

PARTICIPATION BANKS 2019



Banking with Principles

#1 INTEREST-FREE FINANCE PRINCIPLE
Participation banking offers an interest-free financing model. It is based on commercial activities, not earning money from money.

#2 TRADE PRINCIPLE
Participation banking adopts an ethical understanding of trade that will improve the economy. Clarity is essential in purchases and sales.

#3 SHARING PRINCIPLE
Participation banking fairly shares the profit and loss of the financing provided through the methods of trade, agency, partnership and leasing among its participants as promised.

#4 SATISFACTION PRINCIPLE
Participation banking aims to provide a high level of customer satisfaction with a people-oriented approach. Maximum effort is spent to offer the best and most qualified services.

#5 AUDITING PRINCIPLE
In addition to standard audits, participation banking is subject to audits for compliance with participation banking principles. Any product or commercial activity that does not match our values or is deemed unhealthy is not financed.

#6 HELPING PRINCIPLE
Participation banking utilizes some of its earnings in social responsibility projects to support and ensure social balance.

#7 FULL SERVICE PRINCIPLE
Participation banking has a wide range of products and services to meet all the needs and expectations of its customers. It offers products that are specific to the sector, as well as all instruments and facilities provided by traditional banking, which do not contradict participation banking values.

#8 CONTRACT PRINCIPLE
Participation banking maintains the validity of all its contracts initially agreed with its customers. Loyalty to the contract is essential.

#9 SOCIAL BENEFIT PRINCIPLE
Participation banking prioritizes the financing of projects that support social development. It contributes to economic growth and social welfare.

#10 PARTNERSHIP PRINCIPLE
Participation banking is aware of the fact that every customer is a partner and adopts an approach based on winning together.

Participation banking rises on top of strong principles and Turkey gets stronger with participation.

Those who understand participation banking invests their well-earned savings to the economy with inner peace. As participation banking grows, both participants and Turkey succeed. As you get to know this rising value, that is devoted to its principles, you will participate wholeheartedly.



CONTENTS



Bu PDF belge size daha rahat bir navigasyon imkanı sunmak için kodlanmıştır. İçindekilerde yer alan konu başlıklarına tıklayarak, üst menü navigasyonunu ve <> ileri-geri oklarını kullanarak ilgili bölümlere ulaşabilirsiniz. Sayfa üstlerinde yer alan ≡ üç çizgiye tıklayarak içindekilere geri dönebilirsiniz.



ESTABLISHED IN
2002

MEMBERS
Participation banks operating in Turkey

CHAIRMAN
Metin ÖZDEMİR
Ziraat Katılım Bankası A.Ş.

BOARD MEMBERS
Albaraka Türk Katılım Bankası A.Ş.
Türkiye Emlak 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

PHONE
+90 216 636 95 00 (PBX)

FAX
+90 216 636 95 49

E-MAIL
info@tkbb.org.tr

WEBSITE
www.tkbb.org.tr/en



INTRODUCTION



PARTICIPATION BANKS ASSOCIATION OF TURKEY IN BRIEF



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 Participation Banks Association of Turkey (TKBB), headquartered in İstanbul 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 that necessary decisions are taken, implemented and demand to be implemented for the creation of a competitive environment.

In accordance with the legislation, a participation bank is required to be a member of the Participation Banks Association of Turkey within one month of being granted an operating license.

Six participation banks operating in Turkey as of April 2020 are members of the TKBB.

PARTICIPATION BANKING KEY INDICATORS



TL **215,456**
MILLION

FUNDS COLLECTED

TL **149,476**
MILLION

FUNDS ALLOCATED

TL **284,459**
MILLION

TOTAL ASSETS

TL **21,767**
MILLION

SHAREHOLDERS' EQUITY

16,040
PERSONNEL

NUMBER OF PERSONNEL

1,179
BRANCHES

NUMBER OF BRANCHES

BOARD OF DIRECTORS



Metin ÖZDEMİR
Chairman

Metin Özdemir graduated from the Faculty of Business Administration, Istanbul University in 1990. He started his career at Kuveyt-Türk Finans Kurumu A.Ş. in 1992, and worked as a manager in the wholesale sector as of 1996. Mr. Özdemir was a Council Member at Istanbul Metropolitan Municipality between the years 2004 and 2014. He joined Ziraat Bank in April 2012 as a Member of the Board of Directors and also served as a member of the Bank's Remuneration Committee and as an alternate member of the Credit Committee. Mr. Özdemir has been a member of the Ziraat Katılım Board of Directors, Audit and Remuneration Committees since 18 February 2015 and was appointed as the General Manager of Ziraat Katılım on 12 June 2017.



İkrâm GÖKTAŞ
Member of the Board of Directors

Mr. Goktas, born in 1969 in Bitlis, Mutki, graduated from Ankara University Faculty of Political Sciences, Business Administration Department. He worked as an auditor at Garanti Bank between 1992-1997, Assistant Manager at Istanbul Branch between 1997-1999, Branch Manager at Çorum between 1999-2000 and was the Executive Vice President at Türkiye Finans between 2009-2015. Mr. Göktaş has been a member of the Board, member of the Credit Committee, member of the Corporate Governance Committee and General Manager at Vakıf Katılım since October 2015. He is married with 3 children.



Melikşah UTKU
Member of the Board of Directors

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 Master's Degree on economic development in Marmara University (Istanbul, 1998). In 2004, he served as consultant to General Manager of Albaraka Türk. In 2006- 2007, he was head economist in Albaraka Türk. In addition, he was an economics columnist for Yeni Şafak newspaper for over 10 years (1995-2009). He later worked as Investor Relations Manager from 2007-2009. He continued as CIO-Assistant General Manager in December 2009 and was appointed as CFO-primarily responsible for Financial Affairs, Budget and Financial Reporting and Corporate Communication Departments. He was a board member of Borsa Istanbul from 2013 to 2016. As the General Manager of Albaraka Türk as of October 2016 Mr. Utku continued his duty, as well as Chairman of the Board of directors of Participation Banks Association of Turkey (TKBB), Bereket Varlık Kiralama A.Ş. Albaraka Gayrimenkul Portföy Yönetimi A.Ş., Katılım Emeklilik ve Hayat A.Ş. He also serves as member of Credit Committee, Remuneration Committee, and Executive Committee of Albaraka Türk.



Nevzat BAYRAKTAR
Member of the Board of Directors

Nevzat Bayraktar was born in Bayburt in 1969. He received a Business Administration Degree from Eskişehir Anadolu University, Economics and Administrative Sciences Faculty in 1993. Mr. Bayraktar studied English at Leeds Metropolitan University in England between 1993 and 1994. He started his career in External Transactions Department at Esbank in 1995. He joined the Project and Marketing Department at Albaraka Türk in 1996. In 2003 Mr. Bayraktar became the Assistant Manager and in 2010 the Manager of the Central Branch of Albaraka Türk. Since 2017 he served as the Assistant General Manager of Corporate, Commercial and Retail Sales Departments and became responsible for regional directorates and branches. Mr. Bayraktar, has been appointed as the Chief Executive Officer (CEO) of Emlak Katılım as of 11 February 2020.



Ufuk UYAN
Member of the Board of Directors

Born in Eskişehir in 1958, Ufuk Uyan graduated from Boğaziçi University, Department of Economics in 1981 and received a 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, Remuneration Committee, Credit Committee and Assets and Liabilities Committee.



Wael Abdulaziz RAIES
Member of the Board of Directors

Born in 1972 in Makkah, Saudi Arabia. Earned a degree in Electrical Engineering in 1996 from King Fahd University of Petroleum & Minerals and Master's degree in Business Administration in 2004 at King Saud University. Joined Schulmberger Wire line & Testing (Oil Services) in 1996 as a Field Engineer operating in different geographical locations both off-shore and on-shore reaching the Engineer-In-Charge of Qatar land locations. He started his banking career in 1999 in Commercial Banking business in Saudi American Bank, a Citi Bank subsidiary. Joined The National Commercial Bank Corporate business in 2002 as a Senior Relationship Manager. He progressed to Commercial Business in NCB leading Central Region in 2008, followed by leading Eastern Region in 2010. He then moved on to Head Office to lead Commercial Business Kingdom wide in 2013. Prior to his appointment as Country Head, Wael headed the Finance Restructuring in June 2013 for a brief period. Over the years Wael has attended specialized Engineering, Banking and Leadership courses with reputable schools such as INSEAD, Darden and Harvard Business School. On 1 November 2016, Mr. Raies was appointed as the General Manager of Türkiye Finans.

GENERAL SECRETARIAT



Osman AKYÜZ
Secretary General

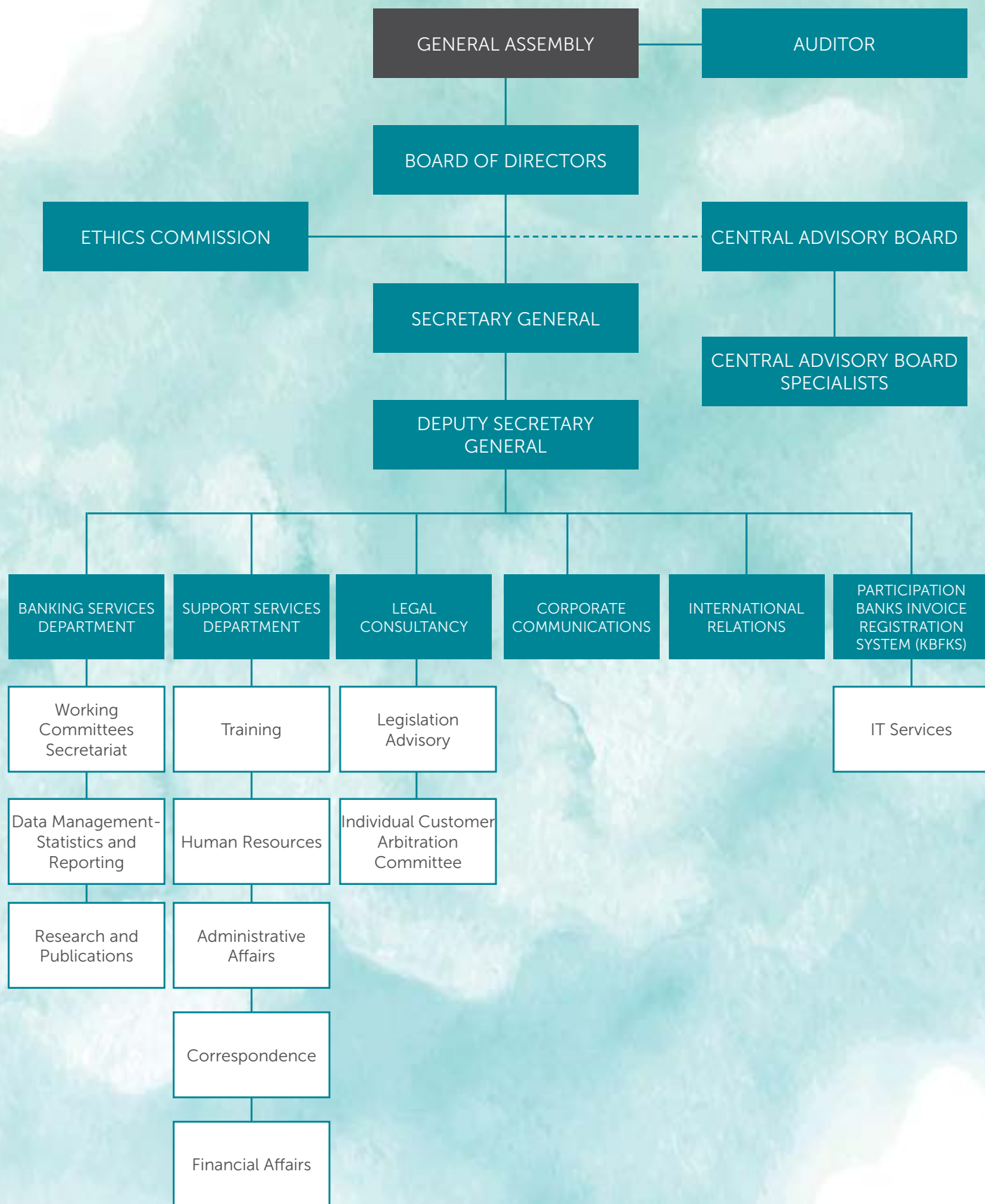
Osman Akyüz was born in Trabzon in 1954. He obtained his degree from the Faculty of Political Sciences, Ankara University. He commenced his professional career in 1978 as a Tax Inspector at the Ministry of Finance. He was then transferred to Sezai Türkeş- Fevzi Akkaya Group (STFA) as an Auditor and Financial Consultant in 1983. In 1985, he started working as the Manager of Financial and Administrative Affairs in Albaraka Türk. He served as Manager and Deputy General Manager at various levels before becoming General Manager of the Bank in 1996. Retiring from Albaraka Türk in 2002, Mr. Akyüz served as a member of the Board of Directors at the same bank until July 2018, and as the Vice-Chairman of the Board between July 2018 and March 2020. Mr. Akyüz is also Board Member of EYG Real Estate Portfolio Management Inc and Member of the Board of Trustees at Fatih Sultan Mehmet Vakıf University. Mr. Akyüz has been Secretary General of the Participation Banks Association of Turkey since 2002.



İsmail VURAL
Deputy Secretary General

Mr. Vural was born in Ordu/Ünye in 1972. He graduated from 9 Eylül University Faculty of Economics and Administrative Sciences in 1993. He started his career in Kuveyt Türk Marketing Department as Assistant Specialist in 1997 and after his resignation in 1999, he served at various posts in Türkiye Finans as Marketing Specialist, Marketing Manager, Branch Manager, Marmara Regional Manager, Recruitment and Planning Manager. He was appointed as Executive Vice President in charge of Retail Banking on 21 July 2016 and continued to serve in this position until 17 March 2017. Mr. Vural has been the Deputy Secretary General of Participation Banks Association of Turkey since 1 February 2018.

ORGANIZATION CHART



ADVISORY BOARD



Prof. Dr. Rahmi YARAN
Chairman of the Board

Mr. Yaran was born in Fatsa/Ordu on 2 August 1951. After completing primary school in his hometown, he graduated from Tokat Islamic Divinity School in 1969. He served as an imam in Fatsa Kurtuluş Mosque for ten months, then started Konya Higher Islamic Institute in 1970 and graduated in 1974. He started teaching vocational classes at Kastamonu Islamic Divinity School in July 1974. After a break for military service, he continued his teaching career at Ordu/Kumru Islamic Divinity School as the school principal from March 1977. In December 1980, he attended the third period Specialty Courses at Presidency of Religious Affairs İstanbul Haseki Training Center. Upon finishing the course, he became an Assistant and a Teacher at the same center. His assignment at Haseki Training Center continued until 1993. During that period, he stayed in Cairo for two years between 1985 and 1987 as an independent researcher and performed scientific research. In the meantime, he completed his graduate thesis on Islamic Law at Marmara University Institute of Social Sciences (1987) and started doctoral studies. In 1993, he was appointed as a lecturer at Marmara University Faculty of Theology. He received his doctorate degree on Islamic Law in 1994. In 2003-2004 academic year, Mr. Yaran worked as Islamic Sciences lecturer at Azerbaijan Baku State University Faculty of Theology. At the same time, he taught Islamic Law classes at Faculty of Law and International Law of Azerbaijan Private University. He became an Associate Professor in January 2008 and a Professor in September 2013. He contributed to Türkiye Diyanet Foundation Islamic Encyclopedia as a writer, scientific editor and a member of the scientific board. Prof. Dr. Rahmi Yaran was appointed as mufti of İstanbul as per the Decree published at the Official Gazette no 28125 dated 27 November 2011, started serving on 15 December 2011 and resigned from this post on 12 January 2017. He also retired from Marmara University Faculty of Theology. Mr. Yaran has been serving as the Chairman of the Advisory Board since May 2018.



Prof. Dr. Hasan HACAK
Deputy Chairman of the Board

Mr. Hacak was born in Giresun/Espiye in 1968. He graduated from Espiye Islamic Divinity School in 1986 and from Marmara University Faculty of Theology in 1990. At the same year he started graduate school at Marmara University Institute of Social Sciences. In 1991, he was appointed as a research associate at Marmara University Faculty of Theology. He completed his graduate studies on "Servitude in Islamic Law and Development of Related Concepts" in 1993 and doctoral dissertation on "Analysis of Concept of Rights in Classical Resources of Islamic Law" in 2000. He became an Associate Professor in 2008 and a Professor in 2013.

His publications are "Impact of Atomistic Universe Approach on Islamic Law: An Analysis of Relationship between Word and Islamic Law" and "Mindset of Arabic Islamic Culture: A Critical Analysis of Information Systems in Arabic Islamic Cultures" (Translated from Cābirî, a joint publication with Burhan Koroğlu and Ekrem Demirli).



Prof. Dr. Abdullah KAHRAMAN
Board Member

Mr. Kahraman was born in Bayburt in 1964. After completing primary school in Bayburt, he moved to İstanbul with his family, graduated from Üsküdar Islamic Divinity High School and started his undergraduate studies at Marmara University Faculty of Theology. He graduated from this faculty in 1991. He took private lessons on Islamic sciences before and during his undergraduate studies and became a hafiz. He was appointed as a teacher in Kağıthane Islamic Divinity High School upon his graduation. While teaching, he started graduate studies at Marmara University Institute of Social Sciences. In 1994 he finished his studies with his thesis titled "Barter Transaction in Islamic Law" and started his doctoral studies at the same institute. He was appointed as a Research Associate at Cumhuriyet University Faculty of Theology Department of Islamic Law in 1994 while he was still teaching and finished his doctoral studies with his dissertation on "Guarantee Contracts in Islamic Law of Obligations and Recent Applications" in 1997. He was appointed as Assistant Professor in 1998, Associate Professor in 2003 and Professor in 2008. Mr. Kahraman is still a Professor at Marmara University Faculty of Theology. At the same time, he serves as the Dean of Kocaeli University Faculty of Theology and Member of the Higher Board of Religious Affairs. He was a visiting professor and manager for three years at Baku State University between 2004 and 2007. Mr. Kahraman knows Arabic and English.



Prof. Dr. Ahmet YAMAN
Board Member

Mr. Yaman was born in Konya. He graduated from Antalya Islamic Divinity High School (1985), Marmara University Faculty of Theology (1989) and Presidency of Religious Affairs İstanbul Haseki Training Center (1992). He worked as an imam, speaker and preacher for some time. He completed his graduate (1991) and doctoral (1996) studies on Islamic Law at Marmara University. He became an Associate Professor in 1999 and a Professor in 2005. Between 1992 and 2010, he worked as a lecturer and manager at Selçuk University Faculty of Theology. He served as the Founder Dean of Akdeniz University Faculty of Theology between 2010 and 2013. He returned back to his previous university, which changed its name as Necmeddin Erbakan University, after the establishment of this faculty. During these assignments, he was appointed as Member of the Higher Board of Religious Affairs of the Presidency of Religious Affairs in 2011. In 2015, he was reelected to the same post. Mr. Yaman currently serves as the Member of the Higher Board of Religious Affairs of the Presidency of Religious Affairs and Professor at Necmeddin Erbakan University Faculty of Theology Department of Islamic Law.



Temel HAZIROĞLU
Board Member

Mr. Haziroğlu was born in Trabzon in 1955. He then moved to İstanbul with his family and completed primary and middle school education in İstanbul. He graduated from Kabataş High School for Boys. He received his undergraduate degree from İstanbul Technical University Department of Mathematical Engineering and graduate degree from İstanbul Sabahattin Zaim University Department of Business Administration. He worked as a Programmer, System Analyst and Information Systems Assistant Manager at Türkiye Emlak Bank. He served as Information Systems Manager at Albaraka Türk between 1986 and 1991. He worked as an independent merchant and consultant between 1992 and 1995. He returned back to Albaraka Türk in 1996 and served as Information Systems Manager and Personnel and Administrative Affairs Deputy Manager. He was appointed as Vice President of Albaraka Türk in 2003. Between 2003 and 2017, he served as Vice President responsible for Human Resources, Training and Organization, Performance and Career Management, Administrative Affairs and Construction and Real Estate Departments. In 2017, he served as CFO in charge of Financial Affairs, Financial Reporting, Strategic Planning and Process Management and Organization units. He resigned from his duties at Albaraka Türk in 2018 and was appointed as Member of the TKBB Advisory Board. He is a lecturer at Marmara University Institute of Middle East and working on his doctoral studies in Sociology. His articles and essays were published in various magazines and newspapers. He has three published books titled "New Quest and Birth of Advanced Democracy Idea", "Man and Reality: Drops of Thoughts" and "Participation Economy: New Mind, New Economy". He is married with 3 children.

SUSTAINABLE GROWTH

“ IN 2019, THERE WAS A RAPID DECLINE IN INFLATION IN LINE WITH THE BALANCING PROCESS IN THE TURKISH ECONOMY, WITH SINGLE DIGIT INFLATION ACHIEVED IN THE SECOND HALF OF THE YEAR THANKS TO THE BASE EFFECT. THE RAPID DOWNWARD TREND IN INFLATION AND INTEREST RATES FIRED UP THE CYLINDERS OF THE MANUFACTURING INDUSTRY AND STIMULATED INVESTMENT AND CONSUMPTION SPENDING.



2019 was a year in which trade disputes slowed down growth in the global economy. Heightened geopolitical risks, the trade war between the U.S. and China and uncertainty in global markets set the stage for negative economic indicators.

Despite positive developments being taken towards resolving the trade disputes, growth forecasts for the global economy have been revised downwards. Taking into account the slowing trend in the US economy, the FED abandoned its hawkish stance at the beginning of the year, and cut interest rates by a total of 75 basis points during the year as it pursued a policy of monetary easing.

With the resurgence of recessionary concerns in the European economy, the ECB cut its deposit interest rate by a further 10 basis points to -0.50% in the last quarter of the year. Feeble leading indicators in Germany, the Brexit negotiations and political developments in Spain and Italy continued to steer the markets.

Turkey's economy has undergone a period of stabilization during the past year, with a rapid improvement in macroeconomic figures. The year was marked by a rapid decline in inflation, on the back of the balancing process in the Turkish economy, with single digit inflation figures achieved in the second half of the year thanks to the base effect. This development allowed the Central Bank to cut its policy interest rate by 1200 basis points. The rapid downward trend in inflation and interest rates fired up the cylinders of the manufacturing industry and stimulated investment and consumption expenditures.

In the participation banking sector, we have set a strategic priority of providing resources from both domestic and international markets with appropriate maturity and cost, and making these resources available to the country's economy in the most efficient manner. Despite some deterioration in the

sector's asset quality compared to last year, there was a noticeable increase in the participation banking sector's profit figures and asset volume.

While the banking sector's asset volume increased by 16% in 2019, loans and deposits expanded by 11% and 24%, respectively. The sector's total profit decreased by 9% to TL 49 billion.

Participation banks wrapped up a successful year in 2019, outperforming the wider banking sector in terms of growth. The asset volume of the participation banking sector increased by 38% YoY, with loans and participation funds increasing by 25% and 57% YoY, respectively. Participation banks wrote a total net profit of TL 2.4 billion, marking a 16% increase, outperforming the banking sector.

While the proportion of loans allocated by the Turkish banking sector to SMEs stood at around 23% at the end of 2019, this ratio was 29% for participation banks, confirming the close relationship between participation banks and the real sector.

To facilitate the sustainable development of the participation banking sector in Turkey, serious steps are being taken to increase the effectiveness of the products already used both on the asset and liability sides, to diversify the product structure, to increase the quality of products and services and to expand their use and in light of these goals, work is carried out meticulously. Legislative measures for the products, innovation and development are also being carried out by participation banking with the backing of public institutions. Furthermore, participation banks, which employ alternative distribution channels effectively and optimally by taking advantage of the development of financial technologies, have been able to reach new individual and corporate customers by developing innovative practices.

In 2019, the number of digital banking customers using participation banks had increased by 122.7% since 2017, reaching 2,306,639. In addition, with the Capital Markets Board's recent authorization to establish a share-based crowdfunding platform, participation banks, which have reached a certain infrastructure and customer trust with the current system will pave the way for the sector to grow more rapidly and robustly by establishing such financial technology platforms.

We are confident that we will achieve better results in the coming period with our common beliefs and efforts, together with our customers and shareholders, and will help make our country the regional leader of the industry. I would like to take this opportunity to offer my sincere thanks to all those who have contributed to participation banking.

Metin ÖZDEMİR
CHAIRMAN OF
THE BOARD OF DIRECTORS

“The year 2019 was a successful year for participation banks, which outperformed the sector in terms of growth.”

38%

INTERVIEW WITH THE SECRETARY GENERAL

A BALANCING PROCESS

“WHILE 2019 MARKED A SUCCESSFUL BALANCING PROCESS FOR THE TURKISH ECONOMY, THE PARTICIPATION BANKING SECTOR PERFORMED STRONGLY AND INCREASED ITS SHARE IN THE TURKISH BANKING SECTOR.



Q: The global economy was shaped by protectionist policies and geopolitical developments in 2019. Would you share your comments on this global outlook, given that the global growth rate declined to 2.9%?

The world economy displayed a performance which could be described as close to stagnation in 2019. According to the IMF's April 2020 update, after the world economy posted growth of 3.6% in 2018, it slowed in 2019 with the rate of growth declining to 2.9%. In examining this key indicator, it would be correct to address the developments which shaped the global economy in 2019 on two key axes. The first was that the world's leading central banks focused on re-expansionary monetary policy practices to overcome the bottlenecks facing sustainable economic growth, and to stimulate their economies. On the other hand, the trade dispute between the United States and China developed as a second key trend, and had a significant impact on the global economy, trade flows and commodity prices.

Now, let's look at the issue with a slightly more detailed approach. In the first half of 2019, with the prevailing protectionist tendencies in US-China trade policies, customs tariffs were increased, which played a major role in delaying investment decisions on a global scale, markedly reducing momentum in the manufacturing industry and decreasing prices of most non-gold commodities. On the other hand, developments in the UK's process of leaving the EU raised expectations that the existing customs union and other foreign trade agreements may have to be made from scratch. All of these developments negatively affected the economies of developing countries through global trade, which led to significant volatility in exchange rates.

The Federal Reserve Bank (FED) of the US and the European Central Bank (ECB), which carry influence on global economic activity, were not idle observers to the developments, turning

increasingly to expansionary policies. With the advent of a return to global monetary easing process, interest rate cuts and asset purchase programs were introduced, especially in the second half of the year, and economic activity, which had been stuck in a rut, was again supported in a multi-faceted way.

The FED lowered interest rates by a total of 75 basis points, with 25 basis point rate cuts in July, September and October, and reduced the policy rate to a range of 1.5% to 1.75%. With this approach, the FED ended the balance sheet reduction process and started monthly asset purchases. Adopting a similar approach, the ECB cut its policy interest rate by 10 basis points and activated its monthly bond-buying program of EUR 20 billion.

The positive impact of ECB and FED policies on economic activity became evident towards the end of 2019, with leading indicators starting to offer some positive signs. In terms of fund flows on a global scale in the same period, we observed outflows from global bond markets from the last quarter of 2019 with an increasing trend towards equities on the back of strong growth expectations.

Developing country markets were positively affected by global liquidity conditions in this process. While the expansionary policies undertaken by the central banks of developed countries offered encouragement to the central banks of developing countries, interest rates were cut in many developing markets, including in our country. In the continuation of this process, the currencies of developing countries gained value against the currencies of developed countries, especially the US dollar, and there was a significant fall in inflation rates. On the other hand, fund flows, which have been rapidly expanding on a global scale, have supported the efforts of developing countries to overcome the economic recession. According to the figures published by the Institute of International Finance (IIF), as a result



ACCORDING TO THE IMF'S APRIL 2020 UPDATE, AFTER THE WORLD ECONOMY POSTED GROWTH OF 3.6% IN 2018, IT SLOWED IN 2019 WITH THE RATE OF GROWTH DECLINING TO 2.9%.

INTERVIEW WITH THE SECRETARY GENERAL

of the expansionary monetary policy implemented by developed countries, portfolio investments to developing countries increased significantly in 2019.

While the world economy, business and political circles were getting ready to enter 2020 with relatively optimistic expectations after 2019, the first news started to break about a highly infectious virus, which started to be seen among people in the Wuhan province of China, and was being widely reported in world news outlets in December. The virus, designated Covid-19 by the World Health Organization, soon turned into a global health crisis.

The Covid-19 pandemic, which threatens billions of people around the world, has presented a shock which was disrupting the global economy through different channels in April 2020, when we prepared our report for publication.

In our opinion, the global health crisis being experienced will affect the world economy from many different angles such as labor and employment, trade flows, the capital markets, investments and the commodity markets. In other words, Covid-19 will have far-reaching consequences on social and economic life in the short and medium term on a scale that none of us ever predicted, and will be one of the determinants of the direction of change and development on a global scale.

Q: Turkey's economy completed its balancing process with a successful performance in 2019. Can you comment on this process in light of global developments?

In 2019, the restructuring set out by the government in the New Economy Program was implemented and the macroeconomic balancing process has been successfully completed.

The main objective of the program was to undertake the necessary adjustments to macroeconomic balances in response to the global fluctuations in 2018 and to establish a new and healthy base for economic growth.

The stabilization program mainly envisaged lowering inflation and interest rates, maintaining employment on a healthy basis and further improving the healthy structure of the overall financing balance.

Looking at the year in its entirety, while there was a decrease in import volumes, a strong export performance backed by a competitive exchange rate paved the way for net exports to offer a positive contribution to growth.

As a result of the momentum in credit growth, household consumption expenditures increased and there was a recovery in investment expenditures during the year.

A stable exchange rate, a downtrend in inflation and the Central Bank of the Republic of Turkey (CBRT)'s interest rate cuts all supported the balancing process in the economy as set out in the government's New Economy Program. The annual inflation rate, which stood at 20% in January 2019, had fallen to 11.8% by the end of the year.

Observing this positive course, the CBRT cut its policy interest rate from 24% to 12% by reducing the benchmark interest rate by 1200 basis points from July. CBRT, which cut interest rates five times in a row, evaluated the liquidity developments in the world as the basic grounds for policy rate cuts, which strongly supported the investment climate.

While the balancing had proved successful at the end of 2019, our country's economy returned to a trend of sustainable growth in the third quarter. The most important gains achieved under the program were undoubtedly the rapid reduction of inflation and interest rates.

Q: What are your predictions about Turkey in 2020 given the outbreak of the Covid-19 pandemic?

It appears very difficult to assess the global development of the pandemic and its possible effects on the economy in the coming months. The development of economic parameters

in particular will become clearer in the coming months with the steps taken by central banks and governments and the supporting measures to be implemented. The point to be emphasized here is the fact that the pandemic conditions will reveal new and rapidly resolved equations for both the global economy and the Turkish economy. However, as with any crisis, there will be new initiatives and opportunities for economic actors in this process.

As of today, our country has managed the effects of the pandemic with a proactive approach and has set itself apart in the global health league. We see this as an important success and we consider this to be thanks to the large scale investments which have recently been realized in our country's health sector.

Our government has also taken and implemented important steps to protect and support the business world, employment, the financial sector and all citizens in parallel with the conditions of the pandemic.

While it will take time to find clear answers, in my opinion, our country's economy will enter a new growth phase in 2021 while following a horizontal course in 2020 in line with global economic conditions. In the April update of the Global Economic Outlook report, the IMF predicted that our country's economy would grow by 5% in 2021.

Q: The banking sector is one of the building blocks of the economy. In this context, how would you evaluate the developments in our country's banking sector in 2019?

The Turkish banking sector took a supportive approach to the balancing process in the economy in 2019.

The negative effects of the weakness of the Turkish Lira on company balance sheets in August 2018 started to be reflected in the balance sheets of banks in 2019. The ratio of non-performing loans, which had stood at 4.03% at

the beginning of the year, had risen to 5.36% as of December 2019 due to the difficulties companies in the real sector were experiencing in redeeming debt, a high component of it denominated in foreign currency.

In this context, the participants of our sector took a proactive approach and acted with a fast and synchronized approach to structuring overdue receivables and providing the necessary support to ensure the economic sustainability of customers.

This support provided by our banks marks an important contribution to the smooth completion of the balancing process in the Turkish economy, and has also limited the rise in overdue receivables.

Our banking sector, which is built on strong foundations and backed by properly structured legislation and supervision infrastructure, also contributed increasingly to the economic cycle with its expansionary approach, especially in the second half of the year. This process was supported by the measures taken by the Banking Regulation and Supervision Agency (BRSA), facilitating the provision of resources for increased credit volume in bank balance sheets. While TL denominated loan growth stood at 14% in the banking sector in 2019, the correlation of the required reserves of the CBRT with loan growth had a significant effect on loan growth. The significant cuts in the CBRT's benchmark interest rates reduced the cost of credit.

When we examine the balance sheet structure of the banking sector, there was growth of 16% in total assets, 26% in funds collected and 11% in funds provided to customers, when compared to 2018. The sector's profitability decreased by 9.4%, while its return on equity stood at 11.48%.

The banking sector's strong capital adequacy places the sector in a healthy and strong position. The capital adequacy ratio in our sector stood at 18.40% in 2019.

In our opinion, the Turkish banking sector, including the participation banks, will continue to provide appropriate support to the real sector and households with loans, products and services, despite the exceptional pandemic conditions of 2020.

Q: The participation banking sector continued to exhibit stronger growth in 2019. Would you share your insights on the performance and growth dynamics of participation banking in Turkey?

Our participation banks operating in Turkey, whose number has reached 6, performed successfully in the relatively challenging conditions of 2019.

The total unconsolidated asset volume of participation banks reached TL 284.5 billion in 2019, an increase of 38% from the previous year - approximately double the average rate of growth in the wider banking sector. The net profit of participation banks increased by 16% YoY to reach TL 2.4 billion in 2019. Meanwhile, total shareholders' equity increased by 30% to TL 21.8 billion in the same period.

While the funds collected by our sector increased by 57% when compared to the previous year, funds extended to customers increased by 20%. Although participation banks achieved a rate of loan growth approximately 10 percentage points higher than the average of the wider banking sector in 2019, it would be fair to say that the sector's funding performance has demonstrated a stagnant course in line with market conditions.

A valuable achievement in 2019 was the one point increase in the total share of our participation banks in the banking sector. Based on the figures for our members in 2019, our sector's share in the wider banking market increased from 5.3% to 6.3% in terms of asset volume.



**A VALUABLE ACHIEVEMENT
IN 2019 WAS THE ONE
POINT INCREASE IN THE
TOTAL SHARE OF OUR
PARTICIPATION BANKS IN
THE BANKING SECTOR UP
TO 6.3%.**

INTERVIEW WITH THE SECRETARY GENERAL

Q: Could you tell us about the dynamics which supported the performance of the participation banking sector in 2019?

In answering this question, first of all I would like to refer to the movements in market interest rates. The decline in interest rates has provided an environment which has stimulated the performance of participation banks. When interest rates rise, the performance of our sector falls behind the banking system. The simple reason for this is that we transfer the income we earn to the savings entrusted to us by our depositors or in other words, to the funds we collect.

In accordance with their operating principles, participation banks cannot promise any advance income to the owners of the funds they collect. When interest rates decline, the profit shares of participation banks remain higher; as the profit from previous work is reflected to the accounts, participation banks continue to follow the market with a lag in which interest rates decrease, and continue to offer a relatively high return to their customers. The decline in interest rates in 2019 supported our activities in this sense.

Another development which stimulated the activities of the participation banking sector in 2019 was the breakthroughs of the three public participation banks in order to improve their market position. The branch-building activities carried out by these members as part of the mission to bring participation banking to more mainstream audiences contributed greatly to our industry's ability to access more customers.

Expanding the branch network and widening opportunities for access are important for the growth of our industry. Another issue I would like to emphasize in this context is the correspondence agreements between participation banks and the PTT, which is the national post and telegraph directorate of Turkey. There are nearly 5,000 PTT points in our country. This wide service network,

which is spread throughout the country, is of great importance in the growth of participation banking. Our banks use the PTT channel as an extremely valuable service delivery platform.

In 2019, Emlak Katılım was included in the system. Emlak Bank is a long-established banking institution which has been active in Turkey for many years. This household name returned to the sector with the latest regulation and has been structured as a participation bank. We believe this member will specialize mainly in real estate and property oriented projects within the scope of the determined strategy. I would like to take this opportunity to welcome Emlak Katılım and wish them success in their work.

Q: We noted that the TKBB has had more coverage in the news and has been active on social media, where we have seen that the TKBB has been carrying out activities in many fields. How would you evaluate the year in terms of the Association's activities?

The founding mission of the TKBB is to contribute to the healthy and sustainable development of the participation banking sector in Turkey.

I am delighted to say that the TKBB remained unwavering in serving this mission in 2019, deploying its corporate competence and intellectual capacity in the most efficient manner.

In this context, our major axes of activity continued to increase product variety and development and service quality, to improve corporate communication, perception and reputation management studies, to step up the necessary training, human resources and certification studies, to develop legislation, standards and regulations in accordance with the principles of participation banking and to contribute increasingly to the Istanbul Finance Center project.

While generating value for Turkey remains our main and unchanging goal, our priorities have been to rapidly

improve our sector's product diversity and to implement activities that will contribute to the competitiveness of our members. In the same vein, and as a complementary field of activity, promoting participation banking and its operating principles remained a very important part of our activities.

I would like to emphasize once again that the Association cares deeply about managing the perception correctly and informing the public and all of our stakeholders as accurately and transparently as possible, and we have adopted this as one of our main duties.

Another of our Association's priorities is to develop international cooperation. In this context, we focus on examining the Islamic financial markets, which enjoyed great success, getting to know them and accelerating development in our country by taking inspiration from the best practices.

Based on this vision, we visited Malaysia in 2019. Our delegation, consisting of the representatives of our Association and representatives of our member participation banks, visited a number of financial institutions, regulatory authorities and other leading institutions as well as the Central Bank and exchanged information in Malaysia, one of the most advanced examples of Islamic finance structuring in the world.

On this occasion, I would like to share with the public the most important impression we garnered from this trip, where we had the opportunity to examine the prominent features of a developed Islamic financial market. Islamic banking has been adopted as a financial policy by the state and political authorities in Malaysia and has been included in official targets. The state has provided strong and sustainable support to the system. How the system can be developed as a whole, in other words, as an ecosystem has been studied in detail and has been implemented in stages.

Malaysia has a dual financial system. A conventional finance system, which we can refer to as the interest-based finance system, operates smoothly and in harmony alongside the interest-free finance system. On the other hand, there is an extremely diverse and comprehensive range of Islamic finance products available in Malaysia, as well as banking products, with a wide range of capital markets products offered to stakeholders. In summary, Malaysia is one of the leading successful players in the Islamic finance universe and has implemented its interest-free finance system as an integrated structure with all institutions and products.

The TKBB has undertaken extensive and intensive efforts to establish a similar ecosystem in Turkey. As an Association, our goal is to ensure rapid progress in different tracks such as takaful and capital market instruments, as well as participation banking, and to rapidly develop the product and service range. The activities we carry out in this area are bearing fruit. We note that the private pension, takaful, asset management companies and capital market product structures have improved in the subsidiary portfolio of our member banks. As the activities of the interest-free finance sector in non-banking branches diversify and become more enriched, Turkey's interest-free finance ecosystem will grow and generate more value.

In addition to participation banking, the Turkish market offers tremendous potential in many areas, from the capital market to consumer finance, a segment waiting to be explored. Based on this simple premise, we will maintain our determined efforts to develop interest-free finance methods and reach wider audiences.

Q: You represent a sector which employs 16,000 people. Taking into account the development and growth perspectives, how do you evaluate the fact that participation banking has become a strong and favored field in the universe of higher education, and how this will help bring young and newly graduated talent to your sector?


As you stated, participation banking employs 16,000 people. With the introduction of new participation banks and branch expansion, in particular, the need for trained manpower in our sector has grown further.

The Association is driven by the fact that highly qualified human resources are at the heart of the service sector; we place great emphasis on efforts to develop participation banking as a preferred business area.

We see the academic world as our main stakeholder in this sense, and we develop cooperation at various levels with universities all over our country in this area, which we care deeply about. To the extent that we can develop this cooperation, we know that we will take the level of perception and knowledge about participation banking to new horizons.

We are carrying out a wide array of studies to teach participation banking at undergraduate, graduate and doctoral levels and to include the subject area in the curriculum. The increase in the number of universities which have included participation banking in their programs and the number of students who have chosen to study interest-free finance stand as testament to the concrete results of these studies.

One important development in this context which I would like to share in this context was experienced in 2019. Under the leadership of our Association, as a result of a 2-year comprehensive study carried out by a 32-strong staff of writers, Turkey's first participation banking reference book was brought to our university community, and started



WE PLACE GREAT EMPHASIS ON EFFORTS TO DEVELOP PARTICIPATION BANKING AS A PREFERRED BUSINESS AREA.

INTERVIEW WITH THE SECRETARY GENERAL

to be delivered to our students with the support of the TKBB.

“Living and Evolving Participation Banking” consists of fourteen sections. This valuable work, which brings together the knowledge and experience of the sector and academia, addresses the experience of Islamic banking in Turkey in detail.

This study deals with the basic principles of participation banking, its ecosystem, legislation and legal infrastructure, contracts, organizational structure and corporate management, money and capital market products, the system of takaful, risk management, accounting practices and its role in development in detail.

“Living and Thriving Participation Banking” is a reference guide that all our universities seeking to open courses on participation banking can use both in theory and current practices.

We will continue to meet our universities’ needs for participation banking textbook by covering the printing costs as the Association and introducing our reference publication to students. Finally, while responding to your question, I would like to add that I extend our sincere thanks to the group of authors who have contributed to this valuable work, and express my hope that the work is instrumental in achieving a better and more accurate understanding of participation banking.

Q: One of the priority issues of the TKBB is to increase the product and service diversity of the sector. Could you provide us with some up-to-date information about your work in this area?

You have made a very important point. As I mentioned, one of the most important cornerstones of the TKBB’s mission is to open the horizons of the sector and provide the broadest structure possible to the product and service range we offer to our customers, who are also our stakeholders.

In this respect, the Working Groups formed within our Association continued their systematic work throughout the year; our authorities have carried out work aimed at meeting needs by acting in cooperation with our member banks and representatives from the business world from different sectors, as well as with the regulatory authority.

Our Association is working intensively with both the BRSA and the CBRT within the scope of product development efforts and one of the priorities for 2019 has been the subject of liquidity. In our studies on liquidity, we have worked in close cooperation with officials from the CBRT and had a number of consultations, especially on foreign exchange positions. We are also at the stage of completing our participation banking product line in this area as well. We recently had the opportunity to meet the Chairman of the CBRT, Mr. Murat Uysal. During our visit, we presented our recommendations in the process of completing our product deficiencies. We received positive feedback from the regulatory authorities, both the CBRT and the BRSA, and we maintain good cooperation with all public institutions.

What is important here is to structure and move forward the participation banking and interest-free finance sector on the basis of a long-term and sustainable financial system.

We are seeking to develop a 40 year-old system and we are aware that we have a long way to go in the name of progress.

The soundness of financial architecture is of great importance in this sense. The work of our Central Advisory Board offers us a very important insight in this context. The soundness of financial architecture requires a sound, transparent and accurate development of standards as well as product diversity.

The Central Advisory Board, which was structured in 2018 and carries out activities with the mission of supervising and evaluating the compliance of the products and services offered or will be offered by participation banks with

the participation banking principles and standards, continued its hard work in 2019. The Board’s work is also reported to the BRSA on an annual basis.

We are seeking to develop a system which is 40 years old. We are aware that we have a long way to go in the name of progress. We know that development and growth can be achieved by setting standards. We deem the work to set standards to be highly important not only for participation banks but also for the healthy functioning and development of takaful, private pension, mutual funds and similar institutions that will provide services in accordance with interest-free finance rules.

Q: We noted in press coverage that your Association focused specifically on promotional activities in 2019. What would you like to say about your strategy and the work you have done in this regard?

Yes, indeed, in 2019 we focused more on efforts to introduce TKBB and to raise awareness of our activities and, in essence, participation banking to the masses than we had in the past. We carried out studies to further explain participation banking and its fundamentals in TV, visual media and digital areas. As I mentioned earlier, since we look at the issue as a financial system, we see the promotion axis as an indispensable element of this holistic strategy.

Another project which I would like to mention within our publicity and perception management studies, and one which we place great importance on, is the work which we have conducted with the Religious Affairs Department. The Presidency of Religious Affairs is one of the largest and wide-reaching organizations in our country and provides services to our people with its 150,000 employees. The Presidency of Religious Affairs is an important channel in announcing the activities of our Association and enlightening the public with this structure.

As part of the project, we had the opportunity to hold a large number of information meetings through the Muftiates during 2019 and to explain participation banking and its principles to a wider audience. We would like to maintain the cooperation in this field in the years to come. I would like to take this opportunity here to thank and pay my respects to the President of Religious Affairs, Prof. Dr. Ali Erbaş once again for their valuable support.

Our Association also carried out valuable and lasting work within the scope of community contribution activities last year. In accordance with the donations protocol which we signed with the Turkish Religious Foundation (TRF), the TKBB has purchased and donated 1,194 square meters of property in the Bursa Nilüfer district to the TRF. This building, allocated as a higher education dormitory for girls, was named after the late founder of our sector, Abdullah Tivnikli. The Turkish Religious Foundation-Abdullah Tivnikli Higher Education Dormitory offers free services to 175 female students from 35 countries who have come from all over the world to receive higher education in Turkey.

Based on the premise that the largest and most valuable investment in life is in people, our Association will maintain its social projects which add lasting value to society in cooperation with the support of our members and our stakeholders.

Q: What are your predictions for 2020? What kind of world is waiting for us, and what do you expect for Turkey?

Banks play an indispensable role with the continuity of their production, employment, exports and trade and, in short, their position in the life cycle. In addition to the products and services which they offer to the real sector and households, banks also provide economic and social services by allocating resources.

Banks are also the main stakeholders and accelerators of sustainable development. The banking system,

which offers savings for use in the economy, is the driving force of the economic cycle in the modern order.

We believe that the world economy will move to a new phase following the Covid-19 pandemic. The success of the steps to be taken towards sustainable growth will require the cooperation and synchronization of all economic actors more than ever before.

