still been serving as Vice President responsible for Product Management Department, Alternative Distribution Channels Department, Marketing Department and Corporate Communications Department. He also serves as a member of board in Albaraka Kültür Sanat ve Yayıncılık A.Ş. and Financial Literacy and Inclusion Association (FODER).



Deniz AKSU

Chief Risk Officer

Mr. Aksu graduated from Economics in Middle East Technical University. He started his banking career as a corporate portfolio manager in Pamuk Bank in 1995. He became Bursa District Manager in Yapı Kredi Leasing Corporation in 1997. After 1998, he continued his career as Corporate and Commercial Sales Head in Citibank and in 2008 he got Senior Branch Manager Position in HSBC. Mr. Aksu joined Albaraka Turk Participation Bank in 2012 and he became Assistant General Manager responsible for Credit Risk in 2017. He worked as the head of Corporate Marketing Department for 5 years. Mr. Aksu is now responsible for Credit Intelligence Management, Credit Risk Monitoring Management, Collection Management and Legal Supervision Management as an Assistant General Manager Responsible for Credit Risk.

Malek Khodr TEMSAH

Chief Treasury and Investment Officer

Mr. Temsah was born in Beirut, Lebanon in 1981. He received his Bachelor of Business Administration from The George Washington University (Washington D.C., 2003). He completed his Master's Degree in Business Administration from Thunderbird, the Garvin School of International Management (Arizona, 2006). In 2003, Mr. Temsah began his career with Bank of America Business Banking in Washington DC followed by his tenure at the London-based European Islamic Investment Bank between 2007 and 2009. In 2010 he joined leading global Islamic bank Albaraka Banking Group, Bahrain as Vice President of Treasury where he established & oversaw the sukuk desk until 2014.

Since 2014, Mr. Temsah has been working with Albaraka Türk Katılım Bankası and is also currently a member of the board of directors for one of Morocco's first Islamic banks where he serves on the audit and remuneration committee.

Cenk DEMİRÖZ

Chief Credits Officer

Mr. Demiroz was born in Istanbul in 1973. He graduated from Economics in Boğaziçi University in 1996, ranking within 119 Economics graduates, and received his Master's Degree from Cornell University in 2000. He started his career as a Corporate RM at HSBC Bank in 2000 and served as Department Manager between 2002 and 2010 in Corporate and Commercial Credit Department. He joined ING Bank as co-head of Commercial and SME Credit & Risk in 2010. In November 2010, he returned to HSBC Bank as Director responsible for Corporate, Commercial and Financial Institutions Credit Approvals and Counterparty and Market Risk Management. He has joined Albaraka Turk Participation Bank as Assistant General Manager and is responsible for Corporate, Commercial and Retail Lending.



PRODUCT, TECHNOLOGY AND INNOVATIONS OF ALBARAKA TÜRK

Albaraka Türk continues its innovative and reformist activities in full speed. With the goal of being the pioneer of the industry with digital banking and organizational projects in 2017, Albaraka Türk expands its goals in 2018. Albaraka Türk continues its progress as the participation bank of the digital age and the pioneer of innovation with its initiatives like Discover In-house Entrepreneurship and Mobile Wallet.

Discover In-house Entrepreneurship

With the launch of Discover In-house Entrepreneurship program in 2017, Albaraka Türk boosted the entrepreneurial spirit by supporting the innovative ideas and projects and created a wide entrepreneurial ecosystem within the organization.

By increasing its customer population with its experience in participation banking and service quality, Albaraka Türk continues its support for Turkey's development with its entrepreneurial projects. Within the context of Discover In-house Entrepreneurship program, Albaraka Türk provides support to 11 in-house entrepreneurs for their projects.

Albaraka Garage

Albaraka Garage was launched in 2017 to make future's products with today's innovative ideas in technology in the banking industry and provide support to entrepreneurs with incubation and acceleration opportunities.

As the first Start-up Accelerating Center established by a participation bank in the world, a total of 455 entrepreneurs applied to Albaraka Garage. Among the applicants, 10 of them were selected for the first period. Techsign, Kartoon 3D, Omnibus, Rubicio, Kobikit, Inooster, Hesapöder, Yemexpress, Akıllı Ekser, Vola had the opportunity to benefit from the acceleration program offered by Albaraka Garage.

Albaraka Dış Ticaret Hizmet Paketleri'yle Dünyanın Ticaretini Yapın

Size en uygun paketi seçin.
İthalat ve ihracat işlemlerinizi masraflarınızı azaltın

Silver PAKET Gold PAKET Platinum PAKET Vip PAKET

444 5 666
0850 222 5 666
albaraka.com.tr

alBaraka
değerlerinize değer katıyoruz

Sanayicilere
BSMV İstisnaları
Finansman
İmkânı
Albaraka'da!

Sanayi sicil belgesi bulunan müşterilerimiz, makine ve teçhizat alırken BSMV İstisnaları Makine Ekipman Finansmanı'nı şubelerimizden kullanabilecek.

%0
BSMV

alBaraka
değerlerinize değer katıyoruz

iAlbatros

Albaraka Türk made improvements in its New Integrated Main Banking System which was established in 2015 and launched the International Banking Package iAlbatros. With a flexible infrastructure to comply with the banking regulations of various countries, iAlbatros will be used in foreign branches to be opened by Albaraka Türk.

With its vision of 'being the world's best participation bank', Albaraka Türk, the first participation bank of Turkey, made improvements in Albatros (Integrated Main Banking System) which has been in service since 2015, to create iAlbatros, the participation banking package for foreign branches.

Mobile Wallet

Albaraka Türk continues to provide the best service to its customers with 30 years of experience in participation banking. Albaraka Mobile Wallet facilitates contact-free, fast and safe payment. As a pioneer of the participation banking Albaraka Türk targets to offer innovative experiences to its customers and increase its customer population by following the technology closely.

With this strategy, Albaraka Türk became the first participation bank in the world to launch contact-free payment application "Albaraka Mobile Wallet" at the same time with Visa and Mastercard. Albaraka Mobile Wallet can be used with Android smart phones and POS devices with contact-free feature which comply with the "Near Field Communication" (NFC) technology.

With Mobile Wallet application Albaraka Türk customers can make their shopping easily and monitor their credit card limit, current account information, etc. In this way, customers have the opportunity to manage their Albaraka Türk credit cards on a single platform.

Forget having difficulty in making your non-discretionary payments!



Feel the relief from Albaraka's
short term interest-free
financing option for your tax
and SSI payments.

Value-adding solutions for
businesses are at Albaraka.



0850 222 5 666

444 5 666

albaraka.com.tr

alBaraka 
Albaraka Turk Participation Bank



In 2017, we maintained our efficiency- and digitalization-focused growth.

Ufuk UYAN
General Manager-Kuveyt Türk

Despite global developments and regional tensions, macro overview of the Turkish economy recovered to a great extent and participation banking industry continued to grow with continuous progress. As of the end of 2017, participation banks' assets increased by 20.5%, equities by 18.7% and funds extended by 25.5%. As of December 2017, banking industry's net profit increased by 30.8% while net profit of the participation banking industry increased by 43.2% annually. Accordingly, return on equity and return on assets have improved.

Product diversity offered to interest sensitive owners of savings continued to expand. In particular, lease certificates (sukuk), shares which qualify participation index criteria, investment funds, and Individual Retirement System (BES) funds within the retirement system were the leading investment instruments. Net profit for participation banks with 15,029 employees in 1,032 branches has been TL 1.6 billion. Funds collected were realized as TL 107 billion and funds extended were TL 111 billion. CGF guaranteed funds caused an increase in credit appetite and fund growth, thus leading to a boom in economic activity and growth of our country.

For us, 2017 has been a year of continuous growth without compromising our innovative vision, our values and our robust banking perception. We increased our focus on efficiency by operational excellence, digitalization, automated processes and decision support systems. We increased our net profit by 24.4% year over year to reach TL 674 million in 2017. Our

funds collected reached TL 39.9 billion and funds extended reached TL 38 billion as of 2017 year end. Total assets increased to reach TL 57.1 billion and equity has been TL 4.6 billion.

We put CGF guaranteed credits at the first lines of our agenda at the beginning of 2017 and accordingly we used them effectively to extend funds of TL 3.8 billion to SMEs. Number of branches all over Turkey has reached to 399. With sustainable growth and effective risk management without compromising on asset quality, non-performing loan ratio as of 2017 year end has been 1.85%. On the other hand, late collection coverage ratio has been 93.4% with a record increase of 15 points compared to prior year.

We expanded our network of physical branches and diversified our digital banking services. We launched many services such as 5/24 Treasury, Transfer Money to Mobile, Cash Withdrawal with QR Code, our new generation credit card Sağlam Card as well as many novelties like 'İyi ki' (So Glad) employer brand, 'My Basket' fringe benefit package, banking school and API market platform.

We are among the first three in gold deposits in our industry as the bank with the widest product

We are among the first three in gold deposits in our industry as the bank with the widest product range in gold banking which we have been leading to bring in the unrecorded gold savings into the economy.

range in gold banking which we have been leading to bring in the unrecorded gold savings into the economy. Breaking new grounds in the Turkish banking industry with products such as Golden Days, Gold-to-Gold Participation Account, Quarter Gold Coin Account, Gold-Dispensing ATM's, Kuveyt Türk helped transfer 13 tons of gold from under-the-mattress savings into the national economy. In 2017, we brought in 1.8 tons of gold into the economy. Gold accounts at our bank reached 17.9 tons with a value of TL 2.8 billion.

As a bank which cares about technology and innovation, we prepare for the upcoming periods where keystones of the banking industry will change, customer demands and expectations will increase and collaboration with third parties will become inevitable. Accordingly, we make our investments to provide for the required infrastructure and gain competitive advantage. In this context, by initiating various projects to support FinTech developers and entrepreneurs we launched the most comprehensive API Market Platform of the Turkish banking industry in December 2017. At the first phase, by opening 25 APIs to the developers, we provided an opportunity for entrepreneurs and FinTech developers to develop new applications in a more practical and faster manner. In the upcoming periods we plan to expand the scope of the API Market Platform by adding new services. Additionally, we continue to work on integrating artificial intelligence technologies, particularly biometric solutions, into our mobile branch and the entire system.

Besides efficiency, our Bank cares about employee development and continues to invest in training technologies. In this context, another first in interest-free banking sector has been realized and we launched Kuveyt Türk Banking School.

Another important development for us in 2017 was Lonca Entrepreneurship Center. We established the Lonca Entrepreneurship Center in September in cooperation with Workinton to take part in the entrepreneurship ecosystem which we were involved in for a long time and increase the value added products and services we offer to our customers. During the first period of Lonca Entrepreneurship Center, we provided support to 10 start-up's in many areas such as training, project based mentorship, multi-location incubation services,

Our goal is to increase the number of active users of our digital channels to more than 1 million in 2018.

R&D support to device developing entrepreneurs, API for FinTech's in particular and mentorship on this specific area. We paid particular attention to collaborate with entrepreneurs with products on hand. We launched one of the products of the first period of Lonca, FulleGitsin (Fill it up to Go), a short while ago to be used by our customers in agricultural industry and our employees. We are working on introducing another graduate of the first period of Lonca, SmartFactory, to our customers which particularly own a manufacturing line. Trainings of the second period continue. In addition to all of these, we founded Architect technology firm to develop fast and marketable products in banking services to be used by our Bank as well as others in both domestic and international markets.

As Kuveyt Türk, our main agenda in 2018 will be digital transformation. We initiated organizational requirements to accelerate the digital transformation process. Our goal is to increase the number of active users of our digital channels to more than 1 million in 2018. We will continue our technology focused growth by developing products and services in areas that we follow closely such as blockchain, information security, artificial intelligence, big data, augmented reality (AR) and virtual reality (VR). In 2018, we will continue to add value to Turkish economy with our vision of sustainable growth and introduce innovations to our industry with our vision of humanitarian finance oriented digitalization.

KUVEYT TÜRK KATILIM BANKASI A.Ş.

| | |
|--------------------------------------|---|
| Establishment Date | 1989 |
| Main Shareholders* | Kuwait Finance House 62.24% Kuwait Public Institute for Social Security 9% Islamic Development Bank 9% General Directorate Foundation, Turkey 18.72% Others 1.04% |
| Chairman | Hamad Abdulmohsen ALMARZOUQ |
| General Manager | Ufuk UYAN |
| Headquarters | Büyükdere Cad. No: 129/1 34394 Esentepe, İstanbul/Turkey |
| Phone | +90 212 354 11 11 |
| Fax | +90 212 354 12 12 |
| Web Site | www.kuveytturk.com.tr |
| Swift Code | KTEFTRIS |
| EFT Code | 205 |
| Number of Domestic Branches | 397 |
| Number of Branches Abroad | 1 |
| Financial Subsidiaries Abroad | 1 |
| Number of Employees | 5,746 |

*The Bank's shareholders with an interest of 10% and above, their shares and the percentage of publicly held shares.

Ufuk UYAN**CEO**

Ufuk Uyan graduated from Boğaziçi University, Department of Economics in 1981 and received his master's degree from the Department of Business Administration at the same university in 1983. After beginning his professional career as a Research Assistant at the Boğaziçi University, Department of Economics in 1979, he served as a Research Economist at the Turkish Industrial Development Bank's Directorate of Special Research in 1982. Mr. Uyan became a Deputy Project Manager at Albaraka Türk in 1985 and joined Kuveyt Türk as the Director of Projects and Investments in 1989. He was appointed as Executive Vice President in 1993 and later Executive Assistant to the CEO. Ufuk Uyan has been the Bank's CEO since 1999 and also serves as member of the Board of Directors, Executive Committee, Credit Committee, Remuneration and Nomination Committee, and Corporate Social Responsibility Committee.

Abdurrahman DELİPOYRAZ**Executive Vice President - SME Banking**

Mr. Delipoiraz graduated from the Industrial Engineering Department of İstanbul Technical University. He began his career in Kuveyt Türk family at the Project and Investment Directorate and he worked at the Corporate and Commercial Banking Sales Directorate and Financial Analysis and Information Directorate till 2000. Mr. Delipoiraz worked as the Branch Manager at Beşyüzevler and Bakırköy branches between 2000 and 2004 and he was assigned as the Regional Manager in December 2004. He worked at İstanbul Europe 1 and İstanbul Anatolia Regional Directorates. He has been serving as the Executive Vice President of SME Banking since January 2015.

Ahmet KARACA**Executive Vice President - Financial Control (Chief Financial Officer)**

Ahmet Karaca graduated from Ankara University, Faculty of Political Sciences, Department of Public Administration in 1990. Starting his career as Assistant Sworn Bank Auditor at the Undersecretariat of the Treasury in 1992, Mr. Karaca was promoted to Sworn Bank Auditor in 1995. Joining the Banking Regulation and Supervision Agency of Turkey with the same title and function in 2000, he became the Deputy Chief Sworn Bank Auditor at the Banking Regulation and Supervision Agency of Turkey between 2002 and 2003 and was appointed Chief Sworn Bank Auditor in 2004. Between 2004 and 2006, Ahmet Karaca received a master's degree in Economics from the State University of New York at Albany, with a master's thesis on International Banking and Capital Markets. Mr. Karaca joined Kuveyt Türk in July 2006 as Executive Vice President of Financial Control (Chief Financial Officer), a position he continues to hold.

Ahmet Süleyman KARAKAYA**Executive Vice President - Corporate and Commercial Banking**

A. Süleyman Karakaya graduated from İstanbul University, Faculty of Economics, Department of Business Administration and Finance in 1979. Mr. Karakaya began his banking career as an Inspector at Garanti Bank and he worked at the Audit Committee, Risk Management department Loans Department and Regional Directorates of the same bank between 1981 and 2003. Mr. Karakaya has been working as the Executive Vice President of Corporate and Commercial Banking at Kuveyt Türk since 2003.

Aslan DEMİR**Executive Vice President - Strategy**

Aslan Demir graduated from Marmara University, International Relations Department. He completed his Master's degree at Sheffield University with thesis on topic of Critical Elements of Strategy Implementation in Banking Sector. He began his

banking career in Kuveyt Türk Treasury Department in 1995, served at the Treasury Department for six years and continued his career at Project Management and Quality Department between 2001 and 2004. He was assigned as the Project Management and Quality Manager in 2005 and he continued his career as the Information Technologies Group Manager upon the new set-up in 2007. Since October 2012, Mr. Demir has been serving as the Executive Vice President of Strategy, Human Resources, Digital Transformation, Corporate Communication and Corporate Performance Management while continuing to perform his duties at Katılım Emeklilik ve Hayat A.Ş. and Architech Bilşim Sistemleri ve Pazarlama Ticaret A.Ş. as a Board Member.

Bilal SAYIN**Executive Vice President - Chief Credit Officer**

Bilal Sayın graduated from the Public Administration Department of Middle East Technical University in 1990. He joined the Kuveyt Türk family in 1995 and he has been serving as the Chief Credit Officer at Kuveyt Türk since 2003.

Hüseyin Cevdet YILMAZ**Executive Vice President – Chief Risk Officer**

Hüseyin Cevdet Yılmaz graduated from the Business Administration Department of Boğaziçi University in 1989. He began his banking career as the Assistant Internal Auditor in Esbank Internal Audit and Inspection Department. After having served as Internal Auditor and Branch Manager in the same institution, he began his duty as the Head of Internal Audit and Inspection Department in Kuveyt Türk in September 2000. He was assigned as the Audit and Risk Group manager in 2003. Mr. Yılmaz has been serving as the Chief Risk Officer since 2012.

İrfan YILMAZ**Executive Vice President - Banking Services**

Mr. Yılmaz graduated from the Management Engineering Department of İstanbul Technical University in 1989. He began his banking career at the Financial Affairs Department in Kuveyt Türk in 1990 and he was assigned to Internal Audit and Inspection Department in 1996 and he served as the Head of Internal Audit and Inspection Department between 1998 and 2000. Mr. Yılmaz was assigned as the Individual Banking Manager in 2000 and after having worked at the Individual Banking Department for five years, he was assigned as the Executive Vice President of Individual Banking and Enterprise Banking in 2005. He has been serving as the Executive Vice President of Banking Services since October 2012.

Mehmet ORAL**Executive Vice President - Retail Banking**

Mehmet Oral graduated from the Business Administration Department of Uludağ University. He began his career in Kuveyt Türk family at the Head Office Branch in 1992. He worked as the manager in İMES, Bursa and Merter branches between 2000 and 2005 and he was assigned as the Regional Manager at the İstanbul European Side Regional Directorate in 2005 after the transition to Regional Directorate structure. After having served as the Regional Manager for 4 years, he continued his career as the HR, Training and Quality Group Manager in 2009. He has been serving as the Executive Vice President of Retail Banking since October 2012.

Nurettin KOLAÇ**Executive Vice President - Law and Risk Follow-up**

Nurettin Kolaç graduated from Faculty of Law at Marmara University. He served as an attorney and legal counselor in banking, leasing and insurance industries for 16 years. He worked as the Vice Head of Department and Head of Department (Legal) in Banking Regulation and Supervision



Agency for six years starting from 2004. He joined Kuveyt Türk in April 2010 as the Executive Vice President of Law and Risk Follow-up. Nurettin Kolaç is also a member of the Board of Directors at KT Portföy Yönetim A.Ş. as well as the chairman and member of several working committees in professional associations for the banking industry. With 29 years of experience in law and banking Mr. Kolaç has been serving as the Executive Vice President of Corporate, Commercial, SME and Retail Risk Follow-up, Credit Risk Monitoring, Collateral Monitoring, Customer Rights and Legislation, and Law and Risk Follow-up.

Dr. Ruşen Ahmet ALBAYRAK

Executive Vice President – Treasury and International Banking
Dr. Ruşen Ahmet Albayrak graduated from the Industrial Engineering Department of Istanbul Technical University. He received master degree in Organizational Leadership and Management at the University of North Carolina at Pembroke (USA) in 1993 and PhD degree on Technology Management at Istanbul Technical University, from the Department of the Business Administration in the Social Sciences Institute in 2007. Having joined the participation banking sector 30 years ago, Mr. Albayrak has been serving as the Executive Vice President at Kuveyt Türk since 2005. He managed the Banking Service Group till October 2012 and he was assigned as the Executive Vice President of Treasury and International Banking as of the same date.



PRODUCT, TECHNOLOGY AND INNOVATIONS OF KUVEYT TÜRK

NEW TURKISH RECORD IN SUKUK

Kuveyt Türk realized lease certificate issuance of TL 2.3 billion in 2017, up 35% compared to prior year. In 2017, the Bank broke the record of "highest amount of lease certificate issuance in TL at one time in the participation banking industry" by issuing a lease certificate at the amount of TL 400 million with a term of 106 days. Additionally, Kuveyt Türk's 100% owned subsidiary KT Sukuk Varlık Kiralama A.Ş. was the intermediary for the issuance of lease certificates of DRD Filo Kiralama and T.C. Toprak Mahsulleri Ofisi at a total amount of TL 150 million.

NEW GENERATION CREDIT CARD

In 2017, Kuveyt Türk offered its new generation credit card Sağlık Card taking Turkish people's shopping needs into consideration. Unlike many other banks, there are no card fees for Sağlık Card and it's offered in three levels, Platinum, Gold and Classic. Sağlık Card users do not pay any profit share or term difference for payments up to 5 installments in purchases at health and education sectors. At the same time, customers who use the card regularly for payments of TL 200 or above each month for 12 months and who make their payments on time receive a golden point of TL 50.

