

2018 Year End Investor Presentation

Albaraka Türk Participation Bank

07 March 2019

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Albaraka Turk - 2018 Year End At a Glance

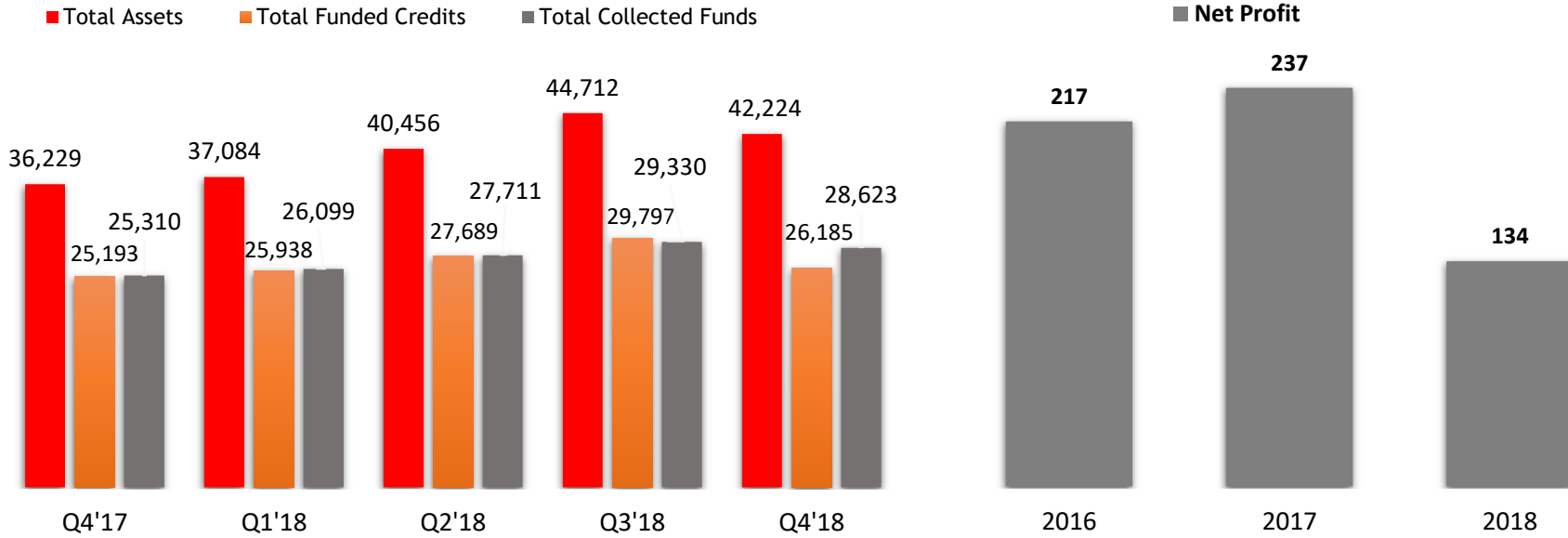


	(Million TRL)	2017	2018	Y-Y (%)		%	2017	2018	Y-Y (bps)
Balance Sheet	Total Assets	36.230	42.223	16,5%	Key Ratios	CAR	17,06	14,66	-240
	Total Funded Credits	25.193	26.185	3,9%		Tier 1	10,09	9,98	-11
	Total NPLs	1.213	1.889	55,7%		NPL	4,68	6,88	220
	Deposits (incl. Interbank)	25.310	28.623	13,1%		Provisioning Stage III	57,68	47,31	-1.037
	Shareholder's Equity	2.482	3.261	31,4%		Net Profit Share Margin*	3,35	2,94	-41
Income Statement					ROAE	10,05	4,27	-578	
	Net Profit Share Income*	1.035	1.020	-1,5%	Cost/Income	52,67	59,93	-726	
	Net Fees & Commissions	148	198	33,5%					
	Provisions for Loan Loss	461	608	31,9%					
	Operating Expenses**	834	1.109	39,2%					
Net Profit	237	134	-43,5%						