Market parameters, financial products, fiscal policy tools will have to be handled with a brand new perspective, and the facts of the rapidly changing world will have to be designed with a more inclusive approach than before.

Humanity should focus on the future by drawing the lessons from the global health crisis it is experiencing.

The proper management of globalization will become essential, and the inevitable synchronization of politics, economics and technology in the name of global development will then take place.

We believe that against this epochal backdrop, the Turkish economy, the banking system, participation banks, the real sector and households will chart out a new success story in a short space of time by making all of the sacrifices they can. Turkey is a country with the power to achieve this with its people, resources and internal energy.

We maintain our strong hopes and goals for the future, particularly in our industry. In line with the normalization in the economy starting from the second half of 2020, our participation banks will carry their activities further and do their part as the main stakeholder of the national growth mobilization.

On behalf of myself and my teammates in TKBB, I would like to extend my gratitude and greetings to all of our stakeholders for their valuable contributions and support.

Osman AKYÜZ

TKBB SECRETARY GENERAL



**IN LINE WITH THE
NORMALIZATION IN THE
ECONOMY STARTING FROM
THE SECOND HALF OF
2020, OUR PARTICIPATION
BANKS WILL CARRY THEIR
ACTIVITIES FURTHER AND
DO THEIR PART AS THE
MAIN STAKEHOLDER OF
THE NATIONAL GROWTH
MOBILIZATION.**

IN 2019



GLOBAL ECONOMY



THE SLOWDOWN IN ECONOMIC ACTIVITY WHICH STARTED IN THE SECOND HALF OF 2018 CONTINUED THROUGHOUT 2019, DRIVEN BY MOUNTING ECONOMIC, POLITICAL AND GEOPOLITICAL UNCERTAINTIES IN THE GLOBAL CONJUNCTURE.

Global Growth

2019 was a year of mounting uncertainties, risks and concerns, especially in real terms in the world economy.

The slowdown in economic activity seen since the second half of 2018, and which was driven by increasing economic, political and geopolitical uncertainties in the global conjuncture, continued throughout 2019. Concerns over global trade started to increase from the second half of the year onwards as the geopolitical risks in the Middle East became more evident, investments dried up and global industry, especially the manufacturing industrial sector slowed down, negatively affecting economic activity, and global growth lost momentum.

In January 2020, the IMF revised the global growth forecasts downwards in the World Economic Outlook Report published under the title of "Temporary Balancing, Slow Recovery". In the

report, the growth forecasts for 2019 and 2020 were reduced by 0.1 points to 2.9% and 3.3% respectively. In 2021, with a downward revision of 0.2 percentage points, moderate growth is expected to continue to be 3.4%. Negative developments in economic activity observed in several developing countries, especially India, led to the lowering of growth expectations for the next two years.

The report stated that market expectations had been stimulated by the moderate increase in production, harmonious monetary policies and the positive developments regarding trade relations between the US and China, along with the threat of the UK leaving the European Union (EU) without a deal being taken off the table. However, the report also noted that these developments had not yet visibly affected global macroeconomic data.

The Covid-19 Pandemic

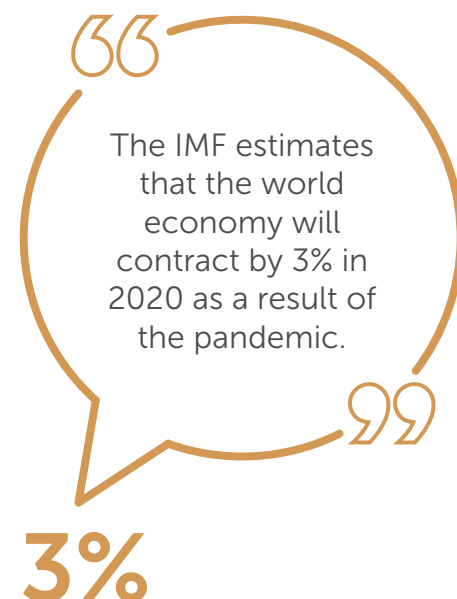
The coronavirus outbreak that occurred in the Wuhan province of China in December 2019 had turned into a worldwide health crisis in the early months of 2020.

The pandemic, which was designated the name of Covid-19 by the World Health Organization, was ravaging through Western Europe and the USA as of April 2020 as we were preparing our report for publication.

The Chinese epidemic has been largely been brought under control and normalization steps are being taken. On the other hand, European countries, including our country, and the USA have focused on efforts to control the spread of viruses and ensure that health systems respond completely to the demand with measures such as isolation, restrictive curfews and travel restrictions.

In the World Economic Outlook update released in April, the IMF defined the Covid-19 pandemic as a shock that will have major effects on the global economy. The IMF projects that the world economy will contract by 3% in 2020 as a result of the pandemic. Against the backdrop of these exceptional conditions, it is estimated that the easing trend in global monetary policies in the second half of last year will become much more apparent in 2020 in order to support economic activity.

On the other hand, the possibility of simultaneous emergence of negative geopolitical developments that could suppress global economic activity should also be kept in mind. In particular, mounting risks from the Middle East and North Africa and factors such as drought in the southern hemisphere are other issues which could have a negative impact on global growth in 2020.



Growth in the World Economy (2018-2021)

	Realization	Forecast	Projection	
	2018	2019	2020	2021
WORLD OUTPUT	3.6	2.9	(3.0)	5.8
Advanced Economies	2.2	1.7	(6.1)	4.5
US	2.9	2.3	(5.9)	4.7
Europe (Euro Zone)	1.9	1.2	(7.5)	4.7
Germany	1.5	0.6	(7.0)	5.2
France	1.7	1.3	(7.2)	4.5
Italy	0.8	0.3	(9.1)	4.8
Spain	2.4	2.0	(8.0)	4.3
Japan	0.3	0.7	(5.2)	3.0
United Kingdom	1.3	1.4	(6.5)	4.0
Canada	1.9	1.6	(6.2)	4.2
Other Advanced Economies	2.6	1.7	(4.6)	4.5
Developing Economies	4.5	3.7	(1.0)	6.6
Russia	3.1	2.1	(5.2)	4.2
Developing Europe	1.5	1.3	(5.5)	3.5
Developing Asia	6.4	5.5	1.0	8.5
China	6.6	6.1	1.2	9.2
India	6.8	4.2	1.9	7.4
Middle East and North Africa	1.9	0.3	(3.3)	4.2
Latin America	1.1	0.1	(5.2)	3.4

Source: IMF World Economic Outlook, April 2020

GLOBAL ECONOMY

According to the WTO, the growth in global trade volume decreased from 3% in 2018 to 2.6% in 2019.

2.6%

Global Trade

Global trade followed a volatile course throughout the year triggered by protectionism, which resulted in weaker global growth expectations.

An annual contraction of 2.5 points is expected to have taken place in trade volume in 2019, with the negative reflection of global trade having become evident. The standoff between the United States and China, as well as the need to reduce foreign demands from over-indebted developing countries also played a role in this contraction.

The World Trade Organization (WTO) has predicted that global trade wars

will continue to dampen the growth in trade volume in 2019 and 2020 as well, revising its expectations downward.

According to a statement from the WTO, the growth in global trade volumes decreased from 3% in 2018 to 2.6% in 2019 due to tensions in trade and mounting economic uncertainty. Growth is expected to fall below the 3.7% level which had previously been expected.

World Trade Volume Growth (2017-2020) (%)
(Annual average change in world import and export volumes)

	Realization		Forecast	
	2017	2018	2019	2020
World Trade Volume	5.7	3.6	1.1	3.2
Import-Advanced Economies	4.7	3.0	1.2	2.7
Import-Developing Economies	7.5	5.1	0.7	4.3
Export-Advanced Economies	4.7	3.1	0.9	2.5
Export-Developing Economies	7.3	3.9	1.9	4.1

Source: IMF World Economic Outlook, October 2019

Commodities and Oil Prices

Despite the ongoing supply constraints in the industrial metal market, the negative outlook in global manufacturing industrial activity was evident in the level trend in prices in the last quarter of the year.

Commodity prices rose by an average of 1.4% in the final quarter of 2019 compared to the previous quarter as monetary policies continued to support growth, and there was some easing in global uncertainty.

In this period, prices of energy increased by 0.5%, with prices of industrial metals up by 0.2%, agricultural prices up by

3.4% and prices of precious metals rising by 0.4%, when compared to the previous quarter.

Despite the ongoing supply constraints in the industrial metal market, the prolonged trade tensions between the United States and China, as well as storm clouds gathering over global manufacturing industrial activity, kept prices stagnant in the last quarter of the year.

Gold prices, which closed the year at a three month high, at USD 1,517/ounce, increased by 18.3% compared to the end of 2018. The weak course in the US dollar, deteriorating perceptions

of global risk amid trade wars and the additional demand created by the central banks all drove prices higher in 2019.

These risk factors are anticipated to remain in the coming period, leaving the door open to upside in precious metal prices.

Agricultural product prices stabilized in the last quarter of the year. On the other hand, high grain inventories, supportive weather, ongoing global trade uncertainty, low energy costs and weak demand stand could all keep agricultural prices down.

Oil prices fluctuated in 2019.

A variable that affects world trade and yet which is also affected by developments in trade is oil prices. As global trade wars were raging in 2019, oil prices fell by around 10% due to slowing global growth and trade volume.

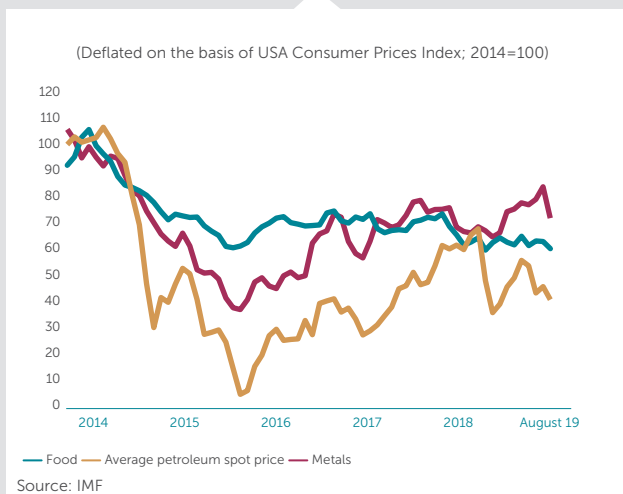
With continued geopolitical uncertainty in the final quarter of 2019, developments in the US-China trade disputes caused oil prices to fluctuate around USD 60-67/bbl.

In the last week of 2019, oil prices approached a 7 month peak, exceeding USD 70/bbl, ending the year at USD 67.50/bbl, an increase of 29.8% compared to the end of 2018.

In the coming period, geopolitical developments are expected to be the main upside risk factor on crude oil prices.

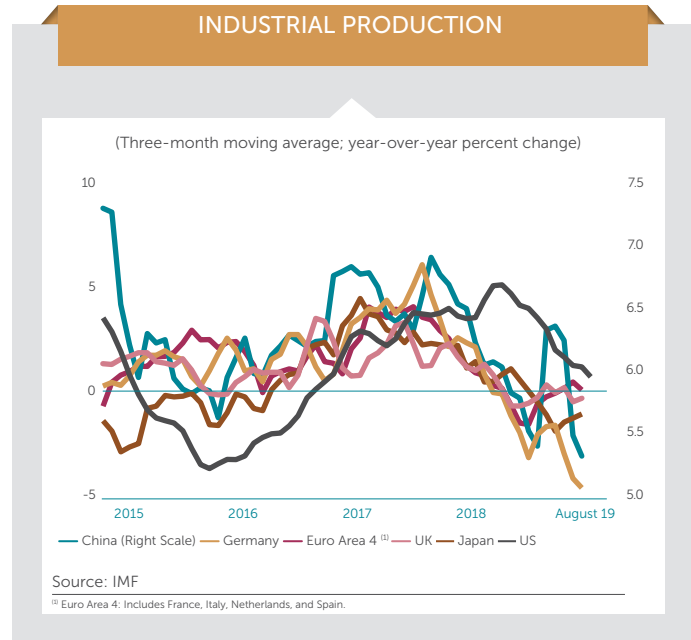
AS GLOBAL TRADE WARS WERE RAGING IN 2019, OIL PRICES FELL BY AROUND 10% AMID SLOWING GLOBAL GROWTH AND TRADE VOLUME.

THE TREND IN COMMODITY AND CRUDE OIL PRICES



GLOBAL ECONOMY

GLOBAL ACTIVITY INDICATORS



Global Inflation

In the last quarter of 2019, the rate of core inflation increased in developed countries but decreased in developing countries.

Although the global growth outlook continued to weaken, headline inflation rates in the last quarter of 2019 increased compared to the previous quarter in both developed and developing countries due to the rise in crude oil prices. In the same period, the rate of core inflation increased in developed countries but decreased in developing countries. Projections for headline inflation for 2020 have declined somewhat for many developed countries.

Although the rate of unemployment maintained its historically low levels in the fourth quarter in the USA, wage pressure remained at a reasonable level; it was the upward movement in crude oil prices which pressured headline consumer inflation over the same period.

The annual rate of CPI inflation, which had fallen to below 2% in the last period of 2018 in the Euro Area, remained at these levels throughout 2019. Inflation closed the year at 1.3%, peaking at 1.7% in the month of April. Despite the tight labor market and continued growth in wages, headline and core inflation are expected to remain below 2% in the medium term.

Although headline and core inflation both remained below 1% in Japan, headline inflation is projected to edge up to 2% on the back of increasing medium and long-term inflation expectations as well as the ongoing positive output gap.

On the other hand, although unit wage costs continued to increase with the tight labor market in the UK, headline inflation decreased compared to the previous quarter to be realized below 2%.

IN THE EURO AREA, THE ANNUAL RATE OF CPI INFLATION, WHICH HAD DECLINED TO BELOW 2% TOWARDS THE END OF 2018, REMAINED AT THESE LEVELS THROUGHOUT 2019, CLOSING THE YEAR AT 1.3%. INFLATION PEAKED AT JUST 1.7% IN THE MONTH OF APRIL.

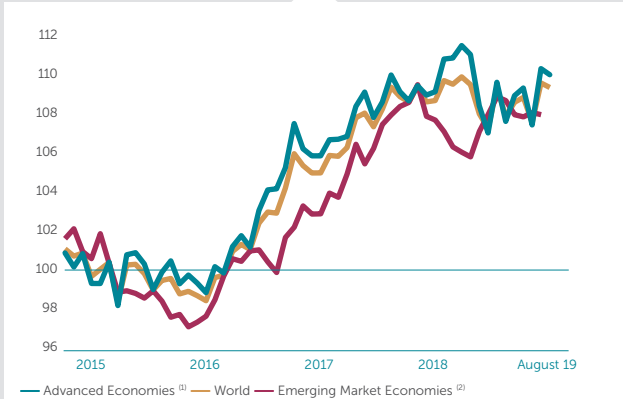
THE RATE OF CORE INFLATION INCREASED IN DEVELOPED COUNTRIES IN THE LAST QUARTER OF 2019 BUT DECREASED IN DEVELOPING COUNTRIES.



GLOBAL ECONOMY

GLOBAL PMI AND CONSUMER CONFIDENCE

CONSUMER CONFIDENCE (INDEX, 2015=100)

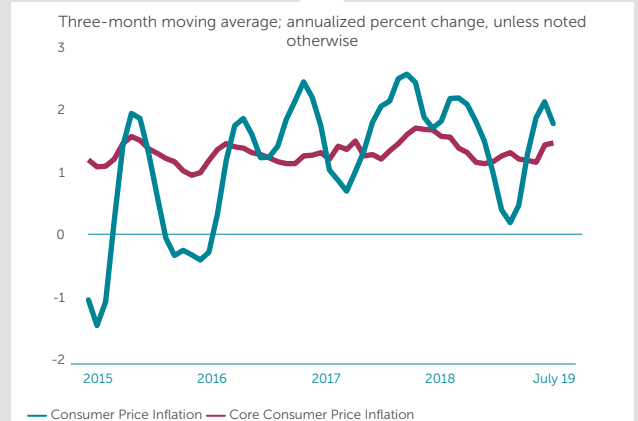


Source: IMF

⁽¹⁾ Australia, Canada, Czech Republic, Denmark, Euro Area, Hong Kong, SAR, Israel, Japan, Korea, Norway, Sweden, Switzerland, Taiwan Province of China, United Kingdom, United States.
⁽²⁾ Argentina, Brazil, Chile, China, Colombia, Hungary, Indonesia, Malaysia, Mexico, Philippines, Poland, Russia, South Africa, Thailand, Turkey, Ukraine.

GLOBAL INFLATION

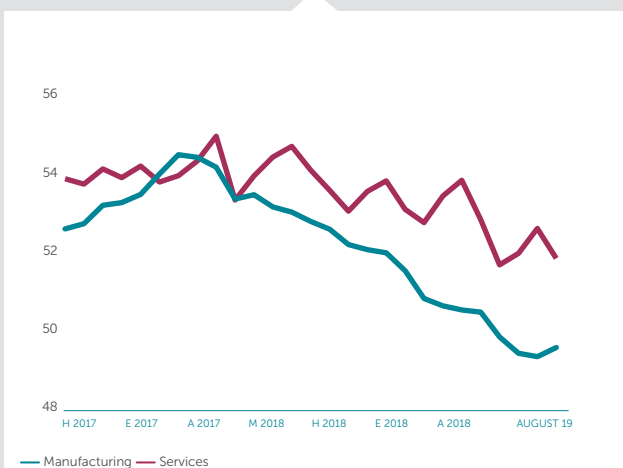
ADVANCED ECONOMIES ⁽¹⁾ (%)



Source: IMF

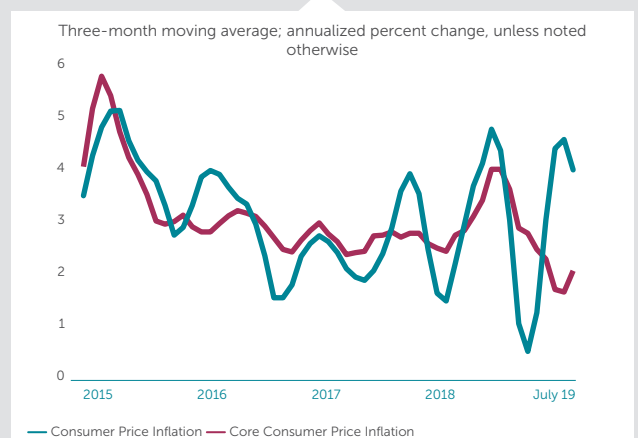
⁽¹⁾ Advanced economies are AUT, BEL, CAN, CHE, CZE, DEU, DNK, ESP, EST, FIN, FRA, GBR, GRC, HKG, IRL, ISR, ITA, JPN, KOR, LTU, LUX, LVA, NLD, NOR, PRT, SGP, SVK, SVN, SWE, TWN, USA.

GLOBAL MANUFACTURING AND SERVICES PMI INDEX >50



Source: IMF

EMERGING MARKETS AND DEVELOPING ECONOMIES ⁽²⁾ (%)



Source: IMF

⁽²⁾ Emerging market and developing economies are BGR, BRA, CHL, CHN, COL, HUN, IDN, IND, MEX, MYS, PER, PHL, POL, ROU, RUS, THA, TUR, ZAF.

Global Monetary Policies

Under the leadership of the FED and the ECB, which had adopted a more stable policy stance later in 2019, the central banks of developed countries switched from a process of cutting interest rates to a waiting process.

The FED, which lowered its growth forecasts for 2019, left its policy interest rate on hold in the first quarter of the year as expected, and kept rates in a range of 2.25-2.50%.

In the middle of the year, the FED has shifted its stance which it had taken at the beginning of the year amid political pressure. The FED cut interest rates by 25 basis points in July and again in September and then in October, bringing the policy interest to a 1.50-1.75% band.

Considering that the 1.75% upper band was sufficiently low given the economic outlook at the end of the year, the FED clearly stated that it would pause

interest rate cuts throughout 2020, while emphasizing that there would need to be a significant and permanent increase in inflation before it raised interest rates.

Meanwhile, low growth figures throughout the Eurozone led the ECB to plan measures to expand monetary policies. ECB President Mario Draghi stated in June that the global risk outlook remained negative, and that if there was no improvement, the ECB would again ease its monetary policies for further stimulus.

In the meetings held in the last quarter of the year, the ECB left its interest rate on hold, stepped up its monetary expansion efforts and started the asset purchase program at a level of EUR 20 billion as of 1 November. In a statement, the Bank spelt out that the decision had been taken not to change interest rates, and that the policy interest rate was set at zero, deposit interest rate at -0.50% and the marginal funding interest at

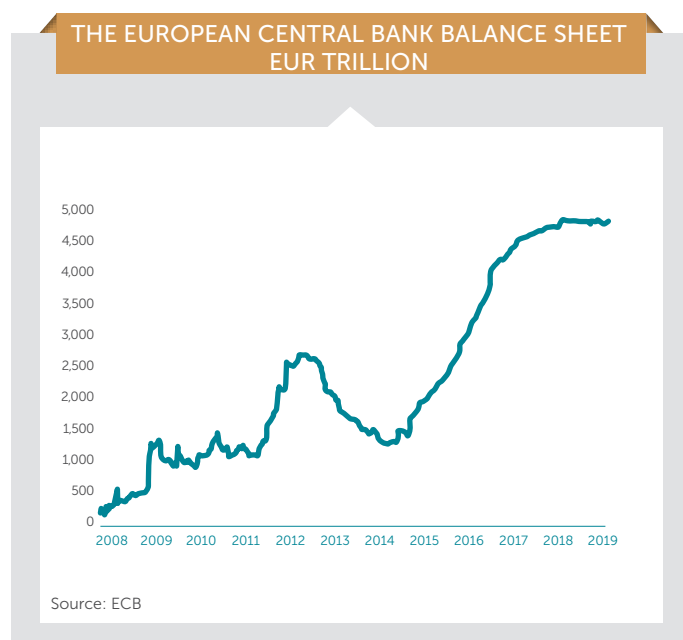
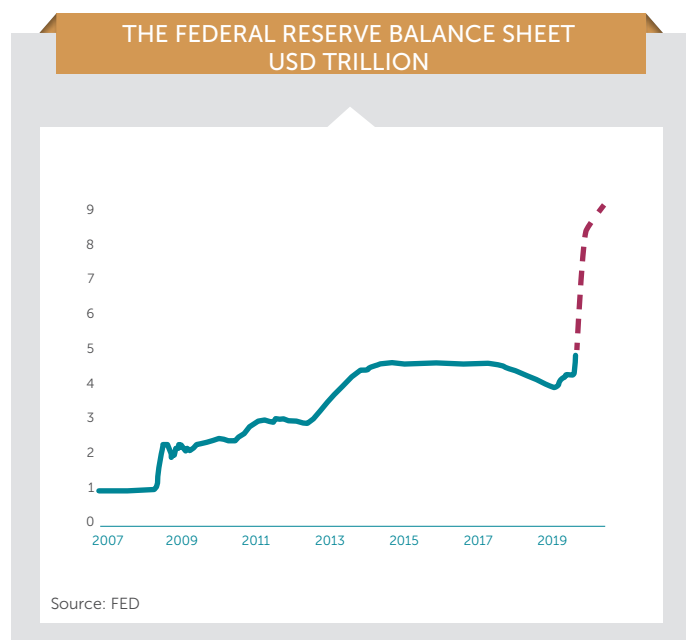
0.25%. The statement again stressed that interest rates were expected to remain at their current levels or lower, at least until the inflation was much closer to the 2% target.

During the same period, interest rate cuts continued in developing countries. Statements from the FED and ECB setting out that they will not act with haste in terms of policy normalization, especially in the medium term, and the weakness in the inflation trend enabled the central banks of developing countries to continue their growth-oriented policies.

The average level of the policy interest rate in this country group is expected to further decrease slightly going forward, levelling out towards the end of the year.

Sources:

IMF World Economic Outlook, OECD Economic Outlook Reports, CBRT, Presidency of Turkey-Presidency of Strategy and Budget



THE TURKISH ECONOMY



THE TURKISH ECONOMY GREW BY 0.9% IN THE 2019 FULL YEAR. GDP, BASED ON THE PRODUCTION INCREASED BY 14.9% AT CURRENT PRICES IN 2019 COMPARED TO THE PREVIOUS YEAR, REACHING TL 4,280 BILLION.

A year of balancing for the economy in Turkey

Turkey wrapped up 2019 having achieved a new balancing process in the economy. On the one hand, structural reform requirements to resolve financial fragilities were clearly introduced, while on the other hand, geopolitical risks have been priced in.

The Turkish economy, which started to contract in the last quarter of 2018, underwent a rapid improvement, growing at a rate of 1% in the third quarter and 6% in the fourth quarter, having shrunk in the first two quarters of 2019. For the 2019 full year, the Turkish economy grew by 0.9%. Gross Domestic Product (GDP), based on the production approach, increased by 14.9% at current prices in 2019 compared to the previous year to reach TL 4,280 billion. Per capita GDP at current prices was calculated at TL 51,834 (USD 9,127).

An analysis of the activities which make up GDP finds that all main sectors apart from the construction sector contributed positively to Turkey's annual growth. The services sector had been the main driver of growth in the first half of the year due to the surge in financial and insurance activities, but limited growth in the third quarter with the correction in the same item. In this period, the value added from the industrial sector provided the highest contribution to quarterly growth, while the value added from the construction sector posted an increase, albeit a limited one, for the first time in five quarters.

As a chained volume index in 2019, the total value added from the finance and insurance activities grew by 7.4%, while the public administration, education, health and social work activities expanded by 4.6%, other service activities grew by 3.7% and the agricultural sector expanded by 3.3%. On the other hand, the construction

sector contracted by 8.6% and professional, administrative and support service activities decreased by 1.8%.

Total final consumption expenditures of residential households and non-profit organizations (HHKOK) serving households increased by 0.7% in 2019 when compared to the chained volume index in the previous year. The share of household consumption expenditures in GDP was 57.4%.

In the first two quarters, net exports provided the highest contribution to economic activity, while the decline in investment spending and, especially, construction investments put growth under considerable pressure. Although the contribution of net exports turned

negative in the third quarter of the year, economic activity started to grow again due to the positive impact of consumption expenditures.

The relative improvement in the economy gained momentum in the last quarter of the year due to the low base effect as well as the interest rate cuts carried out by the CBRT from July. Although growth had been predicted to gain pace in the first quarter of 2020 with the low base effect and the introduction of deferred consumption expenditures, geopolitical developments and the impact of Covid-19 on domestic economic activity, which has caused concern as it has spread globally, will have a decisive impact on growth during the year.



GDP GROWTH

	GDP (TL billion)	GDP (USD billion)	GDP Growth Rate (%)	Per Capita Income (TL)	Per Capita Income (USD)
2012	1,570	871	4.8	20,880	11,588
2013	1,810	950	8.5	23,766	12,480
2014	2,044	935	5.2	26,489	12,112
2015	2,339	862	6.1	29,899	11,019
2016	2,609	863	3.2	32,904	10,883
2017	3,111	853	7.5	38,732	10,616
2018	3,724	789	2.8	45,750	9,632
2019	4,280	754	0.9	51,834	9,127

Source: TurkStat

THE RELATIVE IMPROVEMENT IN THE ECONOMY GAINED MOMENTUM IN THE LAST QUARTER OF THE YEAR ON THE BACK OF THE LOW BASE EFFECT AS WELL AS THE INTEREST RATE CUTS CARRIED OUT BY THE CBRT SINCE JULY.



THE TURKISH ECONOMY

GDP GROWTH BY SECTOR

Chain linked volume index percentage change (2009=100)

	2018				2019			
	I	II	III	IV	I	II	III	IV
Agriculture, forestry and fishing	8.1	(0.9)	2.4	0.3	2.6	3.6	3.6	2.5
Industry	7.7	5.1	1.6	(6.9)	(3.4)	(2.8)	1.0	6.1
- Manufacturing	8.1	5.1	1.8	(8.0)	(3.6)	(3.4)	0.8	6.6
Construction	6.8	1.5	(6.3)	(7.8)	(9.3)	(12.7)	(8.3)	(3.8)
Services	10.1	9.0	5.3	(1.3)	(3.1)	0.5	0.2	7.8
Information and communications	6.2	7.9	5.2	3.0	1.1	0.9	(0.1)	6.1
Financial and insurance activities	2.9	9.6	7.3	(19.4)	2.9	4.6	2.0	24.2
Real estate activities	3.8	0.8	2.3	4.8	1.6	2.7	2.4	3.1
Professional, administrative and support service activities	12.4	(1.7)	(7.4)	(10.8)	(11.8)	(3.3)	1.1	6.1
Public administration, training, healthcare and social service activities	5.4	14.3	13.8	8.3	8.8	2.2	5.0	2.7
Other service activities	10.5	5.4	7.0	(1.4)	(2.4)	(3.3)	1.5	18.6
Total Sectors	7.5	6.0	2.9	(2.4)	(1.5)	(1.2)	0.6	5.9
Taxes-Subsidies	5.9	4.8	0.6	(7.5)	(6.3)	(4.2)	0.8	7.0
GDP	7.4	5.9	2.6	(3.0)	(2.0)	(1.6)	0.7	6.0

Source: TR Ministry of Treasury and Finance



THE INDUSTRIAL SECTOR POSTED ANNUAL GROWTH OF 3.9% IN OCTOBER 2019 AND THE PMI FIGURES, WHICH CAME IN AT 49.5% IN NOVEMBER, OFFERED OPTIMISM

An 8.6% increase in industrial production.

Industrial production and changes in annual turnover in Turkey demonstrated some signs of strength, especially in the last quarter of the year. The 3.9% YoY growth in industrial production in October 2019 and the PMI reading of 49.5 in November provided some cause for optimism.

Although the available data does indicate that there was some loss of momentum in the fourth quarter of the year compared to the third quarter, the main trend is considered to be stronger, once changes in some historically volatile sectors and the limiting effects of seasonal temperatures on the energy sector are excluded.

In an analysis performed on a sector by sector basis, we note that the export and tourism-related sectors and the pharmaceuticals and defence industries

offer a brighter outlook than the rest of the economy. While construction-related intermediate goods sectors have continued to exhibit a moderate recovery, they remain rather weak.

In terms of industrial sub-sectors (2015 = 100), in December 2019 the mining and quarrying sector index had grown by 12.6% when compared to the same month of the previous year, the manufacturing industry sector index by 10.4% and the electricity, gas, steam and air conditioning production and distribution sector index by 0.3%.

Industrial production adjusted for calendar effects increased by 5.8% in the fourth quarter of 2019 compared to the same quarter of the previous year, while industrial production adjusted for seasonal and calendar effects increased by 1.5% compared to the previous quarter.

MONTHLY PRODUCTION INDICATORS

(2015= 100, % change over the same month of the previous year)

	2019											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Total Industry	(7.5)	(5.0)	(4.6)	(1.2)	(0.1)	(9.5)	(0.4)	(1.7)	4.1	2.8	4.1	9.9
Intermediary Goods	(11.3)	(9.8)	(8.0)	(6.1)	(5.4)	(12.7)	(5.0)	(4.5)	0.3	3.0	5.5	11.2
Durable Consumer Goods	(0.6)	5.2	2.4	4.1	2.3	6.4	(6.5)	(6.9)	(15.6)	(7.1)	(12.6)	5.2
Non-Durable Consumer Goods	(3.9)	(0.2)	(1.8)	5.6	2.6	(8.7)	4.2	3.8	10.5	3.9	4.3	7.9
Energy	(1.1)	4.5	3.1	4.8	7.7	3.6	2.2	4.5	8.4	8.0	6.8	5.2
Investment Goods	(7.6)	(7.5)	(6.5)	(4.4)	3.3	(13.9)	4.3	(4.0)	8.0	2.2	6.2	15.5
Mining	(7.3)	(4.2)	0.3	(6.4)	(2.4)	0.1	7.7	(4.8)	7.3	4.9	4.9	12.6
Manufacturing Industry	(7.8)	(5.4)	(5.2)	(1.2)	(0.5)	(10.7)	(0.4)	(1.0)	4.2	2.5	4.3	10.4
Electricity, Gas, Steam and Air Conditioning Production and Distribution	(1.7)	0.4	(0.7)	0.7	4.1	0.5	(2.4)	(0.4)	0.4	1.2	(1.2)	0.3

Source: TR Ministry of Treasury and Finance

MONTHLY CAPACITY UTILIZATION RATE IN MANUFACTURING INDUSTRY (%)

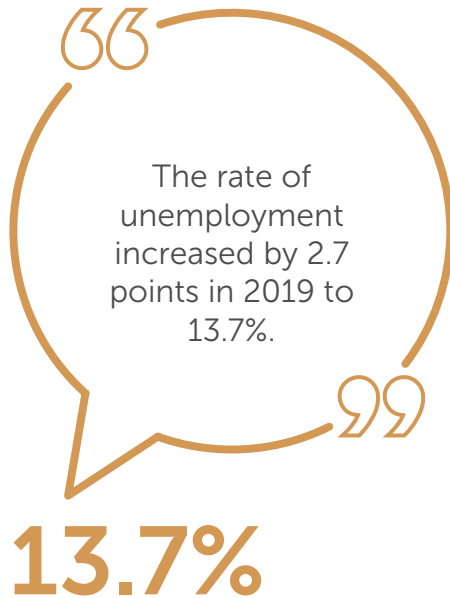
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Manufacturing Industry	74.4	74.0	74.3	75.0	76.3	77.1	76.2	76.6	76.3	76.4	77.2	77.0

Source: TR Ministry of Treasury and Finance

INDUSTRIAL PRODUCTION
ADJUSTED FOR
CALENDAR EFFECTS
INCREASED BY 5.8% IN
THE FOURTH QUARTER OF
2019 COMPARED TO THE
SAME QUARTER OF THE
PREVIOUS YEAR, WHILE
INDUSTRIAL PRODUCTION
ADJUSTED FOR SEASONAL
AND CALENDAR EFFECTS
INCREASED BY 1.5%
COMPARED TO THE
PREVIOUS QUARTER.



THE TURKISH ECONOMY



Unemployment still a key problem for Turkey in 2019.

The rate of unemployment maintained the upward trend which had begun in the second quarter of 2018, although it levelled off somewhat in the third quarter of 2019. Seasonally adjusted total and non-agricultural rates of unemployment increased by 0.2 and 0.4 points, respectively, compared to the previous quarter, reaching 14.2% and 16.6%. In the given quarter, the main factor driving the increase in unemployment was the increase in the participation rate as well as the employment losses especially due to construction.

In 2019, the number of people throughout Turkey aged 15 or over who were unemployed increased by 932,000 when compared to the previous year to be recorded as 4,469,000 people. The rate of unemployment stood at 13.7%, marking an increase of 2.7 percentage points while the rate of non-agricultural unemployment increased by 3.1 percentage points to 16.0%.

The number of people in employment decreased by 658,000 in 2019 compared to the previous year, falling to 28,080,000, while the employment rate decreased by 1.7 percentage points to 45.7%.

The total workforce expanded by 275,000 people in 2019 compared to the previous year to reach 32,549,000, while the employment participation rate decreased by 0.2 percentage points to 53.0%.

In the 15-64 age group, the rate of unemployment reached 14.0%, marking an increase of 2.8 percentage points compared to the previous year, while the non-agricultural unemployment rate increased by 3.1 percentage points to 16.1%. The employment rate in this age group decreased by 1.7 percentage points to 50.3%, while there was no change in the labor force participation rate, which remained at 58.5%.

The average rate of youth unemployment, covering the 15-24 age group, increased by 5.1 percentage points in the same period to reach 25.4%. The employment rate decreased by 1.9 points to 33.1%. In the same period, the labor force participation rate increased by 0.4 points to 44.4%, while neither in education nor employed was 26.0%, increasing by 1.5 points compared to the previous year.

Labor payments increased by 19.5% in the fourth quarter of 2019 compared to the same quarter of the previous year, while net operating surplus/mixed income increased by 16.7%. The increase in labor payments on an annual basis stood at 19.9%, while the increase in net operating surplus/mixed income was 11.5%.

While the share of labor payments in Gross Value Added at current prices was 33.8% last year, this rate increased to 35.1% in 2019. The share of net operating surplus/mixed income decreased from 48.7% to 47%.

THE NUMBER OF PEOPLE IN EMPLOYMENT DECREASED BY 658,000 IN 2019 COMPARED TO THE PREVIOUS YEAR, TO 28,080,000, WHILE THE EMPLOYMENT RATE DECREASED BY 1.7 PERCENTAGE POINTS TO 45.7%.



LABOR MARKET DEVELOPMENTS

	Annual						
	2013	2014	2015	2016	2017	2018	2019
Labor Force Participation Rate (%)	53.0	50.5	51.3	52.0	52.8	53.2	53.0
Labor Force (thousand)	32,549	28,786	29,678	30,535	31,643	32,274	32,549
Employed (thousand)	28,080	25,933	26,621	27,205	28,189	28,738	28,040
Agriculture (thousand)	5,097	5,470	5,483	5,305	5,464	5,297	5,097
Industry (thousand)	5,561	20,463	21,138	21,900	22,724	23,441	5,561
Services (thousand)	15,872	5,315	5,332	5,296	5,383	5,675	15,872
Construction (thousand)	1,550	13,236	13,892	14,617	15,246	15,777	1,550
Unemployed (thousand)	4,469	1,912	1,914	1,987	2,095	1,992	4,469
Unemployment Rate (%)	13.7	2,853	3,057	3,330	3,454	3,537	13.7
Non-Agricultural Unemployment Rate (%)	16.0	9.9	10.3	10.9	10.9	11.0	16.0
Youth Unemployment Rate (%)	25.4	12.0	12.4	13.0	13.0	12.9	25.4
Employment Rate by Sector (% Share)							
Agriculture	18.2	21.1	20.6	19.5	19.4	18.4	18.2
Industry	19.8	78.9	79.4	80.5	80.6	81.6	19.8
Services	56.5	20.5	20.0	19.5	19.1	19.7	56.5
Construction	5.5	51.0	52.2	53.7	54.1	54.9	5.5

Source: TurkStat

A downward trend in inflation in 2019 thanks to the moderation in commodity prices.

Inflation exhibited a downward trend in 2019 due to weak domestic demand conditions, the relative stability of the TL, a high base effect and moderate movement in commodity prices, and ended the year below the 12% target set out in the New Economy Program. The Consumer Price Index (CPI), which had posted an annual rate of inflation of 20.30% at the end of 2018, increased by 0.74% in December when compared to the previous month, 11.84% when compared to December of the previous year and 15.18% when the 12-month average in 2019 was compared to the 12-month average in 2018.

Food and transportation group prices provided the highest contributions (2.54 and 2.05 percentage points, respectively) to the annual rate of CPI inflation. The food group, where prices rose by 2.9% on a month-on-month basis, was the main spending group to provide the highest contribution

to December's inflation, at 0.66 percentage points. The main groups with the steepest increases were alcoholic beverages and tobacco (43.12% increase), education (14.46%), healthcare (13.63%), and various goods and services.

The lowest annual increase in the CPI was realized in the communication group, where the increase was just 3.16%. Other main groups to post a lower increase than in the same month of the previous year were clothing and shoes (4.53% increase), entertainment and culture (7.03%) and household goods (9.79%).

The trend in the Domestic Producer Price Index (PPI), which had put pressure on the CPI for 32 months between December 2016 and August 2019, changed course in the last quarter of 2019, and the rate of PPI inflation, which had hovered above the CPI, fell below the CPI after this period. The rate of PPI inflation, which had surged to levels as high as 45% in the immediate wake of the 2018 exchange rate shock, averaged

INFLATION EXHIBITED A DOWNWARD TREND IN 2019 DUE TO THE WEAK COURSE OF DOMESTIC DEMAND CONDITIONS, THE RELATIVE STABILITY OF THE TL, THE HIGH BASE EFFECT AND THE MODERATE LEVELS OF COMMODITY PRICES, AND COMPLETED THE YEAR BELOW THE 12% TARGET SET OUT IN THE NEW ECONOMY PROGRAM.

THE TURKISH ECONOMY



22% between November 2018 and July 2019, and which stood at 33.64% at the end of 2018, ended 2019 at just 7.36%.

The Domestic Producer Price Index (2003=100) increased by 0.69% in December 2019 compared to the previous month, and increased by 7.36% compared to December of the previous year, while the 12-month average was 17.56% higher than the average of the previous 12-months.

Annual changes of main industry groups were 4.27% in intermediate goods, 7.25% in durable goods, 11.93% in non-durable goods, 9.02% in energy and 8.09% in capital goods.

The annual rates of PPI inflation in the four main industrial sectors were 13.31% in mining and quarrying, 6.98% in manufacturing, 12.43% in electricity, gas production and distribution, while the PPI recorded a decline of 7.94% for water supply.

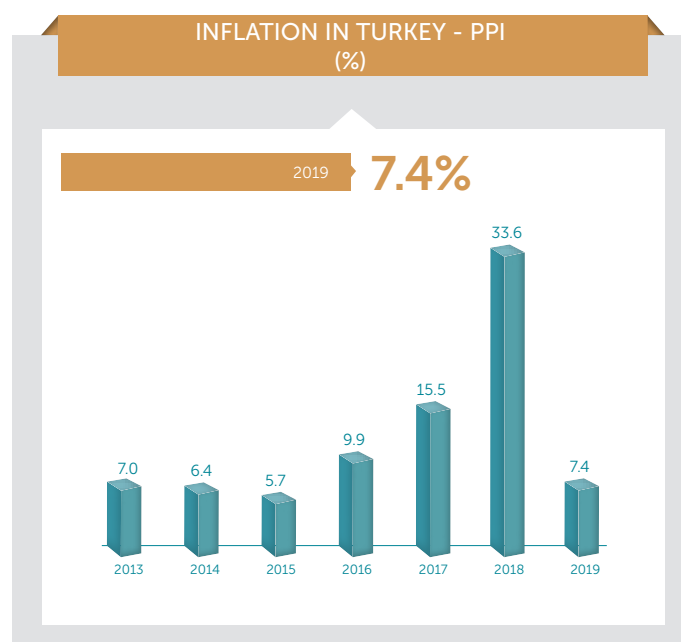
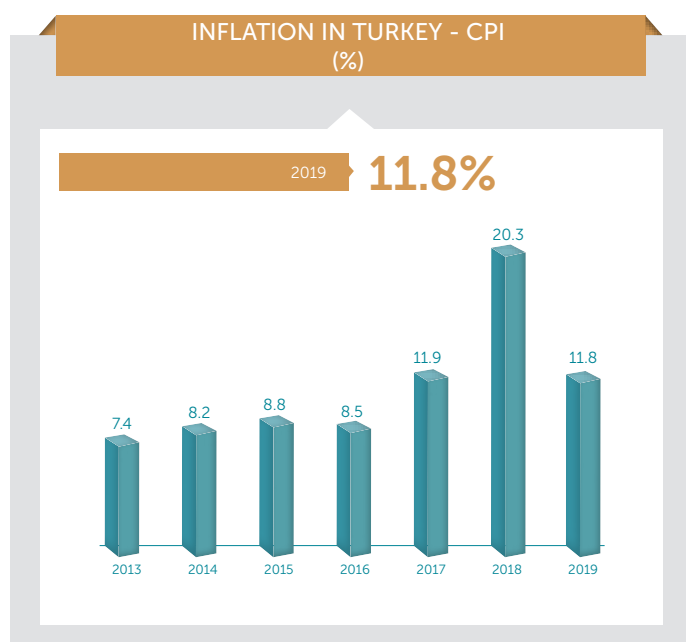
In the main sectors, the lowest annual rates of PPI inflation were in the collection, treatment and distribution of water (7.94%), paper and paper products (3.49%), and base metals (2.76%). The subsectors to post the highest levels of PPI inflation, on the other hand, were basic pharmaceutical products and preparations (25.22%), tobacco products (25.17%), and other mining and quarrying products (16.78%).

Thanks to the stabilization process undertaken in 2019, inflation is expected to rise to 13% in the first quarter of 2020 due to the base effect after 2019, when there had been a faster recovery than expected. After that, provided there is no new exchange rate shock or similar event, inflation is likely to follow a trend towards single digit levels.

CHANGES IN PRICES

	2012	2013	2014	2015	2016	2017	2018	2019
Rate of change in 12 month moving averages								
PPI	6.1	4.5	10.3	5.3	4.3	15.8	27.01	17.56
CPI	8.9	7.5	8.9	7.7	7.8	11.1	16.33	15.18
Annual rate of change								
PPI	2.5	7.0	6.4	5.7	9.9	15.5	33.64	7.36
CPI	6.2	7.4	8.2	8.8	8.5	11.9	20.30	11.84

Source: TurkStat



Economic slowdown in 2019 also reflected to external balance data.

According to the provisional foreign trade data published in cooperation with the Turkish Statistical Institute and the Ministry of Trade, exports increased by 2.17% YoY to reach USD 171.5 billion in 2019, while imports decreased by 9.1% to USD 202.7 billion.

The foreign trade deficit narrowed by 43.5% in 2019 compared to the previous year, from USD 55.1 billion in 2018 to USD 31.2 billion in 2019. The export coverage ratio increased from 75.3% in 2018 to 84.6% in 2019.

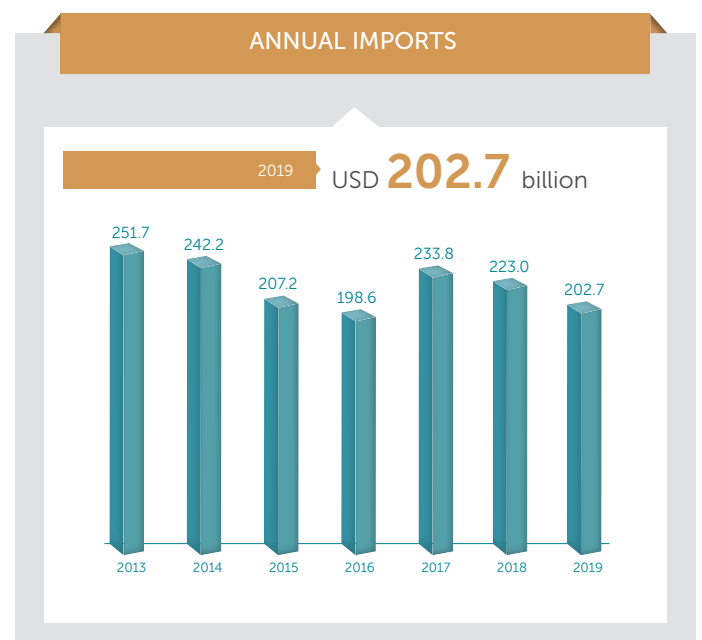
This situation also supported the current account balance. Based on 12-month cumulative data, the current account balance started to generate a surplus in June 2019 to reach a historic high of USD 5.4 billion in September on the back of weak domestic demand, falling oil prices and a strong season for tourism. In the months that followed, the expanding effect of domestic consumption on imports, which entered

an upward trend also began to limit the current account surplus.

