

2018 Q1 Investor Presentation

Albaraka Türk Participation Bank

15 May 2018

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Turkey Macroeconomic Developments

Turkey still serves many advantages for investors



Despite failed coup attempt on July 2016, the policy stimulus and the resilience of the economy pushed the Turkish economy to strong growth. The share of Turkish economy within the world has been continuously increasing, as GDP growth rate estimates has been revising upwards thanks to strong expansionary policy mix and strong exports. Turkish economy recorded the fastest growth at 7.4% in 2017 among G20 countries, including China.

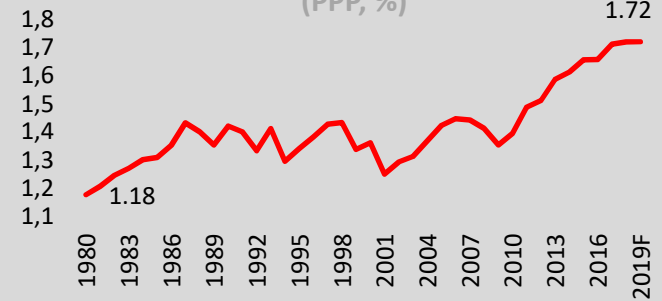


Despite heavy global and geopolitical issues and rising borrowing costs, Turkey's strong macro fundamentals still serves great advantages for its investors compared to its peer countries via young population, well-capitalized banking sector and existing cheap valuations. On the other hand, tourism sector recorded a strong performance has been starting from 2017 through safe security climate and undervalued TL.

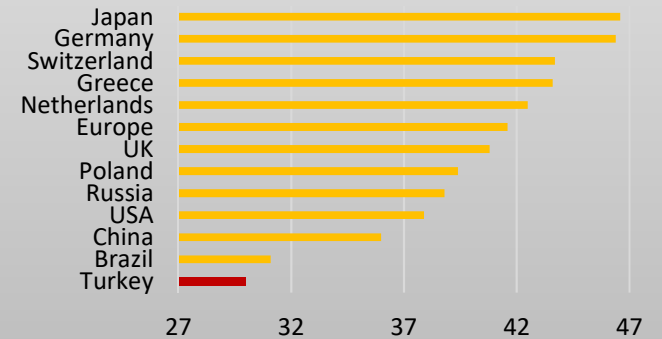


Public debt stock has continuously fallen during 2015, contrary to advanced and emerging countries' averages. On the back of existing wide fiscal room in Turkey, fiscal policy priorities continue to focus growth-oriented incentives especially for exporters.

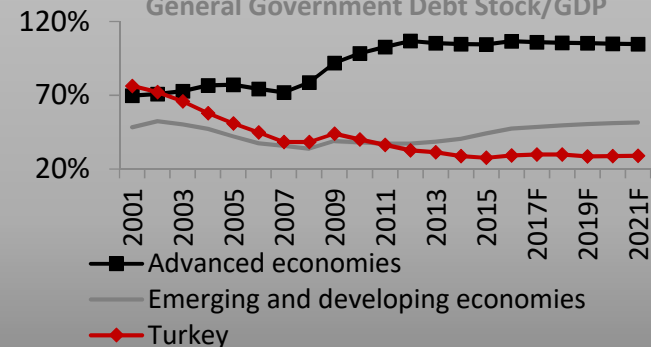
Turkey's share within the world GDP (PPP, %)



Median Age



General Government Debt Stock/GDP



Ongoing Robust Growth and Attractive Valuations



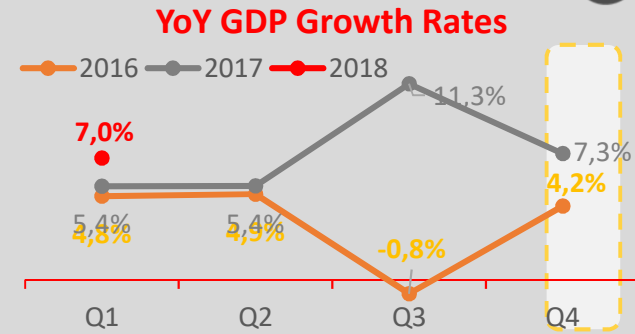
Turkish economy continues to record one of the strongest growth among G20 countries, with around 7% (YoY) growth in the first quarter of 2018. That being said, GDP growth rate may normalize to 4.5% in the rest of the year due to high base effect and slowdown signs in EU countries. Under current circumstances, main challenge for Turkish economy is pulling inflation to low-single digit levels again. Inflation will remain high in 2018 but the Central Bank of Turkey has been trying to ease pressures via rising its effective funding rate. Year-on-year inflation dropped from 13% in November 2017 to 10.85% in April 2018, and market expects to fall to 10% at the end of 2018. Risks are tilted upside on the back of still high domestic demand, inertia and lagged effects of undervalued TL.



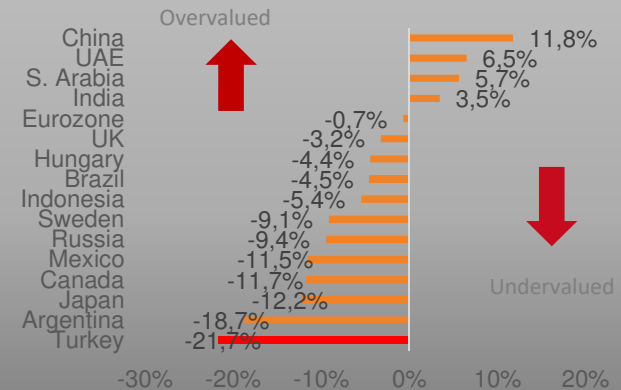
As a result of the Transition Program to Sustainable Growth and strong recovery in EU countries, Turkey's exports share within the world reached its record level in 2017. The Government is trying to sustain further improvement in exports through implementing structural reforms and strong incentives for exporters.



The volatility of Turkish Lira eased as global factors started to be more supportive. Looking ahead, considering sustainable current account deficit path, significantly undervalued TL and recently emerging market friendly environment, TL denominated assets are expected to diverge positively from its peers.



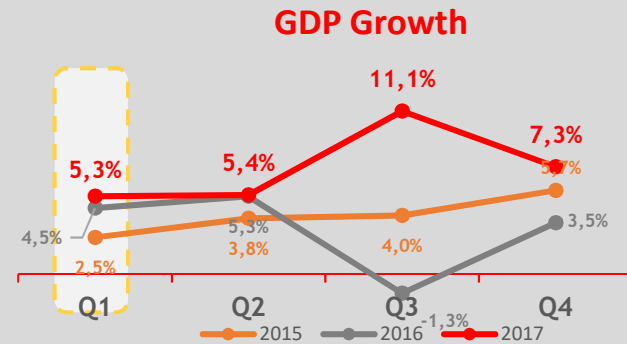
REER (Deviation from 10 Year Avg. as of 1Q2018)





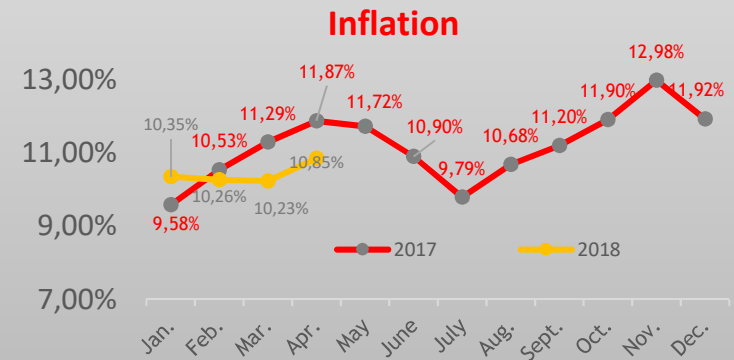
GDP Growth

Turkish economy expanded by 7.3% yoy in the last quarter of the year, according to the chain volume index. This performance was in line with market expectations. Third quarter growth was revised up to 11.3% from 11.1% and first quarter growth up to 5.4% from 5.3%. In the whole year, Turkish economy posted a growth rate of 7.4%, well above the expectations which prevailed during early 2017. Along with the stimulus measures, the upturn in domestic consumption and investments led this robust growth performance in 2017.