HIGH ASSET QUALITY

In an environment of sustainable growth, without compromising on effective risk management and asset quality Kuveyt Türk's non-performing loan ratio decreased to 1.85% which is below the banking sector's average of 2.95%. On the other hand, coverage ratio has been 93.4% with a record increase of 15 points compared to prior year.

CASH WITHDRAWAL WITH QR CODE- TRANSFER MONEY TO MOBILE

From the first day it was founded Kuveyt Türk has been offering innovative products to present the best solutions to its customers and to be the pioneer of the development of participation banking. In 2017, the Bank launched new applications like Cash Withdrawal with QR Code and Transfer Money to Mobile. With these applications Kuveyt Türk customers using the Mobile Branch can send money to anyone whom they know the phone numbers without the need for an IBAN or account number and withdraw money from the ATM's without their cards.

LONCA ENTREPRENEURSHIP CENTER WAS ESTABLISHED

Towards the goals of supporting the entrepreneurs who want to put their ideas and projects into practice and increasing value added products and services offered to its customers by taking part in the entrepreneurship ecosystem, Kuveyt Türk established The Lonca Entrepreneurship Center in September 2017 in collaboration with Workinton. Various forms of support has been provided

to start-up's such as training, project based mentorship, multi-location incubation services, R&D support to device developing entrepreneurs, API for FinTech's in particular and mentorship on this specific area. During the first period of Lonca 10 start-ups were supported, namely Compocket, Catchman, FulleGitsin, Bisigortaci.com, Fosefi, SmartFactory, Nakitex, Zeeg Zag, Ratorik and Yobot.

API MARKET OF THE BANKING INDUSTRY

In December 2017, Kuveyt Türk launched the most comprehensive API Market Platform of the Turkish banking industry. At the first phase, by opening 25 APIs to the developers, a significant opportunity has been offered to entrepreneurs and FinTech developers to develop new applications in a more practical and fast manner. In 2018, the Bank targets adding other transactions to API Market Platform such as listing of credit cards, bank cards and virtual cards, screening and payment of credit card statements, invoice transactions, loading airtime to mobile phones and virtual POS management.

5/24 FOREIGN EXCHANGE AND GOLD TRADING WITH FAVORABLE MARGINS

As of September 2017, as a solution to high margins for foreign exchange and gold trading outside business hours, Kuveyt Türk offered an opportunity to make foreign exchange and gold trading transactions with favorable margins 24 hours a day during business days. This way, customers can make foreign exchange and gold trade transactions with favorable margins at Kuveyt Türk's internet and mobile branches, ATM's, XTM's and call center without an additional application or request at any time.

SCHOOL OF INTEREST-FREE BANKING

Besides efficiency, our Bank cares about employee development and continues to invest in training technologies. In this context, another first in interest-free banking sector has been realized and Kuveyt Türk Banking School was launched.

THE BEST FOR THE FOURTH CONSECUTIVE TIME

Kuveyt Türk R&D Center was granted the "Best R&D Center" award given at the 6th Private Sector R&D and Design Center Summit organized by Science and Technology Management of Turkish Republic Ministry of Science, Industry and Technology for the fourth consecutive time. Kuveyt Türk's awards were not limited to that. With Sağlık Card, the Bank was granted the "Best New Generation Credit Card" award at the "World's Best Islamic Financial Institution" competition organized by Global Finance Magazine. Additionally, Kuveyt Türk received the first and second prizes in different categories at the Finance Technology Awards 2017 where the best finance technology projects compete.

Banka hesabı olmasa bile Mobil Şube ile Cebe Para Gönder!

Mobil Şube ile cep telefonu olan herkese para göndermek çok kolay. Hem de 7 gün 24 saat!

- Mobil Şube ile göndermek istediğiniz tutarı girin.
- Karşılığınizi cep telefonunuza bildirimle bildiririz.
- O da bu referans koduyla İstanbul'daki Kuveyt Türk ATM'sinden parayı çekin.

ÜCRETSİZ

KUVEYTTÜRK

KUVEYTTÜRK SAĞLAM KARTI

Sağlamcı ol, CEBİNİ SAĞLAM'A BAĞLA.
Sağlam Kartı, Kuveyt Türk'ten.

KİŞİSEL KARTI ÜCRETİ YOK!
HER AY 50 TL İZCİSİZ ALTM ÖDENE!
SAĞLAM KARTI SAĞLAM KARTI SAĞLAM KARTI SAĞLAM KARTI SAĞLAM KARTI

Başınıza ve aynınıza hoş:
• Kartınızla alışveriş yapın. • Kartınızla para çekin. • Kartınızla para gönderin.

Projen hayallerde kalmamasın, Lonca'da canlansın.

Hayalindeki projeyi hayata geçirmek için ihtiyacın olan her şeyi Lonca Girişimcilik Merkezi'nde bulabilirsin.

Yeni bir başarıya ulaşmak için bu projeyi hayata geçir. Başarıya ulaşmak için bu projeyi hayata geçir.

Son gün: 31 Ağustos 2017

KUVEYTTÜRK

lonca girişimcilik merkezi

"The Right Way" by Kuveyt Türk

In Kuveyt Türk there is no account maintenance fee unconditionally.

Online EFTs and money transfers are free unconditionally.

It is a given that terms, rates and stipulations in contracts made with Kuveyt Türk remain as agreed.

Costs of services and products are stated clearly.

Clients of Kuveyt Türk know better to save rather than spend.

No product or service is purchased without detailed knowledge.



KUVEYTTÜRK
PARTICIPATION BANK INC.



Our new customer focused business model was implemented in 2017.

Wael Abdulaziz A. RAIES
General Manager-Türkiye Finans

INNOVATIVE PRODUCTS WILL EXPAND THE SECTOR

Our new customer focused business model was implemented in 2017. Türkiye Finans continues to strive to not only be a financial institution but also a real business partner for all of its stakeholders. The Bank currently operates with 287 branches and 3,767 employees, maintaining its strong capital structure.

Türkiye Finans commanded TL 39.1 billion of total assets at the end of 2017. The volume of funds allocated, which had the biggest share in assets, stood at TL 26.5 billion while funds collected, which had the biggest share in liabilities, was realized at TL 22 billion. The bank had a market share of 1.2% in the sector in terms of assets, funds allocated and funds collected as of the end of 2017.

Looking at Türkiye Finans' share in the participation banking sector in the same period, the Bank had a 24% share in assets, 25% in funds allocated and a 21% share in funds collected.

Türkiye Finans utilized TL 3.5 billion worth of funds in 2017 as part of the Credit Guarantee Fund and achieved a 2% market share. Maintaining its strong capital structure, Türkiye Finans increased its shareholder's equity by 11% to TL 4.1 billion during 2017. Türkiye Finans' standard capital adequacy ratio was realized at 18.22%, a level higher than the average for the sector (16.87%) and participation banks (16.98%). Türkiye Finans closed 2017 with a net profit of TL 375 million, marking an increase of 27% YoY.

WE WERE THE LEADER IN THE SECTOR WITH A CREDIT GUARANTEE FUND-BACKED CREDIT UTILIZATION OF TL 3.5 BILLION IN 2017

Türkiye Finans offers solutions to help meet SMEs' need for resources. The Bank transferred TL 3.5 billion to its customers, who serve as the motor of the economy, with the CGF guaranteed funding opportunity thanks to its cooperation with the Credit Guarantee Fund in 2017. With this performance in CGF supported transactions, Türkiye Finans was ranked 1st among Participation banks and 13rd in the banking sector as a whole. The volume of Credit Guarantee Fund guarantees that have been offered to Türkiye Finans customers since 2010 reached TL 4.7 billion in 2017.

At Türkiye Finans, we distinguish ourselves among the sector thanks to our close relations with our customers established through guidance counseling services that benefits the day-to-day operations of SMEs.

WE CROWNED OUR WORK WITH AWARDS

At the 2017 "Technology Awards" granted by the International Data Corporation's (IDC) Turkey Office, a leading global research organization in information technologies and telecommunication,

Maintaining its strong capital structure, Türkiye Finans increased its shareholder's equity by 11% to TL 4.1 billion during 2017.

our Bank won the third place with its TFXTARGET mobile application in the categories of both "Digital Channels" and "Transaction Fraud Management and Security and Fraud/Abuse Management". Reaping the fruits of our hard work in "Digital Transformation", we will once again be prioritizing our efforts towards this transformation among our 2018 goals.

A VANGUARD IN INNOVATION AND DIGITAL BANKING

Crowning our competence in innovation with the title of being the 3rd bank to obtain R&D Center approval, Türkiye Finans acts with the aim of improving customer service and expanding digital access.

In recent years, digitalization has become one of the prioritized areas of focus for banks. Following this trend, banks and financial institutions have been channeling their investments towards digitalization. In a bid to adapt to the digital transformation and the evolving trends of digital banking worldwide, at Türkiye Finans Participation Bank, we are continue to invest on these fields. One of the most tangible expressions of digital transformation in our bank is the 2017 launch of the mobile application of the TFXTARGET platform, a first in the sector that was initiated by our bank back in 2014.

TFXTARGET Mobile enables users to simultaneously monitor global foreign exchange, precious metal and commodity markets and carry out instant transactions in 34 currencies via their smartphones 24 hours a day throughout the week, without having to visit branches or even sign in to online banking.

The mobile application of TFXTARGET was received well in the market marking it as the first and only product of this category in Turkey. At Türkiye Finans, we will continue our investments in digital to offer our customers innovative and higher quality products and services with greater value added. Since 2008 we have important collaborations with Fintech companies and we are also collaborating with leading Fintech companies to jointly develop mobile, IOT, API management-related projects.

A first in the participant bank product range, the "Bol Kepçe" account is an innovative product which combines the participation account and the lease certificate in one.

WE INTRODUCED OUR INNOVATIVE PRODUCTS AND SERVICES TO OUR CUSTOMERS IN 2017

In 2017, Türkiye Finans launched distinctive products designed with an innovative mindset. A first in the participant bank product range, the "Bol Kepçe" account is an innovative product which combines the participation account and the lease certificate in one. The product is the first in the participation banking product range and combines participation accounts and lease certificates. With the innovation that it brings to the sector as a hybrid product, it indicated Türkiye Finance's pioneer positioning once again.

WE WILL CONTRIBUTE TO THE GROWTH OF THE SECTOR IN 2018

Türkiye Finans will continue to quickly and effectively meet the financial needs of its customers under a customer-focused approach in 2018, backed its newly launched New Sales Service Model and redesigned segmentation structure. The aim of Türkiye Finans is to exceed expectations on the axis of products and services in line with a customer-centered philosophy by competing in the same league as commercial banks in order to expand the share out of banking industry. As we lead the participation banking sector with our experience and knowledge, we also want to source our innovation to continue delivering the firsts for 2018.

TÜRKİYE FİNANS KATILIM BANKASI A.Ş.

| | |
|--|---|
| Establishment Date | 1991 (as Anadolu Finans); 2005 Türkiye Finans |
| Main Shareholders | The National Commercial Bank (NCB) 67.03% Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. 10.57% Other Shareholders 22.40% |
| Chairman | Saeed Mohammed A. ALGHAMDI |
| General Manager | Wael Abdulaziz RAIES |
| Headquarters | Saray Mahallesi Sokullu Caddesi No: 6 Ümraniye/İstanbul/Turkey |
| Phone | +90 216 676 20 00 |
| Fax | +90 216 676 29 05 |
| Web Site | www.turkiyefinans.com.tr |
| SWIFT Code | AFKBTRIS |
| EFT Code | 206 |
| Number of Domestic Branches | 285 |
| Number of Branches Abroad | 1 |
| Number of Representative Offices Abroad | - |
| Financial Subsidiaries Abroad | - |
| Number of Employees | 3,767 |

Wael Abdulaziz A. RAIES

Board Member and CEO

Born in 1972 in Makkah, Saudi Arabia, Wael Abdulaziz A. Raies graduated with a degree in Electrical Engineering in 1996 from the King Fahd University of Petroleum & Minerals, and went on to complete a Master's degree in Business Administration at King Saud University in 2004. He joined Schulmberger Wire line & Testing (Oil Services) in 1996 as a Field Engineer operating in different geographical locations, both off-shore and on-shore, being promoted to the position of Engineer-In-Charge of Qatar land locations. He started his banking career in 1999 in the Commercial Banking business in the Saudi American Bank, a subsidiary of Citibank. He joined The National Commercial Bank Corporate business in 2002 as a Senior Relationship Manager and progressed to the Commercial Business in NCB, leading the Central Region in 2008, before going on to lead the Eastern Region in 2010. He then moved to the Head Office to lead the Commercial Business, Kingdom-wide, in 2013. Prior to his appointment as a Country Head, Wael headed the Restructuring of the Finance unit in June 2013 for a brief period. Over the years, Wael has attended specialized Engineering, Banking and Leadership courses with reputable institutions such as ISEAD, Darden and the Harvard Business School. He has been serving as the CEO and as a Board Member at Türkiye Finans Katılım Bankası as of October 2016. He has a total of 21 years of banking and professional experience.

Ahmet MERT

Executive Vice President /Credit Quality and Collections

Born in Kırşehir in 1978, Ahmet Mert graduated from the Faculty of Engineering, Department of Electrical and Electronics Engineering at İstanbul University. Starting his career in the telecommunications industry, Mr. Mert embarked on his career in the banking sector and started working in Garanti Payment Systems in 2001. He was responsible for the Credit Assignment, Monitoring and Tracking Strategies and Policies at Risk Management and R&D/Business Development Units. He joined the Turkey office of Experian, a global consultancy firm in 2006, where he worked as manager of the Consultancy and Support Unit for the Turkey and the Middle East region. In 2010, he joined Türkiye Finans group as a Risk Analysis Manager. Ahmet Mert was appointed as a principal to the role of Executive Vice President of Credit Quality and Collections on 30 September 2016, a position he had held by proxy since July 2016. His areas of responsibility at Türkiye Finans Katılım Bankası as Executive Vice President included the Credit Monitoring Department, the Collections Department, the Legal Tracking Department, Chief Legal Consultancy, the Credit Quality and Collections Analytics Department and the Remedial Department. Ahmet Mert has a total of 17 years of banking and professional experience.

Özer BARAN

Executive Vice President / Credits

Born in 1977 in İzmir, Ozer Baran graduated from the Department of Industrial Engineering at the Faculty of Engineering of Bilkent University in 1999. He graduated with a Master's degree in Financial Economics from the Department of Economics at İzmir University and continues his PhD studies in the Banking and Finance department at Kadir Has University. Mr. Baran started his professional career as an auditor in Internal Audit Department of Türkiye İş Bankası A.Ş. in 1999. He worked as the Assistant Manager in Corporate and Commercial Loans department of HSBC Bank A.Ş. between 2007 and 2009 and as the Manager in Risk Management department at Eurobank Tekfen A.Ş. between 2009 and 2010. He took on roles as Manager in Risk Policies and Reporting Department and Project Loans and Commercial Allocation Departments in Türkiye Finans family where he joined in 2010. Özer Baran was appointed as an Executive Vice President responsible for Risk Management on 30 September 2016 and has served as the Executive Vice President responsible for Loans

since 2 August 2017. His areas of responsibility at Türkiye Finans Katılım Bankası as Executive Vice President include the Project Loans and Commercial Allocation Department, the Commercial Loans and Leasing Allocation Department, the Financial Analysis and Intelligence Department, the Consumer Allocation and Small Business Loans Allocation Department and the Region Allocation Departments. He has a total of 18 years of banking and professional experience.

Fahri ÖBEK

Executive Vice President / IT Systems and Operations

Born in 1969, Fahri Öbek graduated from the Department of Computer Science and Engineering at Ege University, and went on to complete a Master's degree in Business Management from Koç University. He started his business career in Bilpa and went on to work at Egebank. He held various positions in Koçbank between 1991 and 2006. After the merger between Koçbank and Yapı Kredi in 2006, he was appointed as a Senior System Analyst in the Software Development. He served as Deputy General Manager in Charge of IT Management at the Yapı Kredi Bank between 2008 and 2010, and then worked as the Department Head in Charge of Information Technologies, Vodafone Turkey (CIO) in 2010 and 2011. He has been working as the Executive Vice President responsible for IT Systems at Türkiye Finans Katılım Bankası since June 2011. His areas of responsibility at Türkiye Finans Katılım Bankası as the Executive Vice President include the IT Technology and Infrastructure Management Department, the IT Product and Service Development Department, the IT Corporate Architecture and R&D Department, the Corporate Project Management and Corporate Development Department, the Credit Operations Department, the Commercial Credit Control Department, the Foreign Transactions Operations Department, the Payment Systems Operations Department, the Banking Services Operations Department, the Cash and Treasury Operations Department, the Organization and Process Improvement Department and the Purchasing, Construction and Administrative Affairs Department. He has a total of 27 years of banking and professional experience.

Hakan UZUN

Executive Vice President / Treasury

Born in 1968, Hakan Uzun graduated from the Middle East Technical University (METU), department of Mechanical Engineering in 1991. He went on to graduate with a Master's Degree at the University of Illinois in the United States between 1992 and 1995. He started his career in banking in 1996 at Körfezbank. He worked for various private banks as a senior executive in the area of Treasury and Financial Markets. Between 2008 and 2011, he worked at ING Bank Turkey as the Group Manager Responsible for Treasury operation, and joined the Türkiye Finans family in October 2011 as the Manager of Treasury operations. He has been serving as the Vice General Manager responsible for Treasury operations since 10 November 2015. His areas of responsibility at Türkiye Finans Katılım Bankası as the Executive Vice President include the Treasury Sales Department, the Asset Liability Management Department, the Financial Institutions Department and the Bahrain Branch. He has a total of 22 years of banking and professional experience.

Murat AKŞAM

Executive Vice President / Commercial Banking

Murat Akşam graduated from the Department of Management Engineering at İstanbul Technical University in 1990. He continued his education at Vienna University of Economics in 1990 and 1991. He was then appointed as the Sales Representative and Regional Representative at Beko Ticaret A.Ş. between 1991 and 1993 and Foreign Office Representative at Ram Dış Ticaret A.Ş. between 1993 and 1997. He started to work as a Credit Representative and Credit Allocation Manager in the Turkey Economy Bank in 1997 where he assumed the roles of Corporate Loans Manger between

2000 and 2005, Corporate and Commercial Loan Allocation Director between 2005 and 2014 and the Corporate Banking Group Director between 2014 and 2017. Murat Akşam continues his role as Executive Vice President responsible from Commercial Banking as of 2 May 2017. His areas of responsibility at Türkiye Finans Katılım Bankası as the Executive Vice President include the Commercial Branch Network and Sales Directorate, the Corporate Banking Department, the Commercial Banking Marketing Department, the ME Banking Marketing Department, the Cash Management Department and the Corporate and Commercial Branches. He has a total of 26 years of banking and professional experience.

Mete Mehmet KANAT

Executive Vice President / Finance and Strategy

Mete Kanat was born in Ankara in 1977. He studied Business Administration at Hacettepe University and holds an MBA degree from İstanbul Bilgi University. Kanat worked as a Bank Examiner at the Banking Regulation and Supervision Agency between 2001 and 2007, and as the Deputy General Manager at Creditwest Bank (Ukraine) from 2007 to 2011. Mete Kanat joined Türkiye Finans as the Director of Legal Reporting and Financial Control in 2011. He became the Head of the Risk Management Group in 2014. On 31 March 2016, he was appointed as the Vice President of Risk Management Group, while continuing with his former duty. On 30 September 2016, Mete Kanat was appointed as the Executive Vice President of Finance and Strategy. His areas of Responsibility at Türkiye Finans Katılım Bankası as the Executive Vice President include the Accounting and Tax Department, Budget, the Management Information Systems and Corporate Performance Department, the Legal Reporting and Financial Control Department and the Corporate Communications, Strategy and Program Management Department. He has a total of 16 years of banking and professional experience.

Züleyha BÜYÜKYILDIRIM

Executive Vice President / Human Resources

Born in İstanbul in 1981, Züleyha Büyükyıldırım graduated from İstanbul Bilgi University as a double major with degrees in Economics and International Relations in 2004. She started her career at Kuveyt Türk Katılım Bankası A.Ş. After joining the Türkiye Finans family in 2006, Büyükyıldırım worked at the Treasury Department and then served as Deputy Manager and Manager at the Strategy and Program Management Department. On 30 September 2016, Züleyha Büyükyıldırım was appointed as principal to the role of the Executive Vice President of Human Resources, a position she had held by proxy since June 2016. Her areas of responsibility at Türkiye Finans Katılım Bankası as an Executive Vice President include the HR Business Partner Department, the Training Department, the Remuneration and Performance Department and the Human Resources Services Department. She has a total of 14 years of banking and professional experience.