In 2019, Germany was the number one destination for Turkey's total exports, with exports to Germany totaling USD 15.4 billion, followed by the United Kingdom (USD 10.9 billion), Italy (USD 9.3 billion), Iraq (USD 9 billion) and the United States (USD 8 billion). Exports to the top 5 countries accounted for 30.7% of total exports.

Russia ranked first place in terms of imports with imports from Russia totaling USD 22,454 million in 2019, followed by China (USD 18,497 million), Germany (USD 17,976 million), the United States (USD 11,186 million) and Italy (USD 8,612 million). Imports from the top 5 countries accounted for 38.8% of the total imports.

EXPORTS INCREASED BY 2.1% IN 2019 COMPARED TO THE PREVIOUS YEAR TO USD 171.5 BILLION, WHILE IMPORTS DECREASED BY 9.1% TO USD 202.7 BILLION.



Source: TurkStat

THE TURKISH ECONOMY

The current account balance posted a USD 1.7 billion surplus in 2019, its first surplus since 2001.

USD **1.7** billion

The current account posted a surplus of USD 1.7 billion in 2019, the first surplus since 2001.

While the foreign trade deficit narrowed due to the decline in economic activity, especially in the first half of the year, the low level of oil prices compared to 2018 also played a role in the positive trend in the current account balance. The 24.7% expansion in net tourism revenues (an increase of USD 5.1 billion) during the year was another factor which led to an improved current account balance. Excluding net energy imports, the current account balance recorded a surplus of USD 35.5 billion in 2019; if the gold trade is also excluded, this figure reaches USD 44.8 billion.

Another increase in the budget deficit.

The budget deficit posted a sharp increase in 2019 with the effect of local elections and the decisions taken to support the economy, and the deficit, which had stood at TL 72.8 billion in 2018, widened to TL 123.7 billion in 2019. In an annual comparison, the 8.3% increase in tax revenues remained well below the rate of inflation. On the other hand, there was an upward movement in both primary spending and interest expenditures.

In 2019, interest expenditures rose by 35%, recording their steepest increase since 2001, while the primary balance,

which had generated a TL 1.1 billion surplus in 2018, recorded a deficit of TL 23.8 billion. On the other hand, one-off revenues limited the deterioration in the budget outlook. The budget deficit as a ratio of GDP is estimated to have approached 3% in 2019, and was projected to be 2.9% at the end of 2020, according to figures set out in the New Economy Program.

A positive decoupling in Turkey's national risk premium from the premiums of other developing countries.

Although global economic activity remained weak in the last quarter of 2019, there were signs of a limited recovery in the global economic outlook in the last quarter. In this period, global risk appetite was buoyant as concerns over international trade receded, and the supportive monetary policy stance in developed countries enabled developing countries to take similar steps.

The risk premiums of developing countries have declined in parallel with developments in global risk appetite. Despite geopolitical developments, Turkey's national risk premium has diverged positively from other developing countries' risk premiums due to the decline in inflation and the recovery in economic activity, as well as the increase in global risk appetite.

THE BUDGET DEFICIT, WHICH IS ESTIMATED TO HAVE APPROACHED 3% OF GDP IN 2019, WAS PROJECTED AS 2.9% OF GDP IN 2020 ACCORDING TO THE ESTIMATES SET OUT IN THE NEW ECONOMY PROGRAM.



However, Turkey's risk premium still remains high compared to the overall risk premium of developing countries. While portfolio inflows to developing countries gained momentum in 2019, portfolio inflows into Turkey remained volatile and limited due to geopolitical developments. Most inflows to Turkey during this period were directed to the stock market while the debt securities markets recorded outflows.

Towards the end of the year, when concerns over international trade were running high, the currencies of developing countries depreciated slightly against the US dollar, but started to balance out from early December, when uncertainties rapidly receded. The Turkish lira decoupled negatively from the currencies of other developing countries due to the pressure of geopolitical developments and the relatively high risk premium. The USD/TL exchange rate, which rose by 3.6% in the last month of the year, climbed by 11.9% for the full year to close the year at 5.951. The EUR/TL exchange rate also rounded off December at a level of 6.68, an increase of 5.5% on a monthly basis and 9.8% on an annual basis.

The CBRT based its monetary stance on key inflation indicators in 2019

The CBRT determined its monetary stance in 2019 taking indicators of the main trend of inflation into account and calibrated a level of monetary tightness which would ensure that inflation continued to decline in alignment with the targeted path. The CBRT's inflation forecasts and the main trends implied by these forecasts have an important bearing on the decision-making process.

In the first half of 2019, the CBRT took a series of decisions regarding liquidity management while keeping the one-week repo auction interest rate unchanged at 24%. Due to the tight monetary policy stance and strong policy coordination, the effects of a strengthening Turkish lira and the moderate course of domestic demand, there was a significant improvement in inflation dynamics. On the back of the improvement in the inflation outlook, the CBRT reduced its policy rate to 12% in the second half of the year, with cuts in July, September, October and December. In a statement following the Monetary Policy Committee meeting held in December, it was emphasized that the improvement in the inflation outlook had continued and that there had been a general improvement in inflation expectations.

ON THE BACK OF THE IMPROVEMENT IN THE INFLATION OUTLOOK, THE CBRT REDUCED ITS POLICY RATE TO 12% IN THE SECOND HALF OF THE YEAR, WITH CUTS IN JULY, SEPTEMBER, OCTOBER, AND DECEMBER.

WHILE PORTFOLIO INFLOWS TO DEVELOPING COUNTRIES GAINED MOMENTUM IN 2019, PORTFOLIO INFLOWS TO TURKEY WERE LIMITED AND VOLATILE DUE TO GEOPOLITICAL DEVELOPMENTS.



THE TURKISH ECONOMY

BALANCE OF PAYMENTS - CURRENT ACCOUNT

(USD million)	2014	2015	2016	2017	2018	2019 (*)
CURRENT ACCOUNT	(38,848)	(27,314)	(26,849)	(40,584)	(20,745)	8,674
BALANCE OF FOREIGN TRADE	(66,572)	(49,009)	(39,923)	(58,575)	(40,767)	(16,635)
Exports F.O.B.	166,506	150,981	149,246	164,495	177,169	180,847
Imports C.I.F.	251,141	213,619	202,189	238,715	231,152	210,344
Non-monetary Gold (net)	(3,897)	3,952	1,787	(9,971)	(8,713)	(9,268)
Total Exports	173,293	154,865	152,645	169,214	178,909	182,292
Total Imports	239,865	203,874	192,568	227,789	219,676	198,927
BALANCE OF SERVICES	34,409	29,988	20,523	26,333	31,093	36,854
Travel	24,480	21,248	13,960	17,655	20,625	25,719
Revenues	29,552	26,616	18,743	22,478	25,220	29,829
Expenses	5,072	5,368	4,783	4,823	4,595	4,110

BALANCE OF PAYMENTS - CAPITAL AND FINANCIAL ACCOUNTS

(USD million)	2014	2015	2016	2017	2018	2019 (*)
CAPITAL ACCOUNT	(70)	(21)	23	15	62	34
FINANCIAL ACCOUNTS	(42,397)	(21,211)	(21,731)	(46,837)	(10,903)	1,782
Direct Investments	(6,287)	(14,167)	(10,791)	(8,398)	(9,374)	(5,593)
Portfolio Investments	(20,216)	15,349	(6,412)	(24,063)	3,115	1,246
Other Investments	(15,426)	(10,562)	(5,341)	(6,169)	5,733	(195)
Reserve Assets	(468)	(11,831)	813	(8,207)	(10,377)	6,324
NET ERRORS AND OMISSIONS	(3,479)	6,124	5,095	(6,268)	9,780	(6,926)

(*) Provisional

Source: CBRT 6th Handbook of Balance of Payments, Detailed Presentation

EXCLUDING NET ENERGY IMPORTS, THE CURRENT ACCOUNT BALANCE RECORDED A SURPLUS OF USD 35.5 BILLION IN 2019; IF THE GOLD TRADE IS ALSO EXCLUDED, THIS FIGURE REACHES USD 44.8 BILLION.



With its potential, Turkey remains an important focal point of interest for the future.

The milder than feared economic contraction in 2019, thanks to the impact of global factors, had offered hope for 2020. It was anticipated that the relatively positive backdrop, observed especially in the last quarter of the year, would be reflected in the data in the medium term.

The Medium Term Program was prepared by the Ministry of Treasury and Finance and the Presidency of Strategy and Budget, to cover the 2020-2022 period with the aim of realizing the economic transformation and change oriented towards sustainable growth and fair sharing with a focus on production and productivity. The main objectives of the program include reducing consumer inflation to single digits, establishing a permanent balance in current transactions, achieving growth of 5% and keeping the central government budget deficit to below 3% of GDP.

One of the tasks undertaken by CBRT, which is the institution responsible for managing monetary and exchange rate policies in our country, is to ensure price stability. The CBRT reaches monetary policy decisions by taking into account the developments in inflation expectations, pricing behavior, and all other factors affecting inflation.

Continuing to maintain financial stability, which is a complementary factor in terms of price stability, the CBRT states that it will act with a data-oriented approach, which takes into account all macroeconomic indicators, particularly inflation and economic activity.

Although there was a significant improvement in inflation dynamics in the recent period, the inflation rate in Turkey remains high when compared to peer countries. The cautious stance in monetary policy needs to be maintained in order to ensure the decline in inflation becomes permanent. In line with the Medium-Term Program, the CBRT initially aims to bring inflation down to single digits first, then gradually lower inflation and stabilize it at a level of around 5%.

In order to achieve price stability and to guide the economy towards a path of balanced and sustainable growth, fiscal discipline is crucial. Acting in accordance with this premise, the CBRT will continue to maintain fiscal discipline in the current conjuncture, which is marked by heightened global uncertainties, and it will continue to closely monitor developments related to budget and fiscal policy in the coming period in terms of their effects on the inflation outlook.

Source: TURKSTAT, CBRT, Ministry of Treasury and Finance

IN LINE WITH THE MEDIUM-TERM PROGRAM, THE CBRT INITIALLY AIMS TO BRING INFLATION DOWN TO SINGLE DIGITS AND THEN GRADUALLY LOWER INFLATION AND STABILIZE IT AT AROUND 5%.

THE CBRT REACHES MONETARY POLICY DECISIONS BY TAKING INTO ACCOUNT THE DEVELOPMENTS IN INFLATION EXPECTATIONS, PRICING BEHAVIOR, AND ALL OTHER FACTORS AFFECTING INFLATION.



THE BANKING SECTOR



THE TURKISH BANKING SYSTEM, WHICH EMERGED FROM THE TURBULENCE IN THE 2018-2019 PERIOD WITHOUT MAJOR DAMAGE AND DEMONSTRATED ITS ROBUSTNESS, HAS OFFERED SIGNS THAT IT WILL ENTER A GROWTH TREND ONCE FINANCIAL CONDITIONS REACH A HIGHER LEVEL OF PREDICTABILITY.

A better than expected performance from the Turkish banking sector, which left 2019 behind with cautious steps

2019 was a year in which trade and industrial production volumes contracted worldwide, whereas central monetary authorities implemented policies to expand financial conditions.

The level of commentary warning of an impending global recession has been stepped up, a picture worsened by concerning inflation and employment data in some developed and emerging economies.

Within this global outlook, the expected contraction in 2019, along with the steps taken after a difficult 2018 in Turkey, has been limited, moving away from the negative growth forecasts at the beginning of the year. The Turkish economy appeared to be less fragile thanks to the efforts of the private sector, which reduced its level of

indebtedness, and the positive current account balance, as well as the decline in inflation, which developed within the framework of expectations.

In this process, the performance of the institutions managing the economy and the methods of using communication channels were, as well as external risks, the most critical issues. The banking sector also sought to adapt to sectoral competitive conditions while responding to these external variables in 2019, when significant changes in trends were experienced.

In addition to global trends, the banking sector undertook significant efforts to maintain its asset quality. The Turkish banking system, which emerged from the turbulence in the 2018-2019 period without major damage and demonstrated its robustness, has offered signs that it will enter a growth trend once financial conditions reach higher level of predictability.

THE TURKISH BANKING SECTOR IN NUMBERS

A total of 53 banks was operating in the banking sector at the end of 2019, of which 34 were deposits banks, 13 were development and investment banks and 6 were participation banks.

Number of Banks

	December 2019
Deposit Banks	34
Public Banks	3
Private Banks	9
Foreign Banks	21
Banks Transferred to the Savings Deposit Insurance Fund	1
Development and Investment Banks	13
Participation Banks	6
Total	53

Source: The BRSA

Number of Branches and Personnel

As of December 2019, deposit banks and development and investment banks had a total of 11,374 branches, and the sector employed a total of 204,626 domestic and international staff. This compared with 11,565 branches and 207,716 staff in 2018, with a 1.7% decrease in the number of branches and 1.5% decrease in the number of employees in the banking sector compared to the previous year.

Digital transformation is at the top of the agenda of the banking sector, the flagship of the Turkish economy. Turkish banks continue to step up their

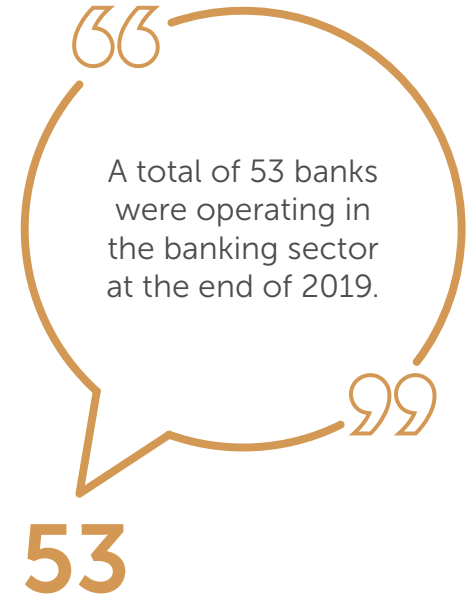
investment expenditures in this area and allocate an increasing proportion of their budgets to improve their digital channels, indicating that there will be no slowing of the growth in digital banking in the short term.

In the October-December 2019, the number of total (retail and corporate) active digital banking customers increased by 3 million compared to the previous period to reach 53 million. As of December 2019, the number of retail customers registered in the system for internet banking and who had logged in at least once was 67.4 million. The number of retail customers who had logged in at least once in the past year reached 21.5 million.

Between October and December 2019, the total number of financial transactions carried out using internet banking services was recorded as 120 million, with an amount of TL 1.5 trillion.

As of December 2019, the total number of customers registered on the mobile banking system and who had logged in at least once increased by approximately 3 million compared to the previous period, reaching 78 million. In the October-December 2019 period, a total of 1.7 million instant loans were extended through mobile banking, with a loan volume of TL 31.6 billion. Insurance sales realized in the same period totaled 1.3 million policies.

Source: BRSA, TBA



THE BANKING SECTOR



THE MOVEMENT IN EXCHANGE RATES IN 2019, THE BASE EFFECT AND THE DECLINE IN APPETITE FOR CREDIT, COMBINED WITH THE YEAR-ROUND DOMESTIC AND FOREIGN FLUCTUATIONS ALL HAD A DECISIVE ROLE IN THE TURKISH BANKING SECTOR.

THE BANKING SECTOR BALANCE SHEET

The movement in exchange rates in 2019, the base effect and the decline in appetite for credit, combined with the year-round domestic and foreign fluctuations all had a decisive role in the Turkish banking sector.

In 2019, the asset volume of the Turkish banking sector increased by 16% compared to the previous year, reaching TL 4,491 billion.

Loan growth in the sector followed a downward trend throughout the year, with a decline in the third quarter. However, loan volume had risen again by the end of the year in year-on-year terms, rising by 11% compared to 2018, reaching TL 2,656 billion.

With the decrease in loans, the share of the securities portfolio in the sector's total assets, which has been directed towards securities, reached its highest level since February 2015, at 14%.

The volume of Non-performing loans (NPL), which rose sharply throughout the year, completed 2019 at TL 150.8 billion with an increase of 56%. This increase in NPL drove the share of NPLs in total loans to a 10 year-high in 2019.

The total deposits of the Turkish banking sector increased by 26% year-on-year in 2019 to reach TL 2,567 billion. Due to the rapid increase in deposits, the ratio of deposits to loans decreased to 101.31%, its lowest for seven years (the total loan volume in this calculation does not include loans from development and investment banks).

Weak credit growth and increased costs negatively affected profit in the sector in 2019, and the total net profit for the period decreased by 9% year-on-year to TL 49 billion.

SELECTED INDICATORS

	Amount (TL billion)	2018-2019 (%)
Assets		
Cash and Cash Equivalents*	450	9.3
Reserves	193	21.8
Loans	2,656	10.9
Non-performing Loans (gross)	151	56.0
Securities	661	38.3
Other Assets	530	25.0
Total Assets	4,491	16.1
Liabilities		
Deposits	2,567	26.1
Debt to Banks	533	(5.2)
Repo Transactions	154	59.2
Securities Issued	194	11.2
Shareholders' Equity	492	16.5
Other Liabilities	552	(4.2)
Total Liabilities	4,491	16.1

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

Source: The BRSA

ASSETS

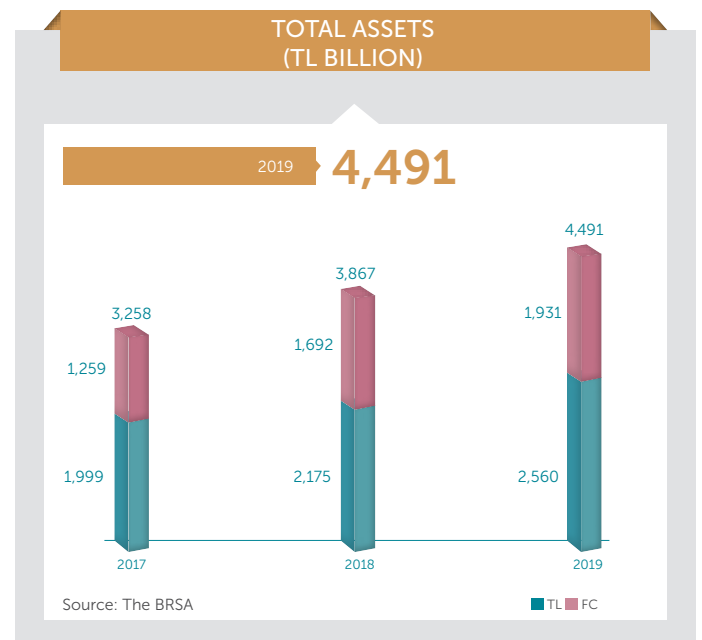
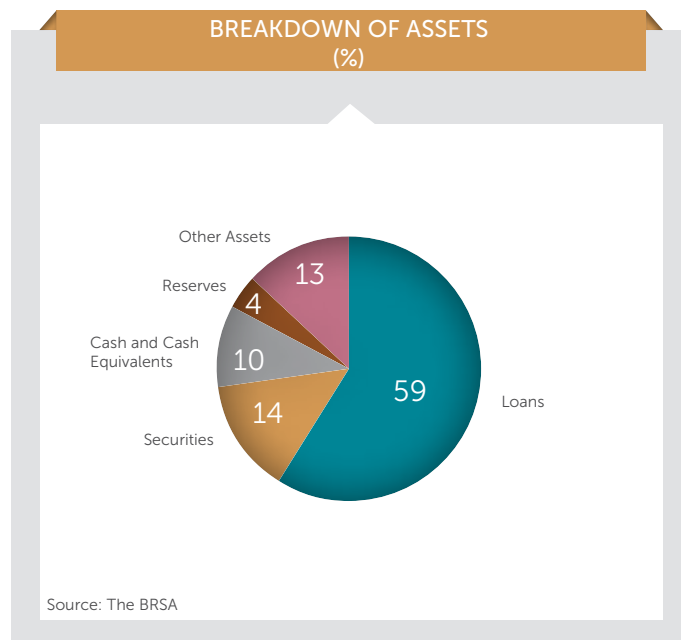
The volume of assets in the Turkish banking sector followed a volatile course in 2019, with an increase of 16% compared to the previous year, reaching TL 4,491 billion.

At the end of 2019, 59% of the sector's total assets consisted of loans, 14% being the securities portfolio, 10% being cash and cash equivalents, 4% being reserve requirements, and 13% being other assets.

Compared to the end of 2018, the share of loans in total assets decreased by 2.8 points in 2019, while the share of the securities portfolio increased by 2.4 points.

The ratio of foreign currency assets to total assets in the balance sheet was 43%, and the ratio of total foreign currency liabilities to total liabilities was 50%. Foreign currency loans have a 38% share of total loans, with foreign currency deposits comprising a 51% share of total deposits.

In December 2019, deposit banks accounted for 87% of the banking sector's total assets, with development and investment banks having a 7% share and participation banks having a 6% share.



THE VOLUME OF ASSETS IN THE TURKISH BANKING SECTOR FOLLOWED A VOLATILE COURSE IN 2019, WITH AN INCREASE OF 16% COMPARED TO THE PREVIOUS YEAR, REACHING TL 4,491 BILLION.



THE BANKING SECTOR

In terms of ownership of assets, public banks accounted for 41% of the assets of the sector, with 33% in domestic private banks and 26% in foreign banks.

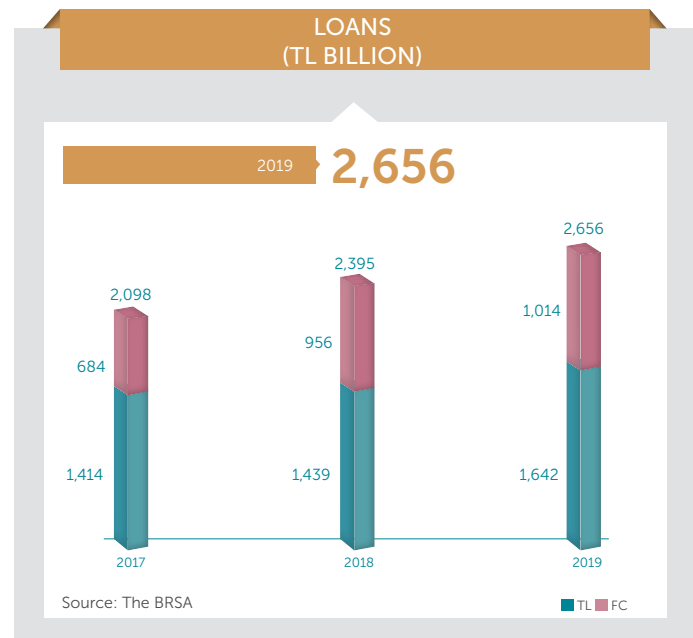
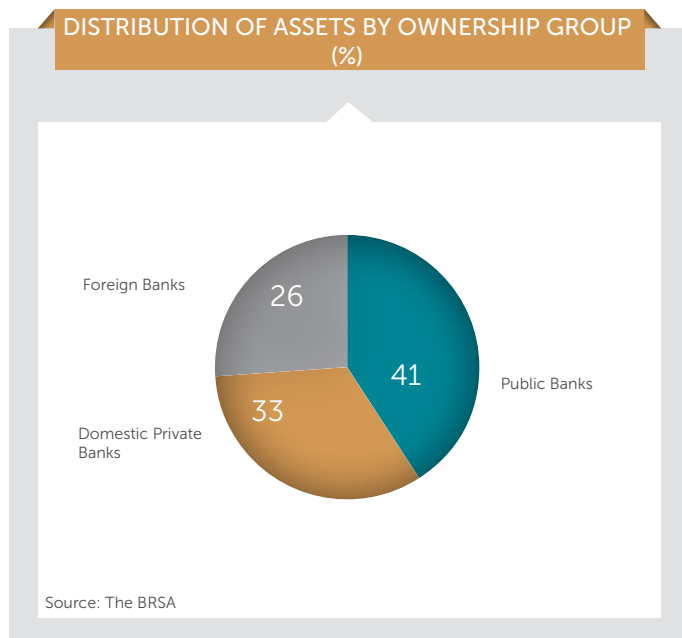
Following the attack on the currency in August 2018, after the negative base effect caused by the increase in foreign currency balance sheet items and the increase in non-performing loans and provisions, banks were reluctant to provide funds and loan volumes declined. This situation also caused a

decline in the annual rate of growth in assets and the annual change in assets turned negative in August 2019. From August, with the positive effect of the base effect and the recovery in the economy, loans also increased and the annual rate of growth in assets started to rise again, reaching a 7 month high of 16.1% in December.

In 2019, it was loans - which constituted 59% of assets - which were determinant in this movement in the annual growth

rate of assets. The annual rate of contraction in loan volumes stood at 6.14% in August 2019, before gradually returning to growth and reaching 10.9% growth in December 2019.

The total volume of loans in the Turkish banking sector stood at TL 2,656 billion in 2019. Of this amount, TL 1,642 billion was denominated in Turkish currency and TL 1,014 billion was in foreign currency.



THE TOTAL LOANS OF THE TURKISH BANKING SECTOR STOOD AT TL 2,656 BILLION IN 2019. OF THIS AMOUNT, TL 1,642 BILLION WAS DENOMINATED IN TURKISH CURRENCY AND TL 1,014 IN FOREIGN CURRENCY.



Movements According to Loan Type

Commercial and corporate loans and SME loans, which make up 78% of total loans, recorded a decline of 7.85% at the beginning of the fourth quarter of 2019, but posted 9.6% year-on-year growth by the end of the year. Commercial and corporate loans, including SME loans, ended 2019 at TL 2,071 billion. The volume of consumer loans and credit card loans, on the other hand, increased by 15.9% year-on-year to reach TL 585 billion.

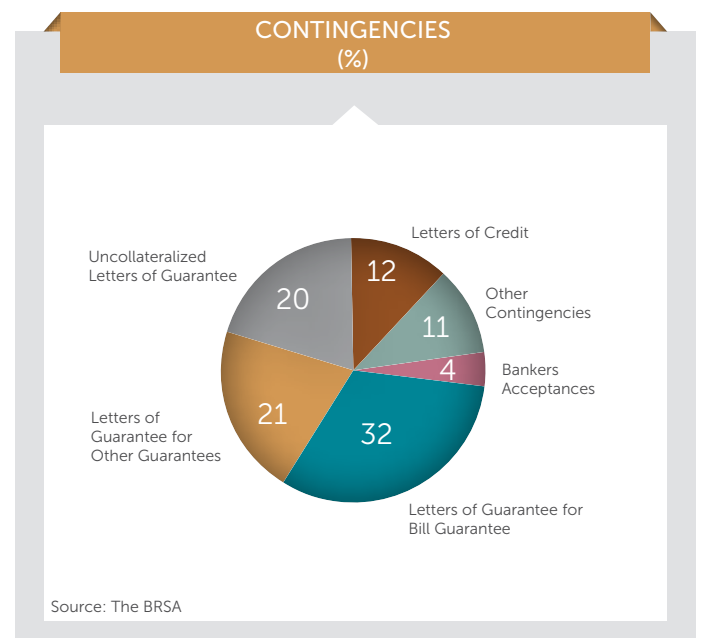
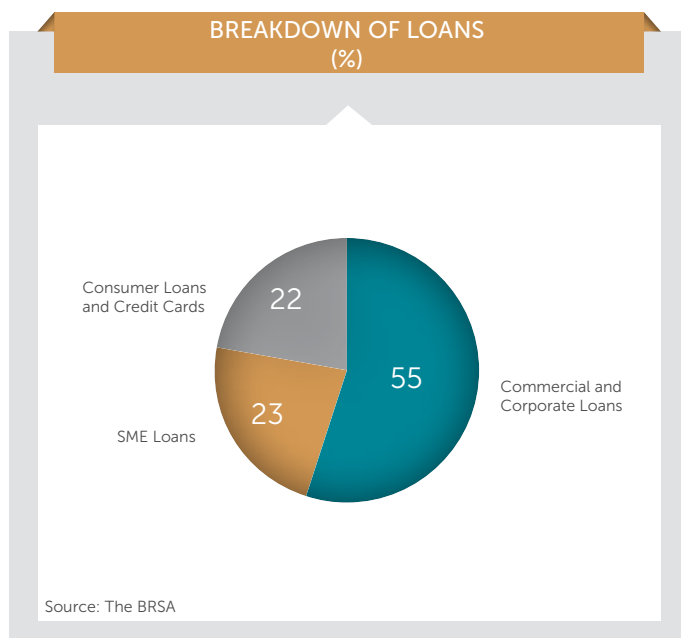
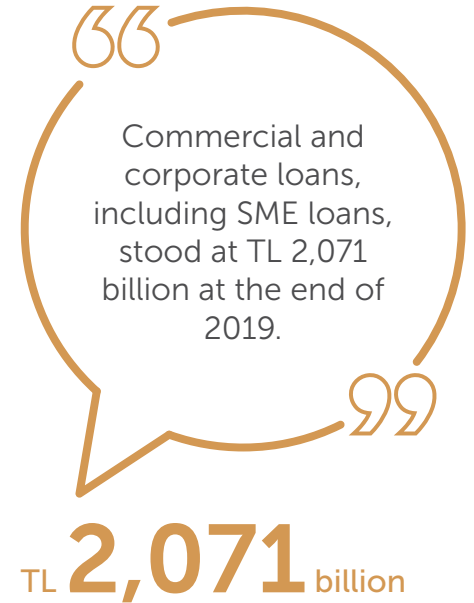
The construction sector comprised the largest share in total loans, with an 8.37% share, followed by the electricity, gas and water resources production-distribution industrial sector, with a 7.29% share, and wholesale trade and brokerage sector with a share of 7.03%.

As of December 2019, housing loans stood at TL 199 billion, recording growth when compared to the previous quarter.

The volume of consumer credit card loans was TL 118 billion, with the volume of consumer loans standing at TL 260 billion. Consumer loans had a 43% share in retail loans with housing loans comprising 35% of the total, and credit card loans 21% of total retail loans.

Letters of guarantee comprised the largest share in these loans, accounting for 74% of the total, while the share of letters of credit stood at 12%.

The base effect from last year, the decline in loan interest rates and the increase in loan appetite on both the supply and demand side as the economy began to revive were instrumental in the rise in loans in the last quarter of the year. In an environment marked by continued interest rate cuts, it is envisaged that the annual growth rate for loans will continue to gain momentum in 2020 as well.



THE BANKING SECTOR



WITH THE INCREASE IN SUPPORT FOR THE ECONOMY AND THE CREDIT EXTENDED, THE YEAR-ON-YEAR RATE OF GROWTH IN NPL VOLUMES STARTED TO SLOW DOWN.

Non-Performing Loans

Due to the slowdown in the credit growth rate in the banking sector and the stagnation in economic activity, the acceleration in non-performing loans (NPLs) which started in 2018 continued in 2019. However, the significant increase in reserves allocated by banks served as confirmation of the prudent approach taken by the sector in this regard.

In 2019, the sector's NPL volume increased by 56% compared to 2018, reaching a gross amount of TL 151 billion. The fact that some sectors were adversely affected by the attack on the currency in August 2018 and the slowdown in lending by banks caused a sharp rise in the NPL volume during the year. NPL stock had increased by 63.7% year-on-year in May 2019, its steepest rise in around a decade. However, with the increase in support for the economy and the credit extended, the year-on-year rate of growth in NPL volumes started to slow down.

On the other hand, due to the cumulative increase in NPL volumes and the fact that the increase in credit remained below the rate of growth in NPL volumes, the rise in the share of NPL volumes in total loans continued throughout the year with the ratio

standing at 5.37% at the end of the year, its highest since November 2009.

The share of NPL volumes in sectoral loans stood at 9.55% in the construction sector, 8.35% in hotels and 7.23% in wholesale trade and brokerage.

It is estimated that the year-on-year rate of growth in NPL volumes will follow a horizontal course in the annual rate of growth in 2020, driven by the base effect of the steep increases in 2019 and the rise in lending.

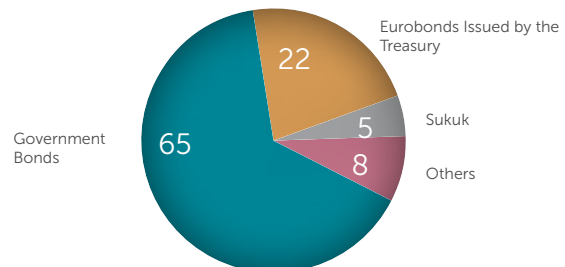
Securities Portfolio

The annual rate of growth in the securities portfolio generally followed an upward trend, but with some volatility in 2019. The rate of growth in the securities portfolio, which had stood at 19% in 2018, increased to 38.3% in 2019 with total securities reaching TL 661 billion.

While the increase in Turkish lira denominated securities in the securities portfolio was limited to 15%, the FX securities portfolio recorded an expansion of over 50%.

In 2019, 65% of the securities portfolio consisted of government bonds, 22% consisted of Eurobonds issued by the Treasury and 5% consisted of sukuk.

BREAKDOWN OF SECURITIES PORTFOLIO (%)



Source: The BRSA

In addition to the decline in loans, the fall in Treasury borrowing which was steeper than the amount set out in the projection announced at the beginning of the year was especially effective in the sector's shift towards securities. The high annual rate of growth in the securities portfolio paved the way for an increased share of securities in total assets. This rate, which had stood at 12.4% in 2018, reached 14.7% in 2019, its highest level since February 2015. However, especially due to the decline in interest rates, the expectation of an increase in loan demand in 2020 and the fact that the Treasury will reduce its borrowing rate as set out in the program is expected to cause a slowdown in the growth rate of the securities portfolio.

LIABILITIES

In 2019, deposits accounted for 57% of the total liabilities of the Turkish banking sector, while non-deposit resources and shareholders' equity accounted for 32% and 11% of the combined total liabilities, respectively. Debts to banks represented the highest non-deposit resource item with a share of 14% in total liabilities. The debts to banks item was followed by securities issued and funds obtained from repo transactions, each having 4% shares.

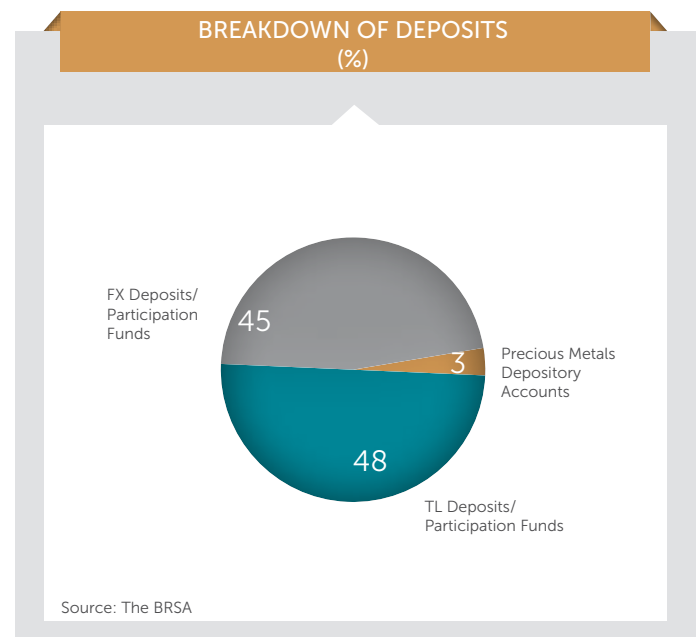
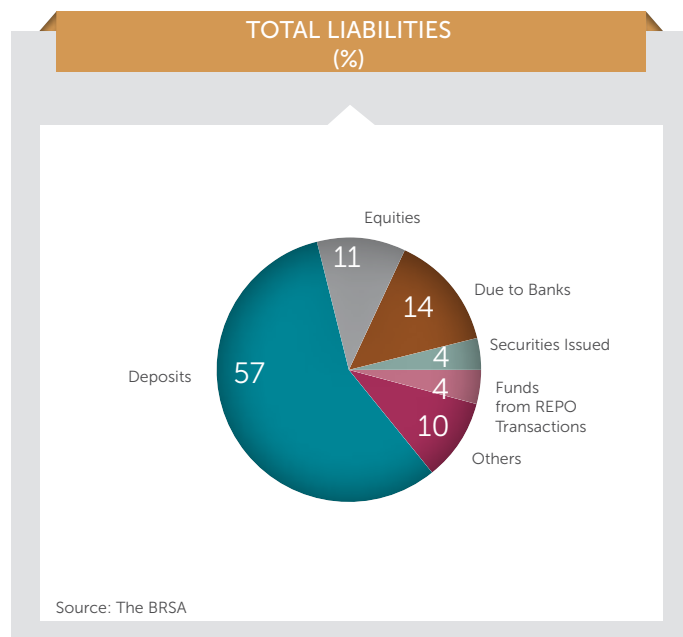
As of December 2019, liabilities to banks totaled TL 533 billion, TL 59 billion of which were in Turkish lira and TL 474 billion of which were in foreign currencies. The amount of funds from repurchase transactions increased in December 2019 compared to the previous quarter, reaching TL 154 billion.

Deposits

The annual rate of growth in deposits in 2019 followed a fluctuating course due to the base effect stemming from the previous year, and the total deposit stock of the banking sector increased by 26.1% compared to 2018, reaching TL 2,567 billion. The annual growth rate of deposits slowed to a three-year low of 5.74% in August 2019 as a result of the reversal of the increase in foreign currency deposits after the exchange rate attack in August 2018 due to the balancing in exchange rates and the base effect. In the last quarter of the year, with both the base effect and the economic revival, the annual growth rate of deposits rose to a fifteen-month high of 26.1% in December.

Of the total deposits, TL 1,259 billion were TL deposits/participation funds, TL 1,225 billion were foreign currency deposit accounts/participation funds and TL 82 billion were in precious metal depository accounts.

AS OF THE END OF 2019, THE BANKING SECTOR'S TOTAL DEPOSIT STOCK INCREASED BY 26.1% COMPARED TO 2018, REACHING TL 2,567 BILLION.



THE BANKING SECTOR



AS OF DECEMBER 2019, 62% OF DEPOSITS BELONGED TO REAL PERSONS, WHILE THE SHARE OF COMMERCIAL AND OTHER CORPORATE DEPOSITS STOOD AT 35% AND THE SHARE OF OFFICIAL INSTITUTIONS WAS 3%.

Movements in Deposits By Type

As of December 2019, 62% of deposits belonged to real persons, while the share of commercial and other corporate deposits stood at 35% and the share of official institutions was 3%. TL 839 billion of deposits belonging to real person were denominated TL, TL 749 billion were in foreign currency, TL 434 billion of deposits belonging to commercial and other institutions were in TL, and TL 466 billion were in FX.

An analysis of deposits by maturity finds a concentration in the 1-3 month-maturity range in 2019. However, the share of time deposits with maturities of 1-3 months in total deposits fell below 50% for the first time in 2019 and was realized as 49%. While the share of time deposits with a maturity of 1-3 months decreased, the share of demand deposits and time deposits with a maturity of up to 1 month increased.

As of year-end 2019, the share of demand deposits in total deposits increased by 3.4 percentage points to 25% compared to 2018, while the share of time deposits in total deposits with maturities of up to 1 month increased to 16%, a rise of 3 percentage points compared to 2018. Deposits with a maturity up to 1 month in 2019

increased by 55.1% on an annual basis to become the fastest growing maturity term. It is thought that the concentration on short-term deposits may increase if interest rates remain at single-digit levels in the coming period.

Non-Deposit Resources

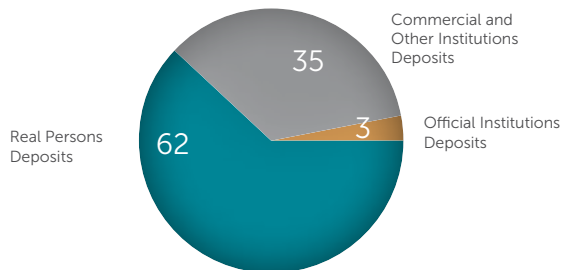
In 2019, non-deposit resources increased by 1.6% year-on-year to TL 1,432.3 billion. The base effect created by the attack on the currency experienced in 2018 was pivotal in the movement of non-deposit resources in 2019. The fact that non-deposit resources consisted mostly of foreign resources led to a year-on-year decrease of 24.1% in FX non-deposit resources in August. This decrease was combined with a decline in Turkish lira non-deposit resources and reflected as a 21.8% decrease in total non-deposit resources.

The decline in non-deposit resources in 2019 was also driven by banks becoming net payers in loans they received from abroad. Banks' FX non-deposit resources decreased by USD 19.1 billion in 2019.

Shareholders' Equity

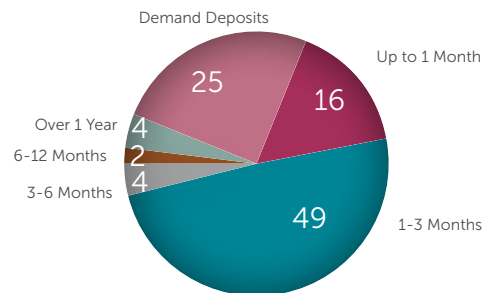
The shareholders' equity of the Turkish banking sector increased by 16.5%

BREAKDOWN OF DEPOSITS BY TYPE (%)



Source: The BRSA

BREAKDOWN OF DEPOSITS BY MATURITY (%)



Source: The BRSA

compared to the previous year to reach TL 492 billion in 2019. The decline in profit was responsible for the lower annual growth rate of shareholders' equity in 2019, to 17.7%. The share of shareholders' equity in total liabilities increased from 10.9% to 11%, recording a limited rise compared to 2018.

Having entered a downward trend in 2018, the capital adequacy ratio (CAR) started to edge up again in 2019. The capital adequacy ratio of the banking sector increased from 17.3% at the end of 2018 to 18.4% at the end of 2019. Despite the decrease in the sector's profit in 2019, a diminishing appetite for lending among private banks was instrumental in the higher CAR level. The upward trend in CAR may grind to a halt in 2020 on the back of the expected revival in the economy, as a result of the credit increase.

PROFITABILITY

In 2019, non-interest revenues in the Turkish banking sector reached TL 106.3 billion, an increase of 37.8%. There was also a 34.4% increase in net fee and commission revenues, which consisted of fees and commissions from loans and banking services revenues. Rapid increases in net fee and commission

income were seen in the year as a result of the contraction in interest margins and pressure on net interest income.

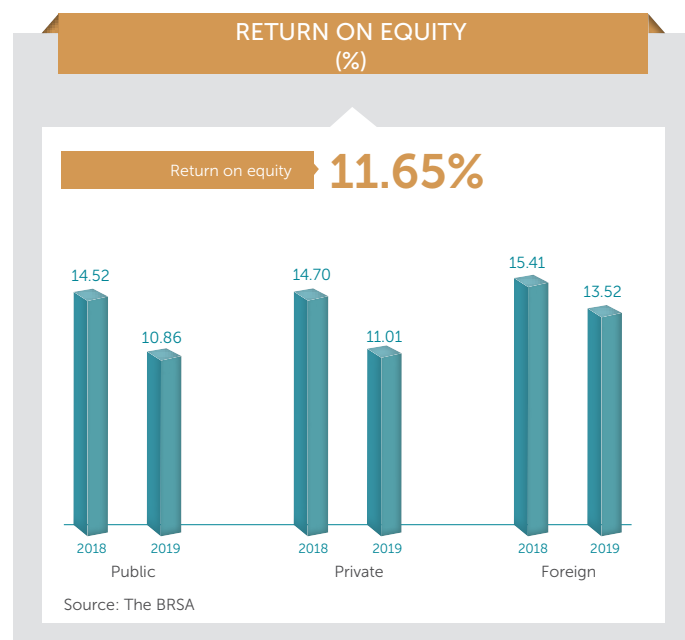
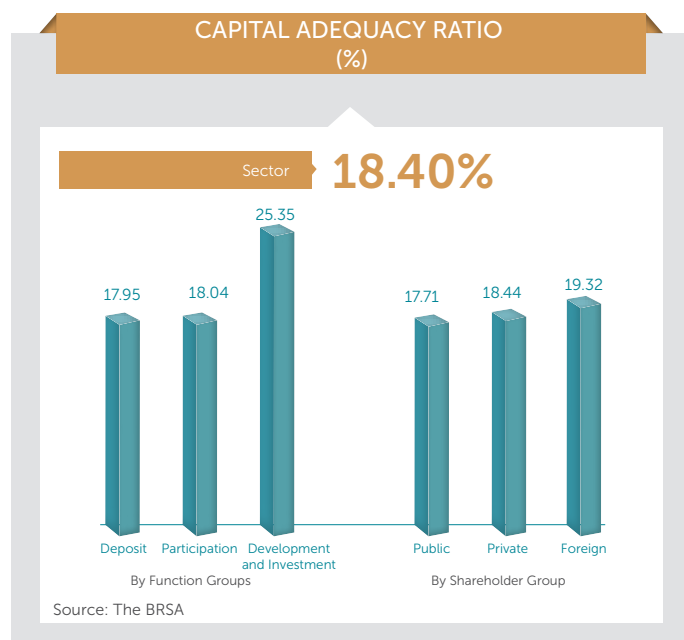
In addition, the rise in inflation has led to an increase in non-interest income by raising commission rates in payment systems. Thus, revenues from banking services, the largest non-interest income item, amounted to TL 49.6 billion in 2019. Fees and commissions from loans reached TL 16 billion in 2019.

It is projected that there will be a significant decrease in the net fees and commissions income of banks, primarily private banks, in 2020 due to the reduction in fees and commissions of banks on the back of the latest decisions taken by the BRSA and the CBRT.

Profits in the banking sector declined throughout 2019, although the decline in profits had levelled out by the end of the year, with the sector rounding off the year with a 9% loss. The sector posted a net profit of TL 50 billion in 2019.