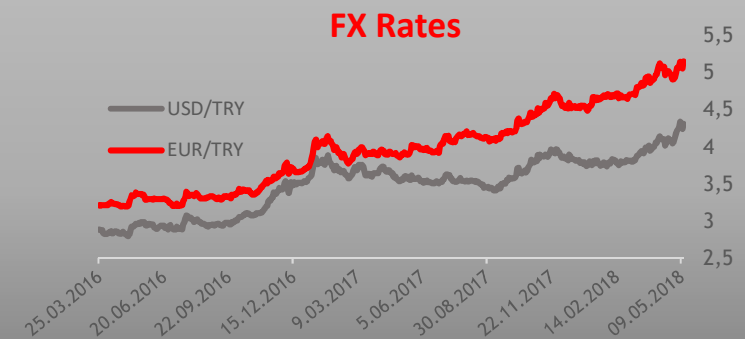
Inflation

The downward trend in annual inflation since the beginning of 2018 came to an end in April. Annual CPI inflation was realized as 10.85% in April. In April, prices in all major spending groups excluding food and non-alcoholic beverages and communication, increased on a monthly basis. In this period, while clothing and footwear made the highest contribution to the monthly inflation, transportation also played a role in the CPI rise



Turkish Lira

The Turkish lira depreciated 13.8% versus the USD in the 2018 and 13,1% depreciated against the EURO; Lira depreciation continued after 3rd quarter of 2017 mainly due to global risk-off sentiment and geopolitical developments. USD/TRY has been lingering near 3.95 level and EURO/TRY is also at 4.88 level as of March.



Turkey Macroeconomic Developments



Central Bank Monetary Policy

The Central Bank maintains its tight monetary policy stance and continues to keep its main policy rate window, the weekly repo shut. The O/N lending window and the O/N borrowing have remained as is since 1Q2018. The Late liquidity window rate was increased from 12.75% to 13.50% (+100bps) in April 2018.



Foreign Trade and Current Account Balance

Current account deficit rose by 54.4% yoy to 4.8 billion USD in March, above market expectations of 4.1 billion USD. The uprising trend in oil prices and net gold imports played a important role in the deterioration of current account balance.

Foreign trade deficit remained broadly flat compared to February and became 5.9 billion USD in March. On an annual basis, foreign trade deficit widened at a lower rate compared to previous months with 28.8%. The expansion was 64% in the first quarter. In March, exports increased by 7.7% yoy to 15.6 billion USD, while imports surged by 12.7% to 21.4 billion USD. Import coverage ratio improved and came in at the highest level in one year with 72.7% in this period.



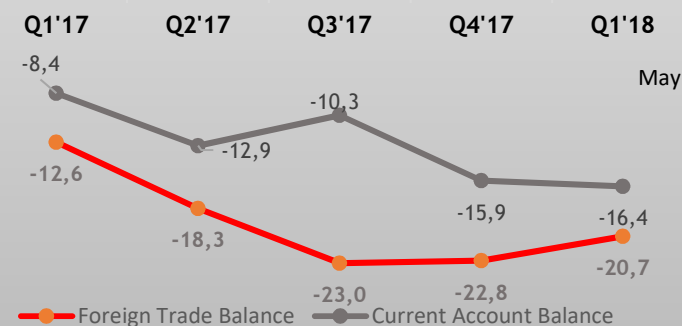
Budget Balance

The central government budget deficit increased by 3.6% yoy in March and amounted to 20.2 billion TRY. Revenues expanded more than expenditures in this period. Budget revenues increased by 23.4% yoy to 48.2 billion TRY while budget expenditures rose by 16.8% to 68.4 billion TRY.

First quarter budget revenues was also weaker compared to the same period of the previous year due partly to the lack of privatization revenues. The central government budget deficit, which was 14.9 billion TRY in first quarter of 2017, surged by 36.9% yoy to 20.4 billion TRY in the same period this year.

Rates (%)	Q2'17	Q3'17	Q4'17	Q1'18
Overnight borrowing rate	7.25	7.25	7.25	7.25
One-week repo (policy) rate	8.00	8.00	8.00	8.00
Overnight lending rate	9.25	9.25	9.25	9.25
Late liquidity window rate	12.25	12.25	12.75	12.75

Balances – Quarterly (billion USD)



Budget Balance (billion TRY)





**Turkey Banking Sector
vs Participation Banking Sector**

Banking Sector vs Participation Banking Sector



Banking Sector highlights

- ✓ In Q1 2018 the total revenues of the banking sector rose 33,2% compared to Q1 2017.
- ✓ Loan growth rate reached 4,2 % ytd while NPL amount increased by 3 % ytd.
- ✓ Loan growth is stronger than in previous years owing to expansionary fiscal policies in place and macroprudential policies supportive of the financial system (ex: Credit Guarantee Fund). Commercial loan growth continued to grow at a higher rate than consumer loans.
- ✓ Net Profit increased by 2,9%

Participation Banking highlights

- ✓ The sector continued to grow in asset and profitability in the 1Q of 2018.
- ✓ Participation banking noted 4,2% ytd asset growth.
- ✓ Capital Adequacy figures increased to 17,72%
- ✓ Remarkable net profit increase, 52 % yoy
- ✓ Number of total branches increased to 1040.

Key Financial Indicators (mn TRL)	1Q 2017	YE 2017	1Q 2018	YtD (%)	Y-Y (%)
Total Assets	2.866.047	3.257.819	3.375.253	3,6%	17,8%
Loans*	1.903.634	2.182.096	2.273.712	4,2%	19,4%
Deposits	1.613.776	1.804.766	1.880.451	4,2%	16,5%
Shareholder's Equity	317.593	359.091	375.716	4,6%	18,3%
Total revenues	69.398	303.160	92.433		33,2%
Net profits	13.517	49.122	13.912		2,9%

*Financial leasing receivables included.

Key Financial Indicators (mn TRL)	1Q 2017	YE 2017	1Q 2018	YtD (%)	Y-Y (%)
Total Assets	136.309	160.136	166.911	4,2%	22,5%
Loans*	91.479	111.071	117.653	5,9%	28,6%
Deposits	89.218	107.311	112.837	5,1%	26,5%
Shareholder's Equity	11.817	13.645	13.916	2,0%	17,8%
Total revenues	3.763	12.901	4.262		13,3%
Net profits	330	1.583	503		52,4%

*Financial leasing receivables included.