Mehmet Necati ÖZDENİZ

Executive Vice President / Retail Banking

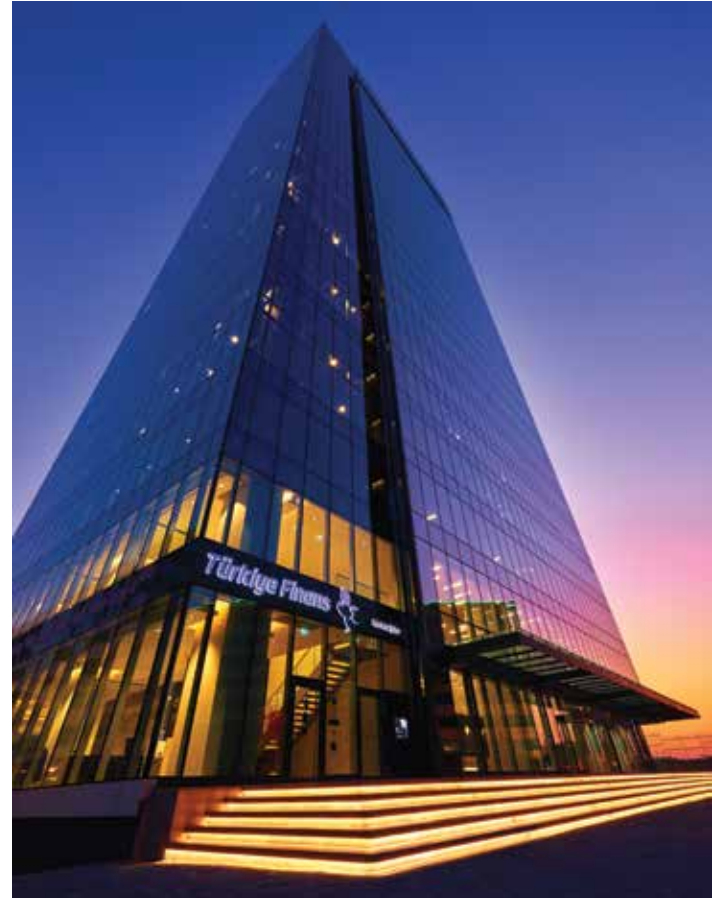
Mehmet Necati Özdeniz graduated from the Sociology Department in Middle East Technical University. He started his professional career as an Assistant Specialist in Network and System Management at Fortis Bank in 1999 before going on to work as a Research Specialist in Veri Araştırma A.Ş. and Oyak Bilgi Teknolojileri between 2000 and 2003 and as a Data Research Manager in Oyak Bank between 2003 and 2005. He started to work as the Manager of CRM and Segmentation in TEB in 2005 before transferring to Tekstil Bank as the CRM Manager in 2007. He worked as the CRM and Segmentation Manager in Aktif Bank between 2008 and 2012 and as the CRM and Campaign Management Manager at TEB between 2012 and 2013. Mr. Özdeniz joined the Türkiye Finans family in 2013 and took on the role of Customer Analytics and CRM Manager until

2015. In August 2015 he started to work as a member of the Executive Board responsible for CRM, Marketing and Corporate Communication at CarrefourSA. Mehmet Necati Özdeniz was appointed as Executive Vice President responsible for Retail Banking in Türkiye Finans on 3 April 2017 and has held that role since then. His areas of Responsibility at Türkiye Finans Katılım Bankası as Executive Vice President include Retail banking marketing and consumer finance, Entrepreneurial banking, Retail banking network and sales management, Deposits / insurance and investment products, alternative distribution channels and Digital banking, Customer data management He has a total of 18 years of banking and professional experience.

Abdüllatif ÖZKAYNAK

Internal Systems Senior Executive Vice President

Born in Antalya in 1960, he graduated from the School of Banking and Insurance in the Faculty of Economics and Administrative Sciences at Gazi University. Having started his business career in Egebank, he held various positions in the Accounting, Budgeting and Financial Control departments at the bank. He became the Financial Affairs Group Manager in the Anadolu Finans Kurumu in 1998. He assumed active roles in the merger of Family Finans and Anadolu Finans as well as in the sale of majority shares of Türkiye Finans Katılım Bankası to NCB. After working as a Financial Control Manager in the Accounting and Budget Department, he has been serving as the Executive Vice President responsible for Finance since August 2011. He took on the role of Executive Vice President of Finance in August 2011 and has been serving as the Acting CEO and as a Board Member in Türkiye Finans since June 2016. He was appointed as the Senior Executive Vice President Responsible for Internal Systems on 1 November 2016. His areas of Responsibility at Türkiye Finans Katılım Bankası as the Senior Executive Vice President include Risk Management, Board of Auditors, Internal Control Department, Compliance Department and Participation Banking Compliance and Development. He has a total of 33 years of banking and professional experience.



TFXTARGET MOBILE

One of its kind in the sector when it was launched by Türkiye Finans in 2014, the TFXTARGET platform was relaunched as a mobile application in October 2017. The TFXTARGET Mobile makes it possible to follow foreign exchange markets and precious metal commodity markets on IOS/ANDROID phones simultaneously and make instantaneous transactions at 34 different FX rates 24/5 on weekdays. The TFXTARGET will be available on tablets in 2018.

THE "BIG LADLE" ACCOUNT - A FIRST IN PARTICIPATION BANKING

Türkiye Finans launched its "Big Ladle" Account product in 2017. The product is the first in the Participation banking product range and combines participation accounts and lease certificates. The account enables customers to increase their expected returns. With the innovation that it brings to the sector as a hybrid product, it indicated Türkiye Finance's pioneer positioning once again.

A CREDIT CARD WITH AN ADVANTAGE

In 2017 Türkiye Finans continued to develop the advantages and services it offers in credit cards. The Bank continued to enjoy a stable growth performance. The mobile branch started to accept applications for the "Happy Card", while applications became more customer focused and practical. The number of application channels increased to five, to include Mobile Banking, SMS, internet banking, interactive voice responses and the corporate web site.

Türkiye Finans is the first participation bank to offer various options in credit card application requests over the corporate web site. Credit card applications and customer satisfaction were increased thanks to the corporate internet site application process, which was improved with a customer oriented approach.

In addition to the general campaigns offered by the Bank and the Bonus Platform, which the Bank is member of, campaigns that provide advantages depending on customers' usage habits were also offered in 2017.

The Troy project, which was formed by the Interbank Card Center as a national card in 2017, received support and the issuance of Troy branded bank cards was carried out.

ESNAFFİNANS SET UP TO SUPPORT ARTISANS

Türkiye Finans offers private banking for enterprises which generate annual revenue of up to TL 2 million. The Bank started to offer its preferential products and campaigns under the roof of Esnaffinans. Türkiye Finans offers financing opportunities to help meet the needs of artisans through the Faal Card and corporate finance support. The Bank continues to expand its solutions which are specific for enterprises. The Faal Card is a commercial finance limit which provides instant shopping at member businesses and the advantage of payments through long term installments. It sets itself apart as a financing support that stands continuously with enterprises, with its long limit validity period of 6 months.

THE R&D CENTER IS CURRENTLY WORKING ON VARIOUS PROJECTS.

Within the scope of the Law 5746 Regarding the Support of Research and Development Activities, which enables corporations with R&D activities allocate a certain area in their own locations to R&D center activities and to carry out activities in this area, Türkiye Finans received approval for the establishment of an R&D Center on 21 February 2017.

With this approval, Türkiye Finans become the third bank in Turkey to have an R&D center. Approval for the R&D Center that Türkiye Finans obtained, thanks to its innovative vision and R&D culture, became official when the Bank successfully applied criteria set by the Ministry of Science, Industry and Technology. The certification

process, which started in January 2017, was subsequently registered officially. In the Center, the Bank develops innovative products in both the business and technology spaces, employs personnel who hold Masters and PhD degrees, participates in scientific studies within the framework of cooperation with universities, and carries out activities with R&D qualification. Cooperation activities with universities and FinTechs continue in the Türkiye Finans R&D Center.

Cooperation activities have been maintained to both utilize the academic expertise of universities by enhancing collaboration between academia and industry and to create synergy for Turkey by sharing expertise in the sector with university students. In relation to the activities of the R&D Center, articles that were written by Bank personnel were accepted in national and international scientific conferences, and were presented in these conferences on behalf of the Bank.

PROJECTS WITHIN THE SCOPE OF THE R&D CENTER

- TFXTARGET & TFX Mobile: The Sector's only qualified FX trading instrument
- Financial Analysis Platform: A Financial Analysis Platform, which was purchased abroad and for which annual maintenance fees were paid, was developed as local software.
- Statutory Reporting Platform: A platform that generates all statutory reports in pursuance with legislation was developed.
- Corporate Service Governance: A governance library that provides efficiency in software development processes by increasing common service utilization
- Risk Based Pricing: An application which supports a customized pricing model and algorithms, depending on the financial behavior and current risk status of each customer
- Campaign Management: A platform which enables the Bank to offer all campaigns through all channels and to manage them together
- Data Archiving: An archiving infrastructure that can be accessed without interruption, and which can archive both structural and non-structural data through the deployment of big-data technologies
- Automatic Work Load Allocation: A platform which carries out automatic work load management of ordered transactions from channels such as the branches, fax, and mail, depending on competencies

INTERNET BANKING

Within the scope of providing Internet Branch customer channel migration and increasing transaction volume, campaigns were launched to offer awards and a wide array of discount advantages to customers in 2017.

Activities were completed to offer following services on the Internet Branch: customized campaign offers, applications for credit card and Finansör, tracking of these applications, offering services to customers with impaired hearing and to customers who are older than 70 years old with "Live Support" The number of the Bank's internet banking customers exceeded 700,000 by the end of 2017, with 190,000 products sold through the Internet Branch.



TÜRKİYE FİNANS PROUDLY PRESENTS:

TURKEY'S FIRST AND ONLY
FX TRADING MOBILE APP AVAILABLE
24 HOURS ON WEEKDAYS AT INSTANT FX RATES



tfxtarget.com.tr

TFX TARGET



- ▶ On TFXTARGET you can buy foreign currency and precious metals for 24 hours on weekdays
- ▶ TFXTARGET offers you the chance to buy and sell at a pre-determined price of your choice
- ▶ TFXTARGET does not charge any commission fee or evening margin
- ▶ You can download the TFXTARGET application for free on App Store and Google Play and start transactions immediately
- ▶ If you want to benefit from TFXTARGET, we will be expecting you in the nearest **retail** or **commercial** Türkiye Finans branch to open your account

Türkiye
Finans



In 2017 Vakıf Participation supported the Turkish economy with its funded credits of TL 13.1 billion in value.

İkrâm GÖKTAŞ
General Manager-Vakıf Participation

At a period with many challenges the world is going through both economically and politically, our country has achieved to attract attention by differentiating itself in a positive manner in spite of all unfavorable developments which have direct impact on us.

Successful performance in many areas of our economy, particularly in growth and employment, increases our efforts and hope for the future. With the continuance of this success, I believe the name of our country will be heard more in global markets and our success stories will be told.

As Vakıf Participation we see our main mission as growing our industry and hence our economy, not growing our share of the existing market. As a result of our activities based on this vision, we are proud to complete an extremely successful year.

Presenting successful performances from the very first day of services to its customers, Vakıf Participation's total assets grew by 182% compared to 2016 and reached TL 13.2 billion, parallel with the growth of our country.

Although we are a 2-year old participation bank, we provided more funds to the real sector than we collected by using our equity in order to support our national economy and we

will continue to do so. In 2017, funded credits reached TL 13.1 billion and funds collected were TL 10 billion.

With our continuing successful performance in profitability in 2017, we achieved a net profit of TL 138.1 million.

At the same period, our equity has been TL 1.1 billion and capital equity ratio has been recorded as 14.1% which was above the legal obligation rate.

With our focus on branching operations, we have reached a total of 63 branches in 2017. We will continue our branching activities in 2018 based on our growth strategy and principle of being closer to our customers. We aim for opening new branches in various parts of Turkey and reach a total of 100 branches, providing employment opportunity to 350-400 people.

We believe the development of capital markets in accordance with interest-free banking principles has a significant role in the increase of market share of participation banks. Accordingly, within the context of the issuance ceiling of TL 2 billion

As Vakıf Participation we see our main mission as growing our industry and hence our economy, not growing our share of the existing market.

obtained from the Capital Market Board, we reached TL 1.62 billion in lease certificate transaction volume which were realized as private placement to qualified investors. We helped real sector companies to contribute more to economic growth and employment, by supporting them to have access to alternative funds they need through lease certificate issuances and realized “the highest real sector lease certificate issuance” of TL 200 million through our subsidiary Participation Asset Leasing company.

In the previous periods we have worked on developing the functionality of existing products in our digital channels and bring innovation to provide simplicity. Accordingly, we completed our activities for user experience on our internet and mobile channels. With our fast growing pace, we put our new and larger data center into operation before the end of our second year. As a result of our achievements in the digitalization arena, we received the R&D Center title from the Ministry of Science, Industry and Technology on 14 November 2017.

We also launched MoneyMail, our product to transfer money from all banks to PTT, in cooperation with PTT in 2017. With this system, we have established a base for easy transition to API banking and integration with FinTech’s. When we consider all these technological improvements, we have made a technological investment of approximately TL 30 million in 2017.

In the upcoming periods we will include more funds into the system from both internal and international resources, introduce the participation banking system to a wider population and work on growing the industry. In an active cooperation with real sector we will continue our activities in profit-loss partnerships, project financing and capital markets products in order to develop participation banking.

We realized “the highest real sector lease certificate issuance” of TL 200 million through our subsidiary Participation Asset Leasing company.

When we started our operations two years ago, we aimed for a market share of 10% by the end of 2018. Today we are proud and happy to reach this target a year earlier. Our goal is to keep up this pace and be the industry leader in 2023.

I’d like to take this opportunity to thank our executive management who always support us and all our team mates who have contributed to our successful performance.



VAKIF KATILIM BANKASI A.Ş

| | |
|--|---|
| Establishment Date | 2016 |
| Main Shareholders | Turkish Prime Ministry’s General Directorate of Foundations 99%, Bayezid Han-ı Sani (II. Bayezit) Foundation 25%, Mahmud Han-ı Evvel Bin Mustafa Han (I. Mahmut) Foundation 0.25%, Mahmud Han-ı Sani Bin Abdülhamid Han-ı Evvel (II. Mahmut) Foundation 0.25%, Murad Paşa Bin Abdusselam (Murat Pasha) Foundation 0.25% |
| Chairman | Öztürk ORAN |
| General Manager | İkram GÖKTAŞ |
| Headquarters | Saray Mahallesi, Dr. Adnan Büyükdeniz Caddesi, No: 10 Ümraniye, İstanbul/Turkey |
| Phone | +90 216 800 55 55 |
| Fax | +90 216 800 55 56 |
| Web Site | www.vakifkatilim.com.tr |
| SWIFT Code | VAKFTRIS |
| EFT Code | 210 |
| Number of Domestic Branches | 65 |
| Number of Branches Abroad | - |
| Number of Representative Offices Abroad | - |
| Financial Subsidiaries Abroad | - |
| Number of Employees | 724 |

İkram GÖKTAŞ

Board Member and CEO

Born in Mutki/Bitlis in 1969, Mr. Göktaş graduated from the Department of Business Administration, Faculty of Political Sciences at Ankara University. He served as an Auditor on the Board of Auditors of Garanti Bank between 1992 and 1997 before assuming the positions of Assistant Manager at İstanbul Corporate Branch between 1997 and 1999 and Manager of Çorum Branch between 1999 and 2000. He worked as the Manager of Banking Services at Anadolu Finans Institution between 2001 and 2005. He served as the Banking Services Manager at Türkiye Finans Participation Bank between 2006 and 2009, Executive Vice President responsible for Information Technologies between 2009 and 2012 and as Executive Vice President responsible for Delivery and Service Channels between 2012 and 2015. Mr. Göktaş has been a serving member of the Board of Directors and the CEO of Vakıf Participation since October 2015.

Ali GÜNEY

Executive Vice President - Treasury and Strategy

Born in Rize in 1964, Mr. Güney graduated from the Faculty of Economics and Administrative Sciences at Marmara University. He worked at the Funds Management Department of Faisal Finans between 1990 and 1993 before serving as the Assistant Manager at the Funds Management and Treasury Department of İhlas Finans between 1995 and 1999. After assuming the position of Funds Management and Treasury Department Manager between 1999 and 2005 in Anadolu Finans Institution, he served as the Treasury Department Manager in Türkiye Finans Participation Bank between 2006 and 2009. He was the Executive Vice President responsible for Treasury in Türkiye Finans Participation Bank between 2009 and 2015 and has been serving as the Executive Vice President responsible for Treasury and Strategy at the Vakıf Participation Bank since 1 November 2015.

Ahmet OCAK

Executive Vice President, Finance and Corporate Communications

Ahmet Ocak was born in Ordu in 1965. He received his BA degree from Anadolu University, Faculty of Open Education Business Administration Department at 1991. He worked as an accountant and manager in private sector between 1983 and 1990. Mr. Ocak worked at Albaraka Türk Kayseri, Ankara and Konya branches between 1990 and 1996. He then transferred to Albaraka Türk Headquarters and served as Assistant Finance Manager between 1996 and 2001, Head of Internal Control between 2001 and 2002, Finance Manager between 2003 and 2009 and Senior Finance Manager between 2009 and 2012. He received his MA degree from Fatih University, Institute of Social Sciences, Business Administration Department in 2012. Mr. Ocak has worked as a Senior Manager at Budgeting and Financial Reporting Department between 2012 and 2014 and as a Senior Manager at Investment Projects Department between 2012 and 2015. He served as the CEO of Albaraka Gayrimenkul Portföy Yönetimi A.Ş. in 2015. Since 1 December 2015 Mr. Ocak is the Executive Vice President in charge of Finance and Corporate Communications

İrfan ŞAVİK

Executive Vice President, Support Services

Mr. Şavik was born in Antalya in 1965. He graduated from Hacettepe University Faculty of Economics and Administrative Sciences, Public Administration Department. İrfan Şavik worked as an Assistant Financial Analyst, Financial Analyst and Assistant Manager in Vakıf Bank between 1990 and 1998. He worked in the same bank with Branch Manager roles in various branches, and as Regional Manager between 1998 and 2015. Mr. Şavik has been serving Vakıf Participation as the Executive Vice President responsible for Support Services since 1 December 2015.

Sait AYTAÇ

Executive Vice President, Marketing

Born in 1971 in Elazığ, Mr. Aytaç graduated from Boğaziçi University Faculty of Economics and Administrative Sciences, Political Science and International Relations in 1993. Mr. Aytaç started his career as an assistant specialist at Project Marketing Department at Al Baraka Turk Special Finance House. He worked as Project Marketing Specialist at İhlas Finance Institution, Branch Marketing Manager and Branch Manager at Toprakbank, Branch Manager, Regional Manager, Department Manager in charge of Branching and Branch-Region Sales Performance at Türkiye Finans Katılım Bankası. Sait Aytaç is the Executive Vice President in charge of Marketing at Vakıf Participation since 9 November 2015.

Erhan ÇETİNKAYA

Executive Vice President, Operations

Mr. Erhan Çetinkaya was born in 1981 in Malatya. He completed his primary, secondary and high school education in Malatya. He graduated from Bilkent University, Department of Industrial Engineering in 2004. Between 2004 and 2005 he worked as an analyst and project engineer at Cybersoft Information Technologies. He started to work in the Banking Regulation and Supervision Agency in 2005. He worked in bank supervision and banking legislation issues in the Audit and Risk Management departments until 2012. After receiving his MBA degree from The Fuqua School of Business at Duke University in the USA, Mr. Çetinkaya then returned to duty at BRSB in 2014. He was appointed as Head of Risk Management Department in 2015. He represented Turkey in various working groups within the Basel Committee on Banking Supervision in Switzerland. He holds Certified Financial Analyst (CFA) and Financial Risk Manager (FRM) certifications and since September 2017 he has been serving as Executive Vice President at Vakıf Participation.



STP EXCELLENCE AWARD

Within the framework of rules established by SWIFT center and correspondent banks for STP (Straight Through Processing), banks who have a 95% or higher error-free transaction rate in their SWIFT messages to foreign banks are rewarded with "STP Excellence Award".

Vakif Participation achieved a 100% success rate in its 2016 transactions. Accordingly, KBC Bank awarded Vakif Participation to STP Excellence Award. As of September 2017, this first award given to Vakif Participation by a global bank somehow registered the compatibility of our sectoral professionalism level with the global standards.

This standard reached at the international payments is reflected as fast and high quality service to Vakif Participation customers. We continue to work on carrying this standard to higher levels and increase our service quality in all areas.

R&D CENTER

Vakif Participation Information Technologies' application to be a R&D center with its projects completed or planned in innovative technological investments and project management approach has been appreciated by the related authorities. Accordingly, Vakif Participation achieved to be one of the few R&D Centers among both banking sector and public sector organizations.

R&D Center's future plans include public sector, university and industry collaboration; and support of FinTech and new technology companies.

INSTALLATION AND MOVE OF THE NEW DATA CENTER

A new data center has been set up in Ümraniye in August 2017 funded solely by our own resources and effective planning capabilities and all working systems have been transferred to this center without any interruption. Thus, in line with Vakif Participation's future goals, a more modern data center with high capacity to be used for a long period of time has been established.

MONEYMAIL

PTT (postal and telegraph services authority of Turkey), with its experience of nearly two centuries and Vakif Participation, a subsidiary of Turkish Republic Prime Ministry Directorate General of Foundations collaborated in a way to combine banking with public sector. In this context, two-way transfers in Turkish Lira between banks and PTT will be realized by using Vakif Participation's banking infrastructure in an easy and fast manner.

VAKIF PARTICIPATION CREDIT CARD VKART

Our credit card system which is a significant component of the banking system has been designed using the latest technologies. The system has been integrated with 10 companies in different areas from card application to payment.

Our credit card product with the brand name of Vkart has been launched to provide end-to-end full automatic service to our customers through ATM's, Internet Branch, Mobile Branch, IVR and Customer Communication Center.

POS/VIRTUAL POS

POS and Virtual POS system has been established with a strong infrastructure and by the integrating various companies' systems with the main banking system to provide for management of member business place applications, physical and virtual POS by using the most updated technologies in order to meet business needs faster.



MOBILE BRANCH SINGLE PIN ENTRY

Single Pin verification and secure transaction signature system has been developed to facilitate system entry and transaction approvals which has been integrated with the main banking system and it has been adapted to the mobile branch systems. Elimination of the SMS verification transactions resulted in an approximate 50% decrease in costs, and a 60% increase in active user count by means of improved user experience.