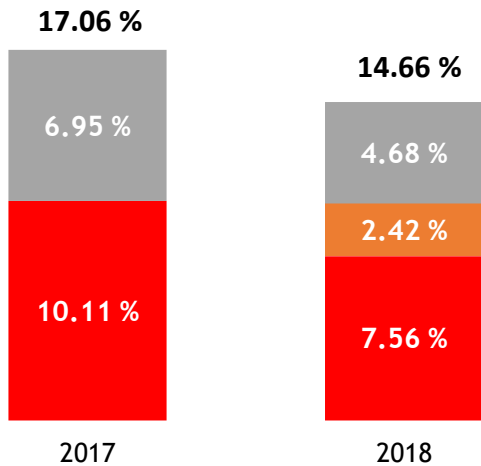
* Excluding profit share income from JV Projects in 12m financials

** Includes personnel expenses

2018 Main Highlights (Million TRL)



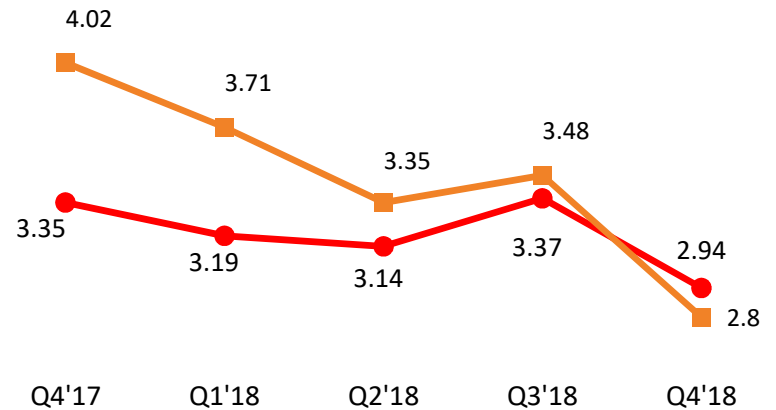
Common Equity Tier I (Red), **Additional Tier I** (Orange), **Additional Tier II** (Grey)



The effect of 100 bps interest rate change on CAR is ~21 bps

The effect of 0,1 TRY increase or decrease on USD/TRY CAR is ~2 bps

NPSM (Exc. JV Projects)* (Red line), **Net Profit Share Margin*** (Orange line)

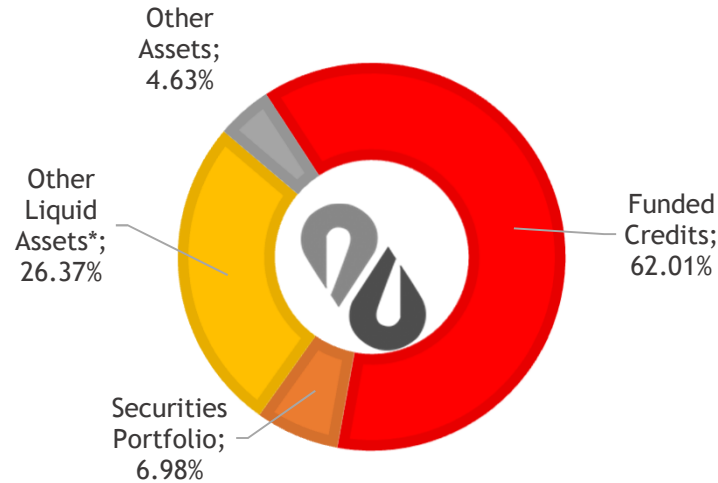


* Trailing for last 4 quarters

Asset Composition

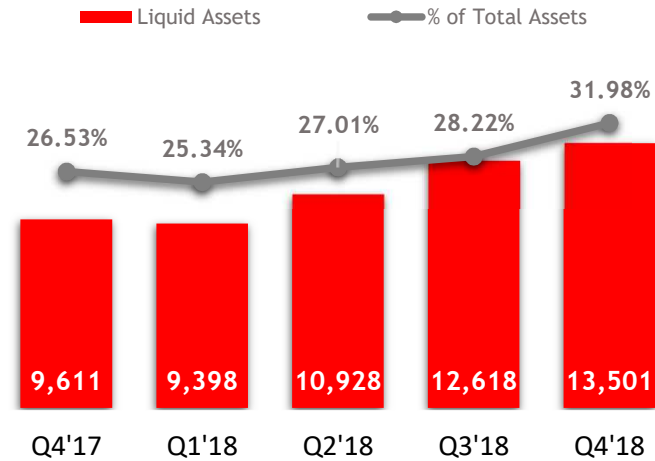


Composition of Total Assets (Q4'18)