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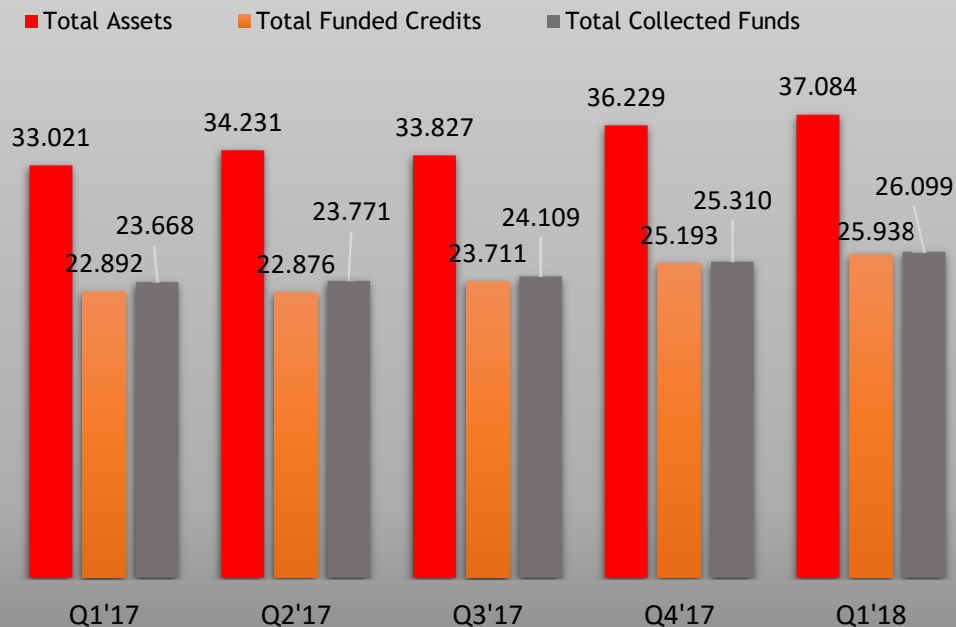
Appendix

**Albaraka Türk 2018 Q1 - Key Financial
Highlights**

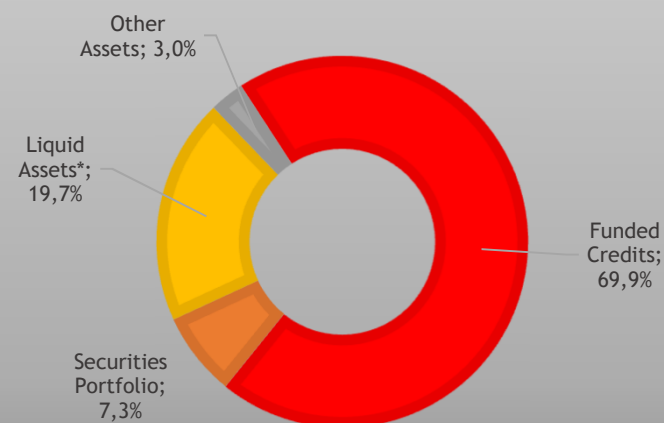
Albaraka Turk - 2018 Q1 Main Highlights (Balance Sheet)



TRL million	Q1'17	Q4'17	Q1'18	YtD(%)	Y-Y (%)
Total Assets	33.021	36.229	37.084	2,40%	12,30%
Total Funded Credits	22.892	25.193	25.938	3,00%	13,30%
Deposits	23.668	25.310	26.099	3,10%	10,30%
Shareholder's Equity	2278	2.482	3.160	27,30%	38,70%



Asset Segmentation (Q1'18)

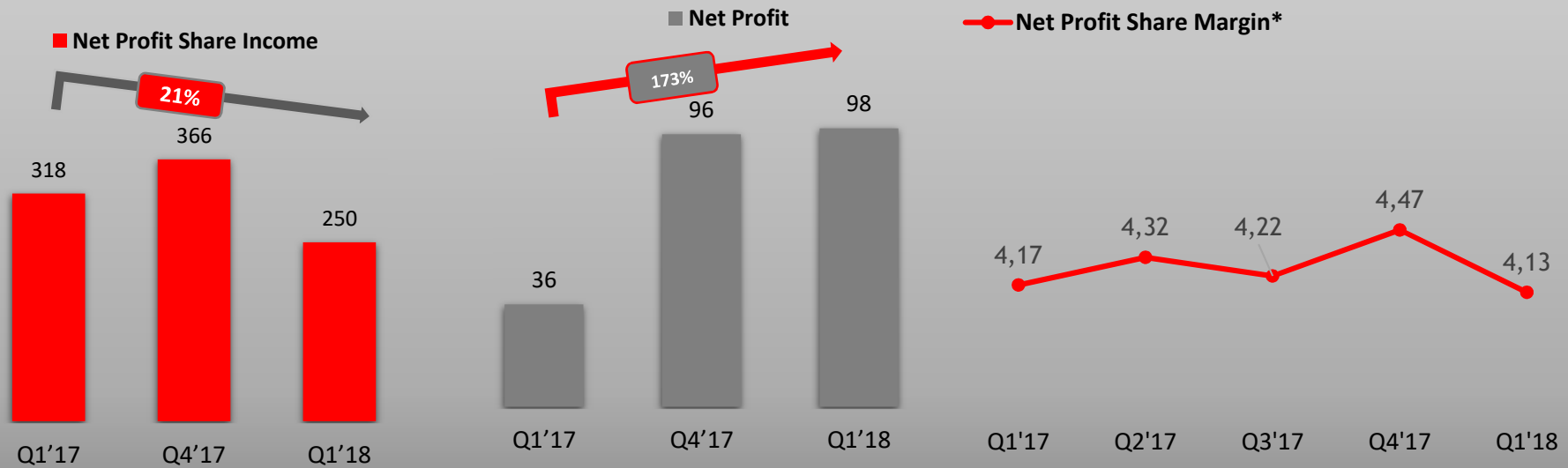


*Liquid Assets includes Cash and Cash Equivalents, Derivative Financial Assets and Expected Loss Provision (-)

Albaraka Turk - Q1'18 Main Highlights (Income Statement)



TRL million	Q1'17	Q4'17	Q1'18	QoQ (%)	Y-Y (%)
Profit Share Income	633	760	663	-12,8%	4,7%
Net Profit Share Income	318	366	250	-31,7%	-21,4%
Total Operating Profits	378	461	597	29,5%	57,9%
Specific Provisions for Loan Loss	138	102	257	152,2%	86,3%
Net Operating Profits	46	113	115	1,8%	150,0%
Tax Provision	10	17	17	0,0%	70%
Net Profit	36	96	98	2,1%	173,0%

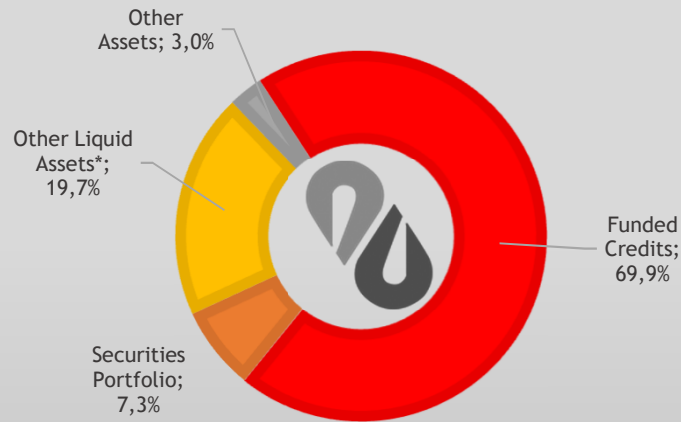


* Trailing for last four quarters

Albaraka Turk - Asset Composition

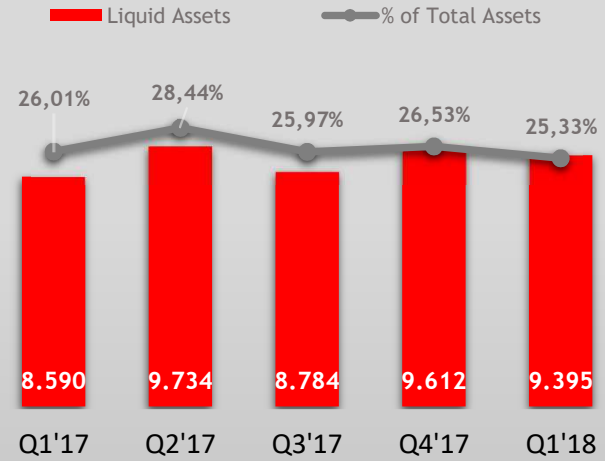


Composition of Total Assets (TRL mn) (Q1'18)