PLATFORM INDEPENDENT CUSTOMIZABLE NEW INTERNET BRANCH DESIGN

In order to improve customer experience and to enable the internet branch to operate in a platform independent and customizable way, internet branch has been updated with a customized project for Vakif Participation with a new generation design approach and it has been launched for use.

ACCESSIBLE BANKING PROJECT

In order to comply with Regulation on Accessibility of Banking Services, developments and improvements have been executed in branches, ATM's, Internet Branch and Customer Communication Center channels to make banking services convenient and accessible for elderly and disabled people (hearing impaired, visually impaired or orthopedically handicapped).

CASH WITHDRAWAL WITH QR CODE

QR Code Cash Withdrawal transaction system to be used at Mobile Branch or ATM's has been developed to eliminate the risk of card copying or password theft and to enable cardless transaction for customers who don't want to or who forgets to take their card with them. The system aims to increase customer satisfaction and it is integrated with the main banking system.

VKFX ONLINE

A foreign currency transaction platform VKFX Online has been launched in 2017 which provides customers with foreign exchange trade opportunities at competitive rates 24/7. Additionally, transaction limits with foreign banks have been extended and an opportunity to offer more competitive and longer term pricing of foreign exchange and precious metals has been established.

GOLD BANKING

In order to bring the unrecorded gold savings into the economy, gold collection days have been initiated in cooperation with a qualified refinery that has a LMBA certificate. In addition to that, alternative saving solutions have been provided for customers with Gold Participation Accounts. Vakif Participation has been the first public bank to be a primary dealer in Borsa Istanbul (Istanbul Stock Exchange) with a physical gold transaction of 48.7 tons in 2017.

Turkey's growing strength

In the hope to build a common future with the power coming from our shared past... With the aim of always achieving the good and fair, and the pride of having a good grasp of our shared values... We are confidently rising on the solid foundations of our traditions.

Vakıf Katılım is growing rapidly with its new branches opened at every single corner of Turkey and keeping up to add value to our national economy.



OUR CURRENT BRANCHES:

ISTANBUL (Avcılar, Bağcılar, Beykent, Dudullu, Eminonu, Erenkoy, Esenler, Fatih, Gaziosmanpasa, Gunesli, Ihlamurkuyu, Ikitelli, Istoc, Kavacik, Mecidiyekoy, Center, Merter, Osmanbey, Pendik, Sultangazi, Sultanbeyli, Umraniye, Uskudar, Zeytinburnu), **ADANA**, **AFYON**, **ANKARA** (Ankara, Ankara Corporate, Balgat, Etlik, Kecioren, Sincan), **ANTALYA**, **BATMAN**, **BURSA** (Bursa, Nilufer, Yildirim), **CORUM**, **DENIZLI**, **DIYARBAKIR**, **ELAZIG**, **ERZURUM**, **ESKISEHIR**, **GAZIANTEP** (Gaziantep, Suburcu), **HATAY** (Antakya), **IZMIR** (Izmir, Konak), **KAHRAMANMARAS**, **KAYSERI**, **KOCAELI** (Gebze), **KONYA** (Konya, Aziziye, Busan), **MALATYA**, **MANISA**, **MERSIN**, **RIZE**, **SAKARYA** (Adapazari), **SAMSUN**, **SIVAS**, **SANLIURFA**, **TRABZON**, **VAN**, **YALOVA**.

T.R. Prime Ministry Directorate General of Foundations is the sole owner of Vakıf Katılım's capital.



Ziraat Participation continued its rapid growth in 2017 with the vision of being the leading participation bank of the industry and accomplished a high and healthy performance towards profitability and efficiency targets.

Metin ÖZDEMİR
General Manager-Ziraat Participation

Ziraat Participation continued its rapid growth in 2017 with the vision of being the leading participation bank of the industry and accomplished a high and healthy performance towards profitability and efficiency targets.

Despite the negative effects of all global economic factors, geopolitical developments and volatility of our economy, Ziraat Participation managed to reach its targets in 2017 through its accurately designed strategy, resilient business model and strong financial structure.

As of the end of 2017, our bank has increased its total assets by 80% compared to 2016 and reached an asset size of TL 14.3 billion.

WE HAVE RECORDED A PROFIT OF TL 158.9 MILLION IN 2017

Ziraat Participation has completed the year with a profit of TL 158.9 million through successful execution of customer satisfaction based service approach and efficiency focused business cycle.

Another development supporting the healthy growth in our balance sheet has been TL 500 million of capital provided by the Prime Ministry Undersecretariat of Treasury of the Turkish Republic.

Capital expenditures realized to expand our branch network since inception has turned to a decreasing trend in 2017 which had a positive impact on our financial structure.

WE ATTACH PARTICULAR IMPORTANCE TO MAINTAIN THE QUALITY OF OUR ASSETS

Our infrastructure for the allocation and application of funds processes and early warning and risk monitoring systems are continuously being improved and special attention is being paid to maintain the asset quality of Ziraat Participation.

I can gladly state that in a year of rapid growth of loans, with financing oriented growth and customer based balance sheet strategy, we have executed successful risk management policies and achieved a 0.3% of non-performing loan ratio, which is considerably below the industry average.

WE CONTINUE TO SUPPORT THE REAL SECTOR

Ziraat Participation continues its journey towards its vision of being a strong participation bank in both regional and international markets by understanding its customers' needs and expectations and providing them the most appropriate solutions through the most appropriate channels.

Cash financing by Ziraat Participation increased by 103% when compared to 2016 and reached TL 11.7 billion whereas non-cash financing grew by 74% and reached TL 6.1 billion. Total support to Turkish economy has been TL 17.8 billion. Share of

As of the end of 2017, our bank has increased its total assets by 80% compared to 2016 and reached an asset size of TL 14.3 billion.

cash financing in Ziraat Participation's balance sheet increased by 10 points to 82%. Within this period, we have increased our support to finance the real sector, particularly the SMEs which are vital to our economy.

As of the end of 2017, total current and participation accounts have increased by 78% compared to prior year and reached TL 10 billion.

Within the framework of increasing and expanding the diversity of the resources, we continued to provide funds from domestic and foreign banks in 2017. In this context, USD 155 million of Murabaha syndication has been renewed upon redemption date in 2017 by the participation of 6 different banks from 13 countries at an amount of USD 236 million. In addition to this, our subsidiary Ziraat Katılım Varlık Kiralama has issued 9 lease certificates at an amount of TL 1.1 billion and received more than expected demand from qualified investors.

In May 2017 Fitch Ratings, an international rating institution, announced Ziraat Participation's foreign currency long term rating as BB+. This has strongly confirmed the confidence in Turkish economy and our bank.

WE ARE DEVELOPING NEW PRODUCTS TO INCREASE THE SHARE OF PARTICIPATION BANKING

By virtue of its mission, Ziraat Participation is focused on improving the share of participation banking in the total banking market and reaching a wide population with the products and services of participation banking as well as growth in numerical terms. In this context, in line with our participation banking principles we continue our research and development activities to provide our customers with alternative solutions.

In 2017, Ziraat Participation realized a project financing through a product called Istisna which was a first in the participation banking industry. With this Istisna transaction, one of the largest city hospitals of Turkey, Manisa Integrated Health Campus project was funded by Ziraat Participation Bank in May 2017 within the frame of a public private partnership (PPP) of a consortium of Islamic Participation Bank and three other international banks.

Another significant transaction of 2017 has been a Musaraka transaction with a customer in logistics industry. This transaction is the second profit and loss sharing project of Ziraat Participation.

Another area where the Bank has actively participated has been Treasury-backed Credit Guarantee Fund transactions. Within this scope, Ziraat Participation has reached a total financing magnitude of TL 1.4 billion and provided almost 1,000 companies to take advantage of this opportunity.

With Ziraat Portföy's (a subsidiary of Ziraat Finance Group) Short-term Lease Certificate Participation Fund, an alternative savings opportunity was offered to funds who would like to invest their savings in interest-free instruments but unable to do so due to term constraints. Those products were first traded through Ziraat Participation branches.

"Gold Collection Days" which aimed to bring precious metals in the economic activities, which otherwise are not included in the ecosystem, was a significant step towards the increase of diversified resources.

Another significant breakthrough of Ziraat Participation in 2017 was the offering of FILIKA Card to its customers. FILIKA Card is structured for the needs of individual customers in line with participation banking principles. Card based systems are the first phase of our strategy on making the lives easier and improving the value offered to our customers.

WE INVEST ON DIGITAL BANKING

In order to offer our customers faster and more effective solutions for their banking transactions, we invested on digital technologies in 2017 and updated our web and mobile applications. In the process of improving the diversity of our products and services in alternative distribution channels, with our vision based on customer satisfaction, our customer base actively using the internet banking has increased by 100%.

We are committed to keep on investing in digital banking and improving alternative distribution channels in 2018 and going forward.

WE IMPROVED OUR ACCESSIBILITY WITH NEW BRANCHES

Ziraat Participation has added 19 new branches to its network in 2017 and reached a total of 63 branches. While our geographical spread has further expanded, our first step in corporate branch structuring, Ankara Corporate Branch has started serving our customers.

With our rapid growing organization structure, 269 employees joined our team to work with us in our headquarters and branches. Total number of our employees reached 890.

ZKB VARLIK KIRALAMA WAS FOUNDED

In order to meet the demands of corporate customers who want to issue lease certificates and investors who want to invest on those certificates, Ziraat Participation has founded its second lease certification subsidiary, ZKB Varlık Kiralama A.Ş.

ZKB Varlık Kiralama was founded with the objectives of offering corporate customers alternative investor base rather than bank loans, allocate corporate risks to the investors in the market and to expand the perspective of corporate offerings in an environment where most offerings are realized through banks. The Company will accomplish these objectives by being an exclusive intermediary for third parties' lease certificate issuances.

As the new and concrete statement of our support to Islamic capital markets, ZKB Varlık Kiralama offers a new and significant opportunity for funds, investment and portfolio management companies to make their resources available to real sector and ultimately to Turkish economy at an increasing rate.

WE COMPLETED OUR TFRS 9 TRANSITION ACTIVITIES

BRSA has issued new regulations on the calculation of provisions in accordance with Turkish Financial Reporting Standards (TFRS).

Ziraat Participation has completed its activities related to these regulations and make their accounting and system platforms ready for the calculation of provisions to comply with the "Regulation for Provisions" starting with 1 January 2018.

THANKS TO ALL WHO HAVE CONTRIBUTED TO OUR SUCCESS IN 2017

We will continue to work devotedly to increase our support to real economy, with our values and ethical principles which are the reflections of our long-established corporate culture.

Committed to our mission of expanding the share of participation banking, our ultimate goal is to create an increasing amount of value to Turkish economy and support the sustainable development while continuing our projects.

While we move further to reach our higher goals, I would like to thank all our stakeholders, particularly our employees who walk along with us and contribute to our successful performance.

ZİRAAT PARTICIPATION SENIOR MANAGEMENT

Metin ÖZDEMİR

CEO and Member of the Board of Directors

Metin Özdemir graduated from İstanbul University (Faculty of Business Administration) in 1990. He is currently pursuing his graduate studies in the Department of Economics at Marmara University, Institute of Middle East Studies. He started his career at Kuveyt-Türk Finans Kurumu A.Ş. in 1992, and from 1996, he carried on with his business life as an executive in the retail sector. Mr. Özdemir functioned as a member of İstanbul Metropolitan Municipal Council between 2004 and 2014. Mr. Özdemir was a member of the Board of Directors of Ziraat Participation since 18 February 2015 and was appointed as the CEO on 12 June 2017. Mr. Özdemir is also a member of the Ziraat Bank's Board of Directors and acts as a member of Corporate Governance Committee, Audit Committee and Remuneration Committee. Since 25 July 2017, he also acts as the Chairman of the Credit Committee.

Tahir DEMİRKIRAN

Executive Vice President - Loan Allocation and Management

Born in 1967 in İstanbul, Tahir Demirkiran graduated from İstanbul University Faculty of Economics, Department of Economics. He started his banking career as the Assistant Financial Analysis and Intelligence Specialist at Pamukbank in 1995. He worked as the Specialist and Loans Service Director. And then, having worked as the Department Director of Financial Analysis and Loans and Commercial Branch Director and Head of Commercial Loans Department at Halkbank; and Member of the Board of Directors at Halk Leasing; Demirkiran became the Retail Loans Allocation and Management Group Manager at Ziraat Bank in 2015. Since 12 February 2016, he serves as the Loans Allocation and Management Deputy General Manager at Ziraat Participation.

Temel Tayyar YEŞİL

Executive Vice President-Marketing

Temel Tayyar Yeşil was born in Samsun in 1971 and graduated from Erciyes University Economy department of Faculty of Economics and Administrative Sciences. Mr. Yeşil started his banking career at Pamukbank T.A.Ş. as Assistant Specialist in

1998. He worked as an officer and manager in the Loans and Project Evaluation departments of Türkiye Halkbank A.Ş. He acted as Kayseri Commercial Branch Manager between 2010 and 2012. Mr. Yeşil started to work at Ziraat Bank as Loan Allocation and Management Department Head in 2012 and continued as the Regional Coordinator in 2016. He has been appointed as Ziraat Katılım Bankası A.Ş. Vice President in charge of Marketing on 18 July 2017 and is still carrying out the duty.

Osman KARAKÜTÜK

Executive Vice President-Treasury and Internal Operations

Born in Ankara in 1975, Osman Karakütük graduated from Ankara University Faculty of Political Science. He completed his undergraduate studies in Sakarya University and started his banking career at CBRT Headquarters as a clerk in 1998. In 1999, he started working at Ziraat Bank as an Assistant Inspector and then promoted to Inspector, Chief Inspector, Vice President of the Inspection Board, Branch Manager, İzmir 1st Region Manager, Head of Branch Operations and Head of Channel Management, respectively. Mr. Karakütük was appointed as Ziraat Katılım Bankası A.Ş. Vice President in charge of Financial Coordination and Human Resources on 15 August 2017 and he has been serving as the Vice President in charge of Treasury and Internal Operations since 23 August 2017.

Mehmet Said GÜL

Executive Vice President-Information Technologies and Operations

Born in 1973 in Kahramanmaraş, Mehmet Said Gül graduated from Hacettepe University Department of Computer Engineering in 1995. He started his banking career at Anadolu Finans Kurumu in 1997. He headed for many years the Information Systems Coordination Unit at Türkiye Finans, following the merger of Family Finans and Anadolu Finans. Mr. Gül, who was appointed as a consultant at Ziraat Bank in 2014, has been serving since the establishment of Ziraat Participation. In October 2015, he was appointed as the Group Director of Information Technologies and Operational Transactions at Ziraat Participation. Since 23 August 2017 Mr. Gül is the Executive Vice President in charge of Information Technologies and Operations.

ZİRAAT KATILIM BANKASI A.Ş.

| | |
|---|---|
| Establishment Date | 2015 |
| Main Shareholders | T.C. Ziraat Bankası A.Ş. 99% |
| Chairman | Hüseyin AYDIN |
| General Manager | Metin ÖZDEMİR |
| Headquarters | Hobyar Eminönü Mah. Hayri Efendi Cad. No: 12 PK: 34112 Fatih, İstanbul/Turkey |
| Phone | +90 212 404 10 00 |
| Fax | +90 212 404 10 99 |
| Web Site | www.ziraatkatilim.com.tr |
| SWIFT Code | ZKBATRIS |
| EFT Code | 0209 |
| Number of Domestic Branches | 63 |
| Number of Branches Abroad | – |
| Number of Representative Offices Abroad | – |
| Financial Subsidiaries Abroad | – |
| Number of Employees | 892 |

Katılım Mobil is the pockets of our corporate customers



Corporate
Mobile Banking



**Customer
Communication
Center**

www.ziraatkatilim.com.tr



Ziraat Participation

Growth through sharing



/ziraatkatilim

PRODUCT, TECHNOLOGY AND INNOVATIONS OF ZİRAAT PARTICIPATION

Ziraat Participation continues its activities aimed at setting itself apart as a participation bank with the aim of growing together with individuals and enterprises by being involved in projects that will increase the contribution of individuals and enterprises to the Turkish economy with the right financial solutions in line with principles of participation banking.

As a member of Ziraat Finance Group, Ziraat Participation offers its customers the use of more than 6,000 Ziraat Bank ATMs and 1,800 Ziraat Bank branches to deposit and withdraw money. Ziraat Participation listens to its customers in all conditions and works to a main philosophy of offering specific solutions. Ziraat Participation not only operates for its customers and shareholders but also to create value for the society and all stakeholders.

Aiming to meet customer expectations by providing the right products and services in a timely manner, Ziraat Participation took important steps in attracting individual customers in 2017 and achieved a successful performance.

Within the framework of participation banking principles, Ziraat Participation continues to support its customers and to meet the needs of customers 7 days a week, 24 hours a day with the most appropriate solutions and through the most appropriate channels such as the branches, ATMs, the Internet and Mobile Banking applications and the Call Centre.

With the protocols to be signed in 2018, Ziraat Participation customers will be able to make their transactions through the ATM's of the most widespread financial institutions of Turkey.

PROFIT-LOSS PARTNERSHIP PROJECTS

With its systematic activities in 2017, Ziraat Participation reached customers in corporate and entrepreneurial segments in various parts of the country and built strong relationships by offering them appropriate solutions for their different needs.

To bring a breath of fresh air into the industry Ziraat Participation realized its second profit-loss partnership project in 2017 in a different sector than the existing practices.

Ziraat Participation plans to establish share partnerships with real sector and continue profit-loss partnerships in various sectors in 2018.

ISTISNA

In 2017, Ziraat Participation realized a project financing through a product called Istisna which was a first in the participation banking industry. With this Istisna transaction, one of the largest city hospitals of Turkey, Manisa Integrated Health Campus project was funded by Ziraat Participation Bank in May 2017 within the frame of a public private partnership (PPP) of a consortium of Islamic Participation Bank and three other international banks. Our Bank also assumed the role of security agent in this project.



VAAD

Promissory agreements have been signed between our Bank and portfolio companies to provide for sale of assets appropriate for Islamic finance principles at Borsa Istanbul or elsewhere, in accordance with methods of sales to portfolio companies with promise to repurchase. This way, portfolio companies can invest their short-term excess cash at funds that comply with Islamic principles.

CGF

In order to support SMEs and other companies, Ziraat Participation has renewed its agreement with Credit Guarantee Fund and in addition to funds provided from equity and Treasury, funds were provided within the scope of Portfolio Guarantee System and Portfolio Limit System.

In 2018, Ziraat Participation will take part in Breath Credit protocol and offer SMEs more affordable financing conditions.

ZKB VARLIK KİRALAMA A.Ş.

In 2017 ZKB Varlık Kiralama A.Ş. was founded as our second lease certification subsidiary in order to meet the demands of corporate customers who want to issue lease certificates and investors who want to invest on those certificates.

As the new and concrete statement of our support to Islamic capital markets, ZKB Varlık Kiralama offers a new and significant opportunity for funds, investment and portfolio management companies to make their resources available to real sector and ultimately to Turkish economy at an increasing rate.



SHORT-TERM LEASE CERTIFICATE PARTICIPATION FUND

With Ziraat Portföy's (a subsidiary of Ziraat Finance Group) Short-term Lease Certificate Participation Fund, an alternative savings opportunity was offered to funds who would like to invest their savings in interest-free instruments with maturities less than one-month or liquid funds but unable to do so due to term constraints. Those products were first traded through Ziraat Participation branches.

"GOLD COLLECTION DAYS"

"Gold Collection Days" which aimed to bring precious metals in the economic activities, which otherwise are not included in the ecosystem, was a significant step towards the increase of diversified resources.

In 2018, issuance of Gold Backed Lease Certificates are planned to be realized through Ziraat Participation in cooperation with Turkish Republic Undersecretariat of Treasury.

FILIKA

Another significant breakthrough of Ziraat Participation in 2017 was the offering of FILIKA Card to its customers. FILIKA Card is structured for the needs of individual customers in line with participation banking principles. Card based systems are the first phase of our strategy on making the lives easier and improving the value offered to our customers.



CUSTOMER SATISFACTION

ISO 10002: 2014 Customer Satisfaction Management System quality certificate, which is an indicator that customer feedback is being responded to well and also of continuous improvement in accordance with international standards, has been renewed.

DIGITAL BANKING

Our Corporate Mobile Branch application, Participation Mobile, was launched by taking our corporate customers' demands and expectations into account to provide for all banking transactions.

Services are provided 24/7 without any interruption through ATM's, Internet Branch, Mobile Branch and Call Center.

In 2018, various applications and products in our Digital Banking road map will be added to our existing product range.

- Direct payment method will be improved and launched to facilitate our customers to make purchases at e-commerce web sites.
- With Mobile Approval Project, customers will be able to perform their transactions in our digital channels quickly and more practically.
- Mobile Assistant and Chatbot products are planned to be launched.

ZİRAAT PARTICIPATION'S NEW SUBSIDIARY ZKB VARLIK KIRALAMA HAS STARTED ITS OPERATIONS IN SEPTEMBER 2017

ZKB Varlık Kiralama A.Ş. was founded on 8 September 2017 within the framework of CMB's Lease Certificate Communique (III-61.1) which was published on the Official Gazette dated 7 June 2013, numbered 28760 to exclusively issue lease certificates. ZKB Varlık Kiralama is the new and concrete statement of our support to Islamic capital markets.

Acting as an intermediary for third parties' lease certificate offerings exclusively, ZKB Varlık Kiralama operates with the objective to help corporates through the following:

- By establishing an alternative investor base other than bank loans,
- By allocating corporate risks to investors in the market,
- By expanding the perspective of corporate offerings in an environment where most offerings are realized through banks.