Weak loan growth and increasing costs negatively affected profitability in 2019, while fee and commission income had a supportive effect. Due to these developments, the sector's return on

THE CAPITAL ADEQUACY RATIO, WHICH HAD DECLINED IN 2018, STARTED TO INCREASE AGAIN IN 2019. THE BANKING SECTOR CAPITAL ADEQUACY RATIO INCREASED FROM 17.3% AT THE END OF 2018 TO 18.4% AT THE END OF 2019.



THE BANKING SECTOR

“
The sector’s net profit decreased by 9% to TL 50 billion in 2019.
”

TL **50** billion

assets decreased from 1.77% in 2018 to 1.46% in 2019, and return on equity from 14.83% to 11.65%.

In 2020, the increase in loans and the fall in interest rates are expected to reduce resource costs, which could give rise to an increase in profitability given the base effect from 2019, but this increase may be limited by the new regulation on net fee and commission revenues.

2020 AND BEYOND

According to KPMG Turkey’s 2020 Banking Report, banks will focus on growth by meeting demand while maintaining the quality of their balance sheet assets and managing their non-performing receivables in 2020, when the recovery process will gather momentum after a challenging two years.

It is anticipated that banks will continue to focus on digitalization and operational process optimization, an area which they have invested in for a long time, in order to maintain their competitive position.

Strengths of the Banking Sector

- The share of foreign capital and the accumulation of know-how in the sector
- Management staff with proven competence in crisis management, and corporate knowledge
- Successful applications and appetite to adapt to technological developments
- High liquidity and a strong capital structure
- Potential for growth and profitability

Opportunities for the Banking Sector

- The growth potential of financial solutions other than conventional banking
- Adoption of 2020 as a year of recovery
- Two years of deferred investment volume
- Banks’ reflexivity and their ability to adapt to technological innovations
- The sector’s ability to attract qualified human resources

IT IS ANTICIPATED THAT BANKS WILL CONTINUE TO FOCUS ON DIGITALIZATION AND OPERATIONAL PROCESS OPTIMIZATION, AN AREA WHICH THEY HAVE INVESTED IN FOR A LONG TIME, IN ORDER TO MAINTAIN THEIR COMPETITIVE POSITION.



Weaknesses of the Banking Sector

- Failure to perform long-term macroeconomic forecasts
- The effects of economic and political driven volatilities on the resource structure
- Despite a strong debt payment performance, high resource costs caused by not being at investment level
- An upward trend in NPL volumes
- A large informal economy and challenges in gaining penetration

Despite the negative developments in the global economy, the recovery which started in the last quarter of 2018 had been expected to continue in Turkey. However, this was before the fallout of the Covid-19 pandemic, which started to affect the whole world in the last month of the year, taking a toll on international economic and social relations - and is likely to limit recovery.

Therefore, the Covid-19 outbreak and its inevitable effects on the sector should be assessed under a separate heading.

The Impact of the Covid-19 Outbreak on the Turkish Banking Sector

The banking sector plays a highly important role in the healthy functioning of the financial system in the economies of the countries and in the transfer of resources to the right areas and sectors. The Covid-19 outbreak, which recently broke out in China and spread rapidly around the world, has affected the banking sector in many different ways, along with all sectors. The main impact on the sector will be financial and operational.

With the slowdown in business activity and the fall in revenues and transaction volumes of both corporate and individual customers, banks are expected to face difficulty in financing collections. From an operational point of view, the number of transactions

AS WITH ALL SECTORS, THE COVID-19 EPIDEMIC, WHICH SPREAD RAPIDLY AROUND THE WORLD, HAS AFFECTED THE BANKING SECTOR IN MANY DIFFERENT WAYS, ESPECIALLY THROUGH ITS FINANCIAL AND OPERATIONAL IMPACT.

WITH THE SLOWDOWN IN BUSINESS ALONG WITH FALLING REVENUES AND TRANSACTION VOLUMES OF BOTH CORPORATE AND INDIVIDUAL CUSTOMERS, IT IS ANTICIPATED THAT BANKS MAY FACE SOME DIFFICULTY IN FINANCING COLLECTIONS.



THE BANKING SECTOR

“

A TL 100 billion (EUR 14 billion) package, entitled the “Economic Stability Shield,” was unveiled by the government in March.

”

TL **100** billion

in branches, which, as with other institutions and organizations, have applied the models of rotational work and work from home with remote connection, has decreased. As customers turn to alternative distribution channels, internet banking and mobile banking transaction volumes have been increasing, hence heightening information system risks.

Another effect of the Covid-19 outbreak has manifested itself in the form of changing customer behavior. The most important of these is the prioritization of basic needs along with the decrease in the spending trends of customers. Therefore, the classification of customers according to different criteria and segments and diversification of service areas are important for the sustainability of both customers and banking activities, taking into account the epidemic environment and the effects of commercial life.

A number of comprehensive measures have been taken to ensure the negative repercussions of the global uncertainty caused by the Covid-19 outbreak on the Turkish economy are limited as much as possible. A TL 100 billion (EUR 14 billion) “Economic Stability Shield” package was

unveiled by the government in March to mitigate the effects of the outbreak and cover damage caused. In addition, administrative measures have been taken to protect the financial health of banks by minimizing the operational and financial burdens of the pandemic on banks, which are key players of the financial markets.

In this process, the Central Bank has introduced a wide range of measures to ensure that the cash flow in the financial markets, credit channels, and firms continue to operate soundly. Decisions taken by the Central Bank are of great importance in ensuring that the banking sector and real sector have access to liquidity with appropriate conditions.

With the measures taken by the government and other institutions, Turkey is expected to survive this difficult period with minimal damage. Although a contraction is predicted in the second quarter, the economic measures taken and the decrease in the spread rate of the epidemic indicate that recovery will begin in the third quarter. An improvement is then expected to follow, with sustainable growth continuing in the fourth quarter.

A NUMBER OF COMPREHENSIVE MEASURES HAVE BEEN TAKEN TO LIMIT THE NEGATIVE REPERCUSSIONS OF THE GLOBAL UNCERTAINTY CAUSED BY THE COVID-19 OUTBREAK ON THE TURKISH ECONOMY.



THE PARTICIPATION BANKING SECTOR



The six participation banks operating in Turkey carry out all types of banking activities in full compliance with the interest-free banking principle and contribute to the Turkish economy and the real sector.

Participation banking is a banking model that operates in accordance with interest-free banking principles, carries out all kinds of banking activities in accordance with these principles, collects funds on the basis of participation in profit and loss, and lends these funds through methods such as trade, partnership and financial leasing.

In Turkey and around the world, a segment of the population actively avoids interest income on religious grounds, so the system consists of idle resources which are not placed in conventional banks. This situation causes financial losses both for the economy of the country and the holders of the savings.

Participation banks have been established to help interest-sensitive savings holders safely keep and invest their funds, as well as to attract funds

from Gulf countries by creating alternative investment areas.

Various methods have been developed in order to invest the funds collected by participation banks, by taking examples from common practices in the world during their establishment phase. A consensus has been reached that the earnings obtained through such methods are commercial earnings, and differ substantially from interest.

The reason for the existence of participation banks, and their key feature, is that they offer all banking products and services in line with the interest-free principle. The essence of the interest-free principle is to collect funds on the basis of participation in profit and loss, to buy the goods which the customer needs from the seller in advance, and sell them to the customer in installments (murabaha), as well as to lend the funds using methods such as leasing and partnership.

In addition to the interest-free principle, participation banking also has a number of very important and functional different principles and features. These

THE ESSENCE OF THE INTEREST-FREE PRINCIPLE IS TO COLLECT FUNDS ON THE BASIS OF PARTICIPATION IN PROFIT AND LOSS, TO BUY THE GOODS THAT THE CUSTOMER NEEDS FROM THE SELLER IN ADVANCE AND SELL THEM TO THE CUSTOMER IN INSTALLMENTS (MURABAHA), AS WELL AS TO LEND THE FUNDS USING METHODS SUCH AS LEASING AND PARTNERSHIP.

THE PARTICIPATION BANKING SECTOR

According to figures for the end of 2019, the six participation banks operating in Turkey had a total of 1,179 domestic and foreign branches.

1,179

include the prohibition of uncertainty, the prohibition of excessive risk and speculation, the practice of paying the money to the seller in exchange for the invoice instead of the customer in the purchase of goods and services, and the provision of financing based on goods or services.

The new products that participation banking brought to the Turkish financial and capital markets are as follows:

- Murabaha (Cost-Plus Financing)
- Mudaraba (Labor-Capital Partnership)
- Musharaka (Profit/Loss Partnership)
- Qard Hasan (Benevolent Loan/ Interest-Free Loan)
- Salam (Forward Financing Transaction)
- Istisna (Work Contract)
- Interest-Free BES Sukuk (Lease Certificate)
- Participation Indices and Exchange Traded Funds Based on Participation Indices
- Participation Insurance (Takaful)
- Investment Agency

The first application of participation banking in the Turkish financial system was the establishment of Special Finance Houses in 1985. With the regulations set out in the Banking Law No. 5411, which entered force on 1 November 2005, the activities of these institutions were granted bank status, the accounts in these institutions were secured by the Savings Deposit Insurance Fund (SDIF) and the system continued to develop under the name of "participation banks".

Along with deposit banks, development and investment banks, participation banks - which are one of the three

key elements of the banking sector in Turkey - are also referred to as interest free banks or Islamic banks. Participation banks are referred to as complementary elements of the Turkish banking system rather than institutions undertaking the one-to-one functions of development and deposit banks.

PARTICIPATION BANKS IN NUMBERS

Six participation banks have been operating in Turkey, as of the end of 2019. According to the date of establishment, these banks are Albaraka Türk, Kuveyt Türk, Türkiye Finans, Ziraat Katılım, Vakıf Katılım, and Emlak Katılım.

According to 2019 year-end figures, the six participation banks operating in Turkey had a total of 1,179 domestic and foreign branches. The branches of participation banks accounted for more than 10% of the branch network of the banking sector.

As of the end of 2019, the total number of employees in participation banks increased by 2.5% compared to the previous year, reaching 16,040.

Participation banks have expanded their customer base by benefiting from the development of financial technologies and the effective use of alternative distribution channels. By 2019, the number of internet banking customers of participation banks increased by 470% when compared to 2017, reaching 3,620,000. The number of mobile banking customers increased by 120% over the same period, reaching 1,930,000.

ALONG WITH DEPOSIT BANKS, DEVELOPMENT AND INVESTMENT BANKS, PARTICIPATION BANKS - WHICH ARE ONE OF THE THREE KEY ELEMENTS OF THE BANKING SECTOR IN TURKEY - ARE ALSO REFERRED TO AS INTEREST FREE BANKS OR ISLAMIC BANKS.



DEVELOPMENT IN THE NUMBER OF BRANCH AND PERSONNEL IN PARTICIPATION BANKS (2010-2019)

Years	Number of the Branches	Growth (%)	Number of Personnel	Growth (%)
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
2018	1,122	8.7	15,654	4.2
2019	1,179	5.1	16,040	2.5

Source: The BRSA

PARTICIPATION BANKS, WHICH HAVE A RESPECTABLE PLACE IN THE TURKISH BANKING SECTOR AND HAVE SUCCESSFULLY EMERGED FROM THE ECONOMIC VOLATILITY THANKS TO THEIR INTERNAL DYNAMICS, HAVE PROVIDED A MULTIFACETED CONTRIBUTION TO THE TURKISH ECONOMY.

INTERNET BANKING DATA OF PARTICIPATION BANKS

	2017	2018	2019
Number of Active Clients	636,436	1,501,135	3,620,387
Business Volume (TL thousand)	192,020,017	451,951,470	561,500,898

MOBILE BANKING DATA OF PARTICIPATION BANKS

	2017	2018	2019/9
Number of Active Clients	877,000	1,383,870	1,930,000
Business Volume (TL thousand)	12,249,660	61,780,920	98,993,260

ALTERNATIVE DISTRIBUTION CHANNELS DATA OF PARTICIPATION BANKS

Product/Service (unit)	2017	2018	2019
ATM	1,688	1,922	2,082
POS	88,491	100,893	108,401
Bank Card	4,103,410	4,669,097	5,374,646
Credit Card	929,245	1,071,810	1,378,125

WITH THE FINANCING TECHNIQUES THEY APPLY, PARTICIPATION BANKS HAVE EXHIBITED A NOTABLE FUNCTION IN TRANSITIONING THE INFORMAL ECONOMY TO FORMALIZATION, WHICH IS AN IMPORTANT ISSUE IN OUR COUNTRY.



THE PARTICIPATION BANKING SECTOR



Another successful year of strong, healthy, and sustainable growth for participation banks in 2019.

Participation banks, which achieved successful results in terms of total assets, shareholders' equity, funds collected, loans dispersed, capital adequacy standard ratios and net profitability ratios, continued to support the country's economy in 2019.

With their respectable place in the Turkish banking sector and having successfully emerged from the economic volatility thanks to their internal dynamics, participation banks have provided a multifaceted contribution to the Turkish economy.

Participation banks have played an important role in boosting production and employment by providing investment goods with appropriate conditions through financial leasing and other methods to a large number of small and medium sized enterprises which are unable to receive sufficient financial support from the financial system.

Participation banks, which allocate some of their resources to finance foreign exchange-earning services, especially exports, have also supported the development of foreign trade by providing foreign exchange inflows to our country.

In addition, with the financing techniques they apply, participation banks have exhibited a notable function in transitioning the informal economy to formalization, which is an important issue in our country.

The total unconsolidated asset size of participation banks operating in Turkey reached TL 284.5 billion in 2019, an increase of 37.5% compared to the previous year.

The net profit of the participation banks increased by 16% from the TL 2.1 billion achieved in 2018 to TL 2.4 billion in 2019. Total shareholders' equity increased by 29.7% to TL 21.8 billion.

THE NET PROFIT OF PARTICIPATION BANKS INCREASED BY 16% FROM TL 2.1 BILLION IN 2018 TO TL 2.4 BILLION IN 2019.



KEY INDICATORS OF PARTICIPATION BANKS (TL MILLION)

	2018	2019	Change %
Funds Collected	137,220	215,983	57.4
Funds Collected TL	60,626	91,145	50.3
Funds Collected FC	67,790	106,533	57.2
Precious Metals FC	8,804	18,305	107.9
Funds Allocated	124,562	149,475	20.0
Total Assets	206,806	284,450	37.5
Shareholder's Equity	16,780	21,762	29.7
Net Profit	2,097	2,433	16.0

Source: The BRSA

ASSET DEVELOPMENT OF PARTICIPATION BANKS AND SECTORAL SHARE (TL MILLION, 2015-2019)

	Total Assets	Change %	Sector Share %
2015	120,252	15.27	5.1
2016	132,874	10.5	4.9
2017	160,136	20.5	4.9
2018	206,806	29.1	5.3
2019	284,450	37.5	6.3

Source: TKBB, The BRSA

Among participation banks, Kuveyt Türk recorded the highest net profit at TL 1,109.8 million in 2019, followed by Ziraat Katılım with a net profit of TL 516.7 million, Türkiye Finans (TL 378.2 million), Vakıf Katılım (TL 324.9 million), Albaraka Türk (TL 63.4 million), and Emlak Katılım, which started operating in March 2019, with a net profit of TL 45 million.

Kuveyt Türk became the biggest participation bank in terms of asset volume in 2019, with total assets of TL 104.4 billion. It was followed by Türkiye Finans with TL 52.4 billion of total assets, Albaraka Türk (TL 51.4 billion), Ziraat Katılım (TL 36.4 billion), Vakıf Katılım (TL 30.3 billion) and Emlak Katılım (TL 9.2 billion).

THE TOTAL UNCONSOLIDATED ASSET SIZE OF THE SIX PARTICIPATION BANKS OPERATING IN TURKEY REACHED TL 284.5 BILLION IN 2019, AN INCREASE OF 37.5% COMPARED TO THE PREVIOUS YEAR.

ZİRAAT KATILIM POSTED THE SHARPEST YOY INCREASE (60%) IN NET PROFIT IN 2019, FOLLOWED BY KUYEYT TÜRK (28%).



THE PARTICIPATION BANKING SECTOR

“
In 2019, Kuveyt
Türk became the
participation bank
with the largest asset
volume in Turkey, at
TL 104.4 billion.
”

TL **104.4** billion

Participation banks are constantly expanding their borrowing opportunities from international markets at affordable costs and maturities.

The contribution of participation banks is becoming more and more important in attracting Gulf Capital to Turkey, which has tremendous potential. The recently issued lease certificates (Sukuk) by the Ministry of Treasury and Finance allow our country, which has a lack of international resources, to withdraw a significant amount of capital from this region.

Participation banks have been steadily increasing the number of various structured financing products that they obtain from international markets at affordable costs and maturities, and have transformed these products into fund disbursements which will provide their customers with a competitive advantage. Participation banks play an important role, especially in the increasingly popular “Murabaha” financing, which is provided by syndication from the Gulf region.

TOTAL SUKUK ISSUANCES BETWEEN 2012-2020 MARCH

	Domestic (TL million)	Abroad (USD million)
Participation Banks	83,737	2,990
Ministry of Treasury and Finance	36,897	8,000
Total	120,634	10,990

Source: TKBB

TURKEY'S TOTAL SUKUK
ISSUANCE AMOUNTED
TO TL 120,634 MILLION
DOMESTICALLY AND
USD 10,990 MILLION
ABROAD BETWEEN 2012
AND MARCH 2020.



Participation banks aim to step up the value they provide to the country's economy in the coming period.

As a result of concrete steps taken in recent years, such as the establishment of public participation banks in our country, the development of the interest-free finance sector in the non-banking area, the implementation of various legal regulations and the increase in public and private sector sukuk issuances, participation banks have continued to develop and diversify their contribution to the economy.

The capital adequacy ratio of participation banks, which increased to 18.04% in 2019, indicated their strong capital structure while their low NPL ratio revealed their high asset quality.

While the market shares of participation banks in the sector has been steadily rising, the sector, which serves with an increasing number of branches and a diversified staff structure, has also been aggressive in its efforts abroad as well as in its branch operations at home. With the new participations, the number of branches will increase due to increased competition, and the quality of products and services will increase. Furthermore, the restructuring of the products, services, branch offices and alternative distribution channels offered by the participation banking sector will contribute to this momentum.

It is envisaged that various legal regulations and structural reforms will

continue to be implemented in the coming periods in order to increase awareness and recognition of the sector in the wider audience.

However, the Covid-19 outbreak, which emerged in December 2019 and hit health systems as well as economic activity around the world, has led to a dramatic revision of projections for the future.

In this context, participation banks were included in the financial support package in accordance with the decision set out within the framework of the Presidential Decree issued with the aim of reducing the effects of the pandemic on public health and supporting the sustainability of the economy.

In this process, participation banks have directed their customers to mobile branches, internet banking, ATMs and telephone banking channels in order to carry out their banking activities completely, while also continuing to provide an uninterrupted service in the branches by paying attention to the health and safety of their employees and customers. Participation banks have implemented economic support within the framework of participation banking principles and standards and banking resources and decisions in order to minimize the damage to customers and the business world under the "Economic Stability Shield" package.

THE COVID-19 OUTBREAK, WHICH EMERGED IN DECEMBER 2019 AND HIT HEALTH SYSTEMS AS WELL AS ECONOMIC ACTIVITY AROUND THE WORLD, HAS LED TO A DRAMATIC REVISION OF PROJECTIONS FOR THE FUTURE.

THE CAPITAL ADEQUACY RATIO OF PARTICIPATION BANKS, WHICH INCREASED TO 18.04% IN 2019, HAS DEMONSTRATED A STRONG CAPITAL STRUCTURE WHILE LOW NPL RATIOS INDICATED HIGH ASSET QUALITY.



GLOBAL INTEREST-FREE FINANCE AND BANKING



IRAN, SAUDI ARABIA, AND MALAYSIA ACCOUNT FOR THE HIGHEST SHARE OF TOTAL INTEREST-FREE FINANCIAL ASSETS, WITH IRAN HAVING USD 488 BILLION OF INTEREST-FREE ASSETS FOLLOWED BY SAUDI ARABIA (USD 390 BILLION) AND MALAYSIA (USD 214 BILLION).

The interest-free finance ecosystem continues to expand.

According to the Islamic Finance Development Report 2019, the assets of the interest-free finance system expanded by 3% in 2018 from USD 2.4 trillion to USD 2.5 trillion. It is noteworthy that this trend, which marked a slowdown in the growth rate of the system when compared to previous years, has become evident especially in leading markets as economic recession starts to bite.

According to the figures for the end of 2018, the interest-free finance system consists of 1,447 full-scale interest-free financial institutions and interest-free windows in the conventional banking system.

Iran, Saudi Arabia, and Malaysia, which command a 65% share in terms of total assets among the 61 countries in the system, represent the largest markets, each with an asset volume in excess of USD 500 billion. The countries to post

the fastest rates of asset growth were Morocco, Cyprus and Ethiopia.

Interest-free banking comprises the lion's share of the interest-free finance system.

According to 2018 figures, the rate of growth in interest-free banking, which is the leading sector in the system, slowed to 2% parallel to slowing growth in the global economy. Interest-free banking accounted for a 70% share in the system, with assets totaling USD 1.76 trillion.

In 2018, the number of countries where banks were offering interest-free financial services increased to 72, with a total of 520 interest-free banks operating, including 219 interest-free windows.

Iran, Saudi Arabia, and Malaysia, which are home to the largest share of total interest-free financial assets, also rank first in interest-free banking. Iran has assets of USD 488 billion, followed

by Saudi Arabia (USD 390 billion) and Malaysia (USD 214 billion).

Many interest-free banks or windows are constantly transforming through renewal or consolidation of their organizations. Despite slow growth, new banks continue to enter the market, as viewed in the Moroccan, Ethiopian, Algerian, Suriname, and Afghanistan markets. The driving force of growth in Cyprus and Ethiopia, which attracted attention with the extraordinary growth in their assets, was interest-free banking. In addition, as seen in the examples of UK and Pakistan, new liquidity instruments are being developed which have been boosting the growth of existing interest-free banking markets.

Sustainable and socially responsible funds gaining importance in interest-free capital markets.

Interest-free funds (mutual funds, pension funds, insurance funds, and ETFs), which displayed a strong performance in 2017 when they posted a 23% increase to reach USD 23 billion, recorded their lowest performance of the last 10 years, shrinking by 10% in 2018 declining to USD 108 billion, constituting 4% of total interest-free financial assets.

As a result of the global economic slowdown, while there was a negative performance in the funds managed in 24 of the 28 markets where interest-free fund activity was carried out, liquidation or mergers were carried out in 84 funds with a total value of USD 407 million.

With Asian stocks suffering an especially weak performance in 2018, the stock markets of Malaysia and Indonesia, the two biggest interest-free fund markets, experienced sharp declines.

Representing 77% of total managed funds, Iran, Malaysia, and Saudi Arabia maintained their position as the largest interest-free fund markets, while the size of managed funds has decreased.

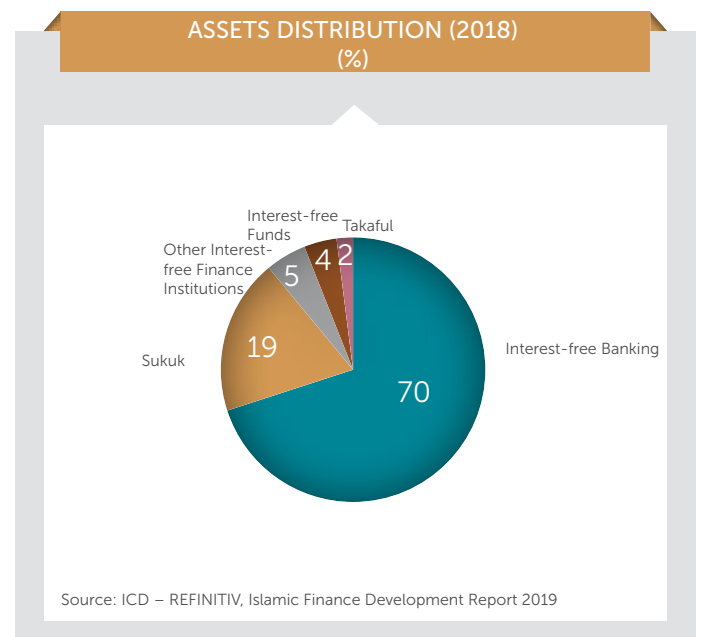
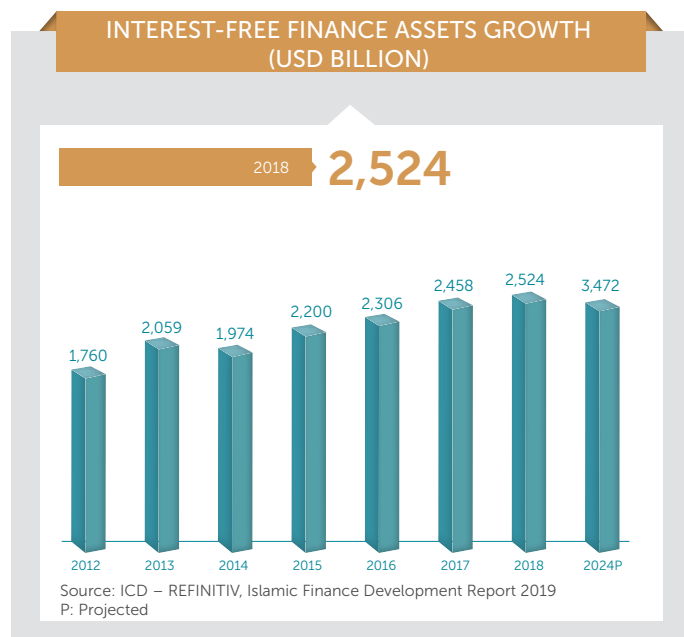
The UK and Indonesia ranked among the top 5 markets, replacing the US and Luxembourg.

Indonesia has become the largest interest-free fund issuer with 59 new mutual funds. Following the regulation in 2015, the number of fund issuances by Indonesia as of the end of 2018 stood at 222, while the total volume of assets under management amounted to USD 3 billion.

Government sukuk issuances in the Gulf Cooperation Council (GCC) countries

“Iran, Malaysia, and Saudi Arabia are the largest interest-free fund markets, representing 77% of total managed funds.”

77%



GLOBAL INTEREST-FREE FINANCE AND BANKING



received greater demand than foreign pension and insurance funds. The growth in socially responsible and green sukuk issuances provide a broad base for the establishment of an interest-free environment, social and governance (ESG) funds, targeting investors who favor social responsibility in addition to traditional investors.

Increasing interest for the takaful sector from new markets, despite its small size on a global scale.

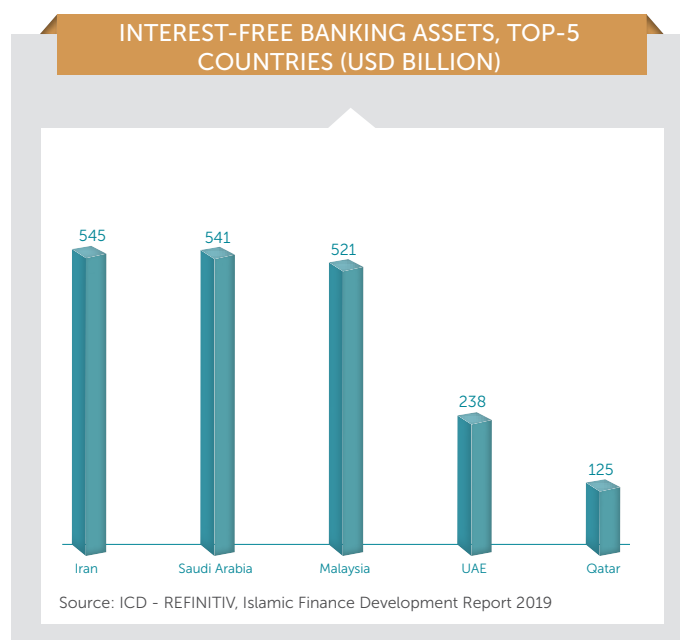
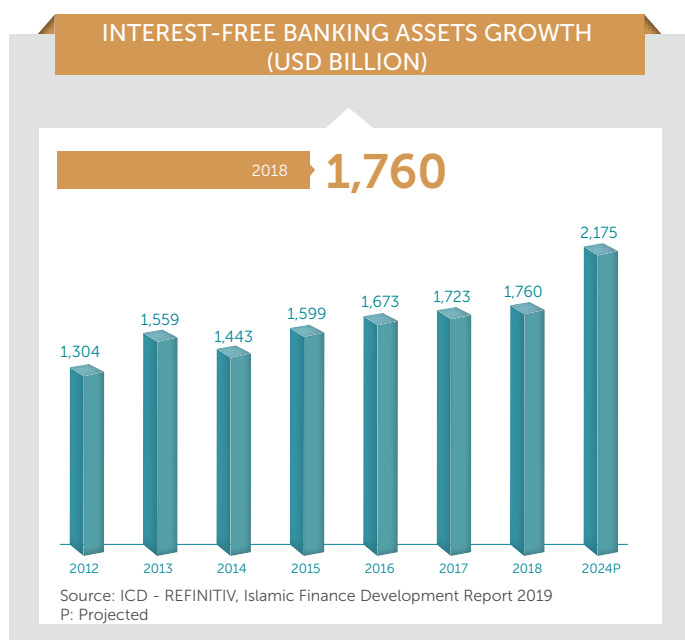
Takaful grew only 1% in 2018, accounting for 2% of total interest-free financial assets, with a total volume of USD 46 billion. Saudi Arabia, Iran, and Malaysia are the top 3 markets of the takaful sector with assets of USD 15 billion, USD 13 billion, and USD 9 billion, respectively.

As in interest-free banking, there is a trend towards consolidation in the sector, where 335 institutions offer takaful services. In Saudi Arabia, nearly a third of takaful companies suffered losses in 2018 due to the economic slowdown, while consolidations are on the agenda as a result of the authority's increases in capital requirements.

Despite its small size on a global scale, the takaful sector is attracting increasing interest from new markets, and there has been an increase in regulatory legislation and incentives. Twenty takaful companies were operating in 9 countries in sub-Saharan Africa in 2018. In Tanzania, one of the most active countries in this field, three more companies received licenses in 2019. The number of service providers in Nigeria increased to four with two new companies established in 2019. Again, three new companies were added to the takaful services in Morocco in 2019.

Turkey is one of the countries to have developed in the field of Takaful in recent years. The first takaful company was established in Turkey in 2009, while the first regulation drafted in 2017 allowed insurance companies to provide services with Takaful Windows. Following the enactment of the law, the takaful sector started to gain momentum and the sector is currently served by four fully-fledged companies and eight windows.

Insurtech is rising as a new trend among takaful companies. Takaful companies develop their own insurance technologies and 'Insurtech' platforms to help interest-free insurers gain more share in the system.



Interest-free fintech marks the development direction of non-bank interest-free financial institutions.

The assets of non-bank interest-free financial institutions accounted for 5% of total interest-free financial assets in 2018, with a decrease of 2%.

This channel is the only way to benefit from interest-free financial products in some countries where regulatory agencies have not yet approved interest-free banking.

The non-bank interest-free financial institutions sector is more popular in Australia than in other markets, with Australia recording the strongest growth in assets in the sector in 2018.

In 2018, when the GCC countries had a year of mixed performances in the interest-free fintech area and in the United Arab Emirates (UAE), where the assets of 41 nonbank interest-free financial institutions focusing on real estate, retail financing, leasing, and other areas amounted to USD 6 billion, some companies have taken steps to diversify and expand their supply. Other institutions, however, have been troubled by the economic slowdown that followed the fall in oil prices.

Interest-free fintech companies are expanding in new markets to meet idle demand. The growth in this area continues not only in terms of the number of players but also with the opening of these companies to overseas markets. Enlargement is not limited to countries where the majority of the population is Muslim. There is considerable demand for interest-free fintech financing or products offered by investment providers, especially in countries where interest-free banks are not available due to regulatory restrictions.

Sukuk maintains its growth momentum.

In 2018, cumulative sukuk issuance exceeded the USD 1 trillion limit since the first issue in 1996. Considering that almost half of this figure comes from issues in the past five years, the rapid increase in the popularity of sukuk will be better understood.

Despite the slowdown in growth in other sectors, the strong development trend in the field of sukuk continues, particularly with governments' expansion initiatives. Sukuk assets reached USD 470 billion with an increase of 10% in 2018 as a result of 2,887 issuance transactions and constituted 19% of total assets.

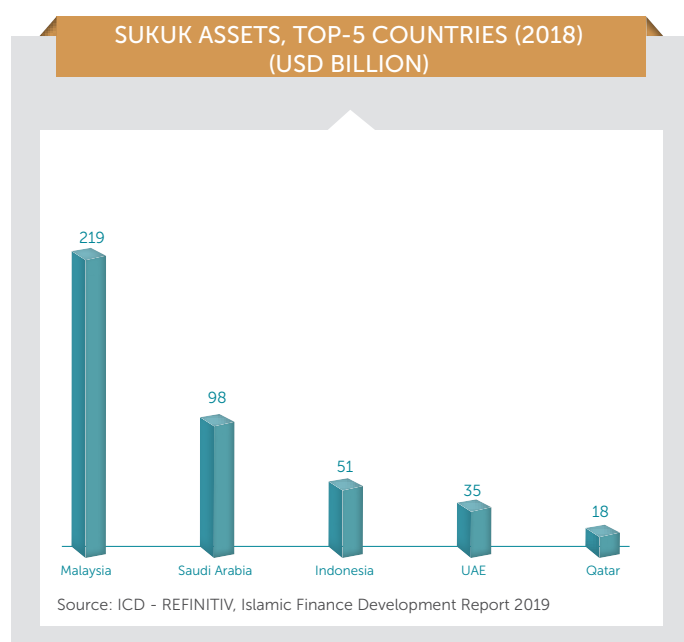
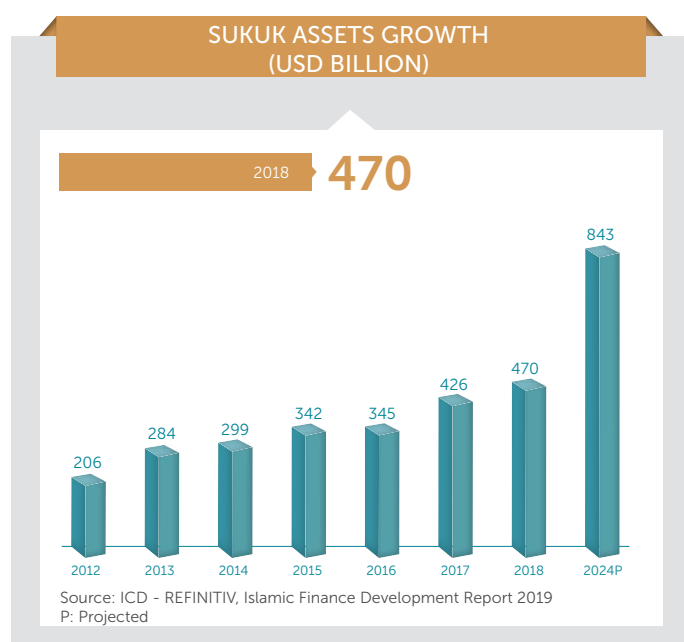
Malaysia (USD 219 billion), Saudi Arabia (USD 98 billion) and Indonesia (USD 51 billion) take the first 3 places in Sukuk assets.

Sukuk issuances in 2018 reached USD 125 billion, similar to the previous year; 54% of this amount was made by the government and 18% by public institutions.

Saudi Arabia, the fastest-developing sukuk market, has taken strong actions in 2018 with the government's sukuk program, which gives incentives for greater corporate issuance.

Malaysia has maintained its leading position, especially with murabaha sukuk issuances, while the central bank has resumed sukuk issuances after a three-year break, with short-term sukuk issuance of USD 16.1 billion in the second half of 2018.

In 2018 and 2019, innovative sukuk forms and structures such as waqf, blockchain, and gold-based sukuk emerged, while the green sukuk that the market met for the first time in 2017 with the issuance of Malaysia started to reach new markets in a short time.



GLOBAL INTEREST-FREE FINANCE AND BANKING

While the sukuk market has gained momentum in 2019 due to the impetus of intensive government and private sector issuances in the GCC region and Malaysia, S&P data indicate that the issuance amount has increased to USD 162 billion.

Green sukuk and socially responsible financing instruments are gaining importance in parallel with the increase in sustainability, environmental, and social concerns.

The objectives of the Islamic Law are linked to environmental and social concerns and the purpose of sustainable finance in a wider perspective. For example, the protection of life objective of interest-free finance is in line with sustainable finance principles that emphasize environmental and social protection. As the convergence between interest-free finance and ESG (environmental, social, and governance) criteria increases, the green sukuk used to finance environmentally friendly projects as well as socially responsible financing instruments gain importance.

In Islamic Law, the use of socially available instruments in a transparent and systematic manner in the modern interest-free financial system should be encouraged. In this context, an appropriate governance framework needs to be developed for the use of these tools that can make a difference in the system.

Taking advantage of Malaysia's global leadership in interest-free capital markets, the Securities Commission Malaysia-SC will create a new Sustainable and Responsible Investment (SRI) Roadmap for the Malaysian capital market, while expanding the scope of the 2014 SRI Sukuk framework to appeal to a wider investor base, closer to international standards, raising the bar for inclusion in its sustainability activities.

The SRI Roadmap aims to create a facilitating sustainable and responsible ecosystem and to reveal the critical role of the capital market in resolving the financing gap in the green, social, and sustainable sectors.

Malaysia is the world's leading country in socially responsible sukuk issuance. As of October 2019, Malaysia had issued a total of RMB 4.3 billion (USD 1.03 billion) of sukuk with 10 socially responsible sukuk issuances.

The Indonesian government continued to issue sukuk for infrastructure financing through the Ministry of Finance in 2018, undersigning the world's first green state sukuk with a USD 1.25 billion sukuk issued to finance various green projects, including renewable energy. In February 2019, the Indonesian government became the largest green sukuk issuer with the addition of a USD 750 million green sukuk. Also at this date, the government realized a further USD 1.25 billion of conventional sukuk issuances; the excess demand they received in both issues also proved the opportunities Indonesia has to improve its interest-free economy and financial system.

In 2019, the Islamic Development Bank broke new ground with its EUR 1 billion green sukuk denominated in Euros. In addition, the sukuk was also the first "AAA" grade green sukuk in the global capital markets.

While the green bond market in the Middle East and Africa has exceeded USD 2 billion, the global green bond market is estimated to have reached USD 230 billion in 2019, and forecasted to reach USD 350 billion in 2020.

Green sukuk provides issuers with access not only to traditional investors interested in green projects but also investors turning to the interest-free system. This could potentially lead to excess demand and better financing conditions. Considering the rapid increase in energy demand and the goal of shifting energy supply to greener resources in some of the world's leading interest-free financial markets, especially Malaysia, UAE, and Saudi Arabia, green sukuk offers significant opportunities.

Indonesia and Turkey reviewing the structure of Sukuk to take advantage of idle assets.

A new concept in the structuring of Sukuk has emerged which enables states to collect funds by making use of mostly idle real and financial assets. Indonesia and Turkey pioneered more cost effective alternative sukuk issuance in international debt markets while deepening their domestic markets. For this purpose, Indonesia issued sovereign waqf-linked sukuk, and Turkey undertook the gold-backed sukuk issuance.

Indonesia launched its first waqf-linked sukuk in October 2018 and raised USD 1.64 billion. This sukuk aims to create cash funds from waqf assets that generate little or no income. Funds from this transaction will be used to finance outreach projects, such as the rebuilding of economic housing for earthquake survivors. The structure of this sukuk envisages the full return of the principal investment to the waqf fund and the re-use of dividends to manage waqf assets.

Turkey issued the first gold backed sovereign sukuk in October 2017 in order to reduce the cost of funds in the international debt markets. While this sukuk reduced government financing costs, it facilitated the entry of gold assets into the financial system and the increase of government reserves. This type of ijara sukuk is based on physical gold investments, utilizing more than 3,500 tons held by households. The principal is repaid in the form of physical gold bars and the tax-free dividends are distributed in Turkish Liras.

There was a significant increase in the volume of domestic sukuk issued by the Turkish Treasury, as well as in the private sukuk issuances of participation banks, from a total of TL 7.1 billion (USD 1.19 billion) in 2015 to TL 32.4 billion (USD 5.42 billion) in 2018.

In parallel with the growth in the banking sector, the sukuk market in Turkey has demonstrated sustainable growth, aiming to gain a greater share of the global sukuk market. According

to the Islamic Financial Services Board (IFSB), Turkey was the fifth largest sukuk issuer in 2018 with an 8.3% share in sukuk issuances.

Malaysia, Bahrain, and the UAE are the main markets for the development of interest-free finance.

In terms of the development of interest-free finance, the gains in knowledge, governance, corporate social responsibility, and awareness in parallel with the growth in assets are all shaping the future of the system.

The Islamic Finance Development Report, prepared annually in cooperation with ICD and Refinitiv, the private sector pillar of the Islamic Development Bank, provides a listing which ranks the interest-free finance development level of each country. According to 2019 data, Malaysia, Bahrain and the UAE continue to achieve pioneering developments in the sector, while Uzbekistan and Ethiopia have positively diverged from other countries as a result of the improvements in their financial and supportive ecosystem metrics.

Malaysia commands a strong position in terms of all progress indicators, except corporate social responsibility.

Bahrain is strong in a wide range of interest-free finance activities, especially interest-free banking and funds, with the support of comprehensive legislation and strong governance.

UAE is among the strongest countries in terms of knowledge with the multitude of service providers on interest-free finance education; in terms of governance with strong indicators in different subcategories; in terms of awareness with its new expansions (research, scientific papers, etc.) and a large number of interest-free financial events hosted.

Indonesia stands out as home to the largest number of educational institutions in the world, giving courses or degrees in interest-free finance, and with numerous research papers produced by these educational institutions and other affiliates.

Saudi Arabia maintains large Treasury issuances, also promoting high corporate issuance in the sukuk area, and distributes significant amounts of CSR funds through interest-free financial institutions.

Government initiatives play an important role in the expansion of the interest-free financial system.

Governments prioritize specific sectors of the interest-free financial system, develop roadmaps and regulations, and take steps to support the ecosystems of these sectors. This plan is designed to help the interest-free financial industry play a greater role in the country's economy and covers the development framework, strategies, and action plans. One of the particular focal points of this strategy is interest-free finance education, which Indonesia pioneered around the world.

In terms of governance, governments are also developing a legislative framework to benefit the system. For example, while the UAE works to improve oversight of Islamic Law in areas such as interest-free banking and sukuk, Malaysia is reviewing its Takaful framework. Morocco, Philippines, and Bangladesh have enacted new interest-free finance regulations in 2019.

In order to raise awareness of the interest-free financial system, events such as "Interest-free Finance Week" where various products related to interest-free finance are brought together, as well as many promotional activities are organized. In 2018, such mega-events were specially held in the UAE, UK, and Kazakhstan.

ACCORDING TO THE ISLAMIC FINANCIAL SERVICES BOARD (IFSB), TURKEY WAS THE FIFTH LARGEST SUKUK ISSUER IN 2018 WITH AN 8.3% SHARE IN SUKUK ISSUANCE.



GLOBAL INTEREST-FREE FINANCE AND BANKING

Cross-border co-operation between governments on interest-free finance is another trend. Examples of such partnerships are Turkey, Qatar, and Malaysia, which are on the agenda in 2019, as well as the collaborations between Indonesia and Suriname.

Fintech offers a new wave of growth in interest-free finance.

The Fintech universe, the escalation of blockchain and cryptocurrencies, and the increase of investments in this area all play a key role in the growth of the interest-free finance system.

Blockchain applications indicate an important expansion, especially in the field of sukuk. Using blockchain and smart contract protocols will help the market grow faster, especially in the role they will play in achieving a smoother sukuk issuance process and clarifying responsibilities under different issuance scenarios.

In October 2018, the microfinance investment fund Blossom Finance launched its first blockchain-based sukuk, SmartSukuk. SmartSukuk has an automated issuing process which is standardized through a proprietary platform that works with Ethereum smart contracts. The issuing blockchain technology increases the traceability and security of transactions while making the issue cheaper, more efficient and more accessible to customers.

Some of the commercial successes in this field include The Islamic Development Bank's USD 500 million conversion fund, the groundbreaking Investment Account Platform in Malaysia, the Fintech Hive in Dubai, Fintech Bay in Bahrain and the newly launched Islamic Fintech Panel in the UK have all come to the fore as initiatives which support the sector. In 2019, initiatives such as Wahid Invest's new Robo advisory service, the successful seed stage funding offered by Yugelders in the UK, Ovamba, the first coin issuance from Africa, and the first blockchain sukuk transaction from Al Hilal Bank.

Fintech continues to shape the sector with new developments in digital social finance.

Digital platforms for interest-free social finance applications which can help the United Nations achieve its Sustainable Development Goals have also started to be developed. The success achieved by the United Nations High Commissioner for Refugees (UNHCR) in digitally collecting Zakat funds is a good example of this.

The Indonesian National Islamic Finance Committee has partnered with a central QR code payment platform of the interest-free finance unit of four state-owned banks in order to distribute Islamic social finance funds and to develop a digital platform to help Islamic finance cooperatives better manage Zakat and waqf funds. Indonesia also hosted the launch of the world's first blockchain based waqf crowdfunding.

Forecasts for the coming period...

When we consider the different sectors of interest-free finance and the developments in the ecosystem surrounding them, it is estimated that total interest-free finance assets will reach USD 3.5 trillion in the 2018-2024 period, growing at a 5.5% compound annual growth rate (CAGR). Sukuk and interest-free funds will be the sectors to offer the strongest growth as part of the mainstream in the coming period; interest-free financial institutions are expected to maintain their current level of growth going forward.

Opportunities for inclusive standardization, financial technology (fintech), and the social role of the industry are expected to be the factors accelerating the growth of the interest-free finance system in the next few years.

In particular, the determination of the standards applicable to the legal documents used as well as the standards of interest-free financial system instruments in terms of compliance with Islamic law as well as clarifying the risks for investors, facilitating the sukuk issuance process and creating more suitable and larger areas for innovation will all accelerate the growth of the sector.