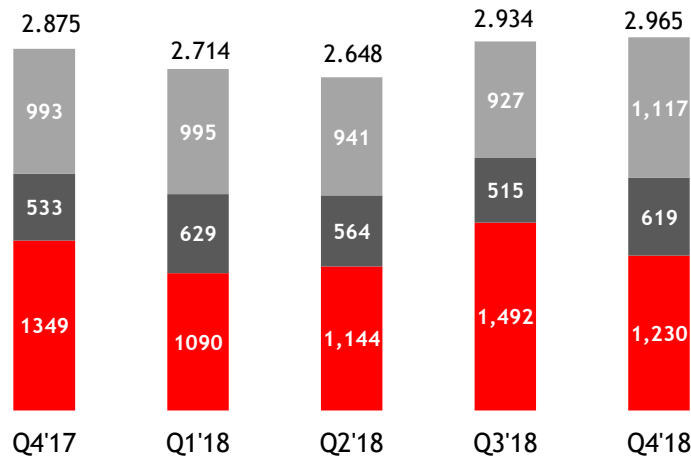
* Other Liquid Assets includes Cash and Cash Equivalents and Derivative Financial Assets

Liquid Assets (Million TRL)



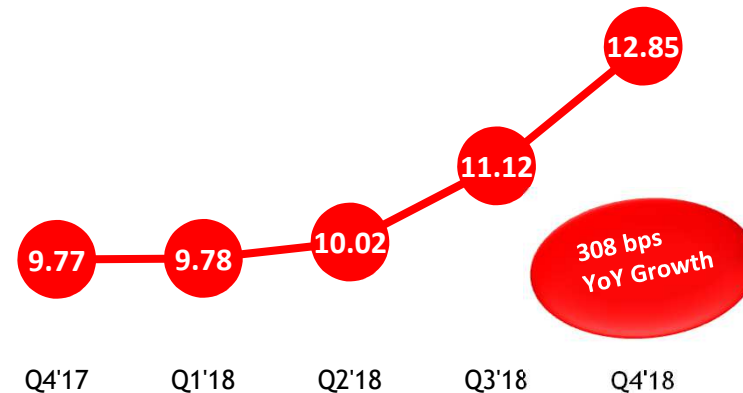
*Liquid Assets includes Cash and Cash Equivalents, Financial Assets Measured at Fair Value through Profit/Loss, Financial Assets Measured at Fair Value through Other Comprehensive Income.

Total Securities Portfolio (Million TRL)



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

Securities Yield (%)

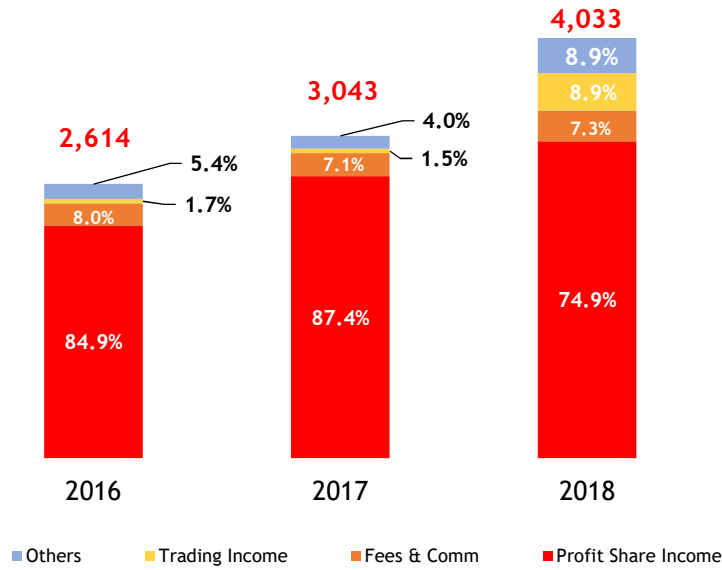


(*) Profit share income received from securities for the last 4Q/5Q average securities