ZKB Varlık Kiralama offers a new and significant opportunity for funds, investment and portfolio management companies to make their resources available to real sector and ultimately to Turkish economy at an increasing rate.



FINANCIAL DATA, GRAPHS, AND FINANCIAL STATEMENTS

TURKISH BANKING SECTOR'S INDICATORS BY SEGMENTS

| Bank Group | Number of Institutions | Assets | | | Deposits | | | Loans | | |
|----------------------------------|------------------------|------------------|----------------|----------------|------------------|----------------|----------------|------------------|----------------|----------------|
| | | 2017 TL million | 2017 share (%) | 2016 share (%) | 2017 TL million | 2017 share (%) | 2016 share (%) | 2017 TL million | 2017 share (%) | 2016 share (%) |
| Participation Banks | 5 | 160,136 | 4.9 | 4.9 | 105,310 | 6.1 | 5.6 | 106,733 | 5.0 | 4.8 |
| Deposit Banks | 33 | 2,922,680 | 89.7 | 89.9 | 1,613,839 | 93.9 | 94.4 | 1,905,940 | 88.8 | 89.4 |
| Development and Investment Banks | 13 | 175,002 | 5.4 | 5.2 | 0 | 0.0 | 0.0 | 132,807 | 6.2 | 5.7 |
| Total | 51 | 3,257,818 | 100 | 100 | 1,719,149 | 100 | 100 | 2,145,480 | 100 | 100 |

Source: BRSA

PARTICIPATION BANKS AND BANKING SECTOR: KEY FINANCIAL INDICATORS (TL MILLION) (DECEMBER 2017)*

| | | Participation Banks | | | Banking Sector | | |
|----------------------------|-------------------|---------------------|---------------|----------------------|------------------|------------------|----------------------|
| | | 2017 | 2016 | 2017-2016 (change %) | 2017 | 2016 | 2017-2016 (change %) |
| Deposits** | TL | 57,494 | 48,313 | 19.0 | 961,112 | 849,493 | 13.1 |
| | FC | 43,180 | 29,984 | 44.0 | 733,817 | 592,258 | 23.9 |
| | FC-Metal | 4,636 | 3,208 | 44.5 | 24,220 | 17,518 | 38.3 |
| | Total | 105,310 | 81,505 | 29.2 | 1,719,149 | 1,459,269 | 17.8 |
| Loans** | | 106,733 | 84,880 | 25.7 | 2,145,479 | 1,773,745 | 21.0 |
| Non-Performing Loans (Net) | | 992 | 1,236 | (19.7) | 13,176 | 13,128 | 0.4 |
| Total Assets | | 160,136 | 132,874 | 20.5 | 3,257,819 | 2,730,942 | 19.3 |
| Shareholders' Equity | | 13,645 | 11,494 | 18.7 | 359,091 | 300,172 | 19.6 |
| Net Profit*** | | 1,583 | 1,106 | 43.1 | 49,122 | 37,530 | 30.9 |
| Number of Employees | | 15,029 | 14,465 | 3.9 | 208,280 | 210,910 | (1.2) |
| Number of Branches | Branches Domestic | 1,029 | 956 | 7.6 | 11,508 | 11,664 | (1.3) |
| | Branches Abroad | 3 | 3 | 0.0 | 77 | 83 | (7.2) |
| | Total | 1,032 | 959 | 7.6 | 11,585 | 11,747 | (1.4) |

* Source: BRSA reports

** Bank deposits are excluded. Rediscounts are included.

*** Loans under follow-up are excluded. Rediscounts are included.

**** Net profit figures compared to the same period of last year.

| Sector Shares of Participation Banks (%) | 2017 | 2016 |
|--|------|------|
| Funds Collected | 6.1 | 5.6 |
| Funds Allocated | 5.0 | 4.8 |
| Total Assets | 4.9 | 4.9 |
| Shareholders' Equity | 3.8 | 3.8 |
| Net Profit | 3.2 | 3.9 |

| Non-Performing Loans (Gross)/Loans | | |
|------------------------------------|----------------|--|
| 2017 | | |
| Participation Banks | Banking Sector | |
| 3.2% | 3.0% | |

PARTICIPATION BANKS: KEY FINANCIAL INDICATORS (THOUSAND TL, DECEMBER 2017)

| | | Albaraka Türk | | Kuveyt Türk | | Türkiye Finans | | Vakıf Participation | | Ziraat Participation | | Total | Total | Change |
|--|--------------|-------------------|------------|-------------------|------------|-------------------|------------|---------------------|------------|----------------------|------------|--------------------|-------------------|-----------|
| | | 2017 | Change (%) | 2017 | Change (%) | 2017 | Change (%) | 2017 | Change (%) | 2017 | Change (%) | 2017 | 2016 | (%) |
| Funds Collected | TL | 13,247,715 | 5 | 19,955,412 | 11 | 11,164,157 | (6) | 6,827,057 | 205 | 6,345,946 | 68 | 57,540,287 | 48,364,290 | 19 |
| | FC | 12,062,125 | 14 | 19,901,988 | 43 | 10,866,339 | 18 | 3,261,357 | 311 | 3,678,649 | 98 | 49,770,458 | 36,428,146 | 37 |
| | Total | 25,309,840 | 9 | 39,857,400 | 25 | 22,030,496 | 5 | 10,088,414 | 232 | 10,024,595 | 78 | 107,310,745 | 84,792,436 | 27 |
| Funds Allocated* | | 24,680,290 | 11 | 37,923,358 | 27 | 26,071,453 | (2) | 9,671,218 | 222 | 11,730,935 | 103 | 110,077,254 | 87,244,396 | 26 |
| Non-Performing Loans (Net) | | 513,108 | (3) | 47,183 | (71) | 412,000 | (23) | 3,179 | 10 | 16,753 | 152 | 992,223 | 1,236,466 | (20) |
| Non-Performing Loans (Gross)/Loans (%) | | 4.9 | - | 1.9 | - | 5.4 | - | 0.2 | - | 0.3 | - | 12.7 | 13.1 | - |
| Total Assets | | 36,229,077 | 10 | 57,123,095 | 18 | 39,080,897 | 1 | 13,210,145 | 182 | 14,350,143 | 80 | 159,993,357 | 132,776,850 | 20 |
| Shareholders' Equity | | 2,481,506 | 9 | 4,591,151 | 17 | 4,060,598 | 11 | 1,107,885 | 26 | 1,403,681 | 84 | 13,644,821 | 11,495,710 | 19 |
| Net Profit | | 237,093 | 9 | 673,991 | 24 | 375,360 | 27 | 138,132 | 626 | 158,902 | 418 | 1,583,478 | 888,708 | 78 |
| Number of Personnel | | 3,899 | 2 | 5,749 | 3 | 3,767 | (6) | 724 | 48 | 892 | 32 | 15,031 | 14,532 | 3 |
| Number of Branches | | 220 | 3 | 399 | 3 | 289 | 1 | 63 | 85 | 63 | 34 | 1,034 | 967 | 7 |

*Leasing receivables and rediscounts are included, non-performing loans are excluded.

SECTORAL FINANCIAL DATA
PARTICIPATION BANKS: ASSET STRUCTURE AND CHANGES IN SELECTED ITEMS

| Assets | Amount (TL million) | | | Change (%) | | Share in Total (%) | | |
|--|---------------------|----------------|----------------|---------------|---------------|--------------------|-------------|-------------|
| | 2017 | 2016 | 2015 | 2017-2016 | 2016-2015 | 2017 | 2016 | 2015 |
| Liquid Assets | 17,464 | 18,507 | 14,697 | (5.6) | 25.9 | 10.9 | 13.9 | 12.2 |
| Securities Portfolio | 12,883 | 10,456 | 7,553 | 23.2 | 38.4 | 8.0 | 7.9 | 6.3 |
| Available-for-Sale Assets (Net) | 10,519 | 8,987 | 5,905 | 17.0 | 52.2 | 6.6 | 6.8 | 4.9 |
| Held-To-Maturity Assets (Net) | 1,154 | 1,412 | 1,603 | (18.3) | (11.9) | 0.7 | 1.1 | 1.3 |
| Financial Assets at Fair Value Through Profit for Loss (Net) | 1,210 | 57 | 45 | 2022.8 | 26.7 | 0.8 | 0.0 | 0.0 |
| Reserves | 16,630 | 13,034 | 11,966 | 27.6 | 8.9 | 10.4 | 9.8 | 10.0 |
| Loans | 97,615 | 75,896 | 72,038 | 28.6 | 5.4 | 61.0 | 57.1 | 59.9 |
| Non-performing Loans (Net) | 992 | 1,236 | 1,775 | (19.7) | (30.4) | 0.6 | 0.9 | 1.5 |
| Non-Performing Loans (Gross) | 3,392 | 3,262 | 4,335 | 4.0 | (24.8) | 2.1 | 2.5 | 3.6 |
| (-) Special Reserves | 2,400 | 2,026 | 2,560 | 18.5 | (20.9) | 1.5 | 1.5 | 2.1 |
| Leasing Receivables (Net) | 4,274 | 4,122 | 3,916 | 3.7 | 5.3 | 2.7 | 3.1 | 3.3 |
| Non-Current Assets | 2,982 | 2,417 | 2,703 | 23.4 | (10.6) | 1.9 | 1.8 | 2.2 |
| Affiliates and Subsidiaries | 436 | 403 | 669 | 8.2 | (39.8) | 0.3 | 0.3 | 0.6 |
| Fixed Assets | 2,216 | 1,833 | 1,629 | 20.9 | 12.5 | 1.4 | 1.4 | 1.4 |
| Available-for-Sale Assets (Net) | 330 | 181 | 405 | 82.3 | (55.3) | 0.2 | 0.1 | 0.3 |
| Rediscounts | 5,365 | 5,433 | 3,674 | (1.3) | 47.9 | 3.4 | 4.1 | 3.1 |
| Other Assets | 1,932 | 1,773 | 1,860 | 9.0 | (4.7) | 1.2 | 1.3 | 1.5 |
| Total Assets | 160,137 | 132,874 | 120,182 | 21 | 11 | 100 | 100 | 100 |

Source: BRSA

PARTICIPATION BANKS: LIABILITIES STRUCTURE AND CHANGES IN SELECTED ITEMS

| Liabilities | Amount (TL million) | | | Change (%) | | Share in Total (%) | | |
|-----------------------------|---------------------|----------------|----------------|---------------|---------------|--------------------|-------------|-------------|
| | 2017 | 2016 | 2015 | 2017-2016 | 2016-2015 | 2017 | 2016 | 2015 |
| Deposits | 104,993 | 81,273 | 74,176 | 29.2 | 9.6 | 65.6 | 61.2 | 61.9 |
| TL | 32,047 | 23,049 | 20,137 | 39.0 | 14.5 | 20.0 | 17.4 | 16.8 |
| FC | 72,946 | 58,224 | 54,040 | 25.3 | 7.7 | 45.6 | 43.9 | 45.1 |
| Loans to Banks | 15,648 | 16,346 | 14,241 | (4.3) | 14.8 | 9.8 | 12.3 | 11.9 |
| Funds | 1,662 | 2,433 | 2,501 | (31.7) | (2.7) | 1.0 | 1.8 | 2.1 |
| Rediscounts | 1,070 | 1,079 | 873 | (0.8) | 23.6 | 0.7 | 0.8 | 0.7 |
| Shareholders' Equity | 13,645 | 11,496 | 10,645 | 18.7 | 8.0 | 8.5 | 8.7 | 8.9 |
| Paid-in Capital | 8,752 | 7,839 | 7,602 | 11.6 | 3.1 | 5.5 | 5.9 | 6.3 |
| Capital Reserves | 3,009 | 2,177 | 3,085 | 38.2 | (29.4) | 1.9 | 1.6 | 2.6 |
| Prior Years' Profits | 101 | 90 | (940) | 12.2 | (109.6) | 0.1 | 0.1 | (0.8) |
| Period Profit | 1,583 | 1,106 | 409 | 43.1 | 170.4 | 1.0 | 0.8 | 0.3 |
| Others | 200 | 283 | 489 | (29.3) | (42.1) | 0.1 | 0.2 | 0.4 |
| Debt Instruments | 4,070 | 4,470 | 3,415 | (8.9) | 30.9 | 2.5 | 3.4 | 2.9 |
| Reserves | 2,029 | 1,501 | 2,046 | 35.2 | (26.6) | 1.3 | 1.1 | 1.7 |
| Other Liabilities | 17,020 | 14,173 | 11,884 | 20.1 | 19.3 | 10.6 | 10.7 | 9.9 |
| Total | 160,137 | 132,771 | 119,781 | 21 | 11 | 100 | 100 | 100 |

Source: BRSA

PARTICIPATION BANKS: INCOME/LOSS STRUCTURE AND CHANGES IN SELECTED ITEMS (TL MILLION, %)

| Income/Loss | Amount (TL million) | | | Change (%) | | Rate Over Net Income/Loss Before Tax (%) | | |
|--|---------------------|--------------|--------------|------------|-------------|--|------------|-------------|
| | 2017 | 2016 | 2015 | 2017-2016 | 2016-2015 | 2017 | 2016 | 2015 |
| Profit Share Income | 10,628 | 8,371 | 7,536 | 27 | 11 | 540 | 614 | 1080 |
| Profit Share Expense | 5,522 | 4,318 | 3,780 | 28 | 14 | 281 | 317 | 542 |
| Net Profit Share Income | 5,106 | 4,053 | 3,756 | 26 | 8 | 260 | 297 | 538 |
| Income Other Than Profit Share | 2,052 | 2,046 | 2,321 | 0 | (12) | 104 | 150 | 333 |
| Net Fees and Commissions Income | 847 | 796 | 832 | 6 | (4) | 43 | 58 | 119 |
| Banking Services Income | 653 | 562 | 633 | 16 | (11) | 33 | 41 | 91 |
| Other Income Other Than Profit Share | 552 | 688 | 856 | (20) | (20) | 28 | 50 | 123 |
| Expenses Other Than Profit Share | 4,281 | 3,647 | 4,103 | 17 | (11) | 218 | 267 | 588 |
| Personnel | 1,589 | 1,439 | 1,490 | 10 | (3) | 81 | 105 | 213 |
| Fees and Commissions Expenses | 394 | 369 | 377 | 7 | (2) | 20 | 27 | 54 |
| Other Expenses Other Than Profit Share | 1,213 | 1,839 | 2,236 | (34) | (18) | 62 | 135 | 320 |
| Income/Expenses Other Than Profit Share | 490 | 463 | 233 | 6 | 99 | 25 | 34 | 33 |
| P/L From Capital Market Transactions | (409) | 382 | 176 | (207) | 117 | (21) | 28 | 25 |
| Profit/Loss From FX Transactions | 898 | 80 | 55 | 1,023 | 45 | 46 | 6 | 8 |
| Others | 1 | 1 | 2 | 0 | 0 | 0 | 0 | 0 |
| Profit/Loss Before Tax | 1,967 | 1,364 | 698 | 44 | 95 | 100 | 100 | 100 |
| Tax Provisions | 384 | 258 | 289 | 49 | (11) | 20 | 19 | 41 |
| Net Profit/Loss | 1,583 | 1,106 | 409 | 43 | 170 | 80 | 81 | 59 |

Source: BRSA

PARTICIPATION BANKS VS BANKING SECTOR: COMPARISON BETWEEN SELECTED RATIOS

| Description | Participation Banks | | | Banking Sector | | |
|---|---------------------|---------|---------|----------------|---------|---------|
| | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 |
| Non-Performing Loans (Gross)/Total Cash Loans (%) | 3.2 | 3.9 | 5.4 | 3.0 | 3.2 | 3.1 |
| Provisions for Non-Performing Loans/Non-Performing Loans (Gross) (%) | 70.8 | 62.1 | 59.1 | 79.4 | 77.4 | 74.6 |
| Large Deposits (TL 1 million and Above)/Total Deposits (%) | 41.4 | 37.7 | 36.6 | 53.2 | 53.3 | 52.2 |
| Profit/Loss Before Tax/Average Total Assets (ROAA) (%) | 1.4 | 1.1 | 0.6 | 2.0 | 1.9 | 1.5 |
| Net Profit/Loss/Average Shareholders' Equity (ROAE) (%) | 13.5 | 0.9 | 4.1 | 16.0 | 14.3 | 11.3 |
| Net Profit Share Income/Loss/Average Total Assets (%) | 3.5 | 3.3 | 3.3 | 3.8 | 3.6 | 3.5 |
| Fees, Commissions and Banking Services Income/Average Total Assets (%) | 1.0 | 1.1 | 1.3 | 1.2 | 1.2 | 1.3 |
| Fees, Commission and Banking Services Income/Total Income (%) | 10.7 | 12.4 | 14.3 | 11.8 | 12.1 | 13.0 |
| Operational Expenses/Average Total Assets (%) | 2.2 | 2.2 | 2.5 | 1.8 | 1.9 | 2.0 |
| Income Other Than Profit Share/Expenses Other Than Profit Share (%) | 97.1 | 96.0 | 95.7 | 97.2 | 98.9 | 99.4 |
| Fees and Commissions Income/Operational Expenses (%) | 47.6 | 49.9 | 51.2 | 67.3 | 63.6 | 63.4 |
| Average Total Assets/Average Number of Employees (TL thousand) | 9,845 | 8,531 | 6,954 | 14,306 | 11,760 | 10,286 |
| Deposits/Average Number of Employees (TL thousand) | 7,131 | 5,767 | 4,475 | 8,148 | 6,833 | 5,722 |
| Profit/Loss Before Tax/Average Number of Employees (TL thousand) | 113.59 | 96.77 | 42 | 292 | 222 | 152 |
| Deposits/Number of Branches (TL thousand) | 105,928 | 88,116 | 71,599 | 146,392 | 121,452 | 101,325 |
| Loans/Number of Branches (TL thousand) | 106,219 | 90,292 | 77,499 | 185,307 | 150,088 | 124,997 |
| Number of Employees/Number of Branches (Person) | 15 | 15 | 15 | 18 | 18 | 18 |
| Total Cash Loans/Deposits (%) | 100.3 | 102.4 | 108.2 | 126.6 | 123.6 | 123.3 |
| Total Securities Portfolio/Deposits (%) | 12.3 | 12.8 | 10.2 | 23.5 | 24.2 | 26.5 |
| Demand Deposits/Total Deposits (%) | 30.5 | 28.4 | 27.2 | 21.2 | 20.3 | 19.1 |
| Shareholders' Equity/Total Risk-Weighted Items (Capital Adequacy Standard Ratio) (%) | 17.0 | 16.2 | 14.5 | 16.9 | 15.6 | 15.6 |
| Liabilities/Shareholders' Equity (%) | 1,058.7 | 1,043.1 | 1,009.8 | 791.0 | 793.8 | 782.8 |

Source: BRSA

SECTORAL FINANCIAL DATA
PARTICIPATION BANKS: SUMMARY BALANCE SHEET - ASSETS (TL THOUSAND)

| Assets | | Current Period (31/12/2017) | | | Prior Period (31/12/2016) | | |
|--------|--|--------------------------------|-------------------|--------------------|------------------------------|-------------------|--------------------|
| | | TL | FC | Total | TL | FC | Total |
| I. | Cash and Balances with the Central Bank | 2,603,200 | 22,004,378 | 24,607,578 | 3,012,202 | 17,710,988 | 20,723,190 |
| II. | Financial Assets at Fair Value Through Profit and Loss (Net) | 1,187,022 | 80,498 | 1,267,520 | 82,000 | 219,170 | 301,170 |
| III. | Banks | 718,652 | 5,469,126 | 6,187,778 | 686,077 | 7,784,628 | 8,470,705 |
| IV. | Money Market Placements | - | - | - | - | - | - |
| V. | Financial Assets-Available for Sale (Net) | 5,963,565 | 4,762,854 | 10,726,419 | 5,231,584 | 3,904,393 | 9,135,977 |
| VI. | Loans and Receivables | 87,706,260 | 19,089,490 | 106,795,750 | 70,105,405 | 14,253,730 | 84,359,135 |
| VII. | Investments Held to Maturity (Net) | 1,203,331 | - | 1,203,331 | 1,451,135 | - | 1,451,135 |
| VIII. | Investments in Associates (Net) | 9,616 | - | 9,616 | 4,719 | - | 4,719 |
| IX. | Subsidiaries (Net) | 383,347 | - | 383,347 | 355,163 | - | 355,163 |
| X. | Joint Ventures (Net) | 40,000 | - | 40,000 | 40,000 | - | 40,000 |
| XI. | Lease Receivables (Net) | 3,584,256 | 689,536 | 4,273,792 | 3,635,428 | 486,299 | 4,121,727 |
| XII. | Derivative Financial Assets for Hedging Purposes | 147,489 | - | 147,489 | 111,124 | - | 111,124 |
| XIII. | Tangible Assets (Net) | 1,924,717 | 420 | 1,925,137 | 1,704,127 | 880 | 1,705,007 |
| XIV. | Intangible Assets (Net) | 300,283 | 131 | 300,414 | 248,335 | 305 | 248,640 |
| XV. | Investment Property (Net) | 25,419 | - | 25,419 | - | - | - |
| XVI. | Tax Asset | 265,729 | - | 265,729 | 224,764 | - | 224,764 |
| XVII. | Assets Held for Sale and Assets of Discontinued Operations (Net) | 470,927 | 493 | 471,420 | 235,514 | 433 | 235,947 |
| XVIII. | Other Assets | 667,350 | 695,268 | 1,362,618 | 784,707 | 503,740 | 1,288,447 |
| | Total Assets | 107,201,163 | 52,792,194 | 159,993,357 | 87,912,284 | 44,864,566 | 132,776,850 |