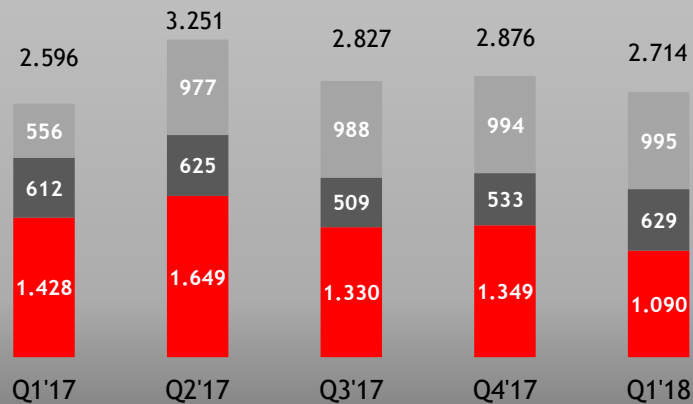
*Liquid Assets includes Cash and Cash Equivalents, Derivative Financial Assets and Expected Loss Provision (-) excluding liquid assets in securities portfolio

Liquid Assets (TRL mn)



Total Securities Portfolio (TRL mn)

■ Available for sale ■ Held to Maturity ■ Other Marketable Securities



Securities Yield (%)

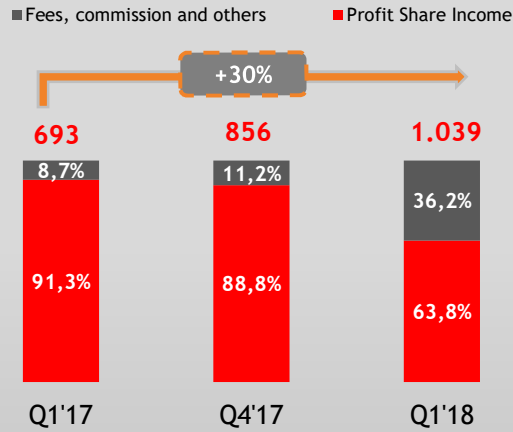


(*) Profit share income received from securities for the last 4Q/4Q average securities

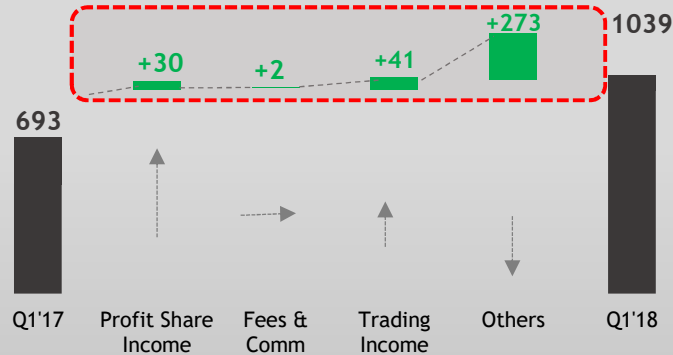
Albaraka Turk - Operating Performance Breakdown



Income (million TRL)



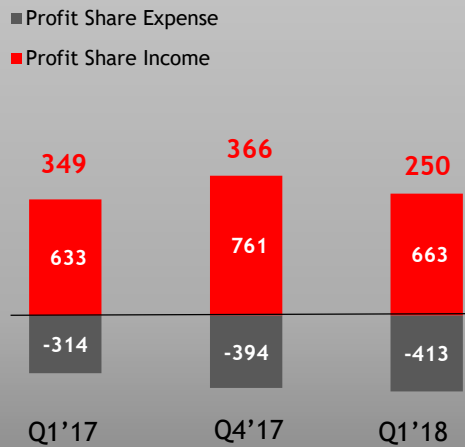
Key Movements in Income (million TRL)



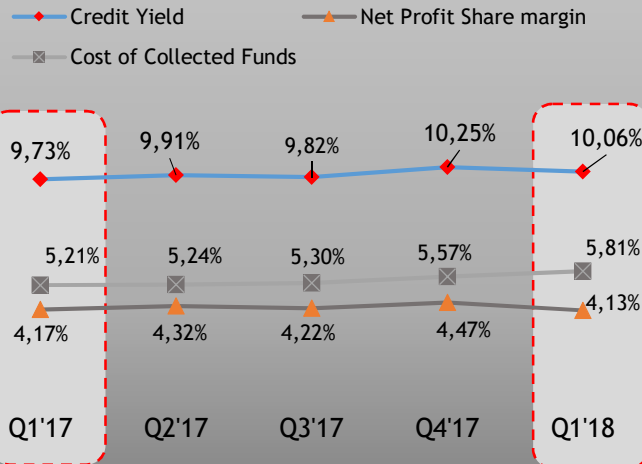
Highlights

- ✓ Total Profit Share Income up 5%
- ✓ Profit Share Expense increased 31%
- ✓ Net Profit Share Income decreased 22%
- ✓ Total Operating Profit increased 65%
- ✓ Provisions increased 166%
- ✓ Net Profits increased 173%

Net Profit Share Income (million TRL)



Yield Movement (%)

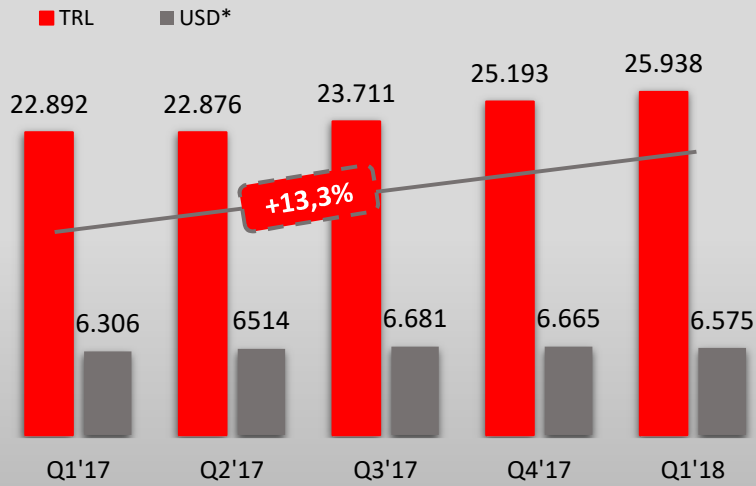


Albaraka Turk - Funded Credits Portfolio



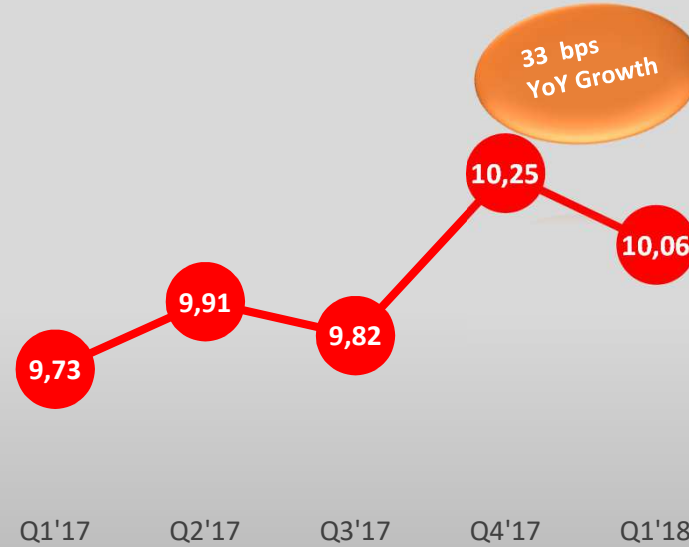
Total Funded Credits (including financial leasing, million)