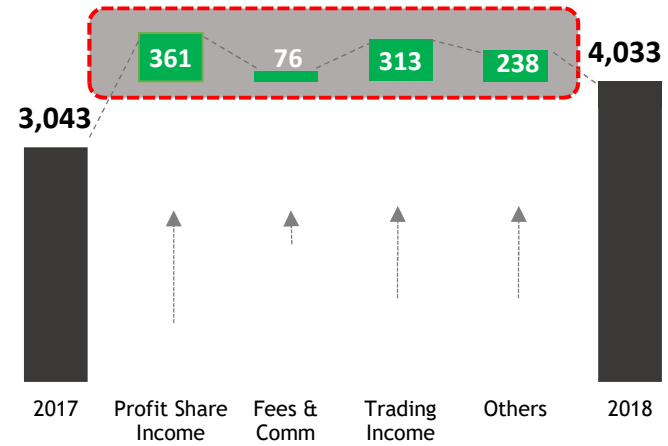
Operating Performance Breakdown



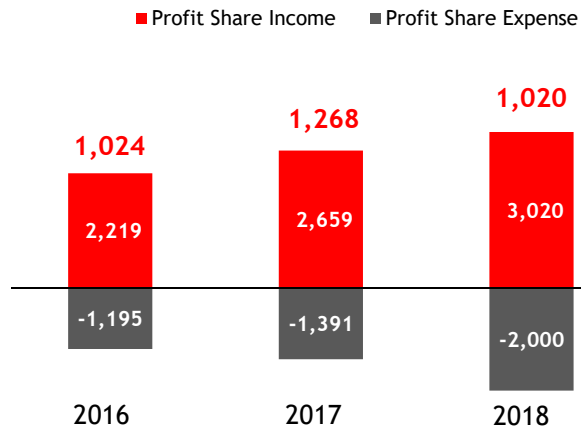
Income (Million TRL)



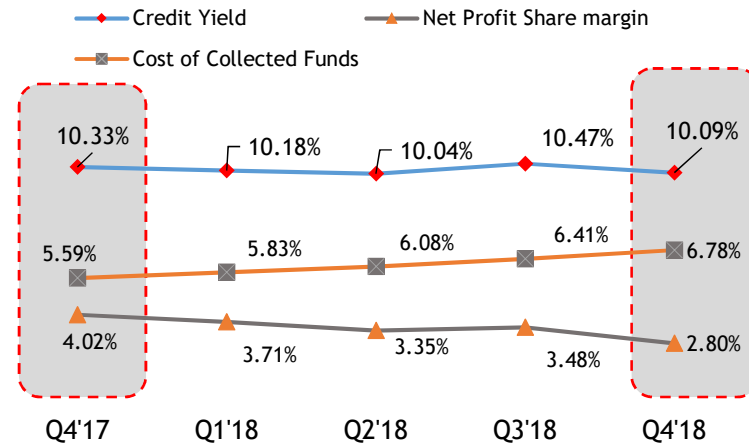
Key Movements in Income (Million TRL)



Net Profit Share Income (Million TRL)



Cost & Yield Movement (%)



Funded Credits Portfolio



Total Funded Credits (including financial leasing, million)

	Q4'17	Q3'18	Q4'18	QoQ	YoY
TL Credits, TL	13,151	13,069	12,092	-7.47%	-8.05%
FC Credits, \$*	1,623	1,813	1,933	6.64%	19.11%
FC Indexed, \$*	1,570	980	735	-24.95%	-34.41%
Total Credits, TL	25,193	29,797	26,185	-12.12%	3.94%

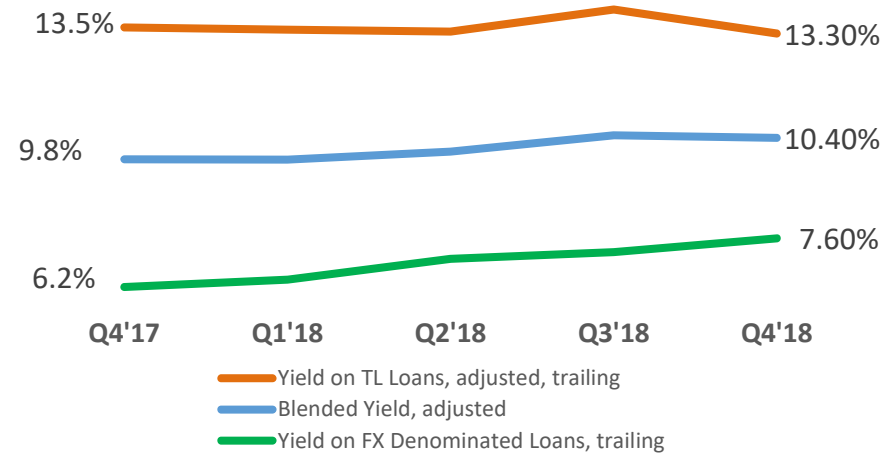
*USD equivalent

Composition of Total Funded Credits* (%)