PARTICIPATION BANKS: SUMMARY BALANCE SHEET - LIABILITIES (TL THOUSAND)

| Liabilities | | Current Period (31/12/2017) | | | Prior Period (31/12/2016) | | |
|-------------|--|--------------------------------|-------------------|--------------------|------------------------------|-------------------|--------------------|
| | | TL | FC | Total | TL | FC | Total |
| I. | Funds Collected | 57,540,287 | 49,770,458 | 107,310,745 | 48,364,290 | 36,428,146 | 84,792,436 |
| II. | Derivative Financial Liabilities Held for Trading | 34,668 | 88,100 | 122,768 | 68,116 | 86,150 | 154,266 |
| III. | Funds Borrowed | 5,305,080 | 22,699,845 | 28,004,925 | 1,794,083 | 22,410,005 | 24,204,088 |
| IV. | Borrowings From Money Markets | 2,003,778 | - | 2,003,778 | 2,434,931 | - | 2,434,931 |
| V. | Securities Issued (Net) | - | - | - | - | - | - |
| VI. | Miscellaneous Payables | 1,595,350 | 369,347 | 1,964,697 | 1,879,262 | 362,891 | 2,242,153 |
| VII. | Other Liabilities | 618,443 | 38,924 | 657,367 | 919,205 | 46,729 | 965,934 |
| VIII. | Lease Payables | - | - | - | 104,771 | 226 | 104,997 |
| IX. | Derivative Financial Liabilities for Hedging Purposes | - | 327,591 | 327,591 | - | 490,504 | 490,504 |
| X. | Provisions | 1,476,166 | 265,669 | 1,741,835 | 1,115,632 | 232,071 | 1,347,703 |
| XI. | Tax Liability | 264,081 | 2,910 | 266,991 | 157,730 | 3,315 | 161,045 |
| XII. | Liabilities for Assets Held for Sale and Assets of Discontinued Operations (Net) | - | - | - | - | - | - |
| XIII. | Subordinated Loans | - | 3,947,839 | 3,947,839 | - | 4,383,083 | 4,383,083 |
| XIV. | Shareholders' Equity | 13,641,645 | 3,204 | 13,644,821 | 11,589,853 | (94,143) | 11,495,710 |
| | Total Liabilities | 82,479,498 | 77,513,859 | 159,993,357 | 68,427,873 | 64,348,977 | 132,776,850 |

PARTICIPATION BANKS: SUMMARY OFF-BALANCE SHEET COMMITMENTS (TL THOUSAND)

| | Current Period (31/12/2017) | | | Prior Period (31/12/2016) | | |
|--|--------------------------------|--------------------|----------------------|------------------------------|--------------------|--------------------|
| | TL | FC | Total | TL | FC | Total |
| A. Off- Balance Sheet Commitments (I+II+III) | 77,085,191 | 48,221,111 | 125,306,302 | 65,287,440 | 46,000,881 | 111,288,321 |
| I. Guarantees and Sureties | 21,851,508 | 16,704,001 | 38,555,509 | 18,104,009 | 17,710,621 | 35,814,630 |
| II. Commitments | 50,332,388 | 3,259,349 | 53,591,737 | 38,269,381 | 1,648,009 | 39,917,390 |
| III. Derivative Financial Instruments | 4,901,295 | 28,257,761 | 33,159,056 | 8,914,050 | 26,642,251 | 35,556,301 |
| B. Custody and Pledged Items (IV+V+VI) | 824,814,228 | 172,876,295 | 997,690,523 | 700,013,605 | 160,684,489 | 860,698,094 |
| IV. Items Held in Custody | 17,531,855 | 7,237,234 | 24,769,089 | 13,890,089 | 5,477,953 | 19,368,042 |
| V. Pledged Items | 807,270,734 | 165,536,970 | 972,807,704 | 686,111,877 | 155,095,019 | 841,206,896 |
| VI. Accepted Independent Guarantees and Warranties | 11,639 | 102,091 | 113,730 | 11,639 | 111,517 | 123,156 |
| Total Off- Balance Sheet Accounts (A+B) | 901,899,419 | 221,097,406 | 1,122,996,825 | 765,301,045 | 206,685,370 | 971,986,415 |

PARTICIPATION BANKS: SUMMARY STATEMENT OF INCOME (TL THOUSAND)

| Income/Loss Items | | Current Period | Prior Period |
|-------------------|---|--------------------|--------------------|
| | | (01/01-31/12/2017) | (01/01-31/12/2016) |
| I. | Profit Share Income | 11,092,965 | 8,842,269 |
| II. | Profit Share Expense | 5,535,182 | 4,330,754 |
| III. | Net Profit Share Income/Loss (I - II) [I - II] | 5,557,783 | 4,511,515 |
| IV. | Net Fees and Commissions Income/Expenses | 576,760 | 457,366 |
| V. | Dividend Income | - | 509 |
| VI. | Trading Income/Loss (Net) | 488,974 | 462,094 |
| VII. | Other Operating Income | 671,187 | 651,106 |
| VIII. | Total Operating Income (III+IV+V+VI+VII) | 7,294,704 | 6,082,590 |
| IX. | Provision for Loan Losses and Other Receivables (-) | 843,434 | 93,395 |
| X. | Other Operating Expenses (-) | 1,573,213 | 1,232,548 |
| XI. | Net Operating Income/(Loss) (VIII-IX-X) | 1,965,231 | 1,363,529 |
| XII. | Excess Amount Recorded as Gain After Merger | - | - |
| XIII. | Income/(Loss) on Equity Method | - | - |
| XIV. | Income/(Loss) on Net Monetary Position | - | - |
| XV. | Income/(Loss) From Continued Operations Before Taxes (XI+...+XIV) | 1,965,231 | 1,363,529 |
| XVI. | Tax Provision for Continued Operations (±) | (278,339) | (165,400) |
| XVII. | Net Income/(Loss) From Continued Operations (XV±XVI) | 1,583,478 | 1,105,507 |
| XVIII. | Income From Discontinued Operations | - | - |
| XIX. | Loss From Discontinued Operations (-) | - | - |
| XX. | Income/(Loss) on Discontinued Operations Before Taxes (XVIII-XIX) | - | - |
| XXI. | Tax Provision for Discontinued Operations (±) | - | - |
| XXII. | Net Income/Loss From Discontinued Operations (XX±XXI) | - | - |
| XXIII. | Net Income/Loss (XVII+XXII) | 1,583,478 | 1,105,507 |

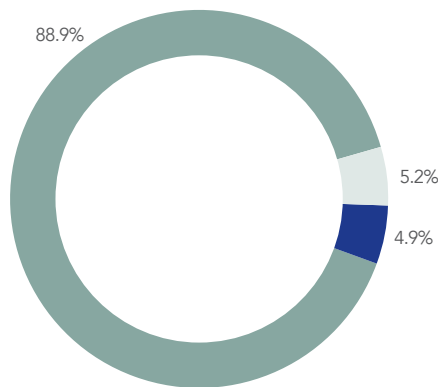
SECTORAL GRAPHS

The participation banking sector successfully continued its journey in the path of sustainable growth in 2017.

The asset size of the sector, in which 5 banks were active, reached TL 160,136 million with a growth of 20.5%.

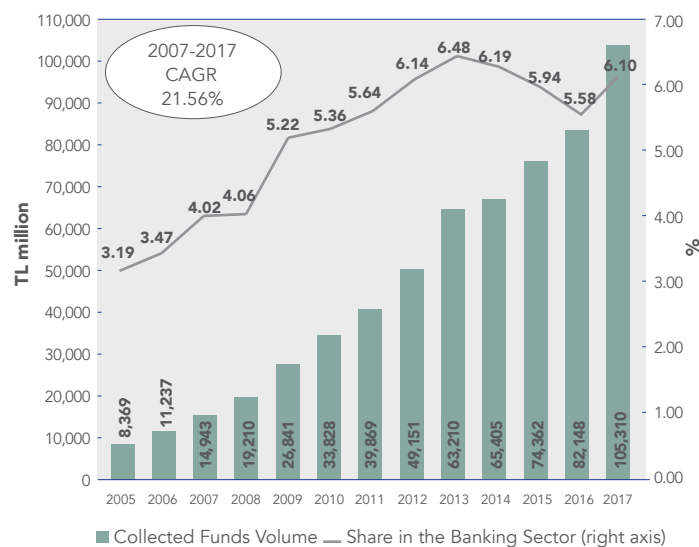
The average annual growth rate of the sector in 2007-2017 period was 23.48%.

SHARES IN ASSET IN TURKISH BANKING SECTOR



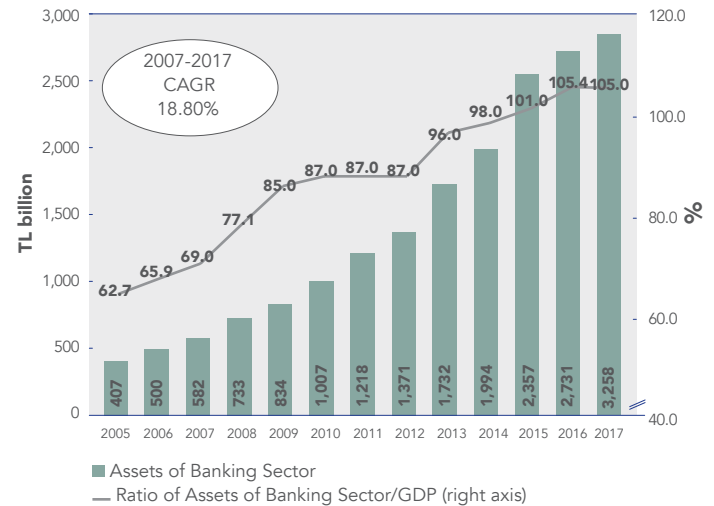
■ Participation Banks ■ Deposit Banks ■ Development and Investment Banks
(Share based received from total assets)

DEVELOPMENT OF FUNDS COLLECTED OF PARTICIPATION BANKS



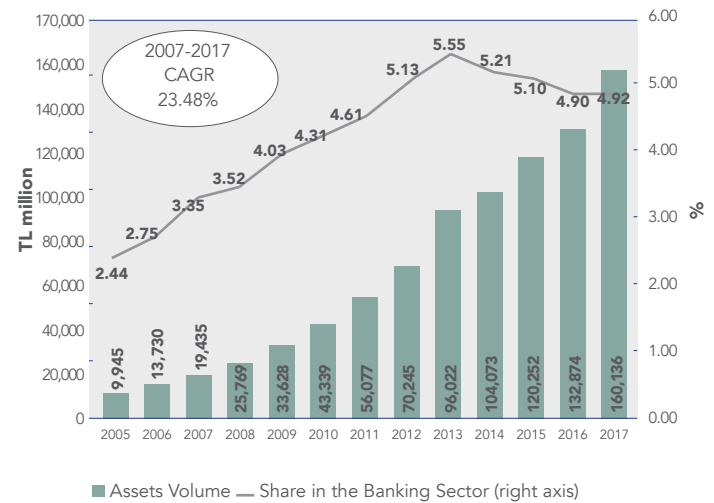
■ Collected Funds Volume — Share in the Banking Sector (right axis)

TURKISH BANKING SECTOR VOLUME AND RATIO TO GDP



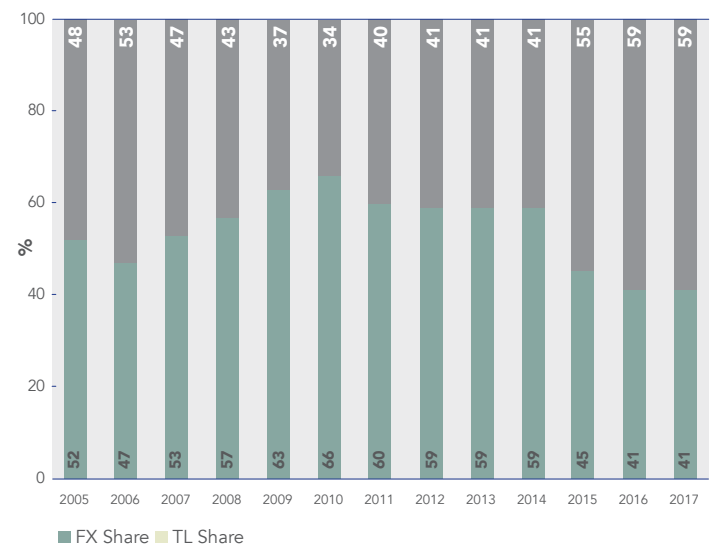
■ Assets of Banking Sector — Ratio of Assets of Banking Sector/GDP (right axis)

DEVELOPMENT OF ASSETS OF PARTICIPATION BANKS AND SHARES IN THE SECTOR



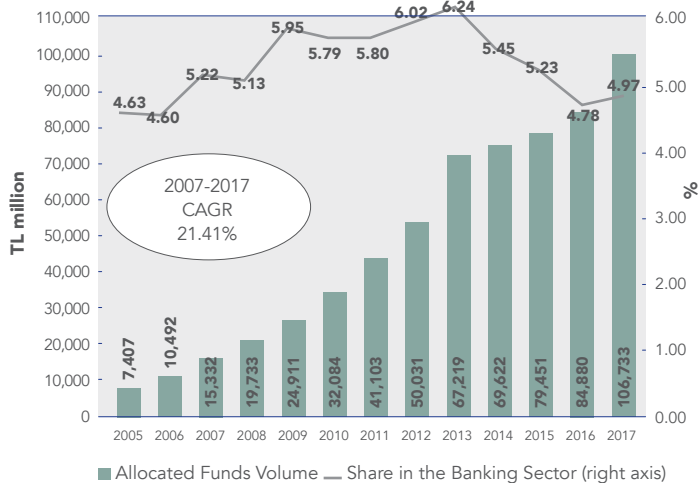
■ Assets Volume — Share in the Banking Sector (right axis)

TL/FC CONCENTRATION OF FUNDS COLLECTED OF PARTICIPATION BANKS

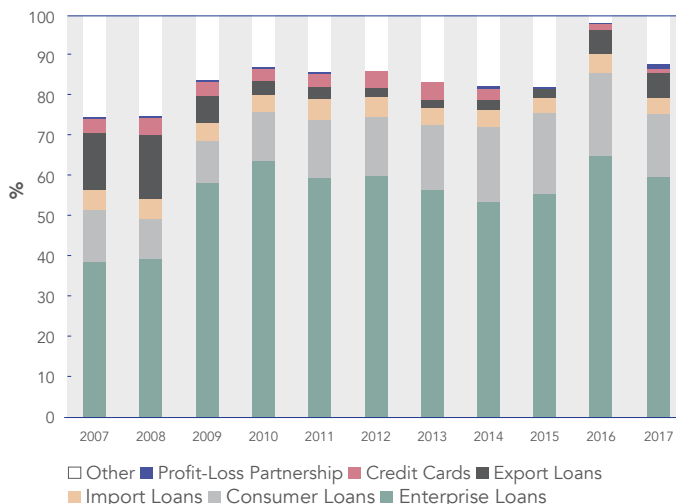


■ FX Share ■ TL Share

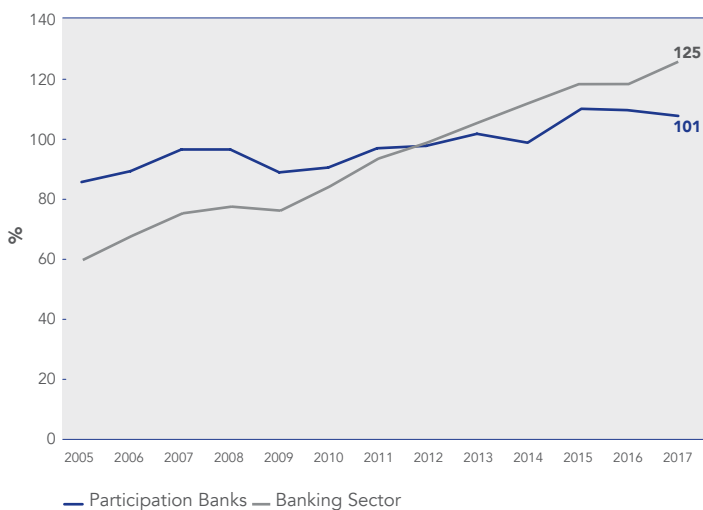
DEVELOPMENT OF FUNDS ALLOCATED OF PARTICIPATION BANKS



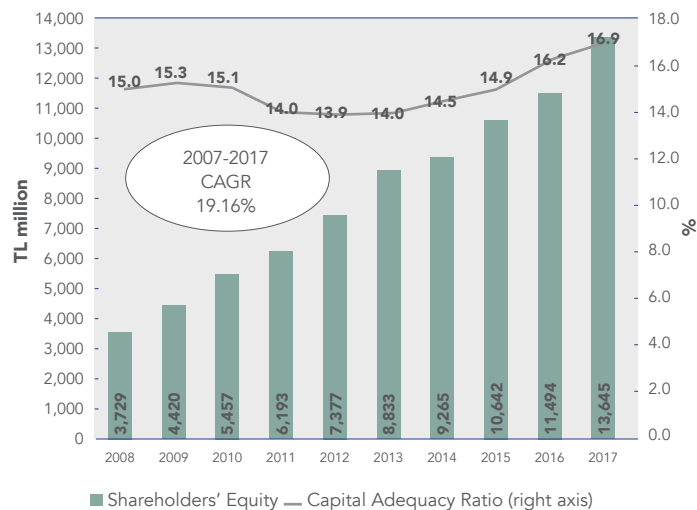
CONCENTRATION OF FUNDS ALLOCATED BY TYPES



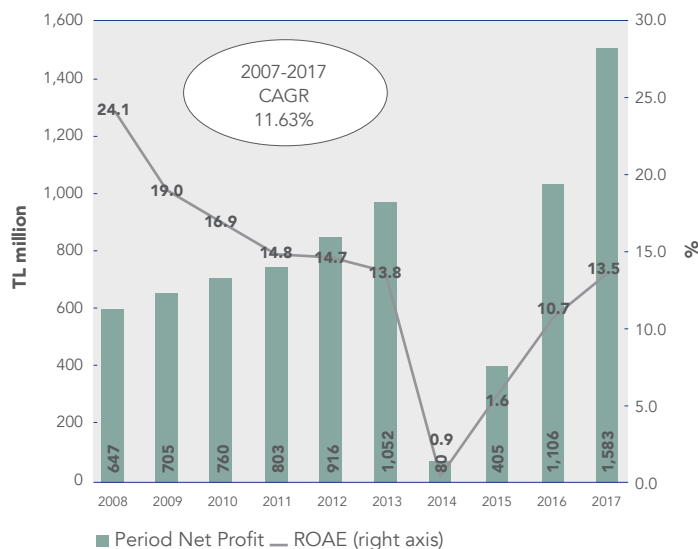
RATIO OF FUNDS ALLOCATED TO FUNDS COLLECTED (%)



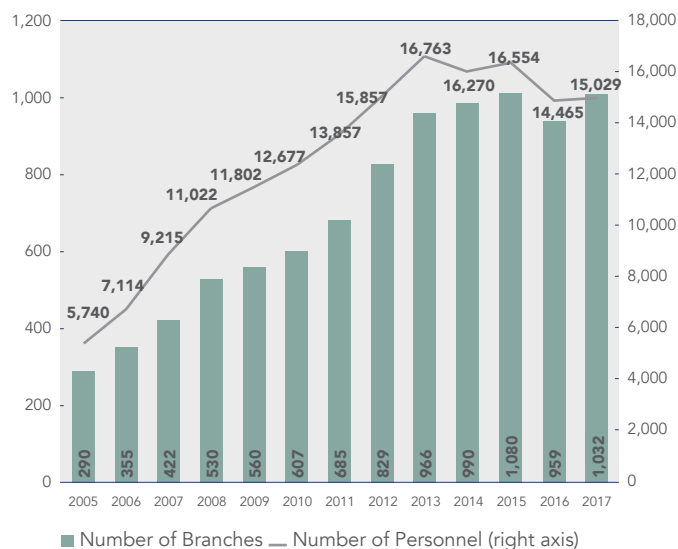
DEVELOPMENT OF SHAREHOLDERS' EQUITY OF PARTICIPATION BANKS



DEVELOPMENT OF NET PROFIT OF PARTICIPATION BANKS



DEVELOPMENT OF BRANCHES AND STAFF OF PARTICIPATION BANKS



ALBARAKA TÜRK KATILIM BANKASI A.Ş. SUMMARY BALANCE SHEET - ASSETS (TL THOUSAND)

| Assets | Current Period | | | Prior Period | | |
|--|----------------|------------|------------|--------------|------------|------------|
| | (31/12/2017) | | | (31/12/2016) | | |
| | TL | FC | Total | TL | FC | Total |
| I. Cash and Balances with the Central Bank | 422,105 | 5,334,890 | 5,756,995 | 940,247 | 4,058,805 | 4,999,052 |
| II. Financial Assets at Fair Value Through Profit and Loss (Net) | 990,788 | 3,363 | 994,151 | 1,022 | 65,074 | 66,096 |
| III. Banks | 706,186 | 805,221 | 1,511,407 | 656,410 | 1,501,767 | 2,158,177 |
| IV. Money Market Placements | - | - | - | - | - | - |
| V. Financial Assets-Available for Sale (Net) | 937,211 | 412,022 | 1,349,233 | 996,067 | 386,623 | 1,382,690 |
| VI. Loans and Receivables | 18,334,954 | 6,121,428 | 24,456,382 | 17,448,650 | 4,394,425 | 21,843,075 |
| VII. Investments Held to Maturity (Net) | 532,803 | - | 532,803 | 668,582 | - | 668,582 |
| VIII. Investments in Associates (Net) | 4,719 | - | 4,719 | 4,719 | - | 4,719 |
| IX. Subsidiaries (Net) | 5,400 | - | 5,400 | 5,400 | - | 5,400 |
| X. Joint Ventures (Net) | 20,000 | - | 20,000 | 20,000 | - | 20,000 |
| XI. Lease Receivables (Net) | 737,081 | - | 737,081 | 878,979 | - | 878,979 |
| XII. Derivative Financial Assets for Hedging Purposes | - | - | - | - | - | - |
| XIII. Tangible Assets (Net) | 589,430 | 236 | 589,666 | 516,340 | 791 | 517,131 |
| XIV. Intangible Assets (Net) | 28,397 | 78 | 28,475 | 35,157 | 305 | 35,462 |
| XV. Investment Property (Net) | - | - | - | - | - | - |
| XVI. Tax Asset | 55,029 | - | 55,029 | 25,100 | - | 25,100 |
| XVII. Assets Held for Sale and Assets of Discontinued Operations (Net) | 83,737 | 493 | 84,230 | 91,884 | 433 | 92,317 |
| XVIII. Other Assets | 81,075 | 22,431 | 103,506 | 141,900 | 12,058 | 153,958 |
| Total Assets | 23,528,915 | 12,700,162 | 36,229,077 | 22,430,457 | 10,420,281 | 32,850,738 |