QoQ Growth: 3,0% in TRL terms YoY growth: 13,3% in TRL terms



*USD equivalent of total funded credits

Credit Yields (%)



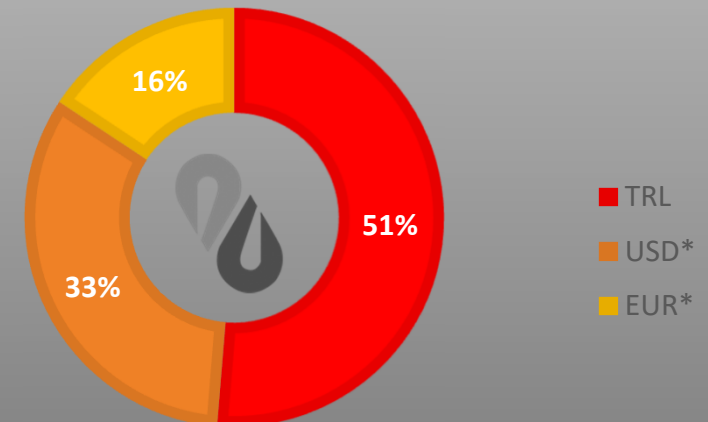
(1) Profit share income received from credits for the last 4Q/4Q average credits

Composition of Total Funded Credits* (%)

	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
Corporate Credits	41,6	40,8	40,4	40,3	40,2
SME Credits	43,6	44,6	45,4	46,2	46,9
Retail Credits	14,8	14,6	14,2	13,5	12,8
Total	100,0	100,0	100,0	100,0	100,0

*According to BRSA definition

Currency Composition of Total Funded Credits* (Q1'18)

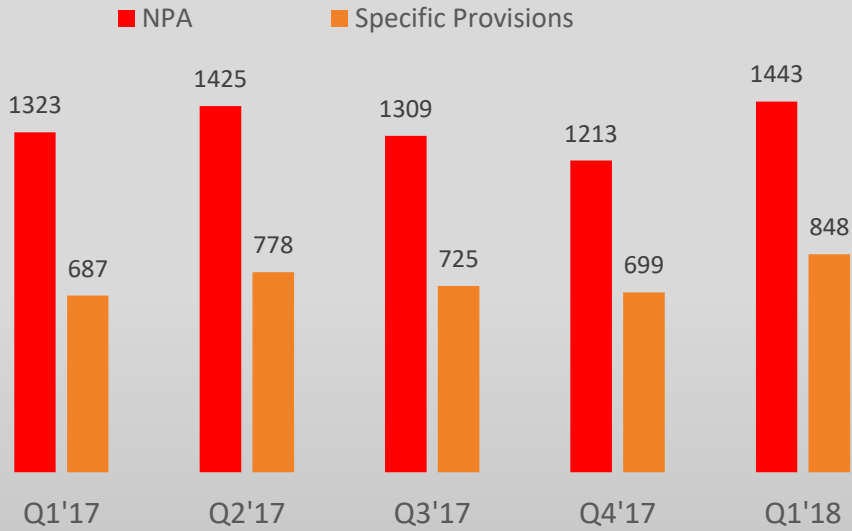


*Including USD & EUR indexed credits

Albaraka Turk - Asset Quality

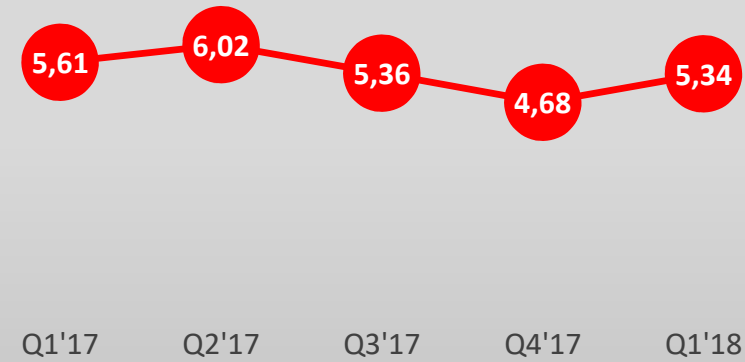


Non-performing Loans (TRL million)

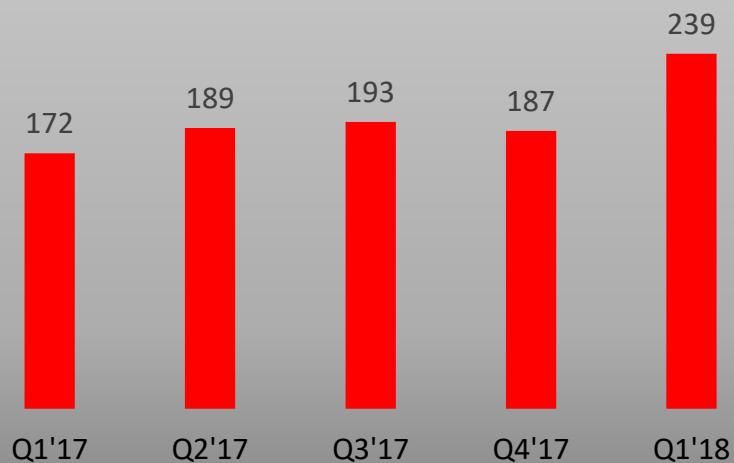


NPL Ratio*

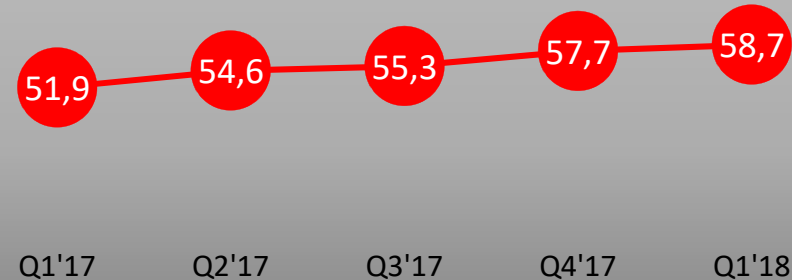
*Including financial leasing & accruals and discounts



Cost of Risk** (bps)



Provisioning Ratio (%)