	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18
Corporate Credits	40.3	40.2	39.6	41.4	41.7
SME Credits	46.2	46.9	49.2	48.9	48.1
Retail Credits	13.5	12.8	11.2	9.7	10.2

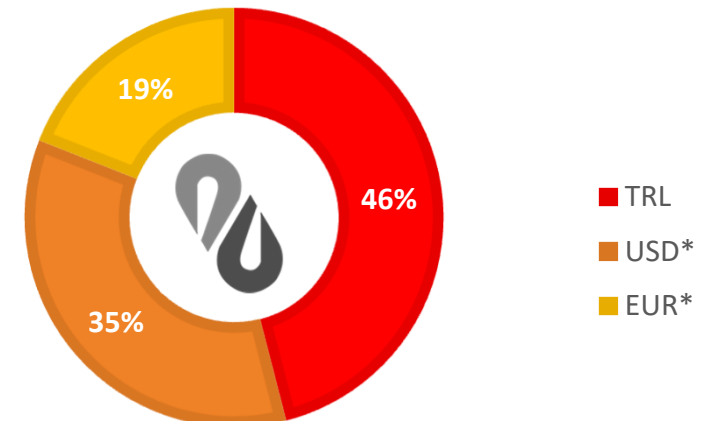
*According to BRSA definition

Yield on Performing Credits (%)



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

Currency Composition of Total Funded Credits* (Q4'18)

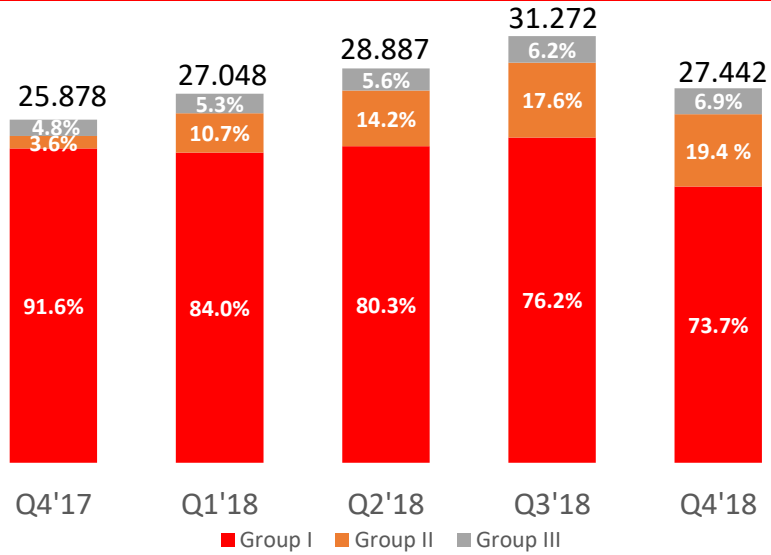


*Including USD & EUR indexed credits

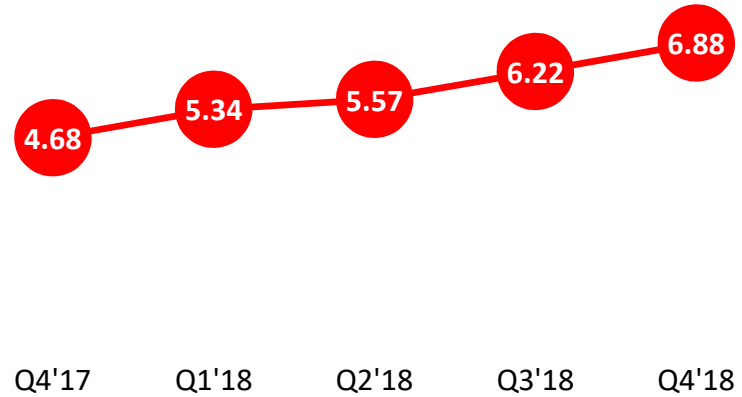
Asset Quality



Gross Funded Credits by Groups (including financial leasing, million)