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Islamic Financial Services Board (IFSB) and the International Islamic Financial Market (IIFM), which are among the standard setters of the sector, are working together to make progress on comprehensive standardization. The involvement of lawmakers, sukuk issuers and investors will lead to a healthier and faster standardization process.

Fintech is another area which can promote growth by facilitating faster and safer transactions which are easier to implement. The priority growth areas for interest-free fintech in the coming period are expected to be Crowdfunding, Blockchain and Crypto, Robo-Consulting and Personal Financial Management and Lending.

While the social role of interest-free finance is believed to be the key focal point of new opportunities, it is imperative that issuers and investors in core markets increase their tendency to serve the UN Sustainable Development Goals in their practices along with their sensitivity in environmental, social, and governance (ESG) issues.

... need to be revised in light of new developments.

When it comes to the global economy, both developments in the leading and developing markets in interest-free finance - which already posted its lowest growth rate in ten years in 2019 - and the extraordinary situation posed by the outbreak of the Covid-19 pandemic, which shatters all predictions for the year 2020, suggest that all forecasts need to be revised downwards.

The economic slowdown caused by the Covid-19 pandemic and the sharp decline in oil prices will reduce the liquidity of banks in GCC countries and in Malaysia, which are the main markets of interest-free finance, and increase the need for liquidity management tools compatible with the interest-free system.

Each of these countries is at a different stage of development, and these countries aim to provide convenience to sector participants with different tools. The Malaysian money and repo markets are the deepest and most liquid, with well-developed domestic debt capital markets. There is a wider range of financing options for interest-free banks in Malaysia than in other countries due to the long repo maturities available. In the GCC region, for example, the Central Bank of Bahrain offers liquidity management tools such as Islamic Sukuk Liquidity Instrument (ISLI) and Wakalah to interest-free banks.

Global sukuk issuance volumes are also expected to fall in 2020 due to the impact of the Covid-19 pandemic on major interest-free financial markets, low oil prices and declining investor appetite. S&P estimates a 40% decline in sukuk issuances for 2020.

The complexity of the issuance process will likely render sukuk a secondary financing option for certain governments and redirect it to the traditional bond market.

The current environment will also lead to an increase in default rates by testing the robustness of sukuk legal documents, especially for issuers with low creditworthiness.

Blockchain and green sukuk, which are considered to offer an important opening for Sukuk, are also predicted to lose momentum during this period. However, once the current economic shock and the volatility in the capital markets has passed, it is thought that the issuance of sukuk green sukuk and blockchain technology will be the driving force for the interest-free system.

It could be claimed that the current crisis may serve as a catalyst for a social sukuk or a new breed of instruments. Furthermore, the crisis caused by the Covid-19 pandemic could be seen as an opportunity for the re-emergence of some powerful interest-free instruments, such as Zakat and Waqf,

which could play a role in reducing the impact on the most vulnerable segments of the population or poor countries. This would not only be in line with the ultimate goals of the interest-free system but would also create a new growth channel for the system.

Sources

- ICD – REFINITIV, 2019, Islamic Finance Development Report 2019
- Islamic Finance News, 2020, IFN 15th Anniversary Report
- Islamic Finance News, 2018, IFN Annual Guide 2019
- Islamic Finance News, 2020, IFN Green and Sustainable Finance Report 2019
- S&P, 2020, Islamic Finance Outlook 2020
- Islamic Financial Services Board, 2019, Islamic Financial Services Industry Stability Report 2019
- Islamic Financial Services Board, 2018, Strategic Performance Plan 2019 - 2021
- The UK Islamic Fintech Panel- Salaam Gateway, 2019, The Global Islamic Fintech Report 2019
- REFINITIV Islamic Finance Webinar, 21 April 2020, CEO Power Session: Impact of the Coronavirus Pandemic on the Global Islamic Finance Industry
- S&P Global, 13 April 2020, Virus, Oil, and Volatility Will Put Sukuk Issuance Into Reverse

THE CRISIS CAUSED BY THE COVID-19 PANDEMIC COULD BE SEEN AS AN OPPORTUNITY FOR THE RE-EMERGENCE OF SOME POWERFUL INTEREST-FREE INSTRUMENTS, SUCH AS ZAKAT AND WAQF, WHICH MAY PLAY A ROLE IN REDUCING THE IMPACT ON THE MOST VULNERABLE SEGMENTS OF THE POPULATION OR POOR COUNTRIES.



PARTICIPATION BANKS



TKBB CENTRAL ADVISORY BOARD



SINCE ITS ESTABLISHMENT IN 2018, THE TKBB ADVISORY BOARD HAS CARRIED OUT ACTIVITIES IN MANY AREAS SUCH AS MEETINGS, WORKSHOPS, DECISIONS AND STANDARDS PREPARED FOR THE NEEDS OF THE SECTOR, AND WORK CARRIED OUT IN COOPERATION WITH NATIONAL AND INTERNATIONAL ORGANIZATIONS.

The TKBB Advisory Board has carried out activities in many areas including meetings held regularly since its establishment in 2018, decisions and standards prepared for the needs of the sector, workshops bringing together stakeholders in academia and industry and work carried out in cooperation with national and international organizations. The activities carried out by the Board in 2019 are presented below under the related headings.

Meetings:

In the 31 regular full-day meetings held by the board in 2019, decisions and opinions were set out within the scope of interest-free finance activities in response to the demands and questions from participation banks, public institutions, professional organizations qualified as public institutions and other organizations through the TKBB.

In addition, studies on interest-free financial standards prepared for participation banking are also being carried out within the scope of these meetings.

Standards and Decisions:

The Advisory Board develops standards and reaches decisions regarding the interest-free finance sector in the course of the meetings it holds. Standards and decisions published in 2019 or which are in the process of publication are as follows:

a) Standards: The Board prepared two standards on "Stock Issuance and Trading" and "Tawarruq" after a series of activities including meetings held, workshops attended by experts from the interest-free finance sector and academic circles, and the evaluation of written and oral stakeholder views, and submitted them to the General Secretariat of TKBB. Studies on the murabaha standard, which has a very

important position in the participation banking sector, were initiated and progress was achieved in this regard.

b) Decisions: The Board issued 13 decisions in 2019. In decisions which have a narrower scope network compared to the standards, the Board's statement on issues for which an opinion has been requested were shared in a binding or advisory nature.

The topics subject to the decisions of the Board consist of:

1. Withdrawing cash advances from the ATMs of participation banks using conventional debit cards.
2. Principles that participation banks will base their activities on.
3. Examinations and suggestions for the determination of the Turkish equivalents of the fiqh terms within the interest-free finance accounting standards.
4. Priority issues to be discussed by the Advisory Board (Principle decision)
5. Letters of guarantee.
6. Tawarruq applications.
7. Tawarruq applications. (Additional decision).
8. Emlak Katılım and Halk Bank's common usage of the Paraf Credit Card.
9. Account types indexed to inflation.
10. Participation banking operations of financing companies.
11. Opinions regarding the amendments to Article 61 of the Capital Markets Law.
12. Applying a discount on the term debt arising from the Murabaha contract.
13. Payment of salary promotion by participation banks.

Workshops:

Workshops were held in order to obtain opinions on the standard work completed by the Advisory Board, with the workshops attended by experts from various departments and different levels of the participation banking sector, as well as academics related to the subject

and are specialized on the subject. In this context;

a) The Advisory Board organized a workshop on 10 January 2019, at the TKBB headquarters, on the "Impact of Juridical Opinions on Credit Assignment on Stock Trading".

b) Within the scope of the ongoing work related to Tawarruq, a workshop was held at the TKBB headquarters on 4 July 2019 to discuss the Tawarruq standard.

Other Activities:

a) Board members participated in the meeting entitled "The Stock Exchange and its Evaluation from an Islamic Perspective" held by the Higher Board of Religious Affairs of the Presidency of Religious Affairs and Borsa Istanbul on 14-15 March 2019 in Istanbul.

b) Members of the Board participated in the Capacity Building Program on Islamic Capital Markets and Sukuk on 27-28 September 2019 within the scope of the 13th Meeting of the Organization of Islamic Cooperation (OIC) Stock Exchange Forum.

c) The Vice Chairman of the TKBB Advisory Board, Prof. Dr. Hasan Hacak, attended the IIFM Advisory Board meeting on "Ijara Sukuk Contracts" held in Bahrain on 20-23 November 2019.

d) On 29 November 2019, Prof. Dr. Hasan Hacak, chaired the session sponsored by the TKBB at the World Halal Summit and also presented a paper entitled "Developing a new Methodology to Approach Classical Fiqh Literature for Contemporary Problems".

e) The President of the Advisory Board, Prof. Dr. Rahmi Yaran, and Temel Hazıroğlu, one of the members of the Board, attended the meeting which was held on 11 December 2019 in cooperation with the Istanbul Mufti and the TKBB.



ALBARAKA TÜRK GENERAL MANAGER'S ASSESSMENT



Melikşah Utku
General Manager

IN 2019, GLOBAL CENTRAL BANKS TOOK MONETARY EXPANSIONARY DECISIONS DUE TO SLOWING ECONOMIC GROWTH. FED CEASED ITS TIGHTENING POLICY IN 2018 AND REALIZED THREE INTEREST CUTS IN 2019.

In 2019, global central banks took monetary expansionary decisions due to slowing economic growth. FED ceased its tightening policy in 2018 and realized three interest cuts in 2019. In addition, the FED's injection of liquidity into the market with repo transactions was seen as another move toward monetary expansion. As FED announced that it will start increasing its balance sheet size, other central banks started to act in this manner following FED. The policy decisions of ECB and BOJ demonstrated that they will not apply tightening policies in the foreseeable future. In this context, 2019 was more supportive to the economy than 2018 in terms of monetary policy outlook.

On the other hand, Europe, one of the most important regions for the Turkish economy, poorly performed in 2019. The slowdown in the German economy, which is the largest economy in the EU, triggered this result. In addition to trade wars, Brexit uncertainty and internal policy problems, China's automotive

industry decisions had negative impacts on the European economy, particularly in the automotive industry.

Turkey's risk indicators diverged negatively in the first half of the year from other developing countries due to tensions in Syria, international conflicts around S-400 and F-35 and Eastern Mediterranean issues. While the negative divergence continued, there was a visible improvement in risk indicators towards the end of the year. In addition to improvements in risks, inflation data realized better than expected and monetary policies of global central banks provided room for interest rate cut for CBRT. CBRT used this opportunity to cut policy rate by a total of 1200 basis points in the second half of the year. This interest cut triggered the growth of credits and increased economic activity.

In line with the economic conjuncture, banks focused on balancing instead of growth in 2019. While credits grew by an annual 9% rate, assets increased by

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Establishment Date	1985
Main Shareholders	Main Shareholders: Foreign Shareholders (62.12%) Albaraka Banking Group (36.29%) Dallah Al Baraka Holding (15.38%) Islamic Development Bank (7.84%) Alharthy Family (2.30%) Other (0.30%) Domestic Shareholders (6.27%) Publicly Quoted (25.23%)
Chairman General Manager	Adnan Ahmed Yusuf ABDULMALEK Melikşah UTKU
Headquarters	Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi No: 6 34768 Ümraniye/İSTANBUL
Phone	+90 216 666 01 01
Fax	+90 216 666 16 00
Website	www.albaraka.com.tr
Telex	27061 abrt tr - 26459 albt tr
SWIFT Code	BTFH TR IS
Number of Branches	230
Number of Employees	3,791



2020 CREATES
SIGNIFICANT
OPPORTUNITIES
FOR OUR ECONOMY,
PARTICIPATION
BANKING AND OUR
BANK.

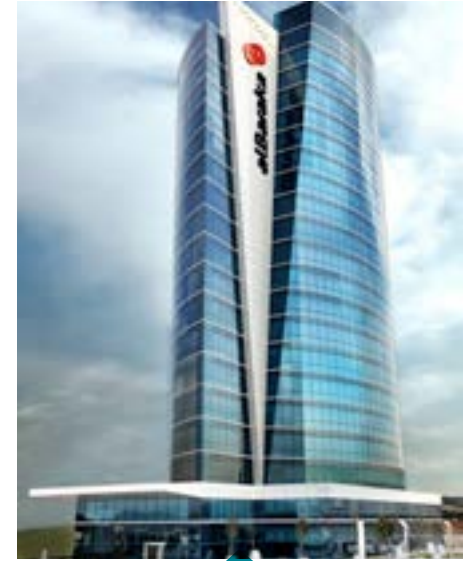
13% based on November data. Starting from the beginning of 2019, both of these figures were lower than previous periods. In parallel, the net profit of the banks remained below the previous periods. While the banking sector overcomes this period with its strong infrastructure, the sector entered the recovery period in the second half of the year with the decrease in interest rates. A better outlook is expected in 2020 for the banking industry. Moreover, decreasing interest rates made profit shares distributed by participation banks more competitive towards the end of the year. Although the returns offered by participation banks remained below deposit banks' interest rates in the average of 2020; participation banks increased their market share above 6%. We anticipate this improvement will continue in 2020.

Albaraka Türk successfully completed the challenging 2019. We were naturally affected by the environment where interests were high, confidence in

economy was low and currency risk was significant. However, steps we took during 2019 improved our expectations for 2020. We will use our strong capital structure as a result of the capital increase we realized towards the end of the year more effectively in 2020. Furthermore, we will continue to prioritize digital banking in order to be ready for the banking of the future. We will keep our leading position in digital banking and sustainability in 2020 and introduce new products that will improve customer experience. We will also continue new investments in leading technological transformation projects that will reduce cost.

As we leave 2019 behind which was a challenging year that tested and confirmed the strength of both the Turkish economy and the banking industry, the 2020 creates significant opportunities for our economy, participation banking and our bank.

Best wishes for a prosperous 2020...



ALBARAKA TÜRK
SUCCESSFULLY
COMPLETED THE
CHALLENGING 2019.

ALBARAKA TÜRK SENIOR MANAGEMENT

Melikşah Utku **Board Member and CEO**

Mr. Utku was born in Ankara in 1968. He graduated from Mechanical Engineering Department of Boğaziçi University (İstanbul, 1990). He completed his graduate studies in London School of Economics (1990-1992) and his Master's Degree on economic development in Marmara University (İstanbul, 1998). Then he worked in software and textiles sectors. In 2004, he served as a consultant to the General Manager of Albaraka Türk. In 2006- 2007, he was the Chief Economist at Albaraka Türk. 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 İstanbul between 2013 and 2016. As the CEO of Albaraka Türk 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. He is a member of the Executive Committee, Credit Committee, Remuneration Committee and IT Governance Committee.

Turgut Simitcioğlu **Assistant 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 Türk 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. In January 2017 he was appointed Deputy General Manager in charge of Business Lines. He has been serving as the Assistant General Manager in charge of Credit Risks since October 2018. He is also a member of the Board of Directors of Katılım Emeklilik ve Hayat A.Ş.

Süleyman Çelik **Assistant General Manager**

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 Albaraka Türk. 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 Türk and began working at Türkiye Finans. 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 Türk and became a manager in the Üsküdar Branch. In 2012, he was appointed as manager of Human Values Department and continued this duty until 2017. He became Assistant General Manager in the month of January 2017 and he is responsible for Human Values Department, Administrative Affairs Department, Construction and Real Estate Department, and Education and Career Management Department.

Fatih Boz **Assistant General Manager**

He was born in Edirne in 1973. In 1995, he graduated from the Faculty of Political Sciences, Ankara University. He has a master's degree in political science from the same school. From 1995 to 1998, he worked as a director for various companies. In 1998, Mr. Boz joined

Albaraka Türk as Assistant Inspector on the Inspection Board. He went on to serve as Deputy Director of the Operations Department in 2003, Branch Manager between 2006 and 2009, Manager in the Project Management Department from 2010 until April 2011 and later as Credits Operations Manager. In January 2017, Mr. Boz was appointed Assistant General Manager responsible for central operations. As of August 2019, Fatih Boz serves as the Assistant General Manager responsible for Corporate Loans Allocation Department, Commercial and SME Loans Allocation Department and Retail and Micro Loans Allocation Department.

Hasan Altundağ **Assistant General Manager**

He was born in Konya Dere in 1966. Having graduated from Ankara University Department of Economics, Hasan Altundağ started his banking career in 1986 at Yapı 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 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, Digital Channels and Payment Systems Department, Marketing Department and Communications and Brand Management Department. He also serves as a member of board in Albaraka Culture, Art and Publishing Inc.

Malek Khodr Temsah
Assistant General Manager

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 and is also currently a member of the board of directors of BTI Bank, one of Morocco's first Islamic banks where he also serves as a member of the Audit Committee.

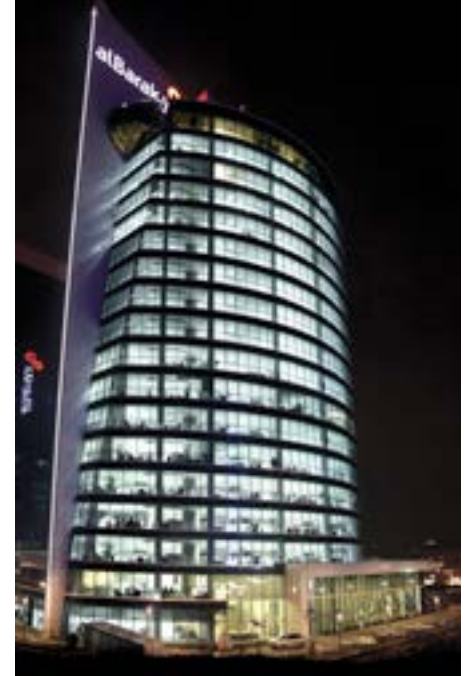
Mustafa Çetin
Assistant General Manager

Mustafa Çetin was born in Afyonkarahisar in 1971. In 1991, he ranked 20th in the national university exam. He went on to graduate from Boğaziçi University, Department of Business Administration in 1996. In the same year, Mr. Çetin started his professional career at Finansbank in the Corporate Banking Management Trainee Program. Between 1999 and 2004, he served as Manager in the areas of Corporate and Commercial Banking at Turkish Foreign Trade Bank. In 2004, Mr. Çetin joined Albaraka Türk as Branch Manager, holding this position until 2008. He went on to serve as Marketing Manager from 2008 to 2011; Foreign Transactions Operations Manager between 2011 and 2012; Financial Institutions and Investor Relations Department Manager and Corporate Governance Committee

Member from 2012 until 2017; and Foreign Trade Operations Manager from 2017 to 2018. In April 2018, Mr. Çetin was appointed Assistant General Manager - Finance and Strategy. He is responsible for the Business Excellence and Innovation Department, Financial Reporting Department, Financial Affairs Department, Strategic Planning Department, Data Management Service, and the European Digital Banking Service. Fluent in English and German, Mustafa Çetin holds the Capital Market Activities Advanced License and Corporate Governance Rating Specialist License.

Volkan Evcil
Assistant General Manager

Volkan Evcil was born in Eskişehir. In 1987, he graduated from Anadolu University, Faculty of Economics and Administrative Sciences, Department of Economics. In 1990, he began his career as Assistant Inspector at Tütünbank's Internal Audit Department after winning the exam for this position. In 1992, he joined the Albaraka Türk family as Assistant Inspector, before serving as Inspector, Chief Inspector, Vice Chairman of the Internal Audit Department, and President of Risk Management. He was named President of Risk Management in 2006. Starting from February 2017, he served as Internal Systems Senior Manager in charge of Internal Audit Department, Internal Control Department, Risk Management Department, and Legislation and Compliance Department. As of August 2019, he was appointed as the Assistant General Manager in charge of Central Operations. Central Operations is comprised of Credits Operations Department, Foreign Trade Operations Department, Banking Services Operations Department, Payment Systems Operations Department and Collateral Management Department.



PRODUCTS, TECHNOLOGY AND INNOVATIONS OF ALBARAKA TÜRK

Innovative Products and Services

In 2019, Albaraka Türk continued to transform its products and services, create innovative and digital solutions in accordance with its digital transformation strategies.

Among these, Albaraka Mobile in Arabic takes the lead. Albaraka Mobile started to provide services in Arabic in addition to English.

Albaraka Türk continues to develop innovative projects with its solution partners and fintechs.

Albaraka Türk is the first among participation banks to offer 24/7 transfer service to its customers through Albaraka Mobile and Internet branches. With this service, Albaraka Türk digital channel customers have the opportunity to transfer money outside working hours and on holidays to contracted banks.

Joint ATM collaboration with PTT, which started in 2018 continues. In 2019, customers continued to realize deposit and withdrawal transactions through 4000+ PTT ATMs free of charge.

In addition, Albaraka Türk offered credit card payment function from PTT branches to its customers, hence increasing their ATM use.

Conducting important projects at Internet Branch, Albaraka Türk provided the opportunity for customers to open investment accounts and request lease certificates through the Internet Branch.

The "digital confirmation" project which allows for confirmation of pre-ordered the transactions to be performed at Albaraka Mobile and Internet Branches was completed and pilot application started to be used.

Albaraka Türk conducts new R&D activities and projects for new technologies. As one of the 6 banks working within the scope of Gold-Based Digital Asset Project, Albaraka Türk can send and receive gold from banks within the system via block chain infrastructure.

Jet Financing is a product that enables retail customers to apply for financing and receive pre-approval, revised approval or rejection 24/7 through our Website and Mobile Branch. Applications received are reviewed rapidly and customers who obtain pre-approval are invited to the branch to finalize the process.

SMS financing is a process which enables customers to obtain pre-approval, revised approval or rejection for their financing requests for housing, vehicle, consumer or education credits submitted via sending an SMS with a specified format to a four-digit number (4462) from their mobile phones.

They can send an SMS to 4462 writing "Republic of Turkey Identification Number", "Monthly Net Income", "Financing Type", "Financing Amount", "Number of Installments" (e.g. 12345678901 1000 HOUSING 15000 20).

Albaraka Türk has been the first among participation banks with this service.

Innovation Projects

Albaraka Garage

Albaraka Garage is the first Startup Acceleration Center established among participation banks which supports entrepreneurs with technology-based projects.

Based on experiences from the first two periods, a two-month pre-acceleration phase was also included in the program of Albaraka Garage at its 3rd period. Albaraka Garage reached the highest application rate so far, receiving nearly 800 applications for the 3rd round. Having included 22 startups in the pre-acceleration program, the Bank accepted 14 startups in its acceleration programs.

Europe's First Islamic Digital Bank: insha

The platform banking service insha was established on the banking infrastructure created by Solaris Bank AG, which received all the necessary permits and licenses from the German Central Bank. Insha offers the chance to become a

customer in just 8 minutes on digital platform and includes applications that meet financial needs while also adding value to users' lives. This service is designed to provide a variety of services Muslims need in Europe. Insha, which continued its activities in 2019, has reached over 13,000 users.

Within the scope of Fintech Venture Capital Investment Fund, founded by Albaraka Portfolio Management, the Bank supported fintech startups. A total investment of TL 3 million was made in four initiatives, namely Inooster (a gamification platform), Pedudi (an education technologies initiative), Fully Integrated (a SaaS solution for e-commerce sites) and Kronnika (a robotic process automation solution).

Alneo - Practical and Fast Payment Platform

As Turkey's first artificial intelligence supported payment platform, Alneo features two applications: one that will function as the retailer's safe and another that the customer will use as a wallet if they wish. This will not only eliminate materials such as physical POS devices and paper rolls but also provide installment options for credit cards.

Reaching 12,000 customers with this technology, 25,000 transactions and TL 50 million volume were attained. With Alneo application, the Bank acquired approximately 2,000 new micro/SME customers.

Open Banking

API Banking ramps up bank integration and cooperation efforts with corporate firms and financial technology enterprises. The Bank launched its first API integration at the end of 2019.

Biometric Signature

Albaraka Türk's Biometric Signature project, which was launched in 2018, was used for receipts of transactions less than TL 20,000 at 19 branches. This project is also expected to save 2,000 trees over the next 10 years.

**MAKE YOUR
LIFE EASIER
WITH THE DIGITAL BANK
OF YOUR VALUES**



0850 222 5 666

albaraka.com.tr

alBaraka 
Albaraka Turk Participation Bank

EMLAK KATILIM GENERAL MANAGER'S ASSESSMENT



Nevzat Bayraktar
General Manager

IN 2019, PARTICIPATION BANKING SHARE IN THE TOTAL BANKING INDUSTRY INCREASED BY 1 POINT TO REACH 6.3%.

Developments in long-standing trade wars between USA and China impacted both domestic and global markets in the past year. Despite all foreign geopolitical and political developments as well as global trade and monetary policy developments marking the agenda in 2019, Turkish economy reentered the growth path.

Measures taken by the economy administration, incentives given to the real economy and reform steps were the major factors along the process from stabilization to transformation.

The Turkish economy posted a current account surplus for the first time after 17 years in 2019 and grew by 0.9%. The banking industry, as the flagship of the Turkish economy, demonstrated a better performance than expected in 2019. As the banking industry settled down in terms of accessing external funding, it demonstrated an exemplary performance by maintaining a strong capital structure and asset quality. The 3-year New Economy Package (NEP) announced in the third quarter of the year had a positive impact on our country's economy. As of October 2019, inflation dropped down to 8.55% from 25.24%.

Based on BRSBA data, net profit of the banking industry was TL 49.75 billion. Industry's total credits increased by 11% from TL 2.39 trillion to TL 2.66 trillion and total assets increased by 16.1% from TL 3.87 trillion to TL 4.49 trillion. During the same period, total deposits of the industry increased by 26.1% from TL 2.04 trillion to 2.57 trillion. As of 2019 year-end, capital adequacy ratio was 18.43% and non-performing loan ratio was 5.33%. The industry which successfully came through the challenges of 2018-2019, will focus on maintaining the asset quality in 2020.

In 2019, the share of participation banking in total banking industry increased by 1 point to reach 6.3%. It is anticipated that this ratio will go up to a level of 15% in 5 years. With the entry of public participation banks into the industry, the growing trend in participation banking increased and asset size of the sector went up by 37.5% in 2019. Total assets of the industry increased to TL 284 billion 450 million in 2019. Last year, the share of funds collected by participation banks in the total banking industry was realized as 8.4% and funds allocated had a share of 5.5%. Net profit of the participation banking industry increased by 16% in

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.



Establishment Date	1926 (as Emlak ve Eytam Bankası); 2018 Türkiye Emlak Katılım Bankası
Main Shareholders	Republic of Turkey Ministry of Treasury and Finance (100%)
Chairman	Prof. Dr. Mehmet Emin BİRPINAR
General Manager	Nevzat BAYRAKTAR
Headquarters	Barbaros Mah. Begonya Sok. No: 9/A1 Ataşehir/ İSTANBUL
Telephone	+90 216 266 26 26
Fax	+90 216 275 25 25
Website	www.emlakkatilim.com.tr
EFT Code	211
SWIFT Code	EMLATRIS
Number of Domestic Branches	12
Number of Employees	381

WHILE WE CONTINUE TO WORK TO OFFER FINANCING MODELS WHICH ARE SUSTAINABLE AND ACCESSIBLE TO ALL, WE HAVE FOCUSED ON CREATING SOLUTIONS AND INNOVATIVE PRODUCTS WHICH MEET THE FINANCIAL NEEDS OF OUR CUSTOMERS.

2019 and realized as TL 2 billion 400 million. Participation banks are moving forward steadily to their 2025 targets. With their 15% growth target, the industry is transforming their banking infrastructure, technology and human resources policies.

We started our operations with our main branch, on 21 March 2019, after having been granted official authorization from the Banking Regulation and Supervision Agency (BRSA). As the youngest participation financing institution of Turkey, we completed the year with strong financial statements. As of 2019 year-end, our asset size exceeded TL 9 billion level with an increase of 50% in comparison with the previous quarter to reach TL 9.3 billion.

Our main target was to take steps that would contribute to employment and economic growth and support local production. While we continue to work to offer financing models which are sustainable and accessible to all, we have focused on creating solutions and innovative products which meet the financial needs of our customers.

In 2020, we will continue to expand our service and product network which will meet the needs of our customers. We aim to reach a network of 40 branches while we also continue to provide our innovative services. We are planning to enhance the role of participation banking with the introduction of new products and financing models which are based on the assets we will bring to urban transformation, the construction of smart cities and participation banking, while maintaining the highest level of support for economic growth. With the opening of the Konya (Büsan) branch in 2020, we will continue to provide services with 12 branches. We believe in the strength of our country. We believe in the strength and the potential of our tradesmen and women, our SMEs and our business communities. We believe that the successful projects that emerge when we are united stands as a clear sign of our future projects.

I owe our valuable customers, employees, our Board of Directors and all of shareholders a debt of gratitude in view the successful financial results which Emlak Katılım has achieved in such a short space of time.



AS THE YOUNGEST PARTICIPATION BANK OF TURKEY, FEELING CONFIDENT OF OUR POWER, WE COMPLETED THE YEAR WITH STRONG FINANCIAL STATEMENTS

EMLAK KATILIM SENIOR MANAGEMENT

Nevzat BAYRAKTAR Member of the Board of Directors/CEO

Nevzat Bayraktar graduated from Business Administration Department at Faculty of Economics and Administrative Sciences in Anadolu University in 1993. He studied English in Leeds Metropolitan University, England in 1993-1994. He started his professional career in Foreign Transactions Department at Esbank in 1995. Mr. Bayraktar continued his Business life in Albaraka Türk, first as Assistant Specialist in Projects and Marketing Department in 1996, then Second Manager in Main Branch as of 2003 until he was appointed as the Manager of the Main Branch in 2010. Mr. Bayraktar was assigned as the Assistant General Manager responsible from Corporate, Commercial and Retail Sales, Regional Offices and Branches as of January 2017. Nevzat Bayraktar acts as the General Manager and Member of the Board of Directors of Emlak Katılım since 11 February 2020.

Uğur KARA Assistant General Manager

Graduated from Business Administration Department of Faculty of Economics and Administrative Sciences at Pamukkale University, Uğur Kara completed his graduate degree in Department of Labor Economics and Industrial Relations at Marmara University. Mr. Kara started his Professional career at İSTAÇ A.Ş. in 2003, and acted as Human Resources Manager at the same company between 2012 and 2018. After serving as the General Manager of İSPARK A.Ş. starting in 2018, he currently acts as the Assistant General Manager in charge of Human Resources at Emlak Katılım since 14 October 2019.

Nihat BULUT Assistant General Manager

Nihat Bulut graduated from Faculty of Economics and Administrative Sciences (English) at Marmara University in 1996. He started to work as Assistant Specialist in Projects and Marketing Department at Albaraka Türk in 1998, served as Assistant Manager in Corporate Banking Credit Department and Commercial Banking Credit Department between 2006-2013, took over manager positions in different operational units in the same company between 2013 and 2017, and finally acted as Manager of the Corporate Credits Department starting in February 2017. Mr. Bulut serves as the Assistant General Manager in charge of Credits at Emlak Katılım since 2 March 2020.

Yusuf OKUR Assistant General Manager

Mr. Okur graduated from Boğaziçi University Faculty of Economics and Administrative Sciences in 1997 and started his professional career as Assistant Specialist at Albaraka Türk in November, the same year. As of 2000, Mr. Okur worked in Kadıköy Branch at positions of Chief, Second Manager and Assistant Manager. He continued to serve at the same branch as Branch Manager until 2005 after transferring to the General Directorate of the same bank as Unit Manager starting in January 2017 and continued his career as Retail and Private Banking Sales Manager until 29 February 2020. Mr. Okur acts as Assistant General Manager in charge of Operations at Emlak Katılım since 2 March 2020.

Cengiz SİNANOĞLU Head of Internal Systems Group

Mr. Sinanoğlu received his undergraduate degree from Ankara University Faculty of Political Sciences, Business Administration Department and his graduate degree from Dokuz Eylül University, Department of Finance. He started his career in banking in 1994 as Assistant Auditor at the Internal Audit Department of Türk Ticaret Bankası and worked as Auditor at Egebank the Internal Audit Department in 1998. He pursued his career as Credit Allocation Assistant Manager at Kentbank between 1998-2000, as Credit Manager at Finansbank between 2000 and 2003 and as Credits Department Head at Finansbank between 2003 and 2005. He acted as Credits Group Manager of HSBC in 2005. Mr. Sinanoğlu was appointed as Credits Coordinator and Executive Board Member at Fibabanka in 2013. Mr. Sinanoğlu, who acted as Assistant General Manager in charge of Credits as of 4 October 2018 in Emlak Katılım, was appointed as General Manager on 11 October 2019. Cengiz Sinanoğlu acted as Deputy General Manager between 11 October 2019 and 11 February 2020, and was assigned as Group Head responsible from Internal Systems in 24 February 2020.

PRODUCTS, TECHNOLOGY AND INNOVATIONS OF EMLAK KATILIM

Emlak Katılım and its Services in 2019

Emlak Katılım revived on top of its long-established foundations of more than a century. Emlak ve Eytam Bankası which forms the foundations of the organization was founded on 3 June 1926 with the purpose of “undertaking the reconstruction of the young Turkish Republic, supporting the construction enterprises and protecting the rights of orphans”. As the youngest member of the participation finance industry with a rooted history, Emlak Katılım started providing services at its central branch on 21 March 2019 after obtaining an operating license from the BRSA following the decision taken to reopen at the “100-day Action Plan”.

Emlak Katılım continues its operations to provide sustainable financing models accessible to everyone for strategic industries which have high contributions to economic growth and employment, particularly the real estate industry. Serving its customers all across Turkey with its digital banking tools, Emlak Katılım expands its service network with new branch openings.

Emlak Katılım aims to support the economy and real sector and defines supporting industrialization and domestic production as the main purpose of its foundation. In this context, it continues to develop financing solutions for investments that target domestic production of goods imported which are being used in production. Moreover, the Bank continues its activities related with urban transformation, energy efficiency, environmental awareness, structural development and social housing projects.

Emlak Katılım Team consists of skilled people experienced in their areas. Number of employees working at Emlak Katılım reached 381 at year-end. 65% of these employees work at Headquarters and 35% at branches.

In addition to the fundamental banking products and services, as a prerequisite for developing innovative and persistent solutions strategy, Emlak Katılım is now building a number of large scale strategic projects including the Referee Account, Construction Savings Chest System, the Rent Registration

System, Supporting Domestic Elevator Production with GSFY, the SPV Model for New Construction and Financing Urban Transformation Projects.

Successful Financial Statements

As Turkey’s youngest participation finance institution which trusts its strength, Emlak Katılım completed the year with a powerful financial position. Emlak Katılım started the year with a goal of TL 5.2 billion in assets, and ended the year outperforming this target by 177% with TL 9.3 billion. In terms of collected funds, the Bank reached double its goal, with the actual figure approaching TL 6 billion. In terms of funds provided the Bank outstripped its TL 3.1 billion goal and ended the year with a figure of TL 5.7 billion, exceeding its target by 184%.

In the previous year, public banks created the building blocks of economic recovery by keeping financing channels open, in contrast with private banks. Emlak Katılım unwaveringly supported this process and provided the maximum contribution to the campaigns conducted both for housing finance and vehicle finance.

Emlak Katılım is at the sixth position among the organizations in participation finance industry and it is the youngest one. As the Bank started operating, participation finance industry’s share in general banking industry went up to 6.3%. Emlak Katılım continues to provide contribution to increase this share to 15%.

Target of 40 Branches

Emlak Katılım expands its service network with new branches and aims to provide its services at new branches to be opened in seven geographical regions across the country. Emlak Katılım, providing services through its Headquarters (Ataşehir) and branches in Fatih, İkitelli, Ankara, Bursa, İzmir, İzmit, Gaziantep, Samsun, Kayseri, Adana and Konya (Büsan), aims to reach 40 branches at the end of 2020.

B+ from Fitch Ratings

Emlak Katılım was taken under evaluation by Fitch Ratings after one quarter of the start of its operations. At its first evaluation, Fitch Ratings

announced the “Long-term Foreign Currency (FC)” credit note of Emlak Katılım as “B+”. With the positive results of its first three months, the Bank gave a strong message which implies that it will provide a great contribution to the markets.

Gold Participation Account

Adding Gold Participation Account to its service portfolio, Emlak Katılım provides its customers the opportunity to use gold as an investment tool. Emlak Katılım also completed its membership to Borsa İstanbul Precious Metals Market and Takasbank gold transfer system, thus became one of the few banks which can make transfers between gold accounts.

With the objective of increasing its market share in participation banking by developing new products, Emlak Katılım provided Silver and Platinum Current Account services in addition to its Current Account Service. With these new services, the Bank became one of the few banks which offer silver current account and one of the two banks which offer platinum current account services. Emlak Katılım customers can make Gold, Silver and Platinum sale and purchase transactions in return for TL, USD and Euro. The Bank continues working on developments to enable gold bullion and gold gram purchases at the branches and provide an opportunity to deposit them in gold current accounts in the near future.

Contribution to Industry and Turkish Economy with a Wider Range of Products.

Emlak Katılım relaunched its activities at the beginning of 2019, and in accordance with its historical mission it gave priority to its goal of supporting sectors, primarily the construction sector, which provides a high level of added value in production, commerce and domestic income, within the context of the ethical principles and practices of participation banking. In line with this strategy, finance based solutions were developed for the construction sector, to be directed to new production, to regulate relations between real estate investors and financiers, and for urban transformation. Strategic goals were set out, including

financial solutions for manufacturing industry, which would support import substituting production, generate employment by encouraging domestic production, and structured financial solutions for other sectors.

Aims and goals compatible with the themes stated in the strategic plan were presented and the production development projects specific for the sectors got underway, in addition to the work on fundamental banking products and services.

At its current position, Emlak Katılım continues its activities to extend sustainable financing models in our country. First one of these services was the digital banking project. With the digital banking platform, the Bank aimed to reach more customers and more diversified groups of customers at a lower cost. Accordingly, the Bank planned to provide solution offers by understanding customers' changing, developing and varying needs.

Building Savings Fund

With Building Savings Fund, Emlak Katılım aimed to increase awareness for saving and provide opportunity to households to own a house with low cost long-term financing. With this project, included in the 2020-2022 NEP prepared and announced by the Republic of Turkey Ministry of

Treasury and Finance, a brand new product is planned to be launched. With the Building Savings Fund system, houses can be purchased in favorable installments by saving for a specified period of time. Hence, the saving rate of the society as well as house ownership rate are increased.

Another project which started in 2019 was the activities to support the production of qualified imported goods in construction industry like elevators through Venture Capital Investment Funds, which in philosophy is similar to musharakah.

The main objective of this project was to produce imported goods in our country with an import-substitution model through partnerships with leading firms of the industry, particularly in industries with foreign trade deficit, hence reducing current account deficit. Supporting industry experience with Emlak Katılım's financial strength addresses the goal of "domestic production support" which is at the firm's vision.

Within a short space of time after it launched, Emlak Katılım brought many services into operation such as investment deputation products, the main banking system with a currency data flow system, foreign exchange transactions, precious metal

transactions, Istanbul Precious Metal Stock Exchange transactions, the TL bank-note service for foreign markets, the transfer of foreign exchange, gold bar delivery and acceptance actions, integration with hypothec and e-hypotech systems, integration with the settlement and custody bank gold EFT system, integration with insurance companies, QR code cheques, integration with the Central Bank of Turkey's OPO system, integration with the CRA, and membership of SABAS (Forged Information Document Declaration Application Alarm System), IFAS (Internet Fraud Alarm System), CRA and e-VEDO (Electronic Data Storage System), Turkish Revenue Administration (GİB) integration, integration for title deed fees and circulation capital collection with TKGM (General Directorate of Land Registry and Cadaster), and integration for receipt collection systems of service institutions. Emlak Katılım is one of the few banks able to provide silver and platinum account services and pay on account transactions for its customers. Accordingly, the bank has gained the capability to provide all services that other banks provide for their natural and legal customers, but with an entirely new and original understanding.



Your Trusted Strength

*Emlak Katılım,
at your service
for a century to make
the next one stronger*



emlakkatilim.com.tr 0850 222 26 26 [f](https://www.facebook.com/tremlakkatilim) [@tremlakkatilim](https://www.instagram.com/tremlakkatilim) [in](https://www.linkedin.com/company/tremlakkatilim) /company/tremlakkatilim [yt](https://www.youtube.com/channel/UC...) [a](https://www.apple.com/ios) [g](https://www.google.com/android)

KUVEYT TÜRK GENERAL MANAGER'S ASSESSMENT



Ufuk Uyan
General Manager

OUR FUNDS COLLECTED INCREASED BY 58.4% WHEN COMPARED WITH 2018 TO REACH TL 494 MILLION AND FUNDS ALLOCATED INCREASED BY 21.2% TO REACH TL 57 BILLION 926 MILLION.

OUR NET ASSETS WAS TL 6 BILLION 821 MILLION AND OUR ASSET SIZE WAS TL 104 BILLION 439 MILLION.

As Kuveyt Türk, we reached an asset size above targets in 2019 and kept the sustainable growth performance we maintained for the last six months in particular. We sustained our consistent growth by increasing our net profit by 28% YoY to TL 1 billion 110 million. Funds collected increased by 58.4% when compared with 2018, reaching TL 494 million and funds allocated increased by 21.2%, reaching TL 57 billion 926 million. Our net assets was TL 6 billion 821 million and our asset size was TL 104 billion 439 million. In terms of asset size, Kuveyt Türk is the first among participation finance institutions and 11th in the finance industry.

With these figures, we had a positive start to 2020. As an actor of the industry, which started to rise as a result of the economy administration's structural regulations, we anticipate that we will see these favorable impacts more clearly in 2020. During this process, we aim to monitor our asset quality and

become one of the financial institutions with the best performance in NPL ratio.

We continue to develop projects to bring "under the mattress" gold into the economy and increase awareness among the society for gold savings and investments in 2020. We continue our investments in this process to provide the best service to our retail customers both in digital areas and traditional branches.

On the other hand, contributing to the economy by supporting the real sector and financing of growth and becoming a part of transactions to reduce current account deficit are among the areas we will be working on in 2020. In this context, we will work on strategic products such as leasing, foreign trade financing, export financing in particular, project financing and consumer financing.

We will continue to develop industry specific products and services for SMEs which we value as our fellow travelers,

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
Phone	+90 212 354 11 11
Fax	+90 212 354 12 12
Website	www.kuveytturk.com.tr
EFT Code	205
SWIFT Code	KTEFTRIS
Number of Branches	430
Number of Employees	5,992



WE CONTINUE TO DEVELOP PROJECTS TO BRING "UNDER THE MATTRESS" GOLD INTO THE ECONOMY AND INCREASE AWARENESS AMONG THE SOCIETY FOR GOLD SAVINGS AND INVESTMENTS IN 2020.

from tradesmen to farmers and from manufacturing to tourism. Supporting business owners with flawless and rapid financing services we offer with favorable rates and flexible maturities will be among Kuveyt Türk's projects that will contribute to growth of businesses and our country's economy.

Technology and customer oriented projects had an important role in this growth graphic. In addition to our activities for our retail and corporate customers, we continued to support real economy and growth financing in 2019.

A few of the projects we launched are Gold Based Lease Certificate to bring "under the mattress gold" into the economy, Export Support Package to support exports and increase foreign currency inflow and exclusive financing packages to support the tourism industry.

We were the first financial institution to integrate to Eximbank's Short-term Receivable Insurance. We also became Turkey's first organization to be accepted to Shanghai Gold Exchange. In 2019, we increased our activities in strategic products such as leasing, foreign trade financing, confirmed/non-confirmed supplier financing, project financing and consumer financing. In accordance with all these targets, we monitored our asset quality and became one of the best performers in the industry among financial institutions in terms of NPL ratio. We wish a prosperous 2020 for our industry and our country.



WE WERE THE FIRST FINANCIAL INSTITUTION TO INTEGRATE TO EXIMBANK'S SHORT-TERM RECEIVABLE INSURANCE.

KUVEYT TÜRK SENIOR MANAGEMENT

Ufuk Uyan **CEO**

Mr. Uyan graduated from the Economics Department of Boğaziçi University in 1981. He received his Postgraduate degree from the Business Management Department of the same university in 1983. He began his professional career as a Research Assistant at the Economics Department of Boğaziçi University in 1979 and worked as a Researcher Economist at the Specific Researches Department at Türkiye Sınai Kalkınma Bankası in 1982. Mr. Uyan became the Vice Project Manager at Albaraka Türk in 1985 and continued his career as the Project and Investments Manager at Kuveyt Türk in 1989.

Mr. Uyan was promoted as the Executive Vice President in 1993 and then assigned as Head Assistant to the Chief Executive Officer. Mr. Uyan has been the Chief Executive Officer since 1999 and continues his duty as a Member of Board of Directors and CEO at Kuveyt Türk. Mr. Uyan is also Member of the Executive Committee, Loan Committee, Remuneration and Nomination Committee and the Corporate Social Responsibility Committee.

Ahmet Karaca **Executive Vice President - Chief Financial Officer**

Mr. Karaca graduated from Ankara University, Faculty of Political Sciences, Public Administration Department in 1990. He started his duty as the Sworn Deputy Auditor of Banks at the Undersecretariat of Treasury in 1992 and he was assigned as the Sworn Auditor of Banks in 1995. He continued his duty with the same title at the Banking Regulation and Supervision Agency (BRSA) from 2000, and he was assigned as the Vice President of Sworn Auditors Committee of Banks between 2002 and 2003 at the BRSA. After approximately one year of service, he was assigned as the Sworn Head Auditor of Banks in 2004. Between 2004 and 2006, he received a Post graduate degree in Economics from the State University of New York at Albany, USA and has penned a postgraduate thesis

on International Banking and Capital Markets. Mr. Karaca joined Kuveyt Türk as the Chief Financial Officer in July 2006 and continues to serve under this title.

A. Süleyman Karakaya **Executive Vice President - Corporate and Commercial Banking**

Graduated from the Business Administration and Finance Department of İstanbul University, Faculty of Economics, Mr. Karakaya began his banking career as an Inspector at Garanti Bank, where he went on to work at the Audit Committee, Risk Management Department, Loans Department, and Regional Directorates between 1981 and 2003. Mr. Karakaya has been working as the Executive Vice President of Corporate and Commercial Banking at Kuveyt Türk since 2003.