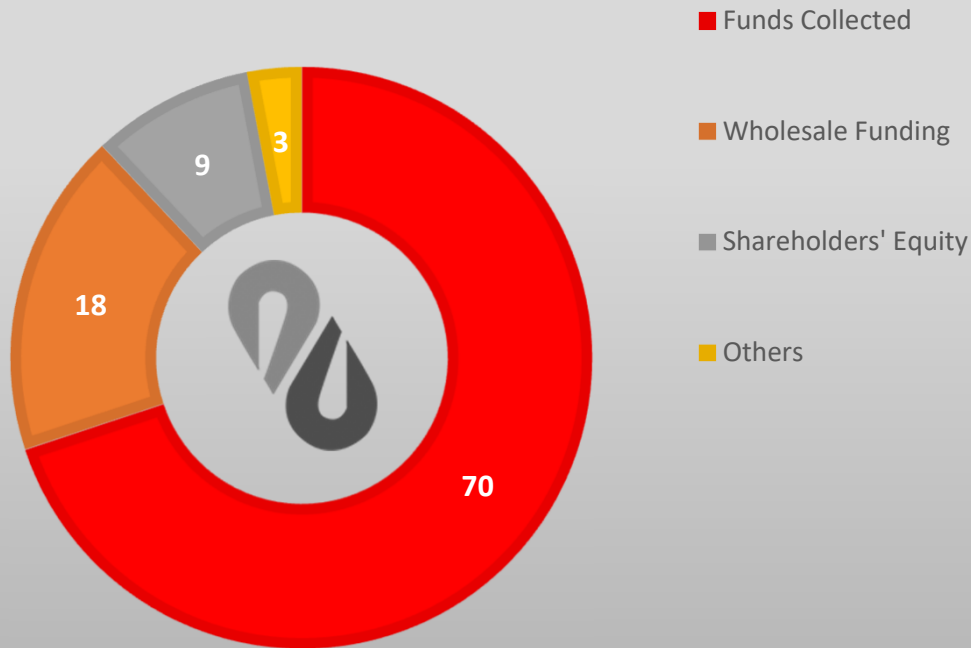


** Specific provisions for credits for last 4Q/ 4Q average credits

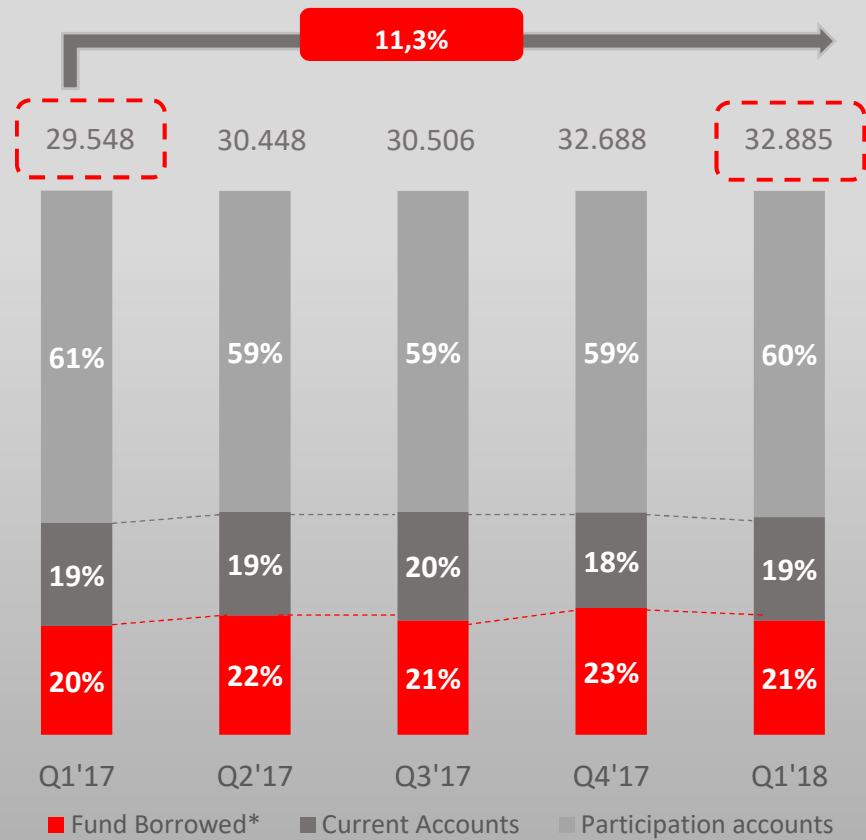
Albaraka Turk - Funding Profile



Composition of Total Liabilities (Q1'18,%)



Composition of Funding Base (TRL million)

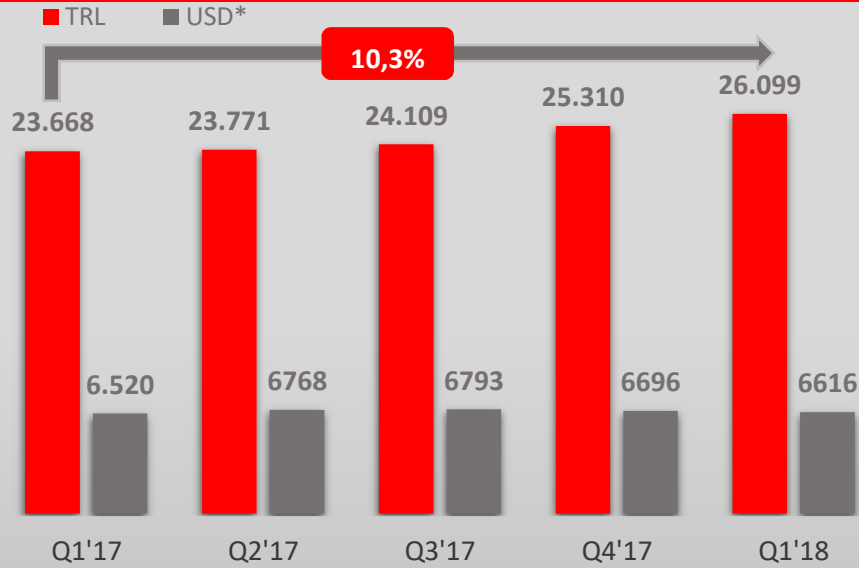


*Fund Borrowed includes Funds Borrowed , Borrowings from Money Market and Subordinated Loans

Albaraka Turk - Funding Profile (Collected Funds)

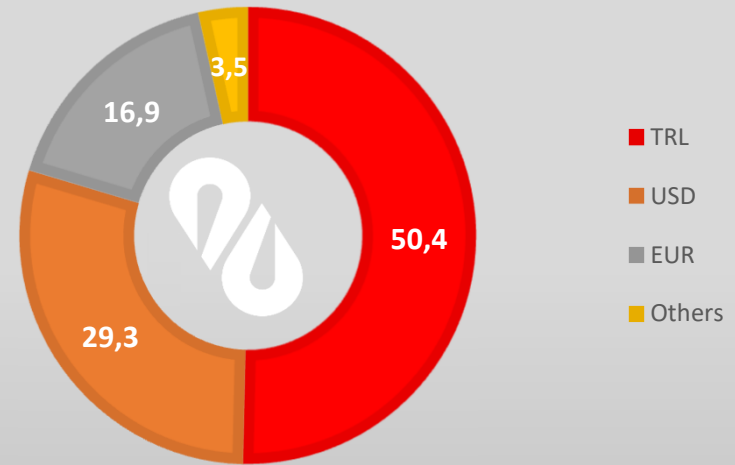


Total Funds Collected (TRL million)

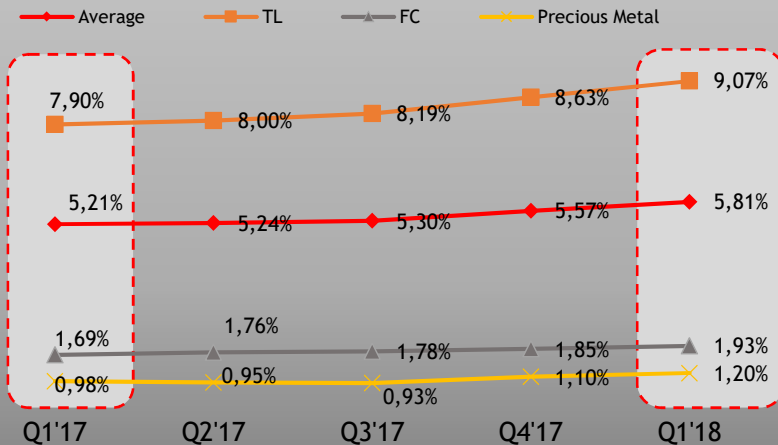


*USD equivalent of total collected funds

Currency Composition of Funds Collected (Q1'18,%)