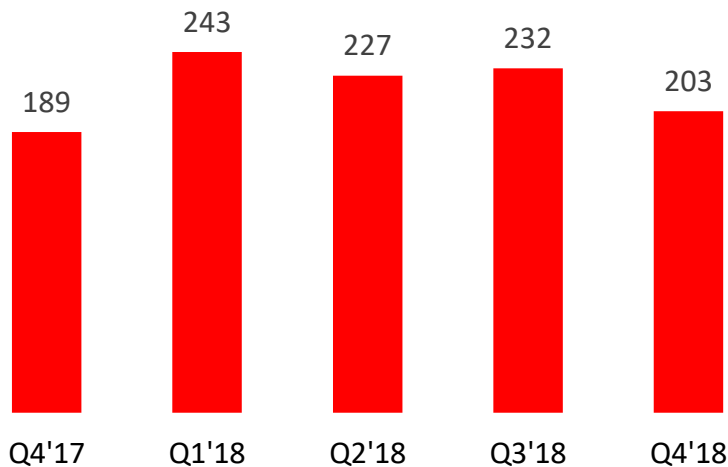


NPL Ratio (%) *

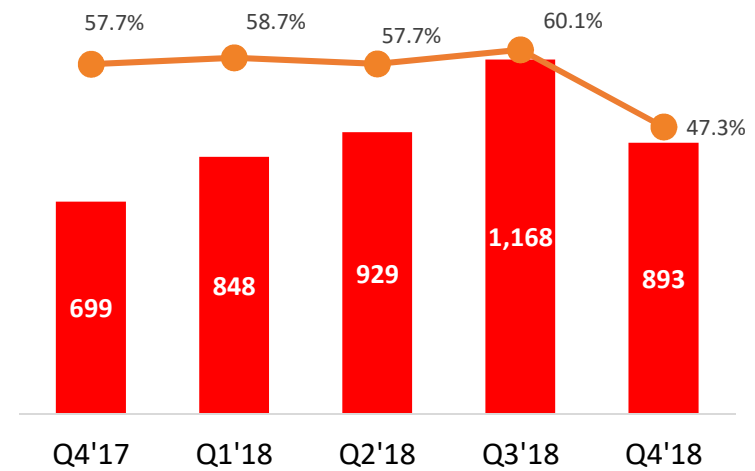


*Including financial leasing & accruals and rediscounts

Cost of Risk** (bps)



Provisioning (Stage III)