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

Mr. 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 Yılmaz **Executive Vice President - Chief Risk Officer**

Mr. Yılmaz graduated from the Business Administration Department of Boğaziçi University in 1989. He began his banking career as 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 at Kuveyt Türk in September 2000. He was assigned as the Audit and Risk Group President in 2003. Mr. Yılmaz has been serving as the Chief Risk Officer since 2012.

İrfan Yılmaz **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, was assigned to Internal Audit and Inspection Department in 1996 and served as the Head of Internal Audit and Inspection Department between 1998 and 2000. Mr. Yılmaz worked as the Individual Banking Manager in 2000 and after five years at the Department, 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.

Dr. Ruşen Ahmet Albayrak **Executive Vice President - Treasury and International Banking**

Mr. Albayrak graduated from the Industrial Engineering Department of İstanbul Technical University. He received his postgraduate degree in Organizational Leadership and Management at the University of North Carolina at Pembroke, USA in 1993 and was awarded a PhD degree on Technology Management at İstanbul Technical University, 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 was assigned as the Executive Vice President of Treasury and International Banking as of the same date.

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

Mr. 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. Mr. 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 30 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.

Aslan Demir
Executive Vice President - Strategy

Mr. Demir graduated from Marmara University, International Affairs Department. He completed his Master's degree at Sheffield University with a thesis on the 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. He has been serving as the Executive Vice President of Strategy since October 2012 as well 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 Bilişim Sistemleri ve Pazarlama Ticaret A.Ş. as a Board Member.

Mehmet Oral
Executive Vice President - Retail Banking

Mr. Oral graduated from the Business Administration Department of Uludağ University. He began his career in the Kuveyt Türk family at the Head Office Branch in 1992. He worked as the manager in the İMES, Bursa and Merter branches between 2000 and 2005. He was assigned as the Regional Manager at the İstanbul European Side Regional Directorate in 2005 after the transition to Regional Directorate structure. After serving as the Regional Manager for

four 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.

Abdurrahman Delipoyraz
Executive Vice President - SME Banking

Mr. Delipoyraz graduated from the Industrial Engineering Department of İstanbul Technical University. He began his career in the Kuveyt Türk family at the Project and Investment Department and he worked at the Corporate and Commercial Banking Sales Department and Financial Analysis and Information Department till 2000. Mr. Delipoyraz worked as the Branch Manager at Beşyüzevler and Bakırköy branches between 2000 and 2004. He was assigned as the Regional Manager in December 2004 and 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.



PRODUCTS, TECHNOLOGY AND INNOVATIONS OF KUVEYT TÜRK

Kuveyt Türk puts emphasis on technology and innovation and manages all its business processes with its motto of "Our Route is Digital, Our Focus is People". With the awareness of the impact of digital transformation on the development of the industry and our economy, Kuveyt Türk aims to make its customers' and employees' lives easier with all these digital technologies developed.

The only bank with two R&D centers.

Among the projects developed by teams consisting of only Turkish engineers at the R&D centers are BOA Banking Platform, which offers operational efficiency; XTM, which brings together the resources of branches with ATMs' practicality; Senin Bankan, the first digital banking platform in the participation finance area; CebimPOS developed for SMEs; Online Finance System, which provides the opportunity to obtain financing through internet or mobile channels without going to the branch; and another first in Turkey, the lease certificate (sukuk) issuance application module.

Ongoing 23 projects

Kuveyt Türk continues to work on 23 of 37 projects that are in its road map and 6 of those projects were launched in 2019. Among these are

many different projects from real-time campaign management to the chatbot project. Kuveyt Türk carries on activities to enable customers to process their transactions over smart devices easily, quickly and securely and aims to make all products and services available at mobile branch, particularly video conferencing with its mobile branch, interactive voice response, QR code transactions, credit card, BES and insurance products.

1.3 million customers at digital

With the purpose of having customers perform their transactions more rapidly and securely by means of services such as customization of mobile branch, Kuveyt Türk moves on towards digital with new targets. Kuveyt Türk reached 1.3 million customers in digital as of 2019 year-end with its projects which took technology and customer satisfaction at their focus. This number is anticipated to reach 1.8 million until 2020 year-end.

Multi-user feature for CebimPOS

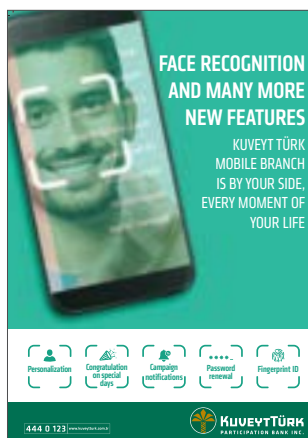
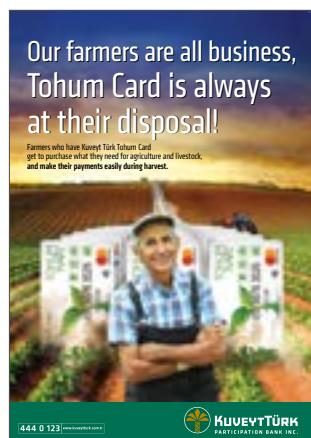
Kuveyt Türk develops innovative solutions for SMEs in areas such as exports, investment-linked capital need and financial services. The Bank has many products for SMEs' needs, including cash financing, non-cash financing, leasing, SME Card, foreign

trade and innovative POS solutions. As each SME's business manners and needs are different, Kuveyt Türk added multi-user feature, as a first in the industry, to CebimPOS which provides many facilities to tradesmen and SMEs. With this new feature, business owners can transform their employees' or sales representatives' mobile phones to POS devices.

BOA One will make access to financing easier

Kuveyt Türk plans to implement BOA One system in 2020, which will enable customers to access a wide range of financing products via internet or mobile branch. Moreover, Kuveyt Türk continues to support all businesses, particularly importers and exporters, by providing them the opportunity to use financing without going to the branch through internet or mobile channels with the Online Finance System.

Besides being a digital transformation project, Kuveyt Türk sees its paperless banking initiative, which is planned to be live in 2020, as a social responsibility project. Through digital approval of documents at the first phase of the project, thousands of trees will be saved.



We code the future of our dreams {with our values}

Our 1010 Kâşif education project brings coding and robotics training to schools all over Turkey. We offer both education and equipment to the schools we visit, and we prepare the new generation for professions of the future.


1010KÂŞIF



KUVEYTTÜRK

We Grow with Our Values



TÜRKİYE FİNANS GENERAL MANAGER'S ASSESSMENT



Wael Abdulaziz A. Raies
General Manager

As Türkiye Finans, we care about contributing to our country's sustainable future, its economic growth and supporting our customers' production, investments and their value added innovative and technological initiatives with our qualified solutions. We create a difference in the participation banking industry by introducing innovative firsts in products and services.

We lead our industry with new and different products we develop and distinctive solutions we provide for the needs of our customers, keeping up with the banking trends and we aim to bring participation banking to everyone's reach in Turkey. We encourage the development of new financial instruments in our industry and we launch new products within the principles of interest-free banking that will get a share from conventional banks.

Steady Growth

As a result of our strategy, our Bank continued to grow steadily and achieved a strong performance. As of 2019 year-end, total assets increased by 11% while funds collected reached twice the industry average by an increase of 49%. Our shareholders' equity increased by 12% and we achieved to keep our capital adequacy ratio at a high level of 17.26%.

Our customer-focused innovative products and solutions, our digital transformation activities and new branch openings were the main drivers of our growth.

We Developed Products and Services for the Needs of Our Customers

We left behind a year in which we inspired participation banking in Retail Banking area and achieved competitive advantage. We offered many flexible participation banking products for urgent needs of our retail customers, which will make their lives easier.

We positioned our prominent product Fast Funding as a non-branch financing point. This was another first for participation banking, accomplished by Türkiye Finans. We enhanced our non-branch sales point network.

We launched another innovative product, E-participation Account as a digital participation account in line with interest-free banking principles. All our customers who would like to invest their Turkish Lira savings received high profit shares for their deposits.

Our competitive products, such as individual needs and vehicle financing, which we offered with competitive rates within our "Katılmamak Elde Değil (It Is Not Possible Not To Participate)" Campaign and Happy Bonus Business Card, were among the leading products of 2019.

We strengthened our ATM network with new collaborations. We increased the number of our ATMs to 8,700 as a result of our partnership with Yapı Kredi Bank and PTT and we became the second largest bank in terms of ATM network following the public banks.

While we strengthened our mobile and other digital channels as part of our customer access efforts, we also increased the number of branches to 310.

With Commercial Banking Products We were at the Side of Companies

With the Flexible Support Funding, which was initiated by Türkiye Finans and is a first among participation banks, we provide an opportunity for firms to meet their short term working capital requirements and to carry out healthy and effective cash management.

As we continue to be at the side of SMEs to help them increase efficiency and production, we offer them fast and easy Leasing solutions for medium and long term financing of production machinery and other machine park investment goods which will create added value.

Besides our financing opportunities we are also at the side of SMEs with our Cash Management products. As we support SMEs with our Commercial Card solutions, Direct Collection System and Supplier Financing products we also developed Expense Packages which include import and export products for SMEs active in foreign markets to manage their costs.

Our efforts continue at full speed to provide tailor-made solutions specific to SMEs and to be the leading bank in innovations Open Banking offers to market. As Türkiye Finans, our goal is to be a bank not only providing services to SMEs, but also participating in their lives.

TÜRKİYE FİNANS KATILIM BANKASI A.Ş.

Establishment Date	1991 (as Anadolu Finans); 2005 Türkiye Finans
Major Shareholders	The National Commercial Bank (NCB) (67.03%) Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. (10.57%) Others (22.40%)
Chairman	Saeed Mohammed A. ALGHAMDI
General Manager	Wael Abdulaziz RAIES
Headquarters	Saray Mahallesi, Sokullu Cad. No: 6 Ümraniye/ İSTANBUL
Telephone	+90 212 676 20 00
Fax	+90 212 676 29 05
Website	www.turkiyefinans.com.tr
EFT Code	206
SWIFT Code	AFKBTRIS
Number of Domestic Branches	310
Number of Employees	3,461



**AT 2019 YEAR-END,
TOTAL ASSETS
INCREASED BY
11% WHILE FUNDS
COLLECTED
REACHED TWICE THE
INDUSTRY AVERAGE
BY AN INCREASE OF
49%.**

Digital Banking Channels

In addition to being a tool which our customers use to reach us, we see digital banking channels as an experience area where we can get to know them better and ease their lives with customized solutions.

In a digital world where customer needs and expectations change rapidly and competition becomes independent of industries, we increased the number of customers who actively use digital banking by 38% YoY and number of customers active in mobile banking by 49%.

Through our mobile branch application, we provide an opportunity for our customers to manage their banking transactions such as cash transfer, investment account opening, contract approval and foreign currency transactions from wherever they connect to internet regardless of time and place restrictions. We continue to participate in the lives of our retail and corporate customers with new transactions and functions.

We will continue to add innovative functions to all our digital channels in 2020 with the purpose of identifying our customers' needs and designing an experience in line with the changing trends.

Award Winning Participation Bank-Türkiye Finans

In 2019, we achieved many firsts in participation banking and received awards for numerous products we offered. Our Robotic Process Automation project, which allows for transfer of business processes in various functions of

units at branches and Headquarters to robotic automation, was granted with many awards. We received important awards at CIO Awards '19, Technology Captains Competition organized under Information Summit '19 and IDC Turkey Digital Transformation Awards.

We also received an award under "Financial Inclusion" category of IDC Turkey Digital Transformation Awards with our "Credit Transformation Program" which is one of the projects conducted by our R&D center that will allow for effective processing of commercial credit assessment, allocation and extension.

We were elected as the "Participation Bank of the Year" in the participation banking category for efforts to support the Turkish economy and innovative implementations at the "Adding Value to Turkey and to the World" Awards Event hosted by Turcomoney Magazine.

The Bank which Lends a Heart to Children

Our volunteers at the 'Charity Club' continues their activities within the scope of "Lend a Heart to Children" social responsibility project. On 23 April National Sovereignty and Children's Day, we organized fun activities for children while we painted the exterior walls and classes of two elementary schools in Diyarbakır Silvan and Çermik. We gave them stationary supplies and school bags as presents to see the smiles on their faces.

Our volunteers also set up playgrounds at two village schools in Erzurum Narman and Mardin Derik. As the children enjoyed the playgrounds, we put smiles on the faces of our little ones with toys collected from our employees.

For Türkiye Finans Participating in Life, 2019 was a year with innovative breakthroughs in both retail and commercial sides. We made significant progress with our new products, services and our efforts at digitalization. In this context, we made additions to our strong banking infrastructure, expanding branch network, digital banking initiatives, new products and financing supports which brought the very firsts to the industry.

In 2020, we will move towards our goal of taking participation banking to everyone's reach in Turkey with our distinctive services which follow banking trends and rapid solutions we provide for our customers.

As a member of Türkiye Finans family, I would like to express my gratitude to our valuable colleagues working at all levels of our Bank, our stakeholders and all our customers who trust us.

TÜRKİYE FİNANS SENIOR MANAGEMENT

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, he headed the Restructuring of the Finance unit in June 2013 for a brief period. Over the years, he has attended specialized Engineering, Banking and Leadership courses with reputable institutions such as ISEAD, Darden and the Harvard Business School. He has served as the CEO and as a Board Member and Credit Committee Member at Türkiye Finans since October 2016.

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 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.

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 since June 2011.

Hakan Uzun **(Resigned on 31 December 2019)** **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 operations, and joined the Türkiye Finans family in October 2011 as the Manager of Treasury operations. He served as the Vice General Manager responsible for Treasury operations between 10 November 2015 - 31 December 2019.

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.

Mehmet Necati Özdeniz **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 Senior 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 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.

Murat Akşam
Executive Vice President/Commercial Banking

Murat Akşam graduated from the Department of Management Engineering at Istanbul Technical University in 1990. He continued his education at Vienna University of Economics between 1990 and 1991. He served as the Sales Representative at Beko between 1991 and 1993 and Region 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 Manager 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.

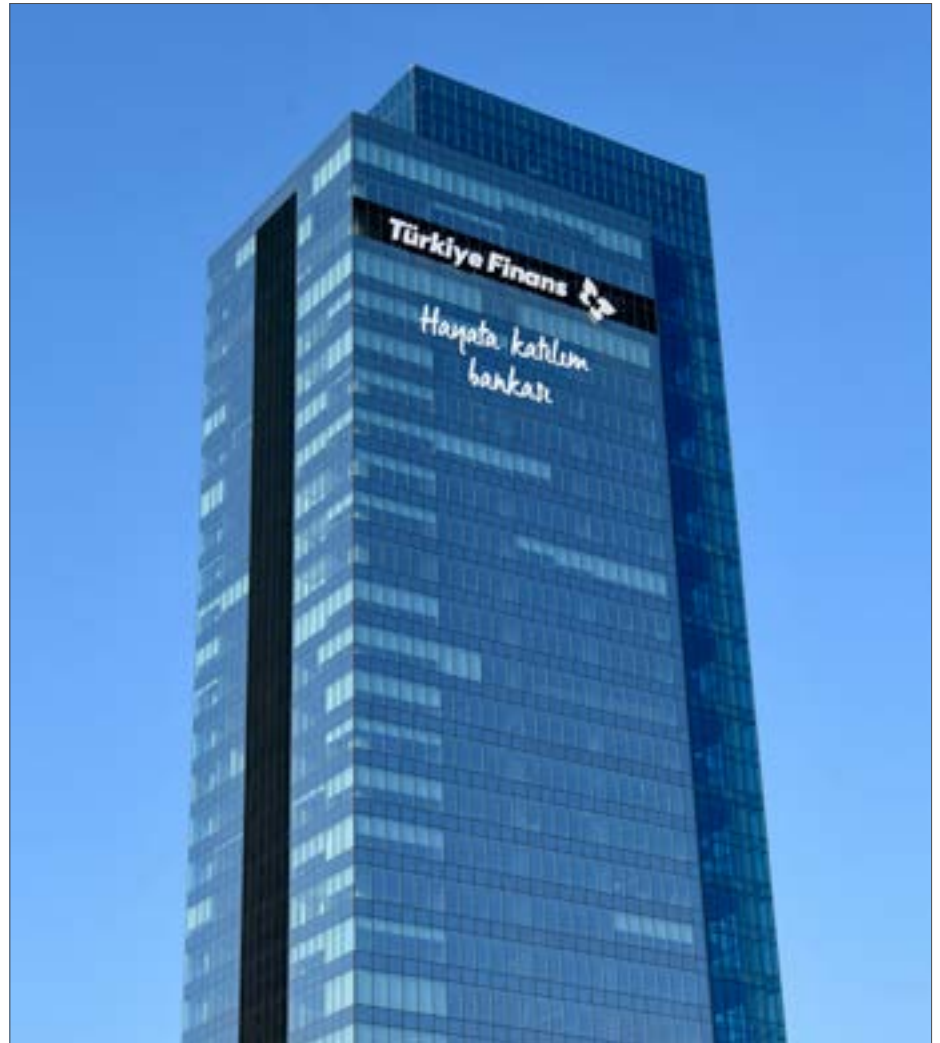
Özer Baran
Executive Vice President/Credits

Born in 1977 in İzmir, Özer Baran graduated from Bilkent University, Engineering Faculty, Department of Industrial Engineering 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.

Züleyha Büyükyıldırım
Executive Vice President/Human Resources

Born in İstanbul in 1981, Züleyha Büyükyıldırım graduated from İstanbul Bilgi University with a double major 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.



PRODUCTS, TECHNOLOGY AND INNOVATIONS OF TÜRKİYE FİNANS

TFXTARGET

At the beginning of 2019, Türkiye Finans launched the "Gaining New Customers through the Web" project. Within the scope of this project, it is now sufficient to fill out the forms at www.tfxtarget.com.tr and www.turkiyefinans.com.tr to become a user of TFXTARGET. Customers who apply for it are visited by the Bank at their locations and can become users of TFXTARGET.

Vehicle Financing

Türkiye Finans was one of the first participation banks who adopted and implemented the "Support for Domestic Production" campaign which was started by the public banks. In 2019, the Bank increased its share in the vehicle financing market by three times. With the support for domestic production campaign, there was significant activity in both new and second-hand vehicle markets in the last months of the year.

Housing Financing

Housing market started to boom at the last months of 2019 when profit sharing rates dropped below 1%. Türkiye Finans offered housing financing campaigns with favorable profit sharing rates.

E-Participation Account

E-Participation account was launched by Türkiye Finans as a digital participation account in line with interest-free banking principles. This account offers high profit sharing rates for all customers who want to increase their Turkish Lira savings.

"Katılmamak Elde Değil (It Is Not Possible Not to Participate)" Campaign

In 2019, "Katılmamak Elde Değil (It Is Not Possible Not to Participate)" advertising campaign was launched which includes three products; individual consumer financing, e-participation account and Happy Bonus credit card, to support customers' needs. Within the scope of this campaign, customers were provided with an opportunity to benefit from 3 installment advantage with no term difference for purchases greater than 500 TL with "Happy Bonus Card" which has no fees. The same campaign also provided favorable profit rates in

consumer financing and payment in 2020 opportunity, as well as high profit sharing rates for Turkish Lira deposits for those who open an e-participation account.

Free of Charge Trinity

With the Free of Charge Trinity campaign introduced in June 2019, while cash transfer and EFT transactions realized through mobile and internet branches are provided without any fees, cash withdrawals greater than TL 250 from 8,700 Yapı Kredi and PTT ATMs were also free from commission. In addition to those, campaign participation fees were not taken from non-fee Türkiye Finans Happy Bonus Zero card owners.

ATM Agreement

Türkiye Finans continued to provide services without any interruptions to its customers through 8,700 points across Turkey as a result of the ATM agreement signed with Yapı Kredi and PTT. As a result of this agreement, Türkiye Finans had the second most extensive ATM network in Turkey.

Supplier Financing System

One of the new products offered by Türkiye Finans in cash management was Supplier Financing System. With this product, the Bank provided opportunities such as flexible payment terms and uninterrupted service to firms which regularly works with suppliers at various sizes that provide goods and services.

Discounted Direct Collection System (DCS)

Another product introduced by Türkiye Finans in 2019 providing cash management facilities for firms was Discounted Direct Collection System. With this system, the Bank provided financing support to main companies to access liquidity when they need. While these companies can organize their cash flows regardless of the collection dates of their invoices, dealers benefit from discounts at their invoice payments.

Support Check

In another new development in Participation Banking offered by Türkiye Finans, customers with check payments were provided with quick access to the financing required for check payments on the due date thanks to the Support Check product. This product provides opportunities for cash management for companies with check traffic and offers favorable profit rates and terms.

Flexible Support Funding

Flexible Support Funding which was developed by Türkiye Finans as a first in participation banking was launched with the objective of helping firms meet short term working capital needs and providing an opportunity for healthy and efficient cash management. With Flexible Support Funding, customers have the most appropriate payment terms for their cash flows and can easily meet their working capital needs.

Export Support Funding

In 2019, Türkiye Finans launched the Export Support Funding service to support and develop exports and provide exporters access to special financing and advantageous packages. Export Support Funding which includes special expense packages for exporters as well, provides financing solutions with favorable profit sharing rates and flexible term advantages.



Trading forex while doing your grocery shopping is **Easy for You**



TFX TARGET



tfxtarget.com.tr

#participatinginlife

+90 850 222 22 44 • turkiyefinans.com.tr

[f](https://www.facebook.com/turkiyefinans) [@](https://www.instagram.com/turkiyefinans) [t](https://www.twitter.com/turkiyefinans) /turkiyefinans

**Türkiye
Finans**



*Participating
in life*

The "Participate in Life, not Fees" campaign is exclusively for our bank's consumer customers. As part of the campaign, customers can perform EFT/Money Transfer transactions at ATMs or via Mobile and Internet Branches free of charge. All withdrawals of up to TRY 250 each from Yapı Kredi and/or PTT ATMs are free of charge and discounted commissions will be applied for the whole amount if withdrawals exceed TRY 250. Withdrawals from other bank ATMs are not included in the campaign, and standard commission rates will apply for such transactions. Daily transaction limit is determined by the daily withdrawal limit of the other bank ATM. Customers shall be asked to approve the commission to be charged at the time of their transaction. Türkiye Finans Happy Zero cards do not charge an annual fee. There are no fees for bonus/discount campaigns. Moreover, Türkiye Finans Happy Zero card offers free installments for purchases from Bonus member merchants. No credit card fees shall be charged to customers, who have a card other than Happy Zero card, between June 24, 2019 - June 24, 2020. Turkey Finans Katılım Bankası A.Ş. reserves the right to change the conditions of the campaign and to terminate the campaign. For further details, please contact our branches, reach us at 08502222244 or visit turkiyefinans.com.tr

VAKIF KATILIM GENERAL MANAGER'S ASSESSMENT



İkrâm Göktaş
General Manager

AS OF 2019 YEAR-END, OUR ASSET SIZE INCREASED BY 44.8% YoY TO REACH TL 30.3 BILLION WHILE FUNDS COLLECTED INCREASED BY 51.2% AND REACHED TL 23 BILLION.

While experiencing a global based economic crisis which started in 2018 and continued in 2019, Turkey demonstrated its strength both locally and globally thanks to measures taken and policies applied. While negative pictures were set up for Turkey at the global crisis, as time passed, the strength of our position appeared more clearly. Even the International Monetary Fund (IMF) revised its expectation for Turkey in April 2019, which was previously 2.5% shrinkage to a growth of 0.2%. We anticipate a further upward revision by the IMF in 2020 and get closer to our Government's growth target of 5%.

Events in 2018 and 2019 demonstrated another fact, which is the need for participation banking. For the two-year period when currency attacks became prominent, the industry had significant contributions to the country's economy. While Participation Banking kept growing in Turkey, it played an important role in the stabilization process by

providing funds to the Turkish economy. Participation banks which support the real sector by their nature and which fund real commercial transactions, carried out valuable activities to prevent and eliminate these currency attacks and meet the liquidity need of the industry.

When we look at 2019 in general, participation banks reached an asset size of TL 284,459 million and increased their share in the market to 6.3%. In line with this performance, number of branches of participation banks reached 1,179 and number of employees exceeded 16 thousand.

As a young organization founded in 2016, Vakıf Katılım achieved many successes in such a short period of time. Assessing our 2019 performance, we can say that we left behind a successful year. Our asset size as of 2019 year-end increased by 44.8% and reached TL 30.3 billion while funds collected increased by 51.2% to reach TL 23 billion. Using

VAKIF KATILIM BANKASI A.Ş.



Establishment Date	2016 Turkish Prime Ministry's General Directorate of Foundations (99%), Bayezid Han-ı Sani (Bayezid the 2 nd) Foundation (0.25%), Mahmut Han-ı Evvel Bin Mustafa Han (Mahmut the 1 st) Foundation (0.25%),
Main Shareholders	Mahmut Han-ı Sani Bin Abdülhamid Han-ı Evvel (Mahmut the 2 nd) Foundation (0.25%), Murat Paşa bin Abdusselam (Murat Pasha) Foundation (0.25%), Murat Paşa Bin Abdusselam (Murat Paşa) Vakfı (0.25%)
Chairman	Öztürk ORAN
General Manager	İkram GÖKTAŞ
Headquarters	Saray Mahallesi, Dr. Adnan Büyükdenez Caddesi, No: 10 Ümraniye/İSTANBUL
Telephone	+90 216 800 55 55
Fax	+90 216 800 55 56
Website	www.vakifkatilim.com.tr
EFT Code	210
SWIFT Code	VAKFTRIS
Number of Domestic Branches	104
Number of Employees	1,322

IN TERMS OF LEASE CERTIFICATE ISSUANCES WE CONDUCTED IN 2018 AND FOCUSED ON EVEN MORE IN 2019, WE ACHIEVED OUR TARGET OF BEING THE REFERENCE ORGANIZATION.

both our own strong funding resources and our equity, we increased our support for the real sector and allocated total funds of TL 27.1 billion in cash and non-cash forms. We are also expanding our branch network. As of year-end, we became a large family with 1,322 employees working at 104 branches in 42 cities.

When we started our journey in 2016, we expressed our goal of being Turkey's National Gold Bank loud and clear. After 4 years, we see that we have reached our goal. In 2019, we became the organization with the highest volume of gold and silver transactions at Borsa İstanbul Precious Metals and Diamond Market (KMTP). We provided a serious contribution to our country's economy by exporting gold at an amount of USD 425 million in 2018. Realizing a trade volume of 63.4 tons of gold bullion in 2019, we achieved the title of the institution with the highest transaction volume in Precious Metals and Diamond Market (KMTP). We

realized 20.95% of the total transaction volume at Borsa İstanbul KMTP alone and with 58,891 transactions, we achieved to be the member firm with the highest number of transactions. Also, in 2019, we became the member firm with the highest transaction volume at Borsa İstanbul KMTP silver transactions with a physical volume of 236.7 tons and a share of 24.10%.

In terms of lease certificate issuances which we started in 2017, continued in 2018 and focused on even more in 2019, we achieved our target of being the reference organization. Based on TKBB's data, Vakıf Katılım had the highest amount of domestic TL lease certificate issuances among participation banks in 2019. This achievement allowed us to a yearly shelf registration approval of TL 12 billion for lease certificates from Capital Markets Board (CMB). We started issuing lease certificates in 2017, realized 67 issuances through our subsidiary, Vakıf Varlık Kiralama and reached a level of

TL 15 billion. Additionally, as a result of 7 issuances via our subsidiary, Katılım Varlık Kiralama, we provided a funding of TL 903 million and mediated private sector companies to use participation banking capital instruments.

In the following period, we will continue on our path with new lease certificate issuances in a variety of major sectors to diversify funding resources of qualified companies through capital market instruments that comply with participation banking principles, supporting our country's economy with all our strength.

VAKIF KATILIM SENIOR MANAGEMENT

İkram Göktaş **Member of the Board and CEO**

İkram Göktaş was born in Mutki, Bitlis in 1969. He graduated from the Department of Business Administration, Faculty of Political Sciences, at Ankara University. Between 1992 and 1997, he served as an Inspector on the Board of Inspectors of Garanti Bank. Mr. Göktaş worked as the Assistant Manager at the İstanbul Corporate Branch of Garanti Bank between 1997 and 1999 and served as the Çorum Branch Manager between 1999 and 2000. He worked as the Banking Services Manager at Anadolu Finans between 2001 and 2005 and as the Banking Services Manager at Türkiye Finans between 2006-2009 before serving as the Executive Vice President responsible for IT Systems between 2009 and 2012, and as the Executive Vice President responsible for Distribution and Service areas between 2012 and 2015 at Türkiye Finans.

Mr. Göktaş has been serving as a member of the Board of Directors and as the CEO at Vakıf Katılım since October 2015.

Betül Vural Yılmaz **Executive Vice President, Human Resources/Training and Corporate Communications**

Born in Ankara in 1972, Betül Vural Yılmaz graduated from the Department of Business Administration, Faculty of Political Sciences at Ankara University. She completed her post-graduate degree in the Department of Labor Economics and Industrial Relations at the same university. Between 1997 and 2008, she worked at various positions in the Human Resources Department at BUGSAŞ A.Ş. which operates the Ankara Metro, the Ankaray and AŞTİ (the intercity bus station) in Ankara. She was the manager of this department

for seven years. She then served as the Human Resources Department Manager at Çalık Holding between 2009-2015. In August 2015, she was appointed as the Executive Vice President responsible for Human Resources at Bank Asya when it was under the Savings Deposit Insurance Fund (SDIF). Upon the closure of the bank, she transferred to Türkiye Varlık Fonu Yönetimi A.Ş. as the Advisor to the Chairman of the Board. Since April 2018, she has been serving as the Executive Vice President responsible for Human Resources/Training and Corporate Communications at Vakıf Katılım.

She is married with two children.

Bülent Taban **Executive Vice President, Marketing**

Bülent Taban was born in 1966. He completed his high school education at the Kabataş Erkek Lisesi (Boys High School) in 1983 and graduated from the Faculty of Business Administration at İstanbul University in 1987 and completed a post-graduate degree in Business Administration at the Social Sciences Institute of İstanbul Technical University in 1990. Mr. Taban began his banking career on the Board of Inspectors at the Turkish Commercial Bank, and subsequently served as the Manager of Retail Banking at Kentbank between 1995-2002. In 2002, Mr. Taban started working at the Albaraka Türk, where he served as Executive Vice President responsible for Retail Banking, Loans and Commercial Marketing, respectively.

He joined Vakıf Katılım at the beginning of 2018 where he has been serving as the Executive Vice President responsible for Marketing.

Ahmet Ocak **Executive Vice President, Finance**

Ahmet Ocak was born in 1965 in Kuşdoğan village of Ordu Ünye. He graduated from Anadolu University Open Education Faculty, Business Administration in 1991.

He worked as an accounting officer and manager in private sector between 1983 and 1990. Ahmet Ocak served at Kayseri, Ankara and Konya branches of Albaraka Türk between 1990 and 1996, as Assistant Manager at Financial Affairs Department between 1996 and 2001, Head of Internal Control Center between 2001 and 2002, as Finance Manager between 2003 and 2009 and as Senior Finance Manager between 2009 and 2012.

Mr. Ocak received his graduate degree in Business Administration from Fatih University Institute of Social Sciences in 2012. He continued to work at Albaraka Türk as Budgeting and Financial Reporting Senior Manager between 2012 and 2014 and as Investment Projects Senior Manager between 2012 and 2015. He acted as CEO at Albaraka Gayrimenkul Portföy Yönetimi A.Ş. in 2015.

Mr. Ocak joined Vakıf Katılım in 2015 and has been serving as Executive Vice President responsible from Finance since 1 December 2015.

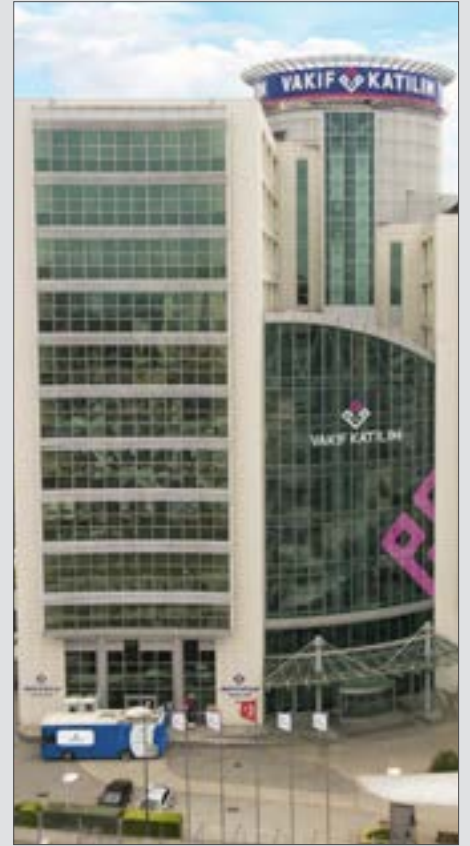
* İrfan Şavik resigned from his position as Assistant General Manager on 27 September 2019.

Ali Güney resigned from his position as Assistant General Manager on 16 October 2019.

Erhan Çetinkaya resigned from his position as Assistant General Manager on 19 December 2019.



**MOBİLDE
POS**



PRODUCTS, TECHNOLOGY AND INNOVATIONS OF VAKIF KATILIM

Robotic Process Automation

With its vision of "Growing with Technology", Vakıf Katılım launched the Robotic Process Automation (RPA) technology. The robot which will perform a transaction within 2 minutes without errors compared to a human performing the same transaction in 45 minutes, savings of 600 hours per month will be achieved and employees will have time for tasks which require higher qualifications. As we complete our processes for Robotic Process Automation, time spent for tasks taking 268 days in a year will be reduced to 200 hours.

Mobile Branch is Presented with its New Face.

Our Mobile Branch was renewed to carry our customers' banking experience further every day.

New features of our new Mobile Branch are as follows:

- Renewal of Pre-login Menu
- Renewal of Dashboard (Main Page)
- Renewal of Cards Menu
- Renewal of My Accounts Menu
- Repeat the Transaction Feature
- Internet Branch Password Change

A first from Vakıf Katılım: POS at mobile

Realized POS at Mobile project in collaboration with Samsung and PayCore, Vakıf Katılım broke grounds among participation banks in its digital transformation journey. With POS at Mobile, Vakıf Katılım's objective is to provide businesses the opportunity to leave POS devices.

İstanbulkart transactions were digitalized.

Giving orders to add funds to İstanbulkart and balance inquiry transaction features were enabled. Amount of the order can be added to the card by taking telephones with NFC feature close to the card.

No-barrier Banking - Video calls to Customer Communication Center

Video conferencing via Customer Communication Center was made available for hearing or speaking impaired customers to enable them report lost/stolen cards or get information using sign language.

"Leader in Domestic TL Lease Certificate Issuances Among Participation Banks"

Based on 2019 year-end data of TKBB, Vakıf Katılım is the participation bank which issued the largest amount of TL lease certificates in Turkey and it received an approval for a ceiling of TL 12 billion for new lease certificate issuances from CMB for 2020.

Award to Vakıf Katılım from IDC Turkey

Bringing a fresh breath to participation banking by blending the sharing culture of foundations with the power of public sector, Vakıf Katılım crowned its service approach with a new award. Vakıf Katılım was rewarded with the second prize in Inclusiveness Category with "Adding Funds to İstanbulkart through Online/Offline Channels Project" given by IDC Turkey at "IDC Finance Summit 2019" where outstanding digital transformation projects compete.

"STP Excellence Award"

Vakıf Katılım won the STP Excellence Award.

The STP Excellence Award is given to those banks performing annually 95% or more of their transactions without error in SWIFT messages sent abroad within the framework of the rules determined by the SWIFT headquarters and correspondent banks related to the STP (Straight Through Processing).

Vakıf Katılım achieved a significant level of success in transfer transactions carried out during the year. In this respect, the KBC Bank awarded Vakıf Katılım the STP (Straight Through Processing) Excellence Award in 2019, after 2017 and 2018.

This award, which was also given by a global bank to Vakıf Katılım last year, could be considered to be recognition of that its compliance with sectoral professionalism is on a par with world standards.

"Digital Transformation Award" from Microsoft Turkey

Business Intelligence (BI) Reporting Platform received the 2019 Digital Transformation Award given by Microsoft Turkey at "2019 Microsoft Business Partners Summit" and a success story is recorded by Microsoft Global.

"Achievement Award" to Vakıf Katılım from PSM Awards

Payment Systems Magazine (PSM) celebrated its 10th year with 20 awards given in 8 different categories. Vakıf Katılım received the "Achievement Award" with its Card Printing System in "Customer Orientation" category at PSM Awards that was organized to support innovation in Technology and Payment world. With this system, cards are printed directly at the branch thus new card application times and customers' waiting times are shortened.

Customer - Employee Facial Expression and Movement Analysis in the Bank Environment Using Image Processing Techniques

The Bank applied to TÜBİTAK TEYDEB 1501 project by partnering with a university. The objective of the project is to derive emotion and motion analysis of customers and employees they interact with while they are at the branch, using their dynamic images taken with dual cameras. Moreover, employees' work load and tiredness are being detected and they are helped without being judged to provide better service for customers.

In this land favours are done unconditionally

So, many transactions like **EFT** and **Money transfers** made from the **Mobile Branch** and **Internet Branch**, and from more than 20,000 state bank's ATMs and PTT are **FREE AT US**.



Moreover, you can make EFT from Mobile Branch and Internet Branch until 5:20 pm.



0850 202 1 202 | 444 44 77 | vakifkatilim.com.tr

ZİRAAT KATILIM GENERAL MANAGER'S ASSESSMENT



Metin Özdemir
General Manager

AS OF 2019 YEAR-END, CASH FUNDS ZİRAAT KATILIM ALLOCATED INCREASED BY 63% IN COMPARISON WITH THE PRIOR YEAR TO REACH TL 28.9 BILLION AND NON-CASH FUNDS INCREASED BY 10% TO REACH TL 11.3 BILLION,

Ziraat Katılım's balance sheet size increased by 64% yoy and reached TL 36.4 billion as of 2019 year-end.

Ziraat Katılım completed 2019 with a high and healthy performance. Ziraat Katılım continued its fast growth in 2019 with its vision of being the leading participation bank of the industry and completed the year with a healthy performance in line with its profitability and efficiency goals.

Besides unfavorable impacts of global economic factors and geopolitical developments, the impacts of fluctuations in domestic markets were also in effect in 2019. Even in these circumstances, Ziraat Katılım achieved its targets with its properly structured strategy, resilient business model and strong financial structure.

Ziraat Katılım reached a balance sheet size of TL 36.4 billion by increasing its total assets by 64% in comparison with prior year-end. With a customer satisfaction oriented service approach and successful execution of an efficiency-focused business cycle, Ziraat

Katılım completed 2019 with a profit of TL 516.7 million.

We continue supporting the real sector.

Ziraat Katılım responds to the needs and expectations of its customers through most accurate and appropriate channels by offering value propositions and continues its activities with its vision to be an effective participation bank in its region as well as in international markets.

In 2019, Ziraat Katılım continued to support financing of real sector, particularly SMEs which are vital elements of the economy.

As of 2019 year-end, cash funds Ziraat Katılım allocated increased by 63% in comparison with prior year to reach TL 28.9 billion and non-cash funds increased by 10% to reach TL 11.3 billion, hence total amount of support provided to the Turkish economy by Ziraat Katılım was realized as TL 40.2 billion.

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
Phone	+90 212 404 10 00
Fax	+90 212 404 10 99
Web Site	www.ziraatkatilim.com.tr
EFT Code	0209
SWIFT Code	ZKBATRIS
Number of Branches	93
Number of Employees	1,133 (Headquarters + Branches)



IN 2019, ZİRAAT KATILIM CONTINUED TO SUPPORT FINANCING OF THE REAL SECTOR, PARTICULARLY SMEs WHICH ARE VITAL ELEMENTS OF THE ECONOMY.

Funds collected as of 2019 year-end increased by 68% to reach TL 25.5 billion.

We care about maintaining our asset quality.

Ziraat Katılım adopted a growth strategy that sets forth maintaining and improving the asset quality. The Bank's allocation and fund use processes as well as its early warning and risk monitoring infrastructure are being developed accordingly.

In accordance with our sustainable growth and customer focus strategies, funds allocated kept growing rapidly in 2019. As we executed our hardline risk management policies, non-performing receivables ratio was considerably lower than the industry average and was realized as 2.3%. In 2019, capital adequacy ratio of Ziraat Katılım was 16.6%.

Ziraat Leasing merged into Ziraat Katılım.

As Turkey's first public participation bank, Ziraat Katılım continues to take firm steps towards its vision of being the leading participation bank of the industry. Our Bank acts with the mission of financing investments by providing accurate and effective solutions that contribute to our country's economy and the financial markets.

Ziraat Group targets operational cost reduction and efficiency increase through merging companies operating in similar areas within the Group with its objective of "Getting Stronger Together and Growing Together".

Ziraat Leasing, which has been providing financing to various sectors such as construction, health, textile, food, iron and steel, metal processing, printing and manufacturing since its inception in 1991 under Ziraat Finance Group, started to continue its operations under Ziraat Katılım as of 1 March 2019.



IN 2019, CAPITAL ADEQUACY RATIO OF ZİRAAT KATILIM WAS 16.6%.

ZİRAAT KATILIM GENERAL MANAGER'S ASSESSMENT

Ziraat Katılım reinforced its strengths through this merger and will continue to grow by developing its existing financial leasing services utilizing Ziraat Leasing's know-how and experiences.

Lease certificate issuances reached TL 13 billion.

In 2019, Ziraat Katılım successfully completed 19 lease certificate issuances of TL 8.2 billion in total. The Bank, which has been active in capital markets as part of its strategy to enrich its resource structure, obtained six approvals from CMB for lease certificate issuances of TL 500 million, TL 1.5 billion, TL 1.5 billion, TL 2 billion, TL 4 billion and TL 8 billion each to issue lease certificates in domestic market through its subsidiaries Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş. In this context, approximately TL 13 billion worth of issuances were realized in various amounts of allocations from inception to 2019 year-end.

Diversifying our resources

In order to provide additional resources and diversify its resources, Ziraat Katılım obtained murabaha syndication of USD 250 billion with the participation of 17 banks and financial institutions. This transaction provided resilience for balance sheet and liquidity management while receiving additional resources with appropriate terms and costs and allowing entry of foreign resources to the economy.

Moreover, to strengthen the share structure of our Bank supporting its rapid growth, a 10-year term Tier 2 credit was obtained from our majority shareholder T.C. Ziraat Bankası A.Ş. for TL 300 million as secondary capital and a Tier 1 credit was obtained from Turkey Wealth Fund for EUR 100 million as additional original capital.

Fund collection through investment proxy agreements started.

A new application has started to allow participation banks to collect funds through investment proxy agreements in accordance with regulation which amends the Regulation on Procedures and Principles on Acceptance and Withdrawal of Deposits and Participation Funds; Expired Deposits, Participation

Funds and Receivables published in the Official Gazette no. 30569 dated 18 October 2018.

In this context, our Bank started to collect funds through Investment Proxy Agreements for corporate customers as of 15 July 2019. In accordance with Communiqué on Terms and Types of Deposits and Participation Funds published in the Official Gazette no. 30809 dated 22 June 2019, participation accounts based on investment proxy agreements can be opened with maturities less than 1 month and our Bank can open participation accounts with less than 1 month maturity for corporate customers.

We stand by our SMEs.

Ziraat Katılım continues its operations at full speed to facilitate SMEs access to financing with favorable terms.

In this context, the Bank and Credit Guarantee Fund signed "Competitiveness of Small and Medium-Sized Enterprises-COSME" on 12 April 2019 and "CGF Support Credit" protocol on 27 May 2019.

Within the scope of protocols signed in the second quarter of 2019, our Bank provided financing support for SME customers at TL 27 million at favorable terms.

In cooperation with KOSGEB, our Bank signed Düzce and Istanbul Emergency Support Credit Protocol to provide favorable financing for businesses who were affected by the flood and landslide occurred on 17 August 2019 at Eminönü Tram Underpass and Spice Bazaar Underpass. Our Bank always stands by the tradesmen who are in need of emergency financing support. As Ziraat Katılım, we will continue to perform our operations to facilitate our customers' access to finance at favorable conditions.

We stand by our consumers with our financing campaigns.

We conducted housing financing campaigns in cooperation with public banks to support our customers' house purchases and to create dynamism in the construction industry.

To support domestic production, we collaborated with automotive brands manufacturing in Turkey and set up vehicle financing packages specific to domestic production for our customers who wishes to purchase zero km domestic passenger and commercial vehicles.

In 2019, we enriched our human resources even more with new participations.

Ziraat Katılım enriched its human resources which is its most valuable asset with new participations in 2019.

In line with our rapid growing organization structure and based on the needs of our Headquarter and branch units, 169 new colleagues joined us and number of our employees reached 1,133 as of 2019 year-end.

Ziraat Katılım added 13 new branches to its branch network and the total number of branches reached 93.

Thanks to all who contributed to our success in 2019.

We continue our devoted efforts to increase our contribution to real economy in line with our values and ethical principles which are reflections of our well-established corporate culture.

As we carry on conducting our projects staying connected to our mission of expanding participation banking, our ultimate target is to create value for the Turkish economy at an increasing rate and to support sustainable development through multiple ways.

On behalf of myself and Ziraat Katılım management team, I would like to express my gratitude to all our stakeholders, particularly our employees, who are with us in our journey to reach higher targets and who contribute to our successful performance.

ZİRAAT KATILIM SENIOR MANAGEMENT

Metin Özdemir **CEO and Member of the Board of Directors**

Metin Özdemir graduated from İstanbul University (Faculty of Business Administration) in 1990. 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 Katılım since 18 February 2015 and was appointed as the CEO on 12 June 2017. Mr. Özdemir is a member of the Ziraat Bank's Board of Directors and acts as a member of Corporate Governance Committee and Remuneration Committee. Since 25 July 2017, he also acts as the Chairman of the Credit Committee. Mr. Özdemir is also the Chairman of Participation Banks Association of Turkey (TKBB) and Chairman of the Board of Directors of the Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI).

Tahir Demirkıran **Executive Vice President-Loan Allocation and Management**

Born in 1967 in İstanbul, Tahir Demirkıran graduated from İstanbul University Faculty of Economics, Department of Economics. He started his banking career as 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; Demirkıran 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 Katılım.