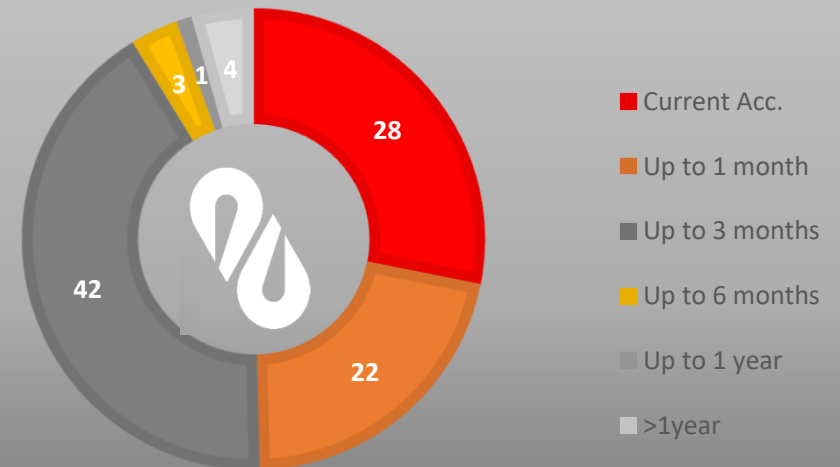


Cost of Funds Collected**



**Profit share expense to depositors for the last 4Q/4Q average participation accounts

Maturity Composition of Funds Collected (Q1'18, %)

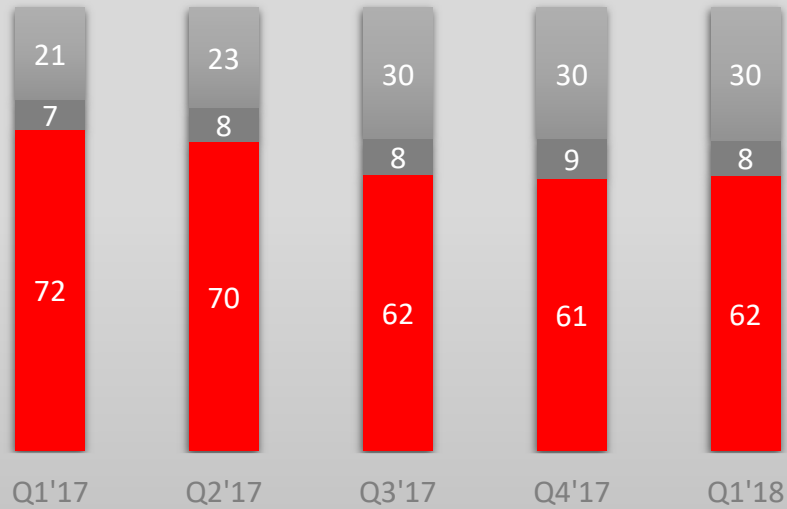


Albaraka Turk - Off Balance Sheet Growth



Off Balance Sheet Composition (%)

■ LG ■ LC ■ Others



LGs*-to-Total Assets

*Below 20% of LGs to Total Assets is targeted



Off Balance Sheet (TRL million)

	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Growth (%)	
						YtD	YoY
Letter of Guarantee	7.593	7.129	6.657	7.024	7.387	5,17	-2,71
Letter of Credit	714	803	860	1031	1020	-1,07	42,86
Others*	2.168	2.303	3.159	3.390	3.595	6,05	65,82
Total:	10.476	10.235	10.676	11.445	12.003	4,88	14,58

*Revocable credit limits not included.

Income- Cost Dynamics



(000 TRL)				YoY	QoQ	Notes
	Q1'17	Q4'17	Q1'18	%	%	
Net Profit Share Income	318.384	365.914	249.735	-21,6%	-31,8%	Profit share expense increased by 29,7% while PSI raised by 4,7% YoY basis. There is no Joint venture project return.
Net Fee Income	37.798	39.272	40.036	5,9%	1,9%	Credit Guarantee Fund Commissions.
Net Trading Income	-7.147	19.418	33.892	4,2%	74,5%	Higher FX Gain due to well managed treasury despite volatile exchange rate movements.
Other Income	29.434	36.831	273.431	829,0%	642,4%	Reversal of prior year provisions is higher than 2017 due to IFRS 9 Changes
Provisioning	138.029	101.939	257.109	86,3%	152,2%	Higher provisions due to IFRS 9.
Personnel Expenses	105.601	114.613	122.326	15,8%	6,7%	Increase in number of staff and salaries.
Other Costs	88.619	131.318	102.722	15,9%	-21,8%	Increase in number of branches comparing to same period in last year.
Tax	10.427	17.590	17.220	65,1%	-2,1%	-
Net Profits	35.793	95.976	97.717	173,0%	1,8%	

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Percent	Q1'17			Q1'18		
	Albaraka Türk	Participation Banks*	Banking Sector*	Albaraka Türk	Participation Banks*	Banking Sector*
Asset Size	0,5	2,6	4,9	2,4	4,2	3,6
Total Credits**	0,3	3,4	5,5	3,0	5,9	4,2
Deposits/Collected Funds***	2,2	5,2	4,3	3,1	5,1	4,2

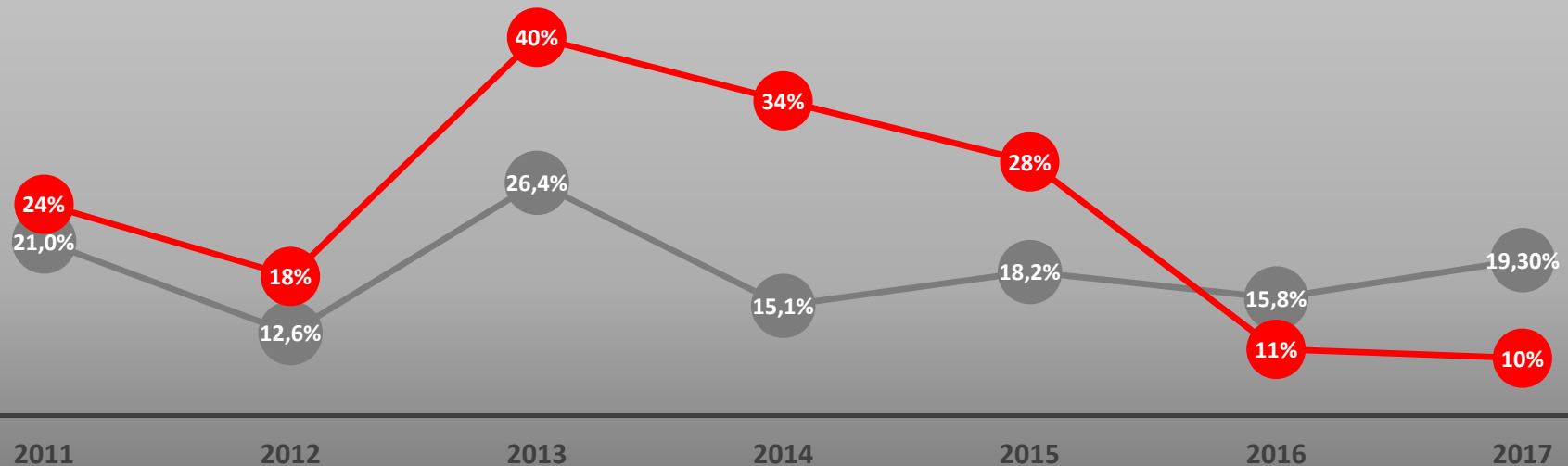
* According to BRSA data

** Including Leasing Receivables, Interest (Profit Share) and Income Accruals and Rediscounts from Loans, Loans Extended to Banks