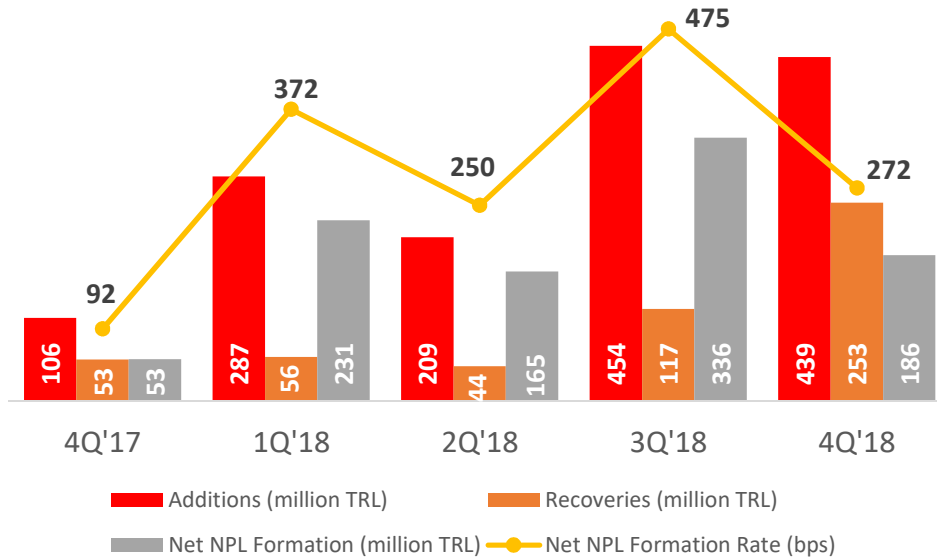


** Specific provisions for credits for last 4Q/ 5Q average credits

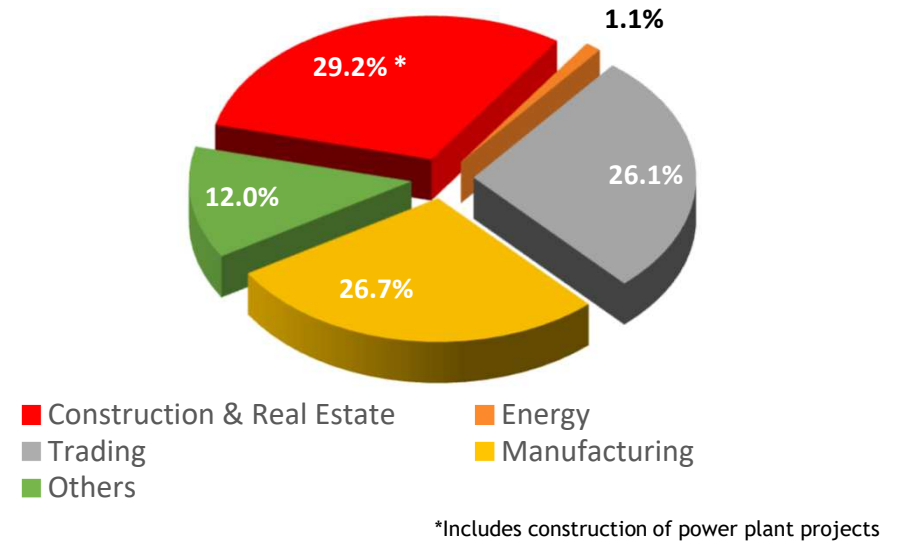
■ Lifetime ECL Impaired Credits (Stage 3) (Million TRL) ● Provisioning Ratio (%)



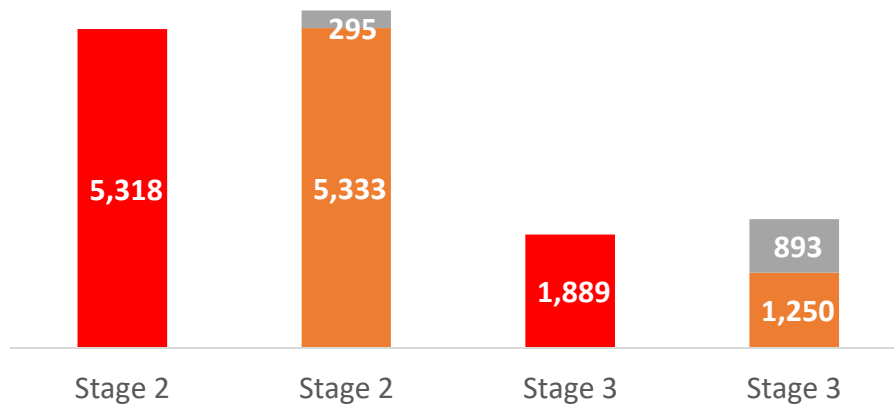
NPL Formation Trend



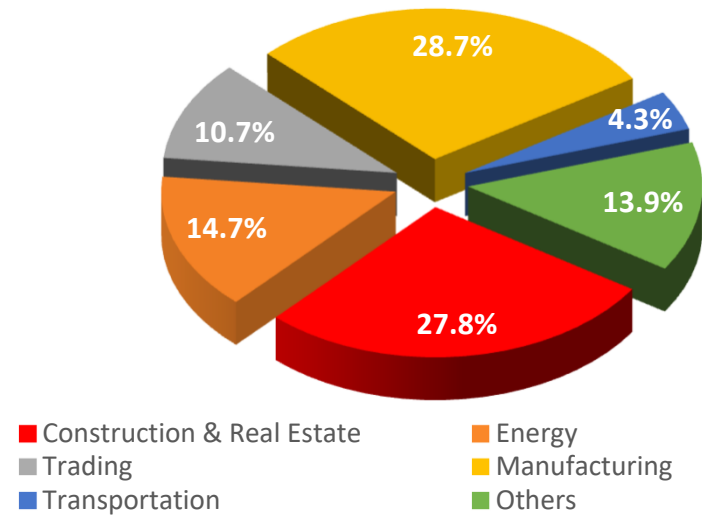
NPL Inflow Sector Distribution



Stage II-III Coverage (Million TRL)