Temel Tayyar Yeşil **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 Halk Bankası 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 Vice President in charge of Marketing on 18 July 2017 and is still carrying out the duty.

Osman Karakütük **Executive Vice President-Treasury and International Banking**

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 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**

Mehmet Said Gül was born in Kahramanmaraş in 1973. He graduated from Hacettepe University Faculty of Engineering, Department of Computer Engineering in 1995. He started his banking career at Anadolu Finans

Kurumu in 1997 as a programmer. After serving as system analyst and software development service manager, he continued his career as Software Development Manager at Türkiye Finans in 2006. As of 2009 he started to work as the Information Systems Coordination Manager. In 2014, Mr. Gül worked at the establishment of Ziraat Katılım and acted as a consultant at Ziraat Bank and as the Head of Ziraat Katılım's Information Technologies Department. In 2015, he was appointed as the Group Director of the Information Technologies and Operational Transactions at Ziraat Katılım. Since 23 August 2017, Mr. Gül has been the Executive Vice President in charge of Information Technologies and Operations.

Dr. Ahmet Ortatepe **Executive Vice President-Credit Policies**

Mr. Ortatepe was born in Adana in 1968. He graduated from Marmara University Faculty of Economics and Administrative Sciences, Department of Business Administration in 1990. He received his master's degree from İstanbul University Faculty of Business Administration in 1993 and his doctoral degree from Marmara University Faculty of Business Administration in 2001. Mr. Ortatepe started his banking career at Pamukbank as a Foreign Exchange Clerk and promoted to Branch Manager at the same bank in 2001. He started working in Turkish Economy Bank as Commercial Branch Manager in 2003. Following his positions at Ziraat Bank as Dolayoba Commercial Branch Manager and Şişli Corporate Branch Manager, he was appointed as Department Manager of Credit Allocation and Management in 2016 and served as CEO and Member of the Board of Directors at Ziraat Finansal Kiralama A.Ş. in 2018. Mr. Ortatepe has been acting as a Member of the Board of Directors at Ziraat Yatırım Menkul Değerler A.Ş. since 2018 and was appointed as Executive Vice President-Credit Policies at Ziraat Katılım on 6 May 2019.

PRODUCTS, TECHNOLOGY AND INNOVATIONS OF ZİRAAT KATILIM

Mobile financing was launched.

Understanding the needs and expectations of our individual and corporate customers and providing the most appropriate solutions and value propositions through most appropriate channels, our Bank continues to increase its product diversity.

For our corporate customers who already have an active limit at our Bank, we launched the "Mobile Financing" option where they can process their financing transactions over Participation Mobile Application with the purpose of increasing financing transaction process quality. Digital management of transactions was provided for our customers to apply for financing through Participation Mobile without coming to the branch, ensuring effectiveness of time and cost for document uploading or approval processes.

We continue to contribute to production and employment by establishing financial partnerships.

Our Bank continues to provide financing through Financial Partnership in accordance with participation banking principles. In June negotiations started with Hacı Ömer Sabancı Holding to purchase 57.88% shares of Yünsa Yünlü Sanayi ve Ticaret A.Ş. which is one of the most prestigious companies in Turkey and the 5th largest woolen fabric producer in the world. Discussions ended up positively and legal transactions for transfer of shares were finalized successfully.

Using its resources in an effective manner to support investment and entrepreneurship, our Bank will continue financing profitable and sustainable investments through Project Financing and Financial Partnerships.

We develop open source coded technologies.

In line with the "Nationalization in Technology" strategy, activities were carried on for migration to open-source operating system at client computer. A significant distance was covered and pilot tests started with user groups at the Headquarters and branches. With these activities, a performance increase at client computers is targeted as well as reductions in hardware costs and elimination of operating system software license costs in the near future.

Significant savings were realized in license costs by replacing imported software solutions such as the platform which facilitates 24/7 monitoring of accessibility of services offered for customers, corporate portal application, secure file sharing and virtual server management application with their open source technology equivalents. As we launch open source products, we continue our studies in R&D for information security.

With the implementation of open source code software solutions at our Bank, we expect that our Bank will be a significant reference among public institutions and organizations. Through sharing this important experience, a contribution to reduction of dependence on foreign

resources and a significant step towards innovative technologies are targeted.

With transition to open source systems a significant gain will be achieved in terms of security of the country and organizations, important savings opportunities will be provided, opportunities will be offered for integration among companies providing technological solutions and development of fintechs operating in this area.

Investing in customer experience satisfaction

With the Contact Analysis Project, the Bank provides analysis of call center contacts with customers to increase Customer Interaction Center performance, improve operational processes and measure customer experience.

Project activities started for analysis, reporting and taking actions for customer feedbacks with "Artificial Intelligence Supported Text Analytics".

Communication Quality Project was initiated to control the contents of written and oral messages at each interaction point with customer and to ensure these interactions are realized at highest quality standards.



BANKING TRANSACTIONS MADE SIMPLER THAN EVER WITH KATILIM MOBILE!



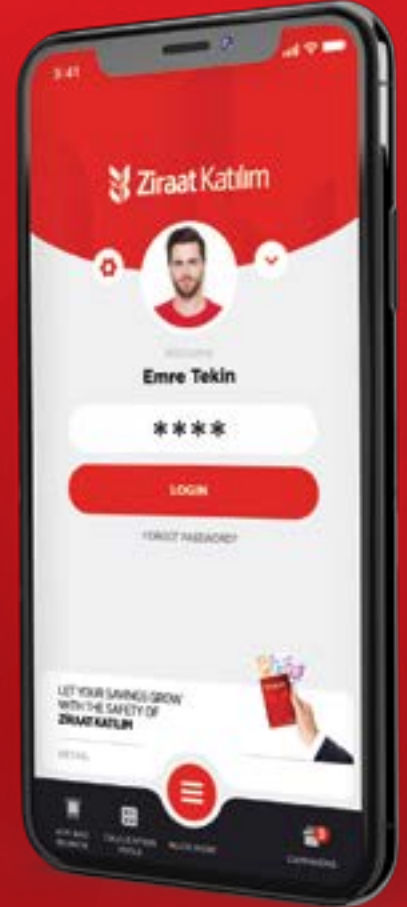
There's no account
maintenance fee



EFT and remittance
are free



Smart menu



Katilim Mobil welcomes you with a brand new interface!
Download now and discover the customized smart menus
and useful features.

 **Ziraat Katilim**
Growth through sharing



FINANCIAL STATEMENTS AND DATA



KEY FINANCIAL DATA AND GRAPHS

SECTORAL FINANCIAL DATA

BANK GROUP	NUMBER OF INSTITUTIONS	ASSETS			DEPOSITS			LOANS		
		2019 TL MILLION	2019 SHARE (%)	2018 SHARE (%)	2019 TL MILLION	2019 SHARE (%)	2018 SHARE (%)	2019 TL MILLION	2019 SHARE (%)	2018 SHARE (%)
PARTICIPATION BANKS	6	284,459	6.3	5.3	215,456	8.4	6.7	149,476	5.5	5.1
DEPOSIT BANKS	32	3,904,022	86.9	88.0	2,351,444	91.6	93.3	2,375,672	86.7	87.0
DEVELOPMENT AND INVESTMENT BANKS	13	302,336	6.7	6.7	0	0	0	213,940	7.8	7.9
TOTAL	51	4,490,818	100	100	2,566,900	100	100	2,739,087	100	100

PARTICIPATION BANKS AND BANKING SECTOR: KEY FINANCIAL INDICATORS (TL MILLION-DECEMBER 2019)*									
FINANCIAL ITEMS	PARTICIPATION BANKS					BANKING SECTOR			
	TL	DECEMBER 19	DECEMBER 18	2019/ DECEMBER-2018 (CHANGE %)		DECEMBER 19	DECEMBER 18	2019/ DECEMBER-2018 (CHANGE %)	
		DEPOSITS **							
		91,145	60,626		50.3	1,267,073	1,054,572		20.2
	FC	106,533	67,790		57.2	1,226,609	954,893		28.5
	FC-METAL	18,305	8,804		107.9	82,722	41,701		98.4
	TOTAL	215,456	137,220		57.4	2,576,404	2,051,166		25.6
LOANS ***		149,476	124,562		20.0	2,739,736	2,465,582		11.1
NON-PERFORMING LOANS (NET)		7,763	5,050		53.7	150,108	96,611		55.4
TOTAL ASSETS		284,459	206,806		37.5	4,491,708	3,867,135		16.2
SHAREHOLDERS' EQUITY		21,767	16,780		29.7	492,384	421,185		16.9
NET PROFIT****		2,433	2,097		16.0	49,753	54,123		(8.1)
NUMBER OF EMPLOYEES		16,040	15,654		2.5	204,626	207,716		(1.5)
NUMBER OF BRANCHES	BRANCHES DOMESTIC	1,176	1,120		5.0	11,300	11,493		(1.7)
	BRANCHES ABROAD	3	2		50.0	74	72		2.8
	TOTAL	1,179	1,122		5.1	11,374	11,565		(1.7)

* 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 (%) as of year end 31.12.2019:

	2019/DECEMBER	2018	NON-PERFORMING LOANS (GROSS)/LOANS	
			PARTICIPATION BANKS	BANKING SECTOR
1- FUNDS COLLECTED	8.4%	6.7%	5.2%	5.5%
2- FUNDS ALLOCATED	5.5%	5.1%		
3- TOTAL ASSETS	6.3%	5.3%		
4- SHAREHOLDERS' EQUITY	4.4%	4.0%		
5- NET PROFIT	.9%	3.9%		

PARTICIPATION BANKS: KEY FINANCIAL INDICATORS (TL THOUSAND, DECEMBER 2019)															
FINANCIAL ITEMS	ALBARAKA TÜRK		EMLAK KATILIM		KUVEYT TÜRK		TÜRKİYE FINANS		VAKIF KATILIM		ZİRAAT KATILIM		TOTAL	TOTAL	
	2019/Q4	2019/Q4-2018	2019/Q4	2019/Q4-2018	2019/Q4	2019/Q4-2018	2019/Q4	2019/Q4-2018	2019/Q4	2019/Q4-2018	2019/Q4	2019/Q4-2018	2019/Q4	2018	
FUNDS COLLECTED	14,696,620	25%	2,746,808	-	35,410,329	57%	15,266,513	40%	10,026,411	37%	13,032,205	58%	91,178,886	60,745,274	50%
FC	25,072,788	49%	3,205,868	-	50,084,058	59%	24,708,001	55%	12,926,804	64%	12,425,040	80%	128,422,559	79,060,460	62%
TOTAL	39,769,408	39%	5,952,676	-	85,494,387	58%	39,974,514	49%	22,953,215	51%	25,457,245	68%	219,601,445	139,805,734	57%
FUNDS ALLOCATED *	30,880,921	21%	5,730,333	-	57,925,969	24%	33,272,689	12%	18,770,501	40%	29,565,030	67%	176,145,443	132,976,902	32%
NON-PERFORMING LOANS (NET)	2,221,723	18%	188,322	-	2,043,674	73%	2,666,352	54%	571,074	132%	675,282	181%	8,366,427	5,287,144	58%
NON-PERFORMING LOANS (GROSS)/LOANS	7.2%	-	3.3%	-	3.5%	-	8.0%	-	3.0%	-	2.3%	-	4.7%	4.0%	-
TOTAL ASSETS	51,392,368	22%	9,282,271	-	104,439,345	41%	52,427,410	11%	30,348,784	45%	36,392,174	64%	284,282,352	206,652,776	38%
SHAREHOLDERS' EQUITY	3,821,929	17%	1,169,173	-	6,821,290	25%	4,827,079	12%	1,960,693	28%	3,166,828	43%	21,766,992	16,768,995	30%
NET PROFIT**	63,429 (53%)		44,979	-	1,109,838	28%	378,174 (15%)		324,887	0%	516,735	60%	2,438,042	2,096,592	16%
NUMBER OF PERSONNEL	3,791 (5%)		382	-	5,955	1%	3,461 (5%)		1,322	21%	1,133	9%	16,044	15,654	2%
NUMBER OF BRANCHES	230	0	11	-	431	4%	310	1%	104	14%	93	16%	1,179	1,122	5%

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

** Net Profit figure is compared with the same period of the prior period.

PARTICIPATION BANKS: ASSET STRUCTURE AND CHANGES IN SELECTED ITEMS (TL MILLION, %)								
ASSETS	AMOUNT (TL MILLION)			CHANGE (%)		SHARE IN TOTAL (%)		
	2019	2018	2017	2019-2018	2018-2017	2019	2018	2017
LIQUID ASSETS	52,507	38,347	17,464	36.9	119.6	19.0	18.5	10.9
SECURITIES PORTFOLIO	41,609	15,128	12,883	175.0	17.4	15.0	7.3	8.0
AVAILABLE-FOR-SALE ASSETS (NET)	24,947	12,878	10,519	93.7	22.4	9.0	6.2	6.6
HELD-TO-MATURITY ASSETS (NET)	6,683	750	1,154	791.1	(35.0)	2.4	0.4	0.7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT FOR LOSS (NET)	9,979	1,500	1,210	565.3	24.0	3.6	0.7	0.8
RESERVES	26,808	16,564	16,630	61.8	(0.4)	9.7	8.0	10.4
LOANS	136,202	112,495	97,615	21.1	15.2	49.2	54.4	61.0
NON-PERFORMING LOANS (NET)	677	(180)	992	476.1	(118.1)	0.2	(0.1)	0.6
NON-PERFORMING LOANS (GROSS)	7,763	5,050	3,392	53.7	48.9	2.8	2.4	2.1
(-) SPECIAL RESERVES	7,086	5,230	2,400	35.5	117.9	2.6	2.5	1.5
LEASING RECEIVABLES (NET)	7,396	4,498	4,274	64.4	5.2	2.7	2.2	2.7
NON-CURRENT ASSETS	6,779	4,736	2,982	43.1	58.8	2.4	2.3	1.9
AFFILIATES AND SUBSIDIARIES	648	596	436	8.7	36.7	0.2	0.3	0.3
FIXED ASSETS	4314	3,504	2,216	23.1	58.1	1.6	1.7	1.4
AVAILABLE-FOR-SALE ASSETS (NET)	1817	636	330	185.7	92.7	0.7	0.3	0.2
REDISCOUNTS	7,651	8,719	5,365	(12.2)	62.5	2.8	4.2	3.4
OTHER ASSETS	4,821	6,499	1,932	(25.8)	236.4	1.7	3.1	1.2
TOTAL ASSETS	284,459	206,806	160,137	34	29	100	100	100

Source: The BRSA

*Provision for Non-Performing Loans" line has been revised as "Special Reserves".

PARTICIPATION BANKS: LIABILITIES STRUCTURE AND CHANGES IN SELECTED ITEMS (TL MILLION, %)								
LIABILITIES	AMOUNT (TL MILLION)			CHANGE (%)		SHARE IN TOTAL (%)		
	2019	2018	2017	2019-2018	2018-2017	2019	2018	2017
DEPOSITS	215,456	136,612	104,993	57.7	30.1	75.7	66.1	65.6
TL	72,242	44,747	32,047	61.4	39.6	25.4	21.6	20.0
FC	143,214	91,865	72,946	55.9	25.9	50.3	44.4	45.6
LOANS TO BANKS	12,957	15,211	15,648	(14.8)	(2.8)	4.6	7.4	9.8
FUNDS	2,253	1,809	1,662	24.5	8.8	0.8	0.9	1.0
REDISCOUNTS	1,655	1,761	1,070	(6.0)	64.6	0.6	0.9	0.7
SHAREHOLDERS' EQUITY	21,767	16,796	13,645	29.6	23.1	7.7	8.1	8.5
PAID-IN CAPITAL	11,016	9,767	8,752	12.8	11.6	3.9	4.7	5.5
CAPITAL RESERVES	7,804	5,012	3,009	55.7	66.6	2.7	2.4	1.9
PRIOR YEARS' PROFITS	(212)	(128)	101	(65.7)	(226.7)	(0.1)	(0.1)	0.1
PERIOD PROFIT	2,433	2,124	1,583	14.5	34.2	0.9	1.0	1.0
OTHERS	721	6	200	11917	(97.0)	0.3	0.0	0.1
DEBT INSTRUMENTS	8,497	4,356	4,070	95.1	7.0	3.0	2.1	2.5
RESERVES	2,714	1,887	2,029	43.8	(7.0)	1.0	0.9	1.3
OTHER LIABILITIES	19,156	28,373	17,020	(32.5)	66.7	6.7	13.7	10.6
TOTAL LIABILITIES	284,459	206,806	160,137	38	29	100	100	100

Source: The BRSA

KEY FINANCIAL DATA AND GRAPHS

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 (%)		
	2019	2018	2017	2019-2018	2018-2017	2019	2018	2017
PROFIT SHARE INCOME	21,020	16,186	10,628	29.9	52.3	663.7	593.3	540.3
PROFIT SHARE EXPENSE	13,166	9,455	5,522	39.2	71.2	415.7	346.6	280.7
NET PROFIT SHARE INCOME	7,854	6,731	5,106	16.7	31.8	248.0	246.7	259.6
INCOME OTHER THAN PROFIT SHARE	4,860	3,645	2,052	33.3	77.6	153.5	133.6	104.3
NET FEES AND COMMISSIONS INCOME	1,220	1,023	847	19.3	20.8	38.5	37.5	43.1
BANKING SERVICES INCOME	1,244	895	653	39.0	37.1	39.3	32.8	33.2
OTHER INCOME OTHER THAN PROFIT SHARE	2,396	1,727	552	38.7	212.9	75.7	63.3	28.1
EXPENSES OTHER THAN PROFIT SHARE	7,444	6,814	4,281	9.2	59.2	235.0	249.8	217.6
PERSONNEL	2,645	1,961	1,589	34.9	23.4	83.5	71.9	80.8
FEES AND COMMISSIONS EXPENSES	667	523	394	27.5	32.7	21.1	19.2	20.0
OTHER EXPENSES OTHER THAN PROFIT SHARE	4,132	4,330	2,298	(4.6)	88.4	130.5	158.7	116.8
INCOME/EXPENSES OTHER THAN PROFIT SHARE	2,400	1,229	490	95.3	150.8	75.8	45.1	24.9
P/L FROM CAPITAL MARKET TRANSACTIONS	1,488	877	(409)	69.7	(314.4)	47.0	32.1	(20.8)
PROFIT/LOSS FROM FX TRANSACTIONS	912	351	898	159.8	(60.9)	28.8	12.9	45.7
OTHERS	0	0	1	-	(100.0)	0.0	0.0	0.1
PROFIT/LOSS BEFORE TAX	3,167	2,728	1,967	16.1	38.7	100.0	100.0	100.0
TAX PROVISIONS	734	604	384	21.5	57.3	23.2	22.1	19.5
NET PROFIT/LOSS	2,433	2,124	1,583	14.5	34.	76.8	77.9	80.5

Source: The BRSA

PARTICIPATION BANKS VS BANKING SECTOR: COMPARISON BETWEEN SELECTED RATIOS						
DESCRIPTION	PARTICIPATION BANKS			BANKING SECTOR		
	2019	2018	2017	2019	2018	2017
NON-PERFORMING LOANS (GROSS)/TOTAL CASH LOANS (%)	5.13	4.14	3.22	5.36	3.87	2.95
PROVISIONS FOR NON-PERFORMING LOANS/NON-PERFORMING LOANS (GROSS) (%)	63.88	63.3	70.75	65.13	68.32	79.38
LARGE DEPOSITS (TL 1 MILLION AND ABOVE)/TOTAL DEPOSITS (%)	47.58	45.49	41.38	54.22	54.52	53.19
PROFIT/LOSS BEFORE TAX/AVERAGE TOTAL ASSETS (ROAA) (%)	1.29	1.48	1.36	1.44	1.76	2.04
NET PROFIT/LOSS/AVERAGE SHAREHOLDERS' EQUITY (ROAE) (%)	13.36	15.14	13.50	11.53	14.67	16.04
NET PROFIT SHARE INCOME/LOSS/AVERAGE TOTAL ASSETS (%)	3.21	3.57	3.52	3.85	3.91	3.77
FEES, COMMISSIONS AND BANKING SERVICES INCOME/AVERAGE TOTAL ASSETS (%)	1.01	1.02	1.03	1.56	1.31	1.21
FEES, COMMISSION AND BANKING SERVICES INCOME/TOTAL INCOME (%)	8.68	8.96	10.73	12.2	10.08	11.81
OPERATIONAL EXPENSES/AVERAGE TOTAL ASSETS (%)	2.00	2.05	2.17	1.76	1.67	1.80
INCOME OTHER THAN PROFIT SHARE/EXPENSES OTHER THAN PROFIT SHARE (%)	99.19	99.33	97.13	97.09	98.33	97.20
FEES AND COMMISSIONS INCOME/OPERATIONAL EXPENSES (%)	50.27	49.62	47.61	88.2	78.16	67.32
AVERAGE TOTAL ASSETS/AVERAGE NUMBER OF EMPLOYEES (TL THOUSAND)	15,474.12	12,280.39	9,845.00	20,480.15	17,936.53	14,306.00
DEPOSITS/AVERAGE NUMBER OF EMPLOYEES (TL THOUSAND)	13,611.81	8,890.00	7,131.00	12,474.88	9,768.64	8,148.00
PROFIT/LOSS BEFORE TAX/AVERAGE NUMBER OF EMPLOYEES (TL THOUSAND)	200.07	181.21	113.59	295.24	314.94	292.00
DEPOSITS/NUMBER OF BRANCHES (TL THOUSAND)	188,335.31	127,417.46	105,928.00	223,583.76	175,848.90	146,392.00
LOANS/NUMBER OF BRANCHES (TL THOUSAND)	132,307.81	113,828.60	106,219.00	245,024.57	215,470.67	185,307.00
NUMBER OF EMPLOYEES/NUMBER OF BRANCHES (PERSON)	13.60	13.95	15.00	17.99	17.96	18.00
TOTAL CASH LOANS/DEPOSITS (%)	70.25	89.34	100.27	109.65	122.6	126.63
TOTAL SECURITIES PORTFOLIO/DEPOSITS (%)	19.31	11.07	12.3	25.75	23.47	23.48
DEMAND DEPOSITS/TOTAL DEPOSITS (%)	33.53	32.75	30.52	24.71	21.32	21.23
SHAREHOLDERS' EQUITY/TOTAL RISK-WEIGHTED ITEMS (CAPITAL ADEQUACY STANDARD RATIO) (%)	18.04	15.76	16.98	18.40	17.27	16.87
LIABILITIES/SHAREHOLDERS' EQUITY (%)	1,194.63	1,121.11	1,058.70	804.29	809.07	791.00

Source: The BRSA

KEY FINANCIAL DATA AND GRAPHS

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

ASSETS		CURRENT PERIOD 31 DECEMBER 2019		
		TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)	16,691,340	80,121,881	96,813,221
II.	FINANCIAL ASSETS MEASURED BY AMORTIZED COST (NET)	100,924,148	75,174,963	176,099,111
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	950,354	284	950,638
IV.	EQUITY INVESTMENTS	621,759	18,311	640,070
V.	TANGIBLE ASSETS (NET)	4,417,074	20,862	4,437,936
VI.	INTANGIBLE ASSETS (NET)	452,426	25	452,451
VII.	INVESTMENT PROPERTIES (NET)	25,146	0	25,146
VIII.	CURRENT TAX ASSETS	45	0	45
IX.	DEFERRED TAX ASSETS	790,338	0	790,338
X.	OTHER ASSETS	2,497,282	1,576,114	4,073,396
	TOTAL ASSETS	127,369,912	156,912,440	284,282,352

ASSETS		PRIOR PERIOD 31 DECEMBER 2018		
		TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)	13,869,495	48,504,936	62,374,431
II.	LOANS (NET)	90,211,432	42,892,054	133,103,486
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	1,330,227	718	1,330,945
IV.	EQUITY INVESTMENTS	39,581	5,907	45,488
V.	TANGIBLE ASSETS (NET)	2,583,142	422	2,583,564
VI.	INTANGIBLE ASSETS (NET)	359,919	48	359,967
VII.	INVESTMENT PROPERTIES (NET)	25,305	-	25,305
VIII.	CURRENT TAX ASSETS	3,492	-	3,492
IX.	DEFERRED TAX ASSETS	395,349	-	395,349
X.	OTHER ASSETS	2,319,564	3,217,490	5,537,054
	TOTAL ASSETS	112,031,201	94,621,575	206,652,776

LIABILITIES		CURRENT PERIOD 31 DECEMBER 2019		
		TL	FC	TOTAL
I.	FUNDS COLLECTED	91,178,886	128,422,559	219,601,445
II.	FUNDS BORROWED	11,117,601	13,021,218	24,138,819
III.	MONEY MARKETS DEBTS	381,922	0	381,922
IV.	SECURITIES ISSUED (NET)	0	0	0
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	0	0	0
VI.	DERIVATIVE FINANCIAL LIABILITIES	179,532	450,313	629,845
VII.	FINANCE LEASE PAYABLES (NET)	1,178,958	42,529	1,221,487
VIII.	PROVISIONS	1,671,577	410,300	2,081,877
IX.	CURRENT TAX LIABILITY	676,200	4,874	681,074
X.	DEFERRED TAX LIABILITY	0	0	0
XI.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (NET)	0	0	0
XII.	SUBORDINATED DEBT INSTRUMENTS	312,351	8,404,756	8,717,107
XIII.	OTHER LIABILITIES	4,067,170	994,614	5,061,784
XIV.	SHAREHOLDERS' EQUITY	21,617,699	149,293	21,766,992
	TOTAL LIABILITIES	132,381,896	151,900,456	284,282,352

LIABILITIES		PRIOR PERIOD 31 DECEMBER 2018		
		TL	FC	TOTAL
I.	FUNDS COLLECTED	71,648,248	79,060,460	139,805,734
II.	FUNDS BORROWED	16,014,594	24,574,892	36,062,813
III.	MONEY MARKETS DEBTS	1,824,374	-	1,824,374
IV.	SECURITIES ISSUED (NET)	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	137,076	537,582	622,709
VII.	FINANCE LEASE PAYABLES	-	415	415
VIII.	PROVISIONS	1,175,819	237,640	1,413,459
IX.	CURRENT TAX LIABILITY	489,315	3,181	422,782
X.	DEFERRED TAX LIABILITY	-	-	-
XI.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (NET)	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	-	4,432,022	4,432,022
XIII.	OTHER LIABILITIES	6,304,516	528,633	5,299,473
XIV.	SHAREHOLDERS' EQUITY	21,277,527	(122,209)	16,768,995
	TOTAL LIABILITIES	119,091,016	109,252,616	206,652,776

KEY FINANCIAL DATA AND GRAPHS

PARTICIPATION BANKS: SUMMARY STATEMENT OF OFF-BALANCE SHEET ACCOUNTS (TL THOUSAND)

STATEMENT OF OFF-BALANCE SHEET ACCOUNTS		CURRENT PERIOD 31 DECEMBER 2019		
		TL	FC	TOTAL
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)	98,883,553	109,490,882	208,374,435
I.	GUARANTEES AND WARRANTIES	26,343,214	23,444,065	49,787,279
II.	COMMITMENTS	57,508,252	6,026,609	63,534,861
III.	DERIVATIVE FINANCIAL INSTRUMENTS	15,032,087	80,020,208	95,052,295
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)	1,095,333,147	275,078,110	1,370,411,257
IV.	ITEMS HELD IN CUSTODY	44,691,252	27,226,469	71,917,721
V.	PLEDGES RECEIVED	1,050,630,256	247,624,443	1,298,254,699
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	11,639	227,198	238,837
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		1,194,216,700	384,568,992	1,578,785,692

STATEMENT OF OFF-BALANCE SHEET ACCOUNTS		PRIOR PERIOD 31 DECEMBER 2018		
		TL	FC	TOTAL
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)	81,275,736	68,858,929	150,134,665
I.	GUARANTEES AND WARRANTIES	22,827,855	22,552,448	45,380,303
II.	COMMITMENTS	54,326,796	4,310,339	58,637,135
III.	DERIVATIVE FINANCIAL INSTRUMENTS	4,121,085	41,996,142	46,117,227
B.	CUSTODY AND PLEDGES RECEIVED (IV+ V+VI)	941,061,759	235,285,330	1,176,347,089
IV.	ITEMS HELD IN CUSTODY	22,501,358	11,100,921	33,602,279
V.	PLEDGES RECEIVED	909,208,838	220,051,094	1,129,259,932
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	11,639	202,928	214,567
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		1,022,337,495	304,144,259	1,326,481,754

PARTICIPATION BANKS: SUMMARY STATEMENT OF INCOME (TL THOUSAND)

INCOME AND EXPENSE ITEMS		CURRENT PERIOD 1 JANUARY - 31 DECEMBER 2019
I.	PROFIT SHARE INCOME	21,700,548
II.	PROFIT SHARE EXPENSE	13,173,857
III.	NET PROFIT SHARE INCOME (I - II)	8,526,691
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE	1,087,344
V.	DIVIDEND INCOME	20,609
VI.	TRADING INCOME/(LOSS) (NET)	2,403,045
VII.	OTHER OPERATING INCOME	2,271,931
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)	14,309,620
IX.	EXPECTED CREDIT LOSS (-)	3,071,125
X.	OTHER PROVISIONAL EXPENSES (-)	196,265
XI.	PERSONNEL EXPENSE (-)	1,663,541
XII.	OTHER OPERATING EXPENSES (-)	1,320,849
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)	3,173,242
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER	-
XV.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD	-
XVI.	INCOME/(LOSS) ON NET MONETARY POSITION	-
XVII.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS K/Z (XIII+...+XVI)	3,173,242
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(252,788)
XIX.	CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)	2,438,042
XX.	INCOME FROM DISCONTINUED OPERATIONS	-
XXI.	EXPENSES FOR DISCONTINUED OPERATIONS (-)	-
XXII.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	-
XXIV.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)	-
XXV.	NET INCOME/(LOSS) (XIX+XXIV)	2,438,042
INCOME AND EXPENSE ITEMS		PRIOR PERIOD 1 JANUARY - 31 DECEMBER 2018
I.	PROFIT SHARE INCOME	16,764,613
II.	PROFIT SHARE EXPENSE	9,467,114
III.	NET PROFIT SHARE INCOME (I - II)	7,297,499
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE	783,016
V.	PERSONNEL EXPENSE (-)	1,170,852
VI.	DIVIDEND INCOME	1,804
VII.	TRADING INCOME/(LOSS) (NET)	1,226,956
VIII.	OTHER OPERATING INCOME	1,741,268
IX.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)	8,978,517
X.	EXPECTED CREDIT LOSS (-)	1,984,403
XI.	OTHER OPERATING EXPENSES (-)	1,184,628
XII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)	2,692,538
XIII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER	-
XIV.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD	-
XV.	INCOME/(LOSS) ON NET MONETARY POSITION	-
XVI.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS K/Z (XII+...+XV)	2,692,538
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(100,312)
XVIII.	CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	2,096,592
XIX.	INCOME FROM DISCONTINUED OPERATIONS	-
XX.	EXPENSES FOR DISCONTINUED OPERATIONS (-)	-
XXI.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	-
XXIII.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)	-
XXIV.	NET INCOME/(LOSS) (XVIII+XXIII)	2,096,592

KEY FINANCIAL DATA AND GRAPHS

SECTORAL GRAPHS

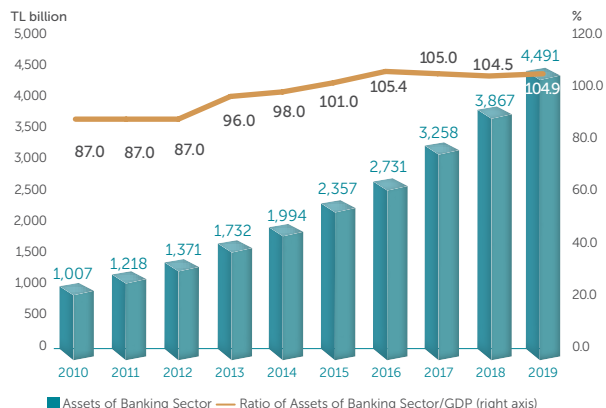
THE PARTICIPATION BANKING SECTOR SUCCESSFULLY CONTINUED ITS JOURNEY IN THE PATH OF SUSTAINABLE GROWTH IN 2019.

THE ASSET SIZE OF THE SECTOR, IN WHICH 6 BANKS WERE ACTIVE, REACHED TL 284,459 MILLION WITH A GROWTH OF 37.5%.

THE AVERAGE ANNUAL GROWTH RATE OF THE SECTOR IN 2010-2019 PERIOD WAS 23.3%.

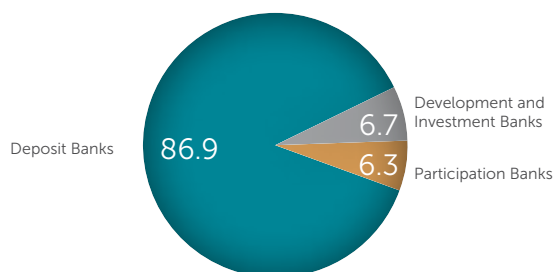
TURKISH BANKING SECTOR VOLUME AND RATIO TO GDP

2010-2019 CAGR **18.1%**



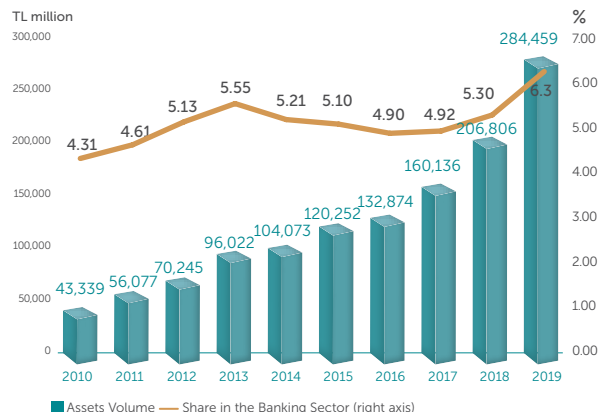
SHARES IN ASSET IN TURKISH BANKING SECTOR (%)

(Based on share received from total assets)



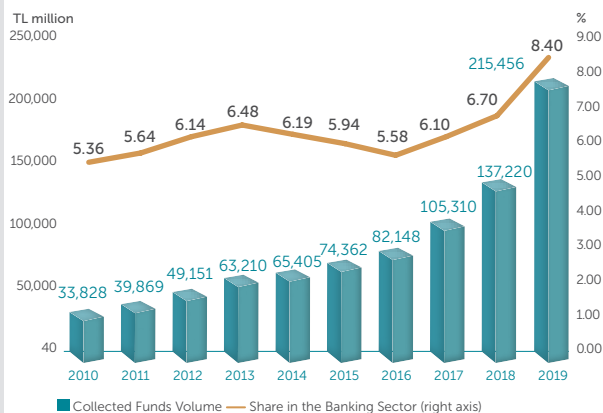
DEVELOPMENT OF ASSETS OF PARTICIPATION BANKS AND SHARES IN THE SECTOR

2010-2019 CAGR **23.3%**

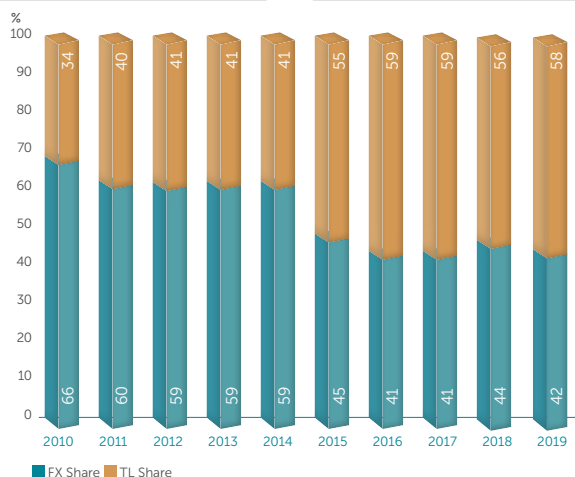


DEVELOPMENT OF FUNDS COLLECTED OF PARTICIPATION BANKS

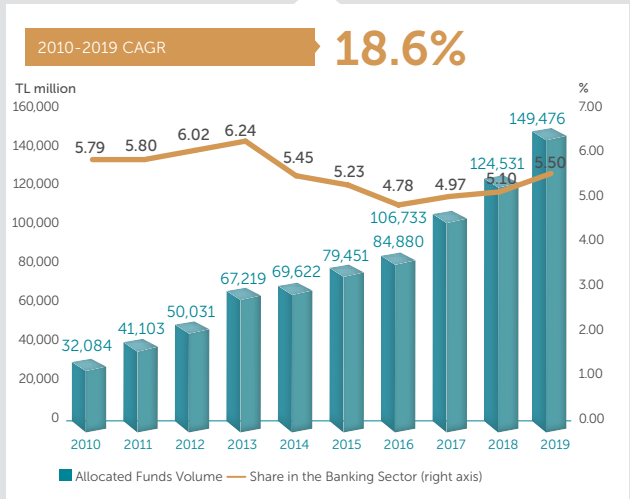
2010-2019 CAGR **22.9%**



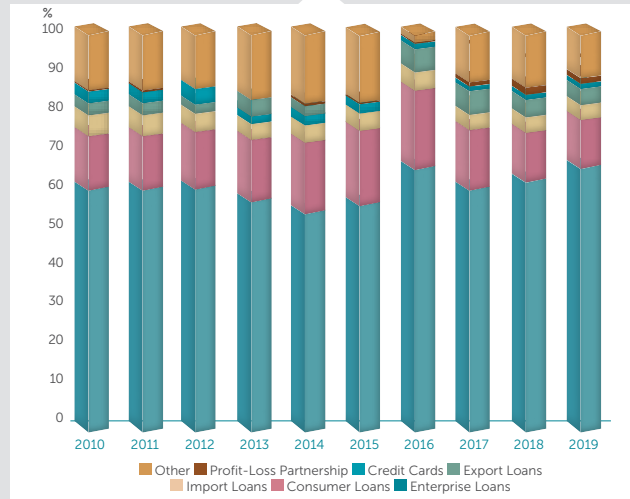
TL/FC CONCENTRATION OF FUNDS COLLECTED OF PARTICIPATION BANKS



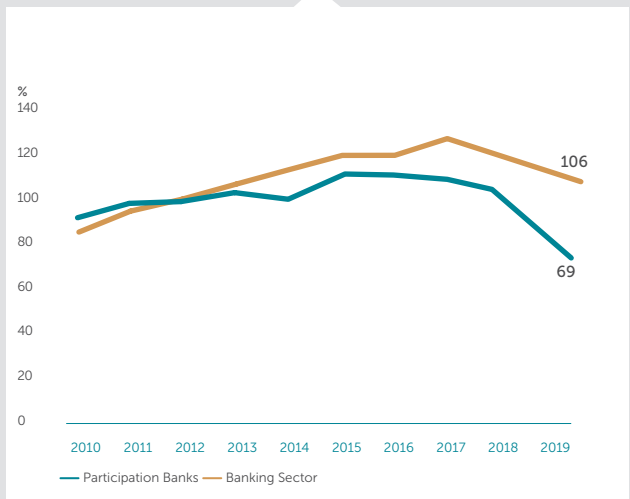
DEVELOPMENT OF FUNDS ALLOCATED OF PARTICIPATION BANKS



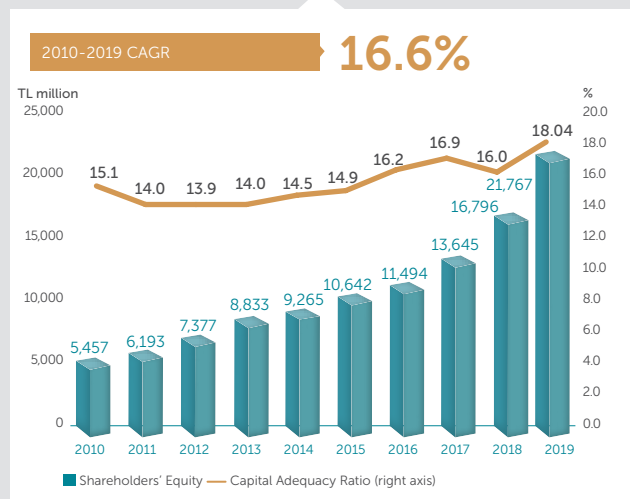
CONCENTRATION OF FUNDS ALLOCATED BY TYPES



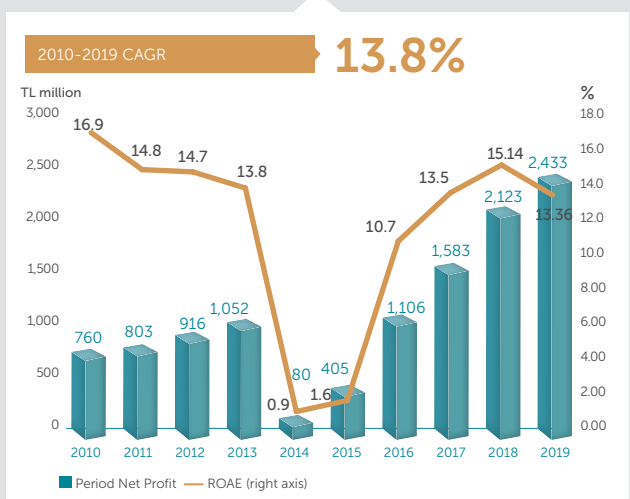
RATIO OF FUNDS ALLOCATED TO FUNDS COLLECTED



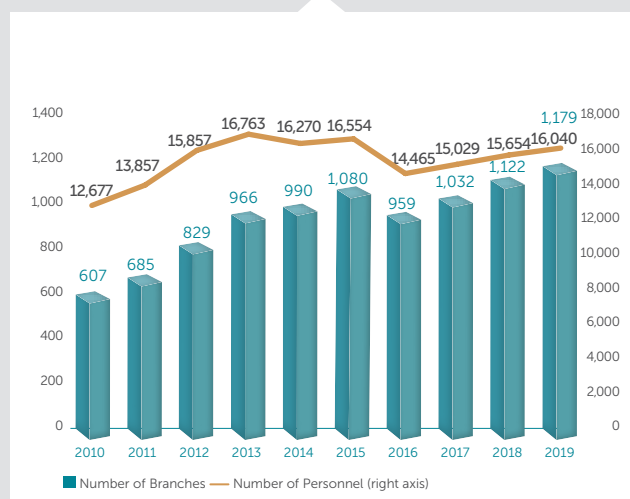
DEVELOPMENT OF SHAREHOLDERS' EQUITY OF PARTICIPATION BANKS



DEVELOPMENT OF NET PROFIT OF PARTICIPATION BANKS



DEVELOPMENT OF BRANCHES AND STAFF OF PARTICIPATION BANKS



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

ASSETS		CURRENT PERIOD 31 DECEMBER 2019		
		TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)	5,151,819	12,063,213	17,215,032
II.	FINANCIAL ASSETS MEASURED BY AMORTIZED COST (NET)	16,998,224	14,745,234	31,743,458
III.	ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	124,196	284	124,480
IV.	OWNERSHIP INVESTMENTS (NET)	51,837	18,311	70,148
V.	TANGIBLE ASSETS (NET)	1,496,510	19,905	1,516,415
VI.	INTANGIBLE ASSETS (NET)	30,535	-	30,535
VII.	INVESTMENT PROPERTY (NET)	-	-	0
VIII.	CURRENT TAX ASSET	45	-	45
IX.	DEFERRED TAX ASSET	166,390	-	166,390
	TOTAL ASSETS	24,294,269	27,098,099	51,392,368

ASSETS		PRIOR PERIOD 31 DECEMBER 2018		
		TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)	3,824,347	10,260,210	14,084,557
II.	LOANS (NET)	15,976,372	10,208,617	26,184,989
III.	ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	648,970	718	649,688
IV.	OWNERSHIP INVESTMENTS (NET)	33,837	5,907	39,744
V.	TANGIBLE ASSETS (NET)	655,230	219	655,449
VI.	INTANGIBLE ASSETS (NET)	31,419	-	31,419
VII.	INVESTMENT PROPERTY (NET)	-	-	-
VIII.	CURRENT TAX ASSET	3,492	-	3,492
IX.	DEFERRED TAX ASSET	170,099	-	170,099
X.	OTHER ASSETS	362,551	41,664	404,215
	TOTAL ASSETS	21,706,317	20,517,335	42,223,652

LIABILITIES		CURRENT PERIOD 31 DECEMBER 2019		
		TL	FC	TOTAL
I.	FUNDS COLLECTED	14,696,620	25,072,788	39,769,408
II.	FUNDS BORROWED	2,843,246	1,691,379	4,534,625
III.	BORROWINGS FROM MONEY MARKETS	18,237	-	18,237
IV.	SECURITIES ISSUED (NET)	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	504	345	849
VII.	LEASE PAYABLES (NET)	287,755	12,905	300,660
VIII.	PROVISIONS	133,162	1,590	134,752
IX.	CURRENT TAX LIABILITY	68,084	4,874	72,958
X.	DEFERRED TAX LIABILITY	-	-	-
XI.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	-	-	-
XII.	SUBORDINATED LOANS	-	1,375,164	1,375,164
XIII.	OTHER LIABILITIES	1,156,348	207,438	1,363,786
XIV.	SHAREHOLDERS' EQUITY	3,785,896	36,033	3,821,929
	TOTAL LIABILITIES	22,989,852	28,402,516	51,392,368

LIABILITIES		PRIOR PERIOD 31 DECEMBER 2018		
		TL	FC	TOTAL
I.	FUNDS COLLECTED	11,779,608	16,843,865	28,623,473
II.	FUNDS BORROWED	1,834,328	5,017,765	6,852,093
III.	BORROWINGS FROM MONEY MARKETS	771,957	-	771,957
IV.	SECURITIES ISSUED (NET)	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	1,545	-	1,545
VII.	LEASE PAYABLES	-	-	-
VIII.	PROVISIONS	89,535	736	90,271
IX.	CURRENT TAX LIABILITY	53,041	3,181	56,222
X.	DEFERRED TAX LIABILITY	-	-	-
XI.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	-	-	-
XII.	SUBORDINATED LOANS	-	1,204,297	1,204,297
XIII.	OTHER LIABILITIES	1,288,023	74,320	1,362,343
XIV.	SHAREHOLDERS' EQUITY	3,269,225	(7,774)	3,261,451
	TOTAL LIABILITIES	19,087,262	23,136,390	42,223,652