ALBARAKA TÜRK KATILIM BANKASI A.Ş. SUMMARY BALANCE SHEET - LIABILITIES (TL THOUSAND)

| Liabilities | Current Period | | | Prior Period | | |
|---|----------------|------------|------------|--------------|------------|------------|
| | (31/12/2017) | | | (31/12/2016) | | |
| | TL | FC | Total | TL | FC | Total |
| I. Funds Collected | 13,247,715 | 12,062,125 | 25,309,840 | 12,557,143 | 10,597,991 | 23,155,134 |
| II. Derivative Financial Liabilities Held for Trading | 76 | 6,342 | 6,418 | 88 | - | 88 |
| III. Funds Borrowed | 798,755 | 4,613,214 | 5,411,969 | 181,593 | 4,242,602 | 4,424,195 |
| IV. Borrowings From Money Markets | 340,000 | - | 340,000 | 492,784 | - | 492,784 |
| V. Securities Issued (Net) | - | - | - | - | - | - |
| VI. Miscellaneous Payables | 604,017 | 90,087 | 694,104 | 634,215 | 68,144 | 702,359 |
| VII. Other Liabilities | - | - | - | - | - | - |
| VIII. Lease Payables | - | - | - | - | - | - |
| IX. Derivative Financial Liabilities for Hedging Purposes | - | - | - | - | - | - |
| X. Provisions | 233,722 | 31,098 | 264,820 | 191,485 | 42,364 | 233,849 |
| XI. Tax Liability | 90,347 | 2,910 | 93,257 | 48,484 | 3,315 | 51,799 |
| XII. Liabilities for Assets Held for Sale and Assets of Discontinued Operations (Net) | - | - | - | - | - | - |
| XIII. Subordinated Loans | - | 1,627,163 | 1,627,163 | - | 1,510,937 | 1,510,937 |
| XIV. Shareholders' Equity | 2,481,652 | (146) | 2,481,506 | 2,288,359 | (8,766) | 2,279,593 |
| Total Liabilities | 17,796,284 | 18,432,793 | 36,229,077 | 16,394,151 | 16,456,587 | 32,850,738 |

ALBARAKA TÜRK KATILIM BANKASI A.Ş. SUMMARY OFF-BALANCE SHEET COMMITMENTS (TL THOUSAND)

| | | Current Period | | | Prior Period | | |
|------|--|----------------|------------|------------|--------------|------------|------------|
| | | (31/12/2017) | | | (31/12/2016) | | |
| | | TL | FC | Total | TL | FC | Total |
| A. | Off- Balance Sheet Commitments (I+II+III) | 6,252,472 | 5,192,237 | 11,444,709 | 5,229,816 | 5,721,490 | 10,951,306 |
| I. | Guarantees and Sureties | 4,136,465 | 3,996,159 | 8,132,624 | 4,003,878 | 4,697,315 | 8,701,193 |
| II. | Commitments | 1,999,439 | 232,913 | 2,232,352 | 1,221,782 | 9,379 | 1,231,161 |
| III. | Derivative Financial Instruments | 116,568 | 963,165 | 1,079,733 | 4,156 | 1,014,796 | 1,018,952 |
| B. | Custody and Pledged Items (IV+V+VI) | 59,076,439 | 9,015,013 | 68,091,452 | 46,841,565 | 7,544,333 | 54,385,898 |
| IV. | Items Held in Custody | 2,064,347 | 1,266,279 | 3,330,626 | 1,598,038 | 1,363,315 | 2,961,353 |
| V. | Pledged Items | 57,012,092 | 7,748,734 | 64,760,826 | 45,243,527 | 6,181,018 | 51,424,545 |
| VI. | Accepted Independent Guarantees and Warranties | - | - | - | - | - | - |
| | Total Off- Balance Sheet Accounts (A+B) | 65,328,911 | 14,207,250 | 79,536,161 | 52,071,381 | 13,265,823 | 65,337,204 |

ALBARAKA TÜRK KATILIM BANKASI A.Ş. SUMMARY STATEMENT OF INCOME (TL THOUSAND)

| Income/Loss Items | Current Period | Prior Period | |
|-------------------|---|--------------------|-----------|
| | (01/01-31/12/2017) | (01/01-31/12/2016) | |
| I. | Profit Share Income | 2,658,587 | 2,218,804 |
| II. | Profit Share Expense | 1,390,788 | 1,195,186 |
| III. | Net Profit Share Income/Loss (I-II) | 1,267,799 | 1,023,618 |
| IV. | Net Fees and Commissions Income/Expenses | 148,457 | 145,935 |
| V. | Dividend Income | - | - |
| VI. | Trading Income/Loss (Net) | 45,363 | 45,139 |
| VII. | Other Operating Income | 122,146 | 141,628 |
| VIII. | Total Operating Income (III+IV+V+VI+VII) | 1,583,765 | 1,356,320 |
| IX. | Provision for Loan Losses and Other Receivables (-) | 460,758 | 356,274 |
| X. | Other Operating Expenses (-) | 834,207 | 736,126 |
| XI. | Net Operating Income/(Loss) (VIII-IX-X) | 288,800 | 263,920 |
| XII. | Excess Amount Recorded as Gain After Merger | - | - |
| XIII. | Income/(Loss) on Equity Method | - | - |
| XIV. | Income/(Loss) on Net Monetary Position | - | - |
| XV. | Income/(Loss) From Continued Operations Before Taxes (XI+...+XIV) | 288,800 | 263,920 |
| XVI. | Tax Provision for Continued Operations (±) | 51,707 | 46,311 |
| XVII. | Net Income/(Loss) From Continued Operations (XV±XVI) | 237,093 | 217,609 |
| XVIII. | Income From Discontinued Operations | - | - |
| XIX. | Loss From Discontinued Operations (-) | - | - |
| XX. | Income/(Loss) on Discontinued Operations Before Taxes (XVIII-XIX) | - | - |
| XXI. | Tax Provision for Discontinued Operations (±) | - | - |
| XXII. | Net Income/Loss From Discontinued Operations (XX±XXI) | - | - |
| XXIII. | Net Income/Loss (XVII+XXII) | 237,093 | 217,609 |

KUYEYT TÜRK KATILIM BANKASI A.Ş. SUMMARY BALANCE SHEET - ASSETS (TL THOUSAND)

| Assets | Current Period | | | Prior Period | | |
|--|----------------|------------|------------|--------------|------------|------------|
| | (31/12/2017) | | | (31/12/2016) | | |
| | TL | FC | Total | TL | FC | Total |
| I. Cash and Balances with the Central Bank | 625,022 | 8,307,834 | 8,932,856 | 695,627 | 7,607,425 | 8,303,052 |
| II. Financial Assets at Fair Value Through Profit and Loss (Net) | 176,941 | 66,466 | 243,407 | 40,311 | 125,663 | 165,974 |
| III. Banks | 7,404 | 3,568,616 | 3,576,020 | 14,384 | 4,683,697 | 4,698,081 |
| IV. Money Market Placements | - | - | - | - | - | - |
| V. Financial Assets-Available for Sale (Net) | 2,088,123 | 2,339,942 | 4,428,065 | 1,832,753 | 1,760,173 | 3,592,926 |
| VI. Loans and Receivables | 29,860,983 | 6,180,316 | 36,041,299 | 23,266,913 | 5,145,528 | 28,412,441 |
| VII. Investments Held to Maturity (Net) | - | - | - | - | - | - |
| VIII. Investments in Associates (Net) | - | - | - | - | - | - |
| IX. Subsidiaries (Net) | 377,647 | - | 377,647 | 349,513 | - | 349,513 |
| X. Joint Ventures (Net) | 20,000 | - | 20,000 | 20,000 | - | 20,000 |
| XI. Lease Receivables (Net) | 1,285,866 | 643,376 | 1,929,242 | 1,104,588 | 439,955 | 1,544,543 |
| XII. Derivative Financial Assets for Hedging Purposes | - | - | - | - | - | - |
| XIII. Tangible Assets (Net) | 409,559 | 184 | 409,743 | 439,544 | 89 | 439,633 |
| XIV. Intangible Assets (Net) | 118,959 | 53 | 119,012 | 95,108 | - | 95,108 |
| XV. Investment Property (Net) | 25,419 | - | 25,419 | - | - | - |
| XVI. Tax Asset | 138,710 | - | 138,710 | 118,112 | - | 118,112 |
| XVII. Assets Held for Sale and Assets of Discontinued Operations (Net) | 117,006 | - | 117,006 | 47,975 | - | 47,975 |
| XVIII. Other Assets | 183,231 | 581,438 | 764,669 | 254,825 | 434,772 | 689,597 |
| Total Assets | 35,434,870 | 21,688,225 | 57,123,095 | 28,279,653 | 20,197,302 | 48,476,955 |

KUYEYT TÜRK KATILIM BANKASI A.Ş. SUMMARY BALANCE SHEET - LIABILITIES (TL THOUSAND)

| Liabilities | Current Period | | | Prior Period | | |
|---|----------------|------------|------------|--------------|------------|------------|
| | (31/12/2017) | | | (31/12/2016) | | |
| | TL | FC | Total | TL | FC | Total |
| I. Funds Collected | 19,955,412 | 19,901,988 | 39,857,400 | 17,943,622 | 13,958,141 | 31,901,763 |
| II. Derivative Financial Liabilities Held for Trading | 21,446 | 59,251 | 80,697 | 40,580 | 79,147 | 119,727 |
| III. Funds Borrowed | 1,258,301 | 7,773,208 | 9,031,509 | 647,994 | 7,388,827 | 8,036,821 |
| IV. Borrowings From Money Markets | 750,524 | - | 750,524 | 1,219,873 | - | 1,219,873 |
| V. Securities Issued (Net) | - | - | - | - | - | - |
| VI. Miscellaneous Payables | 171,509 | 26,610 | 198,119 | 133,001 | 24,963 | 157,964 |
| VII. Other Liabilities | 318,674 | 16,177 | 334,851 | 375,840 | 23,611 | 399,451 |
| VIII. Lease Payables | - | - | - | - | 226 | 226 |
| IX. Derivative Financial Liabilities for Hedging Purposes | - | 70,795 | 70,795 | - | 137,829 | 137,829 |
| X. Provisions | 642,554 | 148,886 | 791,440 | 455,533 | 126,207 | 581,740 |
| XI. Tax Liability | 56,271 | - | 56,271 | 27,851 | - | 27,851 |
| XII. Liabilities for Assets Held for Sale and Assets of Discontinued Operations (Net) | - | - | - | - | - | - |
| XIII. Subordinated Loans | - | 1,360,338 | 1,360,338 | - | 1,981,646 | 1,981,646 |
| XIV. Shareholders' Equity | 4,578,542 | 12,609 | 4,591,151 | 3,942,411 | -30,347 | 3,912,064 |
| Total Liabilities | 27,753,233 | 29,369,862 | 57,123,095 | 24,786,705 | 23,690,250 | 48,476,955 |

KUVEYT TÜRK KATILIM BANKASI A.Ş. SUMMARY OFF-BALANCE SHEET COMMITMENTS (TL THOUSAND)

| | Current Period | | | Prior Period | | |
|--|----------------|-------------|-------------|--------------|-------------|-------------|
| | 31.12.2017 | | | 31.12.2016 | | |
| | TL | FC | Total | TL | FC | Total |
| A. Off- Balance Sheet Commitments (I+II+III) | 54,025,598 | 19,041,939 | 73,067,537 | 45,504,238 | 19,739,186 | 65,243,424 |
| I. Guarantees and Sureties | 6,501,080 | 4,567,075 | 11,068,155 | 5,177,182 | 4,711,605 | 9,888,787 |
| II. Commitments | 45,832,293 | 948,078 | 46,780,371 | 34,594,651 | 711,955 | 35,306,606 |
| III. Derivative Financial Instruments | 1,692,225 | 13,526,786 | 15,219,011 | 5,732,405 | 14,315,626 | 20,048,031 |
| B. Custody and Pledged Items (IV+V+VI) | 264,937,891 | 106,948,648 | 371,886,539 | 205,775,245 | 106,164,950 | 311,940,195 |
| IV. Items Held in Custody | 9,232,412 | 3,224,354 | 12,456,766 | 7,081,056 | 2,528,760 | 9,609,816 |
| V. Pledged Items | 255,693,840 | 103,679,813 | 359,373,653 | 198,682,550 | 103,595,106 | 302,277,656 |
| VI. Accepted Independent Guarantees and Warranties | 11,639 | 44,481 | 56,120 | 11,639 | 41,084 | 52,723 |
| Total Off- Balance Sheet Accounts (A+B) | 318,963,489 | 125,990,587 | 444,954,076 | 251,279,483 | 125,904,136 | 377,183,619 |

KUVEYT TÜRK KATILIM BANKASI A.Ş. SUMMARY STATEMENT OF INCOME (TL THOUSAND)

| Income/Loss Items | Current Period | Prior Period |
|---|--------------------|--------------------|
| | (01/01-31/12/2017) | (01/01-31/12/2016) |
| I. Profit Share Income | 3,850,986 | 3,110,435 |
| II. Profit Share Expense | 1,716,773 | 1,440,566 |
| III. Net Profit Share Income/Loss (I - II) | 2,134,213 | 1,669,869 |
| IV. Net Fees and Commissions Income/Expenses | 241,002 | 152,970 |
| V. Dividend Income | - | 509 |
| VI. Trading Income/Loss (Net) | 246,884 | 275,772 |
| VII. Other Operating Income | 230,217 | 192,872 |
| VIII. Total Operating Income (III+IV+V+VI+VII) | 2,852,316 | 2,291,992 |
| IX. Provision for Loan Losses and Other Receivables (-) | 783,703 | 511,661 |
| X. Other Operating Expenses (-) | 1,219,680 | 1,117,119 |
| XI. Net Operating Income/(Loss) (VIII-IX-X) | 848,933 | 663,212 |
| XII. Excess Amount Recorded as Gain After Merger | - | - |
| XIII. Income/(Loss) on Equity Method | - | - |
| XIV. Income/(Loss) on Net Monetary Position | - | - |
| XV. Income/(Loss) on Net Monetary Position | 848,933 | 663,212 |
| XVI. Tax Provision for Continued Operations (±) | -174,942 | -121,246 |
| XVII. Net Income/(Loss) From Continued Operations (XV±XVI) | 673,991 | 541,966 |
| XVIII. Income From Discontinued Operations | - | - |
| XIX. Loss From Discontinued Operations (-) | - | - |
| XX. Income/(Loss) on Discontinued Operations Before Taxes (XVIII-XIX) | - | - |
| XXI. Tax Provision for Discontinued Operations (±) | - | - |
| XXII. Net Income/Loss From Discontinued Operations (XX±XXI) | - | - |
| XXIII. Net Income/Loss (XVII+XXII) | 673,991 | 541,966 |

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. SUMMARY BALANCE SHEET - ASSETS (TL THOUSAND)

| Assets | Current Period | | | Prior Period | | |
|--|----------------|------------|------------|--------------|------------|------------|
| | (31/12/2017) | | | (31/12/2016) | | |
| | TL | FC | Total | TL | FC | Total |
| I. Cash and Balances with the Central Bank | 561,303 | 5,522,898 | 6,084,201 | 580,335 | 5,088,522 | 5,668,857 |
| II. Financial Assets at Fair Value Through Profit and Loss (Net) | 8,371 | 8,177 | 16,548 | 35,240 | 27,275 | 62,515 |
| III. Banks | 1,174 | 306,262 | 307,436 | 748 | 561,018 | 561,766 |
| IV. Money Market Placements | - | - | - | - | - | - |
| V. Financial Assets-Available for Sale (Net) | 1,753,505 | 1,975,843 | 3,729,348 | 1,530,838 | 1,750,429 | 3,281,267 |
| VI. Loans and Receivables | 21,264,640 | 4,073,179 | 25,337,819 | 21,872,328 | 3,726,902 | 25,599,230 |
| VII. Investments Held to Maturity (Net) | 670,528 | - | 670,528 | 782,553 | - | 782,553 |
| VIII. Investments in Associates (Net) | - | - | - | - | - | - |
| IX. Subsidiaries (Net) | 100 | - | 100 | 100 | - | 100 |
| X. Joint Ventures (Net) | - | - | - | - | - | - |
| XI. Lease Receivables (Net) | 1,145,634 | - | 1,145,634 | 1,417,512 | - | 1,417,512 |
| XII. Derivative Financial Assets for Hedging Purposes | 147,489 | - | 147,489 | 111,124 | - | 111,124 |
| XIII. Tangible Assets (Net) | 819,362 | - | 819,362 | 671,274 | - | 671,274 |
| XIV. Intangible Assets (Net) | 66,058 | - | 66,058 | 70,035 | - | 70,035 |
| XV. Investment Property (Net) | - | - | - | - | - | - |
| XVI. Tax Asset | 47,756 | - | 47,756 | 74,356 | - | 74,356 |
| XVII. Assets Held for Sale and Assets of Discontinued Operations (Net) | 263,623 | - | 263,623 | 95,655 | - | 95,655 |
| XVIII. Other Assets | 361,891 | 83,104 | 444,995 | 355,148 | 56,325 | 411,473 |
| Total Assets | 27,111,434 | 11,969,463 | 39,080,897 | 27,597,246 | 11,210,471 | 38,807,717 |

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. SUMMARY BALANCE SHEET - LIABILITIES (TL THOUSAND)

| Liabilities | Current Period | | | Prior Period | | |
|---|----------------|------------|------------|--------------|------------|------------|
| | (31/12/2017) | | | (31/12/2016) | | |
| | TL | FC | Total | TL | FC | Total |
| I. Funds Collected | 11,164,157 | 10,866,339 | 22,030,496 | 11,845,762 | 9,219,019 | 21,064,781 |
| II. Derivative Financial Liabilities Held for Trading | 12,961 | 14,557 | 27,518 | 25,354 | 7,003 | 32,357 |
| III. Funds Borrowed | 1,388,134 | 8,295,545 | 9,683,679 | 862,035 | 9,394,538 | 10,256,573 |
| IV. Borrowings From Money Markets | 510,534 | - | 510,534 | 547,774 | - | 547,774 |
| V. Securities Issued (Net) | - | - | - | - | - | - |
| VI. Miscellaneous Payables | 565,463 | 242,039 | 807,502 | 622,328 | 250,335 | 872,663 |
| VII. Other Liabilities | 230,401 | 21,545 | 251,946 | 497,771 | 22,186 | 519,957 |
| VIII. Lease Payables | - | - | - | 104,771 | - | 104,771 |
| IX. Derivative Financial Liabilities for Hedging Purposes | - | 256,796 | 256,796 | - | 352,675 | 352,675 |
| X. Provisions | 372,003 | 56,977 | 428,980 | 380,949 | 57,490 | 438,439 |
| XI. Tax Liability | 62,510 | - | 62,510 | 64,213 | - | 64,213 |
| XII. Liabilities for Assets Held for Sale and Assets of Discontinued Operations (Net) | - | - | - | - | - | - |
| XIII. Subordinated Loans | - | 960,338 | 960,338 | - | 890,500 | 890,500 |
| XIV. Shareholders' Equity | 4,069,860 | (9,262) | 4,060,598 | 3,717,937 | (54,923) | 3,663,014 |
| Total Liabilities | 18,376,023 | 20,704,874 | 39,080,897 | 18,668,894 | 20,138,823 | 38,807,717 |