*** Including Deposit (Participation Funds) Interest (Profit Share) Rediscounts and Deposit (Participation Funds) Collected from Banks

— Banking Sector
— Albaraka Türk

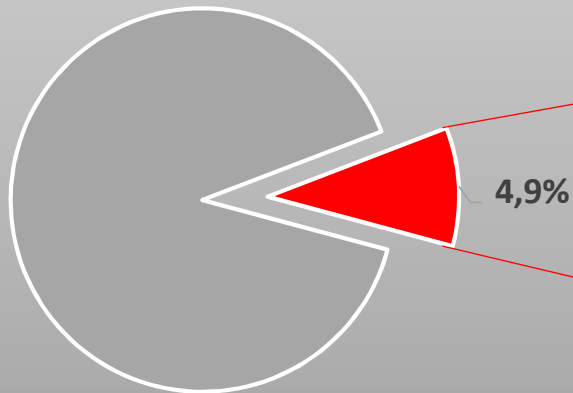
Asset Size Growth



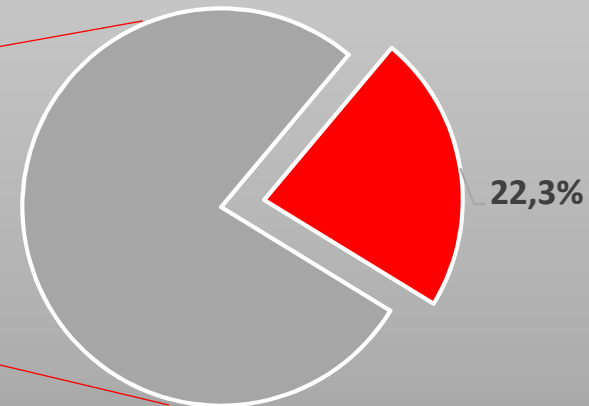


Percent	Q1'17			Q1'18		
	Albaraka Türk/ Participation Banks	Albaraka Türk/ Banking Sector	Participation Banks/ Banking Sector	Albaraka Türk/ Participation Banks	Albaraka Türk/ Banking Sector	Participation Banks/ Banking Sector
Asset Size	24,2	1,2	4,8	22,3	1,1	4,9
Total Credits*	25,0	1,2	4,8	22,0	1,1	5,2
Deposits/Collected Funds**	26,5	1,5	5,5	23,1	1,4	6,0

Banking Sector



Participation Banking Sector



* Including Leasing Receivables, Interest (Profit Share) and Income Accruals and Rediscounts from Loans, Loans Extended to Banks

** Including Deposit (Participation Funds) Interest (Profit Share) Rediscounts and Deposit (Participation Funds) Collected from Banks

Financial Ratios - Sector Comparison



Percent	2017			2018 Q1		
	Albaraka Türk	Participation Banks	Banking Sector	Albaraka Türk	Participation Banks	Banking Sector
CAR	17,07	16,98	16,87	19,16	17,72	16,56
NPL Ratio	4,68	3,22	2,95	5,34	3,18	2,89
Provisioning Ratio	57,68	70,75	79,38	58,70	65,75	75,14
Loan/Deposits	99,54	103,50	120,91	99,39	104,27	120,91
ROAA (IBT)	0,85	1,36	2,04	0,97	1,44	1,99
ROAE (NI)	10,12	12,62	14,73	12,43	13,46	14,19
Asset Yield	8,97	9,36	8,83	8,82	9,61	9,12
Asset Spread	4,24	4,54	3,48	3,88	4,55	3,43
Net Profit Share Margin	4,47	4,70	4,12	4,13	4,73	4,11
Net Fee Income / Avg. Assets	0,89	0,76	0,96	0,89	0,75	0,96
Op Costs / Avg. Assets	2,35	2,24	2,05	2,45	2,24	2,02
Cost/Income*	49,30	43,42	38,69	40,67	37,95	34,42
Credits / Branches (000'TRL)	114.515	107,627	188.355	115.044	113,128	196,909
Staff / Branches	17,72	14,56	17,98	17,81	14,54	13,39
CA / Deposits	28,26	30,52	21,24	24,55	27,98	20,63

*Cost: Operating Costs, Income: NPSI, Net Fees and Commissions Income, Other Income Net Trading Income

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Albaraka Turk- Summary Balance Sheet



(Thousand TRL)	Dec'17	Mar'18	Growth (%)
Cash and Balances with Central Bank	5.756.995	5.552.762	-3,55%
Banks	1.511.407	1.758.280	16,33%
Financial Assets	2.343.384	2.712.974	15,77%
Funded Credits	25.193.463	25.938.395	2,96%
<i>Cash Credits</i>	24.456.382	24.879.578	1,73%
<i>NPL</i>	1.212.610	1.443.205	19,02%
<i>Provisions</i>	699.437	847.785	21,21%
<i>Net Financial Leasing Receivables</i>	737.081	724.906	-1,65%
Associates	30.119	33.659	11,75%
Fixed Assets	618.141	612.558	-0,90%
Assets Held For Sale and Investment	84.230	111.705	32,62%
Other Assets (inc. Tax Assets)	158.535	364.119	129,68%
Total Assets	36.229.077	37.084.452	2,36%
Funds Collected	25.309.840	26.098.879	3,12%
Funds Borrowed	5.411.969	4.873.212	-9,95%
Debts	1.133.779	1.139.098	0,00%
Provisions (inc. Taxes)	264.820	76.032	-71,29%
Tier II Sukuk	1.627.163	1.736.826	6,74%
Shareholders' Equity	2.481.506	3.160.405	27,36%
<i>Capital</i>	900.000	900.000	
<i>Capital Reserves (inc. Premium)</i>	225.430	813.736	
<i>Profit Reserves</i>	1.113.454	1.318.907	
<i>Profits</i>	242.622	97.717	
Total Liabilities	36.229.077	37.084.452	2,36%

Albaraka Turk - Summary Income Statement



(Thousand TRL)	Mar'17	Mar'18	Growth (%)
Profit Share Income	632.748	662.703	4,73%
Profit Share Expense	314.364	412.968	31,37%
Net Profit Share Income	318.384	249.735	-21,56%
Net Fees and Commissions Income	37.798	40.036	5,92%
<i>Fees and Commissions Received</i>	53.274	58.589	9,98%
<i>Fees and Commissions Paid</i>	15.476	18.553	19,88%
Net Trading Income	-7.147	33.892	n.m.**
Other Operating Income	29.434	273.431	828,96%
Total Operating Profit	378.469	597.094	57,77%
Provisions for Loan Losses and other Receivables	138.029	257.109	86,27%
Other Operating Expenses*	194.220	225.048	15,87%
Net Operating Profit	46.220	114.937	148,67%
Tax Provision	10.427	17.220	65,15%
Net Profits	35.793	97.717	173,01%

*including personnel expenses

**n.m. : not meaningful

THANK YOU

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