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

STATEMENT OF OFF-BALANCE SHEET		CURRENT PERIOD 31 DECEMBER 2019		
		TL	FC	TOTAL
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	6,884,242	5,792,399	12,676,641
I.	GUARANTEES AND SURETIES	5,128,502	5,302,936	10,431,438
II.	COMMITMENTS	1,722,506	389,607	2,112,113
III.	DERIVATIVE FINANCIAL INSTRUMENTS	33,234	99,856	133,090
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	72,616,853	16,137,385	88,754,238
IV.	ITEMS HELD IN CUSTODY	3,812,406	3,053,641	6,866,047
V.	PLEDGED ITEMS	68,804,447	13,083,744	81,888,191
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		79,501,095	21,929,784	101,430,879

STATEMENT OF OFF-BALANCE SHEET		PRIOR PERIOD 31 DECEMBER 2018		
		TL	FC	TOTAL
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	6,476,432	5,967,594	12,444,026
I.	GUARANTEES AND SURETIES	4,655,835	5,389,862	10,045,697
II.	COMMITMENTS	1,553,305	315,080	1,868,385
III.	DERIVATIVE FINANCIAL INSTRUMENTS	267,292	262,652	529,944
B.	CUSTODY AND PLEDGED ITEMS (IV+ V+VI)	68,732,410	13,762,534	82,494,944
IV.	ITEMS HELD IN CUSTODY	2,380,394	2,083,413	4,463,807
V.	PLEDGED ITEMS	57,012,092	7,748,734	64,760,826
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		75,208,842	19,730,128	94,938,970

ALBARAKA TÜRK KATILIM BANKASI A.Ş. SUMMARY STATEMENT OF PROFIT OR LOSS (TL THOUSAND)

STATEMENT OF PROFIT OR LOSS		CURRENT PERIOD 1 JANUARY - 31 DECEMBER 2019
I.	PROFIT SHARE INCOME	3,344,284
II.	PROFIT SHARE EXPENSE (-)	2,521,054
III.	NET PROFIT SHARE INCOME (I - II)	823,230
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES	299,829
V.	DIVIDEND INCOME	-
VI.	TRADING INCOME/LOSS (NET)	323,709
VII.	OTHER OPERATING INCOME	543,084
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)	1,989,852
IX.	EXPECTED CREDIT LOSS (-)	773,996
X.	OTHER PROVISIONAL EXPENSES (-)	16,411
XI.	PERSONNEL EXPENSES (-)	667,274
XII.	OTHER OPERATING EXPENSES (-)	444,878
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)	87,293
XIV.	EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER	-
XV.	PROFIT/(LOSS) ON EQUITY METHOD	-
XVI.	PROFIT/(LOSS) ON NET MONETARY POSITION	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)	87,293
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (+)	23,864
XIX.	NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XVII+XVIII)	63,429
XX.	INCOME FROM DISCONTINUED OPERATIONS	-
XXI.	LOSS FROM DISCONTINUED OPERATIONS (-)	-
XXII.	PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (+)	-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII+XXIII)	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	63,429
STATEMENT OF PROFIT OR LOSS		PRIOR PERIOD 1 JANUARY - 31 DECEMBER 2018
I.	PROFIT SHARE INCOME	3,019,738
II.	PROFIT SHARE EXPENSE (-)	2,000,179
III.	NET PROFIT SHARE INCOME (I - II)	1,019,559
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES	198,153
V.	PERSONNEL EXPENSES (-)	535,985
VI.	DIVIDEND INCOME	177
VII.	TRADING INCOME/LOSS (NET)	358,815
VIII.	OTHER OPERATING INCOME	360,618
IX.	TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)	1,401,337
X.	EXPECTED CREDIT LOSS (-)	607,836
XI.	OTHER OPERATING EXPENSES (-)	625,006
XII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)	168,495
XIII.	EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER	-
XIV.	PROFIT/(LOSS) ON EQUITY METHOD	-
XV.	PROFIT/(LOSS) ON NET MONETARY POSITION	-
XVI.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	168,495
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (+)	34,527
XVIII.	NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XVI+XVII)	133,968
XIX.	INCOME FROM DISCONTINUED OPERATIONS	-
XX.	LOSS FROM DISCONTINUED OPERATIONS (-)	-
XXI.	PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XIX-XX)	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (+)	-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI+XXII)	-
XXIV.	NET PROFIT/LOSS (XVIII+XXIII)	133,968

EMLAK KATILIM-FINANCIAL STATEMENTS



TÜRKİYE EMLAK KATILIM BANKASI A.Ş. SUMMARY BALANCE SHEET (TL THOUSAND)

ASSETS	CURRENT PERIOD 31 DECEMBER 2019		
	TL	FC	TOTAL
I. FINANCIAL ASSETS (NET)	307,709	1,642,769	1,950,478
II. FINANCIAL ASSETS MEASURED BY AMORTIZED COST (NET)	3,275,613	3,552,249	6,827,862
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	35,200	-	35,200
IV. EQUITY INVESTMENTS	50	-	50
V. TANGIBLE ASSETS (NET)	101,710	-	101,710
VI. INTANGIBLE ASSETS (NET)	39,802	-	39,802
VII. INVESTMENT PROPERTIES (NET)	-	-	-
VIII. CURRENT TAX ASSETS	-	-	-
IX. DEFERRED TAX ASSETS	102,414	-	102,414
X. OTHER ASSETS	224,692	63	224,755
TOTAL ASSETS	4,087,190	5,195,081	9,282,271

ASSETS	PRIOR PERIOD 31 DECEMBER 2018		
	TL	FC	TOTAL
I. FINANCIAL ASSETS (NET)	655,644	1,957	657,601
II. FINANCIAL ASSETS MEASURED BY AMORTIZED COST (NET)			
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	36,722	-	36,722
IV. EQUITY INVESTMENTS			
V. TANGIBLE ASSETS (NET)	12,021	-	12,021
VI. INTANGIBLE ASSETS (NET)	20,330	-	20,330
VII. INVESTMENT PROPERTIES (NET)			
VIII. CURRENT TAX ASSETS	89,061	-	89,061
IX. DEFERRED TAX ASSETS	103,538	-	103,538
X. OTHER ASSETS	219,525	-	219,525
TOTAL ASSETS	1,136,841	1,957	1,138,798

LIABILITIES	CURRENT PERIOD 31 DECEMBER 2019		
	TL	FC	TOTAL
I. FUNDS COLLECTED	2,746,808	3,205,868	5,952,676
II. FUNDS BORROWED	-	864,292	864,292
III. BORROWINGS FROM MONEY MARKETS	-	-	-
IV. SECURITIES ISSUED (NET)	-	-	-
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	34	5,857	5,891
VII. LEASE PAYABLES (NET)	30,567	-	30,567
VIII. PROVISIONS	60,924	37,653	98,577
IX. CURRENT TAX LIABILITY	10,698	-	10,698
X. DEFERRED TAX LIABILITY	-	-	-
LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF			
XI. DISCONTINUED OPERATIONS (NET)	-	-	-
XII. SUBORDINATED LOANS	-	1,076,666	1,076,666
XIII. OTHER LIABILITIES	73,704	27	73,731
XIV. SHAREHOLDERS' EQUITY	1,169,173	-	1,169,173
TOTAL LIABILITIES	4,091,908	5,190,363	9,282,271

LIABILITIES	PRIOR PERIOD 31 DECEMBER 2018		
	TL	FC	TOTAL
I. FUNDS COLLECTED	-	-	-
II. FUNDS BORROWED	-	-	-
III. BORROWINGS FROM MONEY MARKETS	-	-	-
IV. SECURITIES ISSUED (NET)	-	-	-
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	-	-	-
VII. LEASE PAYABLES (NET)	-	-	-
VIII. PROVISIONS	30,862	-	30,862
IX. CURRENT TAX LIABILITY	1,714	-	1,714
X. DEFERRED TAX LIABILITY	-	-	-
LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF			
XI. DISCONTINUED OPERATIONS (NET)	-	-	-
XII. SUBORDINATED LOANS	-	-	-
XIII. OTHER LIABILITIES	4,601	515	5,116
XIV. SHAREHOLDERS' EQUITY	1,101,106	-	1,101,106
TOTAL LIABILITIES	1,138,283	515	1,138,798

TÜRKİYE EMLAK KATILIM BANKASI A.Ş. SUMMARY STATEMENT OF OFF-BALANCE SHEET (TL THOUSAND)

		CURRENT PERIOD 31 DECEMBER 2019		
STATEMENT OF OFF-BALANCE SHEET		TL	FC	TOTAL
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	355,345	921,952	1,277,297
I.	GUARANTEES AND SURETIES	321,052	105,671	426,723
II.	COMMITMENTS	6,636	40,836	47,472
III.	DERIVATIVE FINANCIAL INSTRUMENTS	27,657	775,445	803,102
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	15,524,852	4,008,298	19,533,150
IV.	ITEMS HELD IN CUSTODY	316,275	2,098,143	2,414,418
V.	PLEDGED ITEMS	15,208,577	1,910,155	17,118,732
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		15,880,197	4,930,250	20,810,447

		PRIOR PERIOD 31 DECEMBER 2018		
STATEMENT OF OFF-BALANCE SHEET		TL	FC	TOTAL
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	-	-	-
I.	GUARANTEES AND SURETIES	-	-	-
II.	COMMITMENTS	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	-	-	-
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	1,994	11,353	13,347
IV.	ITEMS HELD IN CUSTODY	1,994	11,353	13,347
V.	PLEDGED ITEMS	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		1,994	11,353	13,347

TÜRKİYE EMLAK KATILIM BANKASI A.Ş. SUMMARY STATEMENT OF PROFIT OR LOSS (TL THOUSAND)

		CURRENT PERIOD
		31 DECEMBER 2019
I.	PROFIT SHARE INCOME	429,813
II.	PROFIT SHARE EXPENSE (-)	212,161
III.	NET PROFIT SHARE INCOME (I - II)	217,652
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES	(1,365)
V.	DIVIDEND INCOME	-
VI.	TRADING INCOME/LOSS (NET)	32,514
VII.	OTHER OPERATING INCOME	24,115
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)	272,916
IX.	PROVISIONS FOR LOANS (-)	79,252
X.	PERSONNEL EXPENSES (-)	73,875
XI.	OTHER OPERATING EXPENSES (-)	73,686
XII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI)	46,103
XIII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER	-
XIV.	PROFIT/(LOSS) ON EQUITY METHOD	-
XV.	PROFIT/(LOSS) ON NET MONETARY POSITION	-
XVI.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	46,103
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (+)	1,124
XVIII.	NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XVI+XVII)	44,979
XIX.	INCOME FROM DISCONTINUED OPERATIONS	-
XX.	LOSS FROM DISCONTINUED OPERATIONS (-)	-
XXI.	PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XIX-XX)	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (+)	-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI+XXII)	-
XXIV.	NET PROFIT/LOSS (XVIII+XXIII)	44,979
		PRIOR PERIOD
		31 DECEMBER 2018
I.	PROFIT SHARE INCOME	211,955
II.	PROFIT SHARE EXPENSE (-)	-
III.	NET PROFIT SHARE INCOME (I - II)	211,955
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES	(1)
V.	DIVIDEND INCOME	-
VI.	TRADING INCOME/LOSS (NET)	261,084
VII.	OTHER OPERATING INCOME	29,733
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)	502,771
IX.	PROVISIONS FOR LOANS (-)	15,321
X.	PERSONNEL EXPENSES (-)	11,951
XI.	OTHER OPERATING EXPENSES (-)	35,341
XII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI)	440,158
XIII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER	-
XIV.	PROFIT/(LOSS) ON EQUITY METHOD	-
XV.	PROFIT/(LOSS) ON NET MONETARY POSITION	-
XVI.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	440,158
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (+)	(103,538)
XVIII.	NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XVI+XVII)	543,696
XIX.	INCOME FROM DISCONTINUED OPERATIONS	-
XX.	LOSS FROM DISCONTINUED OPERATIONS (-)	-
XXI.	PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XIX-XX)	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (+)	-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI+XXII)	-
XXIV.	NET PROFIT/LOSS (XVIII+XXIII)	543,696

KUVEYT TÜRK-FINANCIAL STATEMENTS



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

ASSETS		CURRENT PERIOD 31 DECEMBER 2019		
		TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)	4,803,455	37,903,612	42,707,067
II.	FINANCIAL ASSETS MEASURED BY AMORTIZED COST (NET)	32,535,710	25,009,784	57,545,494
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	473,326	-	473,326
IV.	EQUITY INVESTMENTS	564,853	-	564,853
V.	TANGIBLE ASSETS (NET)	1,033,995	957	1,034,952
VI.	INTANGIBLE ASSETS (NET)	133,955	25	133,980
VII.	INVESTMENT PROPERTIES (NET)	25,146	-	25,146
VIII.	CURRENT TAX ASSETS	-	-	-
IX.	DEFERRED TAX ASSETS	358,097	-	358,097
X.	OTHER ASSETS	658,556	937,874	1,596,430
	TOTAL ASSETS	40,587,093	63,852,252	104,439,345

ASSETS		PRIOR PERIOD 31 DECEMBER 2018		
		TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)	3,639,236	19,911,720	23,550,956
II.	LOANS (NET)	31,038,014	14,827,277	45,865,291
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	270,382	-	270,382
IV.	EQUITY INVESTMENTS	547,950	-	547,950
V.	TANGIBLE ASSETS (NET)	688,685	203	688,888
VI.	INTANGIBLE ASSETS (NET)	136,931	48	136,979
VII.	INVESTMENT PROPERTIES (NET)	25,305	-	25,305
VIII.	CURRENT TAX ASSETS	-	-	-
IX.	DEFERRED TAX ASSETS	346,640	-	346,640
X.	OTHER ASSETS	817,583	1,982,351	2,799,934
	TOTAL ASSETS	37,510,726	36,721,599	74,232,325

LIABILITIES		CURRENT PERIOD 31 DECEMBER 2019		
		TL	FC	TOTAL
I.	FUNDS COLLECTED	35,410,329	50,084,058	85,494,387
II.	FUNDS BORROWED	923,177	4,468,500	5,391,677
III.	BORROWINGS FROM MONEY MARKETS	-	-	-
IV.	SECURITIES ISSUED (NET)	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	129,690	294,447	424,137
VII.	LEASE PAYABLES (NET)	315,732	10,446	326,178
VIII.	PROVISIONS	850,649	240,346	1,090,995
IX.	CURRENT TAX LIABILITY	224,425	-	224,425
X.	DEFERRED TAX LIABILITY	-	-	-
XI.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	-	-	-
XII.	SUBORDINATED LOANS	-	3,380,983	3,380,983
XIII.	OTHER LIABILITIES	1,023,193	262,080	1,285,273
XIV.	SHAREHOLDERS' EQUITY	6,742,813	78,477	6,821,290
	TOTAL LIABILITIES	45,620,008	58,819,337	104,439,345

LIABILITIES		PRIOR PERIOD 31 DECEMBER 2018		
		TL	FC	TOTAL
I.	FUNDS COLLECTED	22,520,320	31,465,958	53,986,278
II.	FUNDS BORROWED	2,038,900	8,103,989	10,142,889
III.	BORROWINGS FROM MONEY MARKETS	188,003	-	188,003
IV.	SECURITIES ISSUED (NET)	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	21,045	148,288	169,333
VII.	LEASE PAYABLES	-	-	-
VIII.	PROVISIONS	615,510	180,385	795,895
IX.	CURRENT TAX LIABILITY	175,685	-	175,685
X.	DEFERRED TAX LIABILITY	-	-	-
XI.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	-	-	-
XII.	SUBORDINATED LOANS	-	1,901,210	1,901,210
XIII.	OTHER LIABILITIES	1,282,540	151,939	1,434,479
XIV.	SHAREHOLDERS' EQUITY	5,489,985	(51,432)	5,438,553
	TOTAL LIABILITIES	32,331,988	41,900,337	74,232,325

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

		CURRENT PERIOD 31 DECEMBER 2019		
STATEMENT OF OFF-BALANCE SHEET		TL	FC	TOTAL
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	67,365,973	56,289,772	123,655,745
I.	GUARANTEES AND SURETIES	6,938,439	4,962,863	11,901,302
II.	COMMITMENTS	52,151,025	1,894,212	54,045,237
III.	DERIVATIVE FINANCIAL INSTRUMENTS	8,276,509	49,432,697	57,709,206
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	381,449,255	165,631,022	547,080,277
IV.	ITEMS HELD IN CUSTODY	11,299,056	14,947,964	26,247,020
V.	PLEDGED ITEMS	370,138,560	150,613,354	520,751,914
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	11,639	69,704	81,343
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		448,815,228	221,920,794	670,736,022

		PRIOR PERIOD 31 DECEMBER 2018		
STATEMENT OF OFF-BALANCE SHEET		TL	FC	TOTAL
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	57,546,517	29,226,698	86,773,215
I.	GUARANTEES AND SURETIES	6,416,633	5,451,457	11,868,090
II.	COMMITMENTS	50,194,084	1,327,223	51,521,307
III.	DERIVATIVE FINANCIAL INSTRUMENTS	935,800	22,448,018	23,383,818
B.	CUSTODY AND PLEDGED ITEMS (IV+ V+VI)	316,497,679	142,487,425	458,985,104
IV.	ITEMS HELD IN CUSTODY	10,816,866	5,644,771	16,461,637
V.	PLEDGED ITEMS	305,669,174	136,780,695	442,449,869
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	11,639	61,959	73,598
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		374,044,196	171,714,123	545,758,319

KUVEYT TÜRK KATILIM BANKASI A.Ş. SUMMARY STATEMENT OF PROFIT OR LOSS (TL THOUSAND)

STATEMENT OF PROFIT OR LOSS		CURRENT PERIOD 1 JANUARY - 31 DECEMBER 2019
I.	PROFIT SHARE INCOME	7,471,511
II.	PROFIT SHARE EXPENSE (-)	3,975,600
III.	NET PROFIT SHARE INCOME (I - II)	3,495,911
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES	468,907
V.	DIVIDEND INCOME	2,841
VI.	TRADING INCOME/LOSS (NET)	1,274,256
VII.	OTHER OPERATING INCOME	783,319
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)	6,025,234
IX.	EXPECTED CREDIT LOSS (-)	2,615,137
X.	OTHER PROVISIONAL EXPENSES (-)	57,904
XI.	PERSONNEL EXPENSES (-)	1,026,615
XII.	OTHER OPERATING EXPENSES (-)	910,311
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)	1,415,267
XIV.	EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER	-
XV.	PROFIT/(LOSS) ON EQUITY METHOD	-
XVI.	PROFIT/(LOSS) ON NET MONETARY POSITION	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)	1,415,267
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(305,429)
XIX.	NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)	1,109,838
XX.	INCOME FROM DISCONTINUED OPERATIONS	-
XXI.	LOSS FROM DISCONTINUED OPERATIONS (-)	-
XXII.	PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	1,109,838

STATEMENT OF PROFIT OR LOSS		PRIOR PERIOD 1 JANUARY - 31 DECEMBER 2018
I.	PROFIT SHARE INCOME	5,997,843
II.	PROFIT SHARE EXPENSE (-)	2,850,053
III.	NET PROFIT SHARE INCOME (I - II)	3,147,790
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES	349,546
V.	PERSONNEL EXPENSES (-)	803,290
VI.	DIVIDEND INCOME	1,273
VII.	TRADING INCOME/LOSS (NET)	453,415
VIII.	OTHER OPERATING INCOME	656,516
IX.	TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)	3,805,250
X.	EXPECTED CREDIT LOSS (-)	1,977,360
XI.	OTHER OPERATING EXPENSES (-)	701,833
XII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)	1,126,057
XIII.	EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER	-
XIV.	PROFIT/(LOSS) ON EQUITY METHOD	-
XV.	PROFIT/(LOSS) ON NET MONETARY POSITION	-
XVI.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	1,126,057
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(256,245)
XVIII.	NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)	869,812
XIX.	INCOME FROM DISCONTINUED OPERATIONS	-
XX.	LOSS FROM DISCONTINUED OPERATIONS (-)	-
XXI.	PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XIX-XX)	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)	-
XXIV.	NET PROFIT/LOSS (XVIII+XXIII)	869,812

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

		CURRENT PERIOD 31 DECEMBER 2019		
ASSETS		TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)	2,098,711	15,892,762	17,991,473
II.	FINANCIAL ASSETS MEASURED BY AMORTIZED COST (NET)	19,546,058	12,075,561	31,621,619
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	213,563	-	213,563
IV.	EQUITY INVESTMENTS	100	-	100
V.	TANGIBLE ASSETS (NET)	1,215,218	-	1,215,218
VI.	INTANGIBLE ASSETS (NET)	106,139	-	106,139
VII.	INVESTMENT PROPERTIES (NET)	-	-	-
VIII.	CURRENT TAX ASSETS	-	-	-
IX.	DEFERRED TAX ASSETS	87,747	-	87,747
X.	OTHER ASSETS	923,663	267,888	1,191,551
	TOTAL ASSETS	24,191,199	28,236,211	52,427,410

		PRIOR PERIOD 31 DECEMBER 2018		
ASSETS		TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)	2,892,925	10,748,398	13,641,323
II.	LOANS (NET)	21,852,257	7,973,534	29,825,791
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	406,616	-	406,616
IV.	EQUITY INVESTMENTS	100	-	100
V.	TANGIBLE ASSETS (NET)	900,166	-	900,166
VI.	INTANGIBLE ASSETS (NET)	88,372	-	88,372
VII.	INVESTMENT PROPERTIES (NET)	-	-	-
VIII.	CURRENT TAX ASSETS	-	-	-
IX.	DEFERRED TAX ASSETS	143,047	-	143,047
X.	OTHER ASSETS	859,728	1,187,341	2,047,069
	TOTAL ASSETS	27,143,211	19,909,273	47,052,484

		CURRENT PERIOD 31 DECEMBER 2019		
LIABILITIES		TL	FC	TOTAL
I.	FUNDS COLLECTED	15,266,513	24,708,001	39,974,514
II.	FUNDS BORROWED	1,770,890	1,993,749	3,764,639
III.	BORROWINGS FROM MONEY MARKETS	-	-	-
IV.	SECURITIES ISSUED (NET)	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	38,149	96,137	134,286
VII.	LEASE PAYABLES (NET)	297,139	5,078	302,217
VIII.	PROVISIONS	283,178	48,042	331,220
IX.	CURRENT TAX LIABILITY	141,689	-	141,689
X.	DEFERRED TAX LIABILITY	-	-	-
XI.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	-	-	-
XII.	SUBORDINATED LOANS	-	1,497,558	1,497,558
XIII.	OTHER LIABILITIES	1,122,603	331,605	1,454,208
XIV.	SHAREHOLDERS' EQUITY	4,813,476	13,603	4,827,079
	TOTAL LIABILITIES	23,733,637	28,693,773	52,427,410

		PRIOR PERIOD 31 DECEMBER 2018		
LIABILITIES		TL	FC	TOTAL
I.	FUNDS COLLECTED	10,902,974	15,959,505	26,862,479
II.	FUNDS BORROWED	4,526,673	7,487,945	12,014,618
III.	BORROWINGS FROM MONEY MARKETS	-	-	-
IV.	SECURITIES ISSUED (NET)	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	51,949	374,096	426,045
VII.	LEASE PAYABLES	-	-	-
VIII.	PROVISIONS	219,547	34,581	254,128
IX.	CURRENT TAX LIABILITY	69,714	-	69,714
X.	DEFERRED TAX LIABILITY	-	-	-
XI.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	-	-	-
XII.	SUBORDINATED LOANS	-	1,326,515	1,326,515
XIII.	OTHER LIABILITIES	1,533,676	242,128	1,775,804
XIV.	SHAREHOLDERS' EQUITY	4,386,323	(63,142)	4,323,181
	TOTAL LIABILITIES	21,690,856	25,361,628	47,052,484

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

		CURRENT PERIOD 31 DECEMBER 2019		
STATEMENT OF OFF-BALANCE SHEET		TL	FC	TOTAL
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	8,790,513	17,733,521	26,524,034
I.	GUARANTEES AND SURETIES	3,916,693	3,410,452	7,327,145
II.	COMMITMENTS	1,958,108	2,218,599	4,176,707
III.	DERIVATIVE FINANCIAL INSTRUMENTS	2,915,712	12,104,470	15,020,182
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	454,680,050	78,860,738	533,540,788
IV.	ITEMS HELD IN CUSTODY	3,628,456	2,761,552	6,390,008
V.	PLEDGED ITEMS	451,051,594	75,941,692	526,993,286
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	157,494	157,494
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		463,470,563	96,594,259	560,064,822

		PRIOR PERIOD 31 DECEMBER 2018		
STATEMENT OF OFF-BALANCE SHEET		TL	FC	TOTAL
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	7,593,066	16,682,536	24,275,602
I.	GUARANTEES AND SURETIES	4,216,393	3,342,615	7,559,008
II.	COMMITMENTS	1,871,543	1,875,149	3,746,692
III.	DERIVATIVE FINANCIAL INSTRUMENTS	1,505,130	11,464,772	12,969,902
B.	CUSTODY AND PLEDGED ITEMS (IV+ V+VI)	449,350,654	74,159,547	523,510,201
IV.	ITEMS HELD IN CUSTODY	4,694,504	2,119,017	6,813,521
V.	PLEDGED ITEMS	444,656,150	71,899,561	516,555,711
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	140,969	140,969
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		456,943,720	90,842,083	547,785,803

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. SUMMARY STATEMENT OF PROFIT OR LOSS (TL THOUSAND)

STATEMENT OF PROFIT OR LOSS		CURRENT PERIOD
		1 JANUARY - 31 DECEMBER 2019
I.	PROFIT SHARE INCOME	4,536,840
II.	PROFIT SHARE EXPENSE (-)	2,596,001
III.	NET PROFIT SHARE INCOME (I - II)	1,940,839
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES	141,723
V.	DIVIDEND INCOME	6
VI.	TRADING INCOME/LOSS (Net)	191,088
VII.	OTHER OPERATING INCOME	645,796
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)	2,919,452
IX.	EXPECTED CREDIT LOSS (-)	(1,256,926)
X.	OTHER PROVISIONAL EXPENSES (-)	(75,551)
XI.	PERSONNEL EXPENSES (-)	(526,251)
XII.	OTHER OPERATING EXPENSES (-)	(583,571)
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)	477,153
XIV.	EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER	-
XV.	PROFIT/(LOSS) ON EQUITY METHOD	-
XVI.	PROFIT/(LOSS) ON NET MONETARY POSITION	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)	477,153
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	98,979
XIX.	NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)	378,174
XX.	INCOME FROM DISCONTINUED OPERATIONS	-
XXI.	LOSS FROM DISCONTINUED OPERATIONS (-)	-
XXII.	PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	378,174
STATEMENT OF PROFIT OR LOSS		PRIOR PERIOD
		1 JANUARY - 31 DECEMBER 2018
I.	PROFIT SHARE INCOME	3,937,713
II.	PROFIT SHARE EXPENSE (-)	2,191,887
III.	NET PROFIT SHARE INCOME (I - II)	1,745,826
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES	126,793
V.	PERSONNEL EXPENSES (-)	(450,587)
VI.	DIVIDEND INCOME	177
VII.	TRADING INCOME/LOSS (NET)	83,909
VIII.	OTHER OPERATING INCOME	621,806
IX.	TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)	2,127,924
X.	EXPECTED CREDIT LOSS (-)	(1,055,476)
XI.	OTHER OPERATING EXPENSES (-)	(502,998)
XII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)	569,450
XIII.	EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER	-
XIV.	PROFIT/(LOSS) ON EQUITY METHOD	-
XV.	PROFIT/(LOSS) ON NET MONETARY POSITION	-
XVI.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	569,450
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	124,700
XVIII.	NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)	444,750
XIX.	INCOME FROM DISCONTINUED OPERATIONS	-
XX.	LOSS FROM DISCONTINUED OPERATIONS (-)	-
XXI.	PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XIX-XX)	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)	-
XXIV.	NET PROFIT/LOSS (XVIII+XXIII)	444,750

VAKIF KATILIM-FINANCIAL STATEMENTS



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

ASSETS	CURRENT PERIOD 31 DECEMBER 2019		
	TL	FC	TOTAL
I. FINANCIAL ASSETS (NET)	2,139,229	8,594,826	10,734,055
II. FINANCIAL ASSETS MEASURED BY AMORTIZED COST (NET)	10,564,424	8,257,320	18,821,744
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	-	-	-
IV. EQUITY INVESTMENTS	4,819	-	4,819
V. TANGIBLE ASSETS (NET)	412,044	-	412,044
VI. INTANGIBLE ASSETS (NET)	21,354	-	21,354
VII. INVESTMENT PROPERTIES (NET)	-	-	-
VIII. CURRENT TAX ASSETS	-	-	-
IX. DEFERRED TAX ASSETS	33,537	-	33,537
X. OTHER ASSETS	267,621	53,610	321,231
TOTAL ASSETS	13,443,028	16,905,756	30,348,784

ASSETS	CURRENT PERIOD 31 DECEMBER 2018		
	TL	FC	TOTAL
I. FINANCIAL ASSETS (NET)	1,992,059	5,007,309	6,999,368
II. LOANS (NET)	8,779,246	4,708,744	13,487,990
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	-	-	-
IV. EQUITY INVESTMENTS	4,996	-	4,996
V. TANGIBLE ASSETS (NET)	286,945	-	286,945
VI. INTANGIBLE ASSETS (NET)	22,801	-	22,801
VII. INVESTMENT PROPERTIES (NET)	-	-	-
VIII. CURRENT TAX ASSETS	-	-	-
IX. DEFERRED TAX ASSETS	31,986	-	31,986
X. OTHER ASSETS	117,983	3,443	121,426
TOTAL ASSETS	11,236,016	9,719,496	20,955,512

LIABILITIES		CURRENT PERIOD 31 DECEMBER 2019		
		TL	FC	TOTAL
I.	FUNDS COLLECTED	10,026,411	12,926,804	22,953,215
II.	FUNDS BORROWED	2,722,754	882,162	3,604,916
III.	BORROWINGS FROM MONEY MARKETS	344,550	-	344,550
IV.	SECURITIES ISSUED (NET)	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	11,136	41,067	52,203
VII.	LEASE PAYABLES (NET)	149,973	1,833	151,806
VIII.	PROVISIONS	154,030	37,024	191,054
IX.	CURRENT TAX LIABILITY	108,911	-	108,911
X.	DEFERRED TAX LIABILITY	-	-	-
XI.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	-	-	-
XII.	SUBORDINATED LOANS	-	537,047	537,047
XIII.	OTHER LIABILITIES	327,730	116,659	444,389
XIV.	SHAREHOLDERS' EQUITY	1,940,155	20,538	1,960,693
	TOTAL LIABILITIES	15,785,650	14,563,134	30,348,784

LIABILITIES		CURRENT PERIOD 31 DECEMBER 2018		
		TL	FC	TOTAL
I.	FUNDS COLLECTED	7,293,824	7,888,582	15,182,406
II.	FUNDS BORROWED	1,696,275	1,995,064	3,691,339
III.	BORROWINGS FROM MONEY MARKETS	-	-	-
IV.	SECURITIES ISSUED (NET)	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	10,588	9,053	19,641
VII.	LEASE PAYABLES	-	-	-
VIII.	PROVISIONS	133,279	7,922	141,201
IX.	CURRENT TAX LIABILITY	67,187	-	67,187
X.	DEFERRED TAX LIABILITY	-	-	-
XI.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	-	-	-
XII.	SUBORDINATED LOANS	-	-	-
XIII.	OTHER LIABILITIES	298,399	28,113	326,512
XIV.	SHAREHOLDERS' EQUITY	1,527,392	(166)	1,527,226
	TOTAL LIABILITIES	11,026,944	9,928,568	20,955,512

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

STATEMENT OF OFF-BALANCE SHEET		CURRENT PERIOD 31 DECEMBER 2019		
		TL	FC	TOTAL
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	10,221,085	19,652,025	29,873,110
I.	GUARANTEES AND SURETIES	5,111,562	3,260,972	8,372,534
II.	COMMITMENTS	1,335,493	1,417,606	2,753,099
III.	DERIVATIVE FINANCIAL INSTRUMENTS	3,774,030	14,973,447	18,747,477
B.	CUSTODY AND PLEDGED ITEMS (IV + V+VI)	140,704,505	6,292,819	146,997,324
IV.	ITEMS HELD IN CUSTODY	20,662,656	3,049,291	23,711,947
V.	PLEDGED ITEMS	120,041,849	3,243,528	123,285,377
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)	150,925,590	25,944,844	176,870,434

STATEMENT OF OFF-BALANCE SHEET		PRIOR PERIOD 31 DECEMBER 2018		
		TL	FC	TOTAL
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	5,290,596	8,297,999	13,588,595
I.	GUARANTEES AND SURETIES	3,468,753	2,155,313	5,624,066
II.	COMMITMENTS	408,980	732,956	1,141,936
III.	DERIVATIVE FINANCIAL INSTRUMENTS	1,412,863	5,409,730	6,822,593
B.	CUSTODY AND PLEDGED ITEMS (IV+ V+VI)	87,100,120	2,485,811	89,585,931
IV.	ITEMS HELD IN CUSTODY	3,287,567	501,498	3,789,065
V.	PLEDGED ITEMS	83,812,553	1,984,313	85,796,866
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)	92,390,716	10,783,810	103,174,526

VAKIF KATILIM BANKASI A.Ş. SUMMARY STATEMENT OF PROFIT OR LOSS (TL THOUSAND)

STATEMENT OF PROFIT OR LOSS		CURRENT PERIOD 1 JANUARY - 31 DECEMBER 2019
I.	PROFIT SHARE INCOME	2,323,643
II.	PROFIT SHARE EXPENSE (-)	1,643,509
III.	NET PROFIT SHARE INCOME (I - II)	680,134
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES	83,798
V.	DIVIDEND INCOME	-
VI.	TRADING INCOME/LOSS (Net)	512,000
VII.	OTHER OPERATING INCOME	116,609
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)	1,392,541
IX.	PROVISION FOR EXPECTED LOSS (-)	367,495
X.	OTHER PROVISION EXPENSES (-)	110,257
XI.	PERSONNEL EXPENSES (-)	238,261
XII.	OTHER OPERATING EXPENSES (-)	234,402
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)	442,126
XIV.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER	-
XV.	GAIN AFTER MERGER	-
XVI.	PROFIT/(LOSS) ON NET MONETARY POSITION	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)	442,126
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (+)	117,239
XIX.	NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XVII+XVIII)	324,887
XX.	INCOME FROM DISCONTINUED OPERATIONS	-
XXI.	LOSS FROM DISCONTINUED OPERATIONS (-)	-
XXII.	PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (+)	-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII+XXIII)	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	324,887

STATEMENT OF PROFIT OR LOSS		PRIOR PERIOD 1 JANUARY - 31 DECEMBER 2018
I.	PROFIT SHARE INCOME	1,718,762
II.	PROFIT SHARE EXPENSE (-)	1,105,272
III.	NET PROFIT SHARE INCOME (I - II)	613,490
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES	47,797
V.	PERSONNEL EXPENSES (-)	158,191
VI.	DIVIDEND INCOME	-
VII.	TRADING INCOME/LOSS (NET)	273,036
VIII.	OTHER OPERATING INCOME	22,116
IX.	TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)	798,248
X.	EXPECTED CREDIT LOSS (-)	198,662
XI.	OTHER OPERATING EXPENSES (-)	185,599
XII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)	413,987
XIII.	EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER	-
XIV.	PROFIT/(LOSS) ON EQUITY METHOD	-
XV.	PROFIT/(LOSS) ON NET MONETARY POSITION	-
XVI.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	413,987
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (+)	88,590
XVIII.	NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XVI+XVII)	325,397
XIX.	INCOME FROM DISCONTINUED OPERATIONS	-
XX.	LOSS FROM DISCONTINUED OPERATIONS (-)	-
XXI.	PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XIX-XX)	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (+)	-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI+XXII)	-
XXIV.	NET PROFIT/LOSS (XVIII+XXIII)	325,397

ZİRAAT KATILIM-FINANCIAL STATEMENTS



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

ASSETS	CURRENT PERIOD 31 DECEMBER 2019		
	TL	FC	TOTAL
I. FINANCIAL ASSETS (NET)	2,190,417	4,024,699	6,215,116
II. FINANCIAL ASSETS MEASURED BY AMORTIZED COST (NET)	18,004,119	11,534,815	29,538,934
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	104,069	-	104,069
IV. EQUITY INVESTMENTS	100	-	100
V. TANGIBLE ASSETS (NET)	157,597	-	157,597
VI. INTANGIBLE ASSETS (NET)	120,641	-	120,641
VII. INVESTMENT PROPERTIES (NET)	-	-	-
VIII. CURRENT TAX ASSETS	-	-	-
IX. DEFERRED TAX ASSETS	42,153	-	42,153
X. OTHER ASSETS	148,037	65,527	213,564
TOTAL ASSETS	20,767,133	15,625,041	36,392,174

(*) Reorganization effects disclosed in section three footnote III.

ASSETS	PRIOR PERIOD 31 DECEMBER 2018		
	TL	FC	TOTAL
I. FINANCIAL ASSETS (NET)	1,520,928	2,577,299	4,098,227
II. LOANS (NET)	12,565,543	5,173,882	17,739,425
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	4,259	-	4,259
IV. EQUITY INVESTMENTS	100	-	100
V. TANGIBLE ASSETS (NET)	52,116	-	52,116
VI. INTANGIBLE ASSETS (NET)	80,396	-	80,396
VII. INVESTMENT PROPERTIES (NET)	-	-	-
VIII. CURRENT TAX ASSETS	-	-	-
IX. DEFERRED TAX ASSETS	49,870	-	49,870
X. OTHER ASSETS	161,719	2,691	164,410
TOTAL ASSETS	14,434,931	7,753,872	22,188,803

LIABILITIES		CURRENT PERIOD 31 DECEMBER 2019		
		TL	FC	TOTAL
I.	FUNDS COLLECTED	13,032,205	12,425,040	25,457,245
II.	FUNDS BORROWED	2,857,534	3,121,136	5,978,670
III.	BORROWINGS FROM MONEY MARKETS	19,135	-	19,135
IV.	SECURITIES ISSUED (NET)	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	19	12,460	12,479
VII.	LEASE PAYABLES (NET)	97,792	12,267	110,059
VIII.	PROVISIONS	189,634	45,645	235,279
IX.	CURRENT TAX LIABILITY	122,393	-	122,393
X.	DEFERRED TAX LIABILITY	-	-	-
XI.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	-	-	-
XII.	SUBORDINATED LOANS	312,351	537,338	849,689
XIII.	OTHER LIABILITIES	363,592	76,805	440,397
XIV.	SHAREHOLDERS' EQUITY	3,166,186	642	3,166,828
	TOTAL LIABILITIES	20,160,841	16,231,333	36,392,174

(*) Reorganization effects disclosed in section three footnote III.

LIABILITIES		PRIOR PERIOD 31 DECEMBER 2018		
		TL	FC	TOTAL
I.	FUNDS COLLECTED	8,248,548	6,902,550	15,151,098
II.	FUNDS BORROWED	1,391,745	1,970,129	3,361,874
III.	BORROWINGS FROM MONEY MARKETS	864,414	-	864,414
IV.	SECURITIES ISSUED (NET)	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	-	-	-
VII.	LEASE PAYABLES	-	6,145	6,145
VIII.	PROVISIONS	-	415	415
IX.	CURRENT TAX LIABILITY	117,948	14,016	131,964
X.	DEFERRED TAX LIABILITY	53,974	-	53,974
XI.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	-	-	-
XII.	SUBORDINATED LOANS	-	-	-
XIII.	OTHER LIABILITIES	368,202	32,133	400,335
XIV.	SHAREHOLDERS' EQUITY	2,218,279	305	2,218,584
	TOTAL LIABILITIES	13,263,110	8,925,693	22,188,803

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

		CURRENT PERIOD 31 DECEMBER 2019		
STATEMENT OF OFF-BALANCE SHEET		TL	FC	TOTAL
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	5,266,395	9,101,213	14,367,608
I.	GUARANTEES AND SURETIES	4,926,966	6,401,171	11,328,137
II.	COMMITMENTS	334,484	65,749	400,233
III.	DERIVATIVE FINANCIAL INSTRUMENTS	4,945	2,634,293	2,639,238
B.	CUSTODY AND PLEDGED ITEMS (IV + V+VI)	30,357,632	4,147,848	34,505,480
IV.	ITEMS HELD IN CUSTODY	4,972,403	1,315,878	6,288,281
V.	PLEDGED ITEMS	25,385,229	2,831,970	28,217,199
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		35,624,027	13,249,061	48,873,088

		PRIOR PERIOD 31 DECEMBER 2018		
STATEMENT OF OFF-BALANCE SHEET		TL	FC	TOTAL
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	4,369,125	8,684,102	13,053,227
I.	GUARANTEES AND SURETIES	4,070,241	6,213,201	10,283,442
II.	COMMITMENTS	298,884	59,931	358,815
III.	DERIVATIVE FINANCIAL INSTRUMENTS	-	2,410,970	2,410,970
B.	CUSTODY AND PLEDGED ITEMS (IV+ V+VI)	19,380,896	2,390,013	21,770,909
IV.	ITEMS HELD IN CUSTODY	1,322,027	752,222	2,074,249
V.	PLEDGED ITEMS	18,058,869	1,637,791	19,696,660
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		23,750,021	11,074,115	34,824,136

ZİRAAT KATILIM BANKASI A.Ş. SUMMARY STATEMENT OF PROFIT OR LOSS (TL THOUSAND)

STATEMENT OF PROFIT OR LOSS		CURRENT PERIOD 31 DECEMBER 2019
I.	PROFIT SHARE INCOME	3,594,457
II.	PROFIT SHARE EXPENSE	2,225,532
III.	NET PROFIT SHARE INCOME [I - II]	1,368,925
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES	94,452
VI.	DIVIDEND INCOME	17,762
VII.	TRADING INCOME/LOSS (NET)	69,478
VIII.	OTHER OPERATING INCOME	159,008
IX.	TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)	1,709,625
X.	EXPECTED CREDIT LOSS (-)	492,171
X.	OTHER PROVISIONAL EXPENSES (-)	87,244
XI.	PERSONNEL EXPENSES (-)	183,767
XI.	OTHER OPERATING EXPENSES (-)	241,143
XII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)	705,300
XIII.	EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER	-
	PROFIT/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON	
XIV.	EQUITY METHOD	-
XV.	PROFIT/(LOSS) ON NET MONETARY POSITION	-
XVI.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	705,300
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (-+)	(188,565)
XVIII.	NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XVI+-XVII)	516,735
XIX.	INCOME FROM DISCONTINUED OPERATIONS	-
XX.	LOSS FROM DISCONTINUED OPERATIONS (-)	-
XXI.	PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XIX+...+XX)	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (-+)	-
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI+-XXII)	-
XXIV.	NET PROFIT/LOSS (XVIII+XXIII)	516,735

STATEMENT OF PROFIT OR LOSS		PRIOR PERIOD 31 DECEMBER 2018
I.	PROFIT SHARE INCOME	2,328,382
II.	PROFIT SHARE EXPENSE	1,462,961
III.	NET PROFIT SHARE INCOME [I - II]	865,421
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES	77,679
VI.	DIVIDEND INCOME	923
VII.	TRADING INCOME/LOSS (NET)	53,498
VIII.	OTHER OPERATING INCOME	119,821
IX.	TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)	1,117,342
X.	EXPECTED CREDIT LOSS (-)	346,619
X.	OTHER PROVISIONAL EXPENSES (-)	50,036
XI.	PERSONNEL EXPENSES (-)	137,857
XI.	OTHER OPERATING EXPENSES (-)	167,383
XII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)	415,447
XIII.	EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER	-
	PROFIT/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON	
XIV.	EQUITY METHOD	-
XV.	PROFIT/(LOSS) ON NET MONETARY POSITION	-
XVI.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	415,447
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (-+)	(90,214)
XVIII.	NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XVI+-XVII)	325,233
XIX.	INCOME FROM DISCONTINUED OPERATIONS	-
XX.	LOSS FROM DISCONTINUED OPERATIONS (-)	-
XXI.	PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XIX+...+XX)	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (-+)	-
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI+-XXII)	-
XXIV.	NET PROFIT/LOSS (XVIII+XXIII)	325,233

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
Saray Mahallesi, Dr. Adnan Büyükdeniz
Cad. No: 6
34768 Ümraniye/İSTANBUL/TURKEY
Tel: (+90 216) 666 01 01
Fax: (+90 216) 666 16 00
www.albaraka.com.tr



Türkiye Emlak Katılım Bankası A.Ş.

Head Office
Barbaros Mahallesi, Begonya Sok.
No: 9/A1
34746 Ataşehir/İSTANBUL/TURKEY
Tel: (+90 216) 266 26 26
Fax: (+90 216) 275 25 25
www.emlakkatilim.com.tr



Kuveyt Türk Katılım Bankası A.Ş.

Head Office
Büyükdere Cad. No: 129/1
34394 Esentepe-Şişli/İSTANBUL/TURKEY
Tel: (+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
Tel: (+90 216) 676 20 00
Fax: (+90 216) 676 29 27
www.turkiyefinans.com.tr



Vakıf Katılım Bankası A.Ş.

Head Office
Saray Mahallesi, Dr. Adnan Büyükdeniz
Cad. No: 10
Ümraniye/İSTANBUL/TURKEY
Tel: (+90 216) 800 55 55
Fax: (+90 216) 800 55 56
www.vakifkatilim.com.tr



Ziraat Katılım Bankası A.Ş.

Head Office
Hobyar Mahallesi, Şeyhülislam Hayri
Efendi Caddesi No: 12
34112 Bahçekapı-Fatih/İSTANBUL/
TURKEY
Tel: (+90 212) 404 10 00
Fax: (+90 212) 404 10 99
www.ziraatkatilim.com.tr





HEADQUARTERS

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: info@tkbb.org.tr

www.tkbb.org.tr