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. SUMMARY OFF-BALANCE SHEET COMMITMENTS (TL THOUSAND)

| | Current Period | | | Prior Period | | |
|--|----------------|------------|-------------|--------------|------------|-------------|
| | (31/12/2017) | | | (31/12/2016) | | |
| | TL | FC | Total | TL | FC | Total |
| A. Off- Balance Sheet Commitments (I+II+III) | 10,302,708 | 14,983,551 | 25,286,259 | 11,794,244 | 16,494,994 | 28,289,238 |
| I. Guarantees and Sureties | 5,894,968 | 3,870,806 | 9,765,774 | 7,027,411 | 5,333,712 | 12,361,123 |
| II. Commitments | 2,253,164 | 1,225,110 | 3,478,274 | 2,383,441 | 898,881 | 3,282,322 |
| III. Derivative Financial Instruments | 2,154,576 | 9,887,635 | 12,042,211 | 2,383,392 | 10,262,401 | 12,645,793 |
| B. Custody and Pledged Items (IV+V+VI) | 439,943,500 | 55,168,769 | 495,112,269 | 426,882,215 | 46,614,436 | 473,496,651 |
| IV. Items Held in Custody | 4,188,713 | 2,426,609 | 6,615,322 | 4,285,205 | 1,481,789 | 5,766,994 |
| V. Pledged Items | 435,754,787 | 52,684,550 | 488,439,337 | 422,597,010 | 45,062,214 | 467,659,224 |
| VI. Accepted Independent Guarantees and Warranties | - | 57,610 | 57,610 | - | 70,433 | 70,433 |
| Total Off- Balance Sheet Accounts (A+B) | 450,246,208 | 70,152,320 | 520,398,528 | 438,676,459 | 63,109,430 | 501,785,889 |

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. SUMMARY STATEMENT OF INCOME (TL THOUSAND)

| Income/Loss Items | Current Period | Prior Period |
|---|--------------------|--------------------|
| | (01/01-31/12/2017) | (01/01-31/12/2016) |
| I. Profit Share Income | 2,902,629 | 2,981,301 |
| II. Profit Share Expense | 1,451,193 | 1,471,762 |
| III. Net Profit Share Income/Loss (I - II) | 1,451,436 | 1,509,539 |
| IV. Net Fees and Commissions Income/Expenses | 135,781 | 143,012 |
| V. Dividend Income | - | - |
| VI. Trading Income/Loss (Net) | 22,124 | 99,170 |
| VII. Other Operating Income | 304,714 | 313,913 |
| VIII. Total Operating Income (III+IV+V+VI+VII) | 1,914,055 | 2,065,634 |
| IX. Provision for Loan Losses and Other Receivables (-) | (580,815) | (850,419) |
| X. Other Operating Expenses (-) | (875,598) | (846,140) |
| XI. Net Operating Income/(Loss) (VIII-IX-X) | 457,642 | 369,075 |
| XII. Excess Amount Recorded as Gain After Merger | - | - |
| XIII. Income/(Loss) on Equity Method | - | - |
| XIV. Income/(Loss) on Net Monetary Position | - | - |
| XV. Income/(Loss) on Net Monetary Position | 457,642 | 369,075 |
| XVI. Tax Provision for Continued Operations (±) | (82,282) | (72,832) |
| XVII. Net Income/(Loss) From Continued Operations (XV±XVI) | 375,360 | 296,243 |
| XVIII. Income From Discontinued Operations | - | - |
| XIX. Loss From Discontinued Operations (-) | - | - |
| XX. Income/(Loss) on Discontinued Operations Before Taxes (XVIII-XIX) | - | - |
| XXI. Tax Provision for Discontinued Operations (±) | - | - |
| XXII. Net Income/Loss From Discontinued Operations (XX±XXI) | - | - |
| XXIII. Net Income/Loss (XVII+XXII) | 375,360 | 296,243 |

VAKIF KATILIM BANKASI A.Ş. SUMMARY BALANCE SHEET - ASSETS (TL THOUSAND)

| Assets | Current Period | | | Prior Period | | |
|--|----------------|-----------|------------|--------------|-----------|-----------|
| | (31/12/2017) | | | (31/12/2016) | | |
| | TL | FC | Total | TL | FC | Total |
| I. Cash and Balances with the Central Bank | 688,967 | 1,500,870 | 2,189,837 | 162,604 | 388,327 | 550,931 |
| II. Financial Assets at Fair Value Through Profit and Loss (Net) | 10,889 | 2,488 | 13,377 | 5,420 | 6 | 5,426 |
| III. Banks | 568 | 513,766 | 514,334 | 7,974 | 576,253 | 584,227 |
| IV. Money Market Placements | - | - | - | - | - | - |
| V. Financial Assets-Available for Sale (Net) | 668,265 | 27,335 | 695,600 | 464,411 | - | 464,411 |
| VI. Loans and Receivables | 8,589,671 | 995,835 | 9,585,506 | 2,568,486 | 377,961 | 2,946,447 |
| VII. Investments Held to Maturity (Net) | - | - | - | - | - | - |
| VIII. Investments in Associates (Net) | 4,897 | - | 4,897 | - | - | - |
| IX. Subsidiaries (Net) | 100 | - | 100 | 100 | - | 100 |
| X. Joint Ventures (Net) | - | - | - | - | - | - |
| XI. Lease Receivables (Net) | 42,731 | 46,160 | 88,891 | 12,976 | 46,344 | 59,320 |
| XII. Derivative Financial Assets for Hedging Purposes | - | - | - | - | - | - |
| XIII. Tangible Assets (Net) | 59,131 | - | 59,131 | 33,326 | - | 33,326 |
| XIV. Intangible Assets (Net) | 23,589 | - | 23,589 | 25,130 | - | 25,130 |
| XV. Investment Property (Net) | - | - | - | - | - | - |
| XVI. Tax Asset | 10,141 | - | 10,141 | 2,320 | - | 2,320 |
| XVII. Assets Held for Sale and Assets of Discontinued Operations (Net) | 3,000 | - | 3,000 | - | - | - |
| XVIII. Other Assets | 13,569 | 8,173 | 21,742 | 9,853 | 442 | 10,295 |
| Total Assets | 10,115,518 | 3,094,627 | 13,210,145 | 3,292,600 | 1,389,333 | 4,681,933 |

VAKIF KATILIM BANKASI A.Ş. SUMMARY BALANCE SHEET - LIABILITIES (TL THOUSAND)

| Liabilities | Current Period | | | Prior Period | | |
|---|----------------|-----------|------------|--------------|-----------|-----------|
| | (31/12/2017) | | | (31/12/2016) | | |
| | TL | FC | Total | TL | FC | Total |
| I. Funds Collected | 6,827,057 | 3,261,357 | 10,088,414 | 2,240,970 | 793,786 | 3,034,756 |
| II. Derivative Financial Liabilities Held for Trading | 185 | 1,670 | 1,855 | 2,094 | - | 2,094 |
| III. Funds Borrowed | 882,712 | 387,942 | 1,270,654 | 1,002 | 198,276 | 199,278 |
| IV. Borrowings From Money Markets | 370,258 | - | 370,258 | 40,832 | - | 40,832 |
| V. Securities Issued (Net) | - | - | - | - | - | - |
| VI. Miscellaneous Payables | 227,107 | 2,149 | 229,256 | 476,500 | 15,640 | 492,140 |
| VII. Other Liabilities | - | - | - | - | - | - |
| VIII. Lease Payables | - | - | - | - | - | - |
| IX. Derivative Financial Liabilities for Hedging Purposes | - | - | - | - | - | - |
| X. Provisions | 89,202 | 25,103 | 114,305 | 24,915 | 4,186 | 29,101 |
| XI. Tax Liability | 27,518 | - | 27,518 | 7,314 | - | 7,314 |
| XII. Liabilities for Assets Held for Sale and Assets of Discontinued Operations (Net) | - | - | - | - | - | - |
| XIII. Subordinated Loans | - | - | - | - | - | - |
| XIV. Shareholders' Equity | 1,107,899 | (14) | 1,107,885 | 876,418 | - | 876,418 |
| Total Liabilities | 9,531,938 | 3,678,207 | 13,210,145 | 3,670,045 | 1,011,888 | 4,681,933 |

VAKIF KATILIM BANKASI A.Ş. SUMMARY OFF-BALANCE SHEET COMMITMENTS (TL THOUSAND)

| | Current Period | | | Prior Period | | |
|--|----------------|-----------|------------|--------------|-----------|------------|
| | (31/12/2017) | | | (31/12/2016) | | |
| | TL | FC | Total | TL | FC | Total |
| A. Off- Balance Sheet Commitments (I+II+III) | 3,230,137 | 4,769,288 | 7,999,425 | 1,378,510 | 1,609,704 | 2,988,214 |
| I. Guarantees and Sureties | 2,145,620 | 1,331,798 | 3,477,418 | 554,204 | 801,354 | 1,355,558 |
| II. Commitments | 146,591 | 821,393 | 967,984 | 30,209 | 18,594 | 48,803 |
| III. Derivative Financial Instruments | 937,926 | 2,616,097 | 3,554,023 | 794,097 | 789,756 | 1,583,853 |
| B. Custody and Pledged Items (IV+V+VI) | 48,171,619 | 797,252 | 48,968,871 | 13,933,935 | 26,327 | 13,960,262 |
| IV. Items Held in Custody | 1,598,974 | 67,613 | 1,666,587 | 727,845 | 576 | 728,421 |
| V. Pledged Items | 46,572,645 | 729,639 | 47,302,284 | 13,206,090 | 25,751 | 13,231,841 |
| VI. Accepted Independent Guarantees and Warranties | - | - | - | - | - | - |
| Total Off- Balance Sheet Accounts (A+B) | 51,401,756 | 5,566,540 | 56,968,296 | 15,312,445 | 1,636,031 | 16,948,476 |

VAKIF KATILIM BANKASI A.Ş. SUMMARY STATEMENT OF INCOME (TL THOUSAND)

| Income/Loss Items | Current Period | Prior Period |
|---|--------------------|--------------------|
| | (01/01-31/12/2017) | (01/01-31/12/2016) |
| I. Profit Share Income | 699,371 | 140,987 |
| II. Profit Share Expense | 438,122 | 42,355 |
| III. Net Profit Share Income/Loss (I - II) | 261,249 | 98,632 |
| IV. Net Fees and Commissions Income/Expenses | 21,177 | 1,244 |
| V. Dividend Income | - | - |
| VI. Trading Income/Loss (Net) | 163,047 | 34,983 |
| VII. Other Operating Income | 11,447 | 954 |
| VIII. Total Operating Income (III+IV+V+VI+VII) | 456,920 | 135,813 |
| IX. Provision for Loan Losses and Other Receivables (-) | 89,645 | 24,109 |
| X. Other Operating Expenses (-) | 197,393 | 84,864 |
| XI. Net Operating Income/(Loss) (VIII-IX-X) | 169,882 | 26,840 |
| XII. Excess Amount Recorded as Gain After Merger | - | - |
| XIII. Income/(Loss) on Equity Method | - | - |
| XIV. Income/(Loss) on Net Monetary Position | - | - |
| XV. Income/(Loss) on Net Monetary Position | 169,882 | 26,840 |
| XVI. Tax Provision for Continued Operations (±) | (31,750) | (7,824) |
| XVII. Net Income/(Loss) From Continued Operations (XV±XVI) | 138,132 | 19,016 |
| XVIII. Income From Discontinued Operations | - | - |
| XIX. Loss From Discontinued Operations (-) | - | - |
| XX. Income/(Loss) on Discontinued Operations Before Taxes (XVIII-XIX) | - | - |
| XXI. Tax Provision for Discontinued Operations (±) | - | - |
| XXII. Net Income/Loss From Discontinued Operations (XX±XXI) | - | - |
| XXIII. Net Income/Loss (XVII+XXII) | 138,132 | 19,016 |

ZİRAAT KATILIM BANKASI A.Ş. SUMMARY BALANCE SHEET - ASSETS (TL THOUSAND)

| Assets | Current Period | | | Prior Period | | |
|--|----------------|-----------|------------|--------------|-----------|-----------|
| | (31/12/2017) | | | (31/12/2016) | | |
| | TL | FC | Total | TL | FC | Total |
| I. Cash and Balances with the Central Bank | 305,803 | 1,337,886 | 1,643,689 | 633,389 | 567,909 | 1,201,298 |
| II. Financial Assets at Fair Value Through Profit and Loss (Net) | 33 | 4 | 37 | 7 | 1,152 | 1,159 |
| III. Banks | 3,320 | 275,261 | 278,581 | 6,561 | 461,893 | 468,454 |
| IV. Money Market Placements | 0 | 0 | 0 | 0 | 0 | 0 |
| V. Financial Assets-Available for Sale (Net) | 516,461 | 7,712 | 524,173 | 407,515 | 7,168 | 414,683 |
| VI. Loans and Receivables | 9,656,012 | 1,718,732 | 11,374,744 | 4,949,028 | 608,914 | 5,557,942 |
| VII. Investments Held to Maturity (Net) | 0 | 0 | 0 | 0 | 0 | 0 |
| VIII. Investments in Associates (Net) | 0 | 0 | 0 | 0 | 0 | 0 |
| IX. Subsidiaries (Net) | 100 | 0 | 100 | 50 | 0 | 50 |
| X. Joint Ventures (Net) | 0 | 0 | 0 | 0 | 0 | 0 |
| XI. Lease Receivables (Net) | 372,944 | 0 | 372,944 | 221,373 | 0 | 221,373 |
| XII. Derivative Financial Assets for Hedging Purposes | 0 | 0 | 0 | 0 | 0 | 0 |
| XIII. Tangible Assets (Net) | 47,235 | 0 | 47,235 | 43,643 | 0 | 43,643 |
| XIV. Intangible Assets (Net) | 63,280 | 0 | 63,280 | 22,905 | 0 | 22,905 |
| XV. Investment Property (Net) | 0 | 0 | 0 | 0 | 0 | 0 |
| XVI. Tax Asset | 14,093 | 0 | 14,093 | 4,876 | 0 | 4,876 |
| XVII. Assets Held for Sale and Assets of Discontinued Operations (Net) | 3,561 | 0 | 3,561 | 0 | 0 | 0 |
| XVIII. Other Assets | 27,584 | 122 | 27,706 | 22,981 | 143 | 23,124 |
| Total Assets | 11,010,426 | 3,339,717 | 14,350,143 | 6,312,328 | 1,647,179 | 7,959,507 |

ZİRAAT KATILIM BANKASI A.Ş. SUMMARY BALANCE SHEET - LIABILITIES (TL THOUSAND)

| Liabilities | Current Period | | | Prior Period | | |
|---|----------------|-----------|------------|--------------|-----------|-----------|
| | (31/12/2017) | | | (31/12/2016) | | |
| | TL | FC | Total | TL | FC | Total |
| I. Funds Collected | 6,345,946 | 3,678,649 | 10,024,595 | 3,776,793 | 1,859,209 | 5,636,002 |
| II. Derivative Financial Liabilities Held for Trading | - | 6,280 | 6,280 | - | - | - |
| III. Funds Borrowed | 977,178 | 1,629,936 | 2,607,114 | 101,459 | 1,185,762 | 1,287,221 |
| IV. Borrowings From Money Markets | 32,462 | - | 32,462 | 133,668 | - | 133,668 |
| V. Securities Issued (Net) | - | - | - | - | - | - |
| VI. Miscellaneous Payables | 27,254 | 8,462 | 35,716 | 13,218 | 3,809 | 17,027 |
| VII. Other Liabilities | 69,368 | 1,202 | 70,570 | 45,594 | 932 | 46,526 |
| VIII. Lease Payables | - | - | - | - | - | - |
| IX. Derivative Financial Liabilities for Hedging Purposes | - | - | - | - | - | - |
| X. Provisions | 138,685 | 3,605 | 142,290 | 62,750 | 1,824 | 64,574 |
| XI. Tax Liability | 27,435 | - | 27,435 | 9,868 | - | 9,868 |
| XII. Liabilities for Assets Held for Sale and Assets of Discontinued Operations (Net) | - | - | - | - | - | - |
| XIII. Subordinated Loans | - | - | - | - | - | - |
| XIV. Shareholders' Equity | 1,403,692 | (11) | 1,403,681 | 764,728 | (107) | 764,621 |
| Total Liabilities | 9,022,020 | 5,328,123 | 14,350,143 | 4,908,078 | 3,051,429 | 7,959,507 |

ZİRAAT KATILIM BANKASI A.Ş. SUMMARY OFF-BALANCE SHEET COMMITMENTS (TL THOUSAND)

| | Current Period | | | Prior Period | | |
|--|----------------|-----------|------------|--------------|-----------|------------|
| | (31/12/2017) | | | (31/12/2016) | | |
| | TL | FC | Total | TL | FC | Total |
| A. Off- Balance Sheet Commitments (I+II+III) | 3,274,276 | 4,234,096 | 7,508,372 | 1,380,632 | 2,435,507 | 3,816,139 |
| I. Guarantees and Sureties | 3,173,375 | 2,938,163 | 6,111,538 | 1,341,334 | 2,166,635 | 3,507,969 |
| II. Commitments | 100,901 | 31,855 | 132,756 | 39,298 | 9,200 | 48,498 |
| III. Derivative Financial Instruments | - | 1,264,078 | 1,264,078 | - | 259,672 | 259,672 |
| B. Custody and Pledged Items (IV+V+VI) | 12,684,779 | 946,613 | 13,631,392 | 6,580,645 | 334,443 | 6,915,088 |
| IV. Items Held in Custody | 447,409 | 252,379 | 699,788 | 197,945 | 103,513 | 301,458 |
| V. Pledged Items | 12,237,370 | 694,234 | 12,931,604 | 6,382,700 | 230,930 | 6,613,630 |
| VI. Accepted Independent Guarantees and Warranties | - | - | - | - | - | - |
| Total Off- Balance Sheet Accounts (A+B) | 15,959,055 | 5,180,709 | 21,139,764 | 7,961,277 | 2,769,950 | 10,731,227 |

ZİRAAT KATILIM BANKASI A.Ş. SUMMARY STATEMENT OF INCOME (TL THOUSAND)

| Income/Loss Items | Current Period | Prior Period |
|---|----------------|--------------|
| | (31/12/2017) | (31/12/2016) |
| I. Profit Share Income | 981,392 | 390,742 |
| II. Profit Share Expense | 538,306 | 180,885 |
| III. Net Profit Share Income/Loss (I - II) | 443,086 | 209,857 |
| IV. Net Fees and Commissions Income/Expenses | 30,343 | 14,205 |
| V. Dividend Income | - | - |
| VI. Trading Income/Loss (Net) | 11,556 | 7,030 |
| VII. Other Operating Income | 2,663 | 1,739 |
| VIII. Total Operating Income (III+IV+V+VI+VII) | 487,648 | 232,831 |
| IX. Provision for Loan Losses and Other Receivables (-) | 90,143 | 51,770 |
| X. Other Operating Expenses (-) | 197,531 | 140,579 |
| XI. Net Operating Income/(Loss) (VIII-IX-X) | 199,974 | 40,482 |
| XII. Excess Amount Recorded as Gain After Merger | - | - |
| XIII. Income/(Loss) on Equity Method | - | - |
| XIV. Income/(Loss) on Net Monetary Position | - | - |
| XV. Income/(Loss) on Net Monetary Position | 199,974 | 40,482 |
| XVI. Tax Provision for Continued Operations (±) | (41,072) | (9,809) |
| XVII. Net Income/(Loss) From Continued Operations (XV±XVI) | 158,902 | 30,673 |
| XVIII. Income From Discontinued Operations | - | - |
| XIX. Loss From Discontinued Operations (-) | - | - |
| XX. Income/(Loss) on Discontinued Operations Before Taxes (XVIII-XIX) | - | - |
| XXI. Tax Provision for Discontinued Operations (±) | - | - |
| XXII. Net Income/Loss From Discontinued Operations (XX±XXI) | - | - |
| XXIII. Net Income/Loss (XVII+XXII) | 158,902 | 30,673 |

CONTACT INFORMATIONS



CONTACT INFORMATION

The contact information of the head offices of participation banks operating in Turkey is presented below.

You can access the contact information of the participation banks for physical and virtual service points in Turkey and abroad by reading the QR code on the browser of your mobile device.



Albaraka Türk Katılım Bankası A.Ş.

Head Office

Dr. Adnan Büyükdeniz Cad. No: 6 34768 Ümraniye/İstanbul/TURKEY
Phone: +90 216 666 01 01
Fax: +90 216 666 16 00
www.albaraka.com.tr



Kuveyt Türk Katılım Bankası A.Ş.

Head Office

Büyükdere Cad. No: 129/1 34394 Esentepe-Şişli/İstanbul/TURKEY
Phone: +90 212 354 11 11
Fax: +90 212 354 12 12
www.kuveytturk.com.tr



Türkiye Finans Katılım Bankası A.Ş.

Head Office

Saray Mahallesi Sokullu Caddesi No: 6 Ümraniye/İstanbul/TURKEY
Phone: +90 216 676 20 00
Fax: +90 216 676 29 05
www.turkiyefinans.com.tr



Vakıf Katılım Bankası A.Ş.

Head Office

Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi No: 10 Ümraniye/İstanbul/TURKEY
Phone: +90 216 800 55 55
Fax: +90 216 800 55 56
www.vakifkatilim.com.tr



Ziraat Katılım Bankası A.Ş.


Head Office

Hobyar Eminönü Mah. Hayri Efendi Cad. No: 12 PK: 34112 Fatih/İstanbul/TURKEY
Phone: +90 212 404 10 00
Fax: +90 212 404 10 99
www.ziraatkatilim.com.tr

FOLLOW PARTICIPATION BANKING

Follow our social media accounts where you can always find everything about participation banking.



 /tkbborgtrEn

 /ParticipationBanksAssociation

 /company/participationbanksassociation/

www.tkbb.org.tr

“Turkey gets strength with participation banking”



Saray Mahallesi, Dr. Adnan Büyükdeniz Caddesi Akofis Park C Blok No: 8 Kat: 8
34768 Ümraniye/İstanbul/Turkey

Phone: +90 216 651 95 00 **Fax:** +90 216 636 95 49

Web: www.tkbb.org.tr **E-mail:** bilgi@tkbb.org.tr