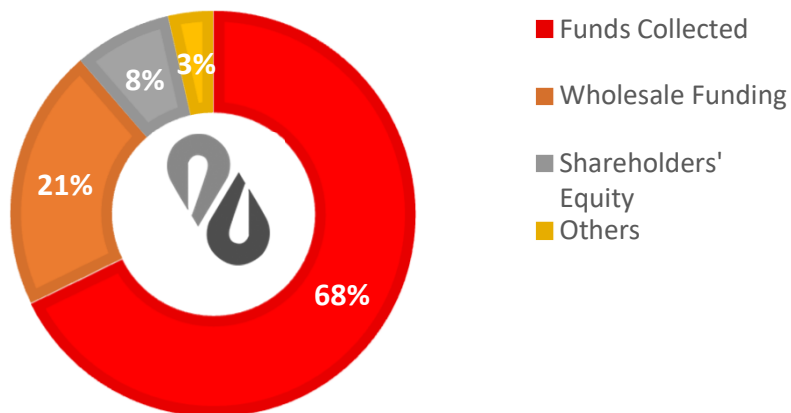
Stage II Credits Sector Distribution



Source: Albaraka Turk

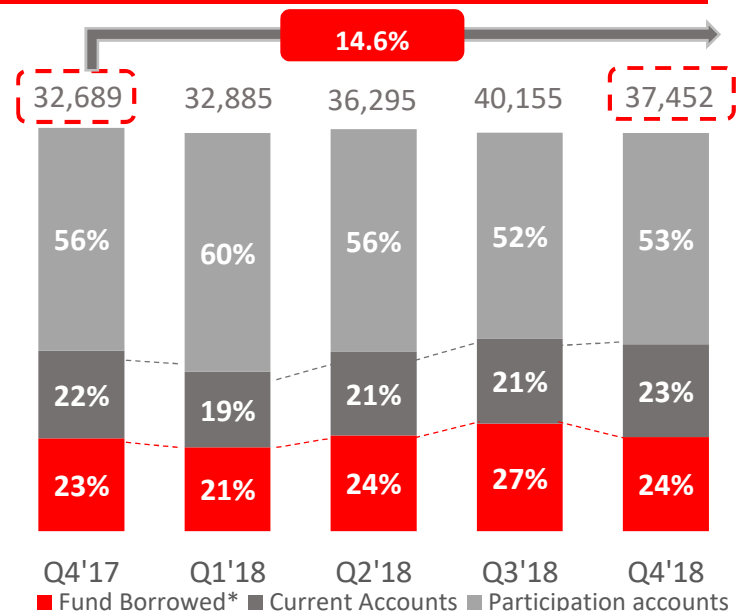
Funding Profile

Composition of Total Liabilities (Q4'18,%)



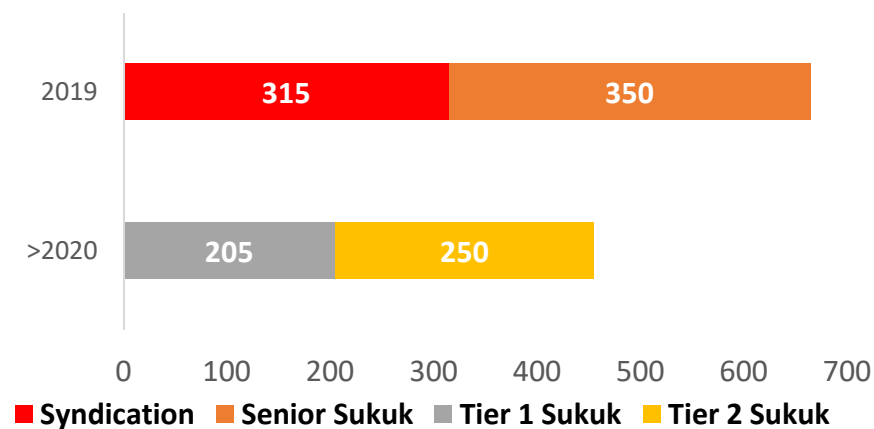
(Million TRL)	Dec'17	Dec'18	YoY Growth	Comp.
Funds Collected (incl. Bank deposits)	25,310	28,623	13%	68%
Wholesale Funding	7,379	8,828	20%	21%
Funds Borrowed	5,412	6,852	27%	16%
Syndicated Loans	1,192	1,665	40%	4%
Wakala	1,802	1,211	-33%	3%
Issued Lease Certificates & Sukuk	1,781	3,463	94%	8%
Other	636	514	-19%	1%
Sub-Ordinated Debt (Tier 2)	1,627	1,204	-26%	3%
Interbank	340	772	127%	2%
Shareholders' Equity	2,482	3,261	31%	8%
Paid in Capital	900	900	-	2%
Tier 1 Sukuk	-	776	-	2%
Others	1,582	1,585	-	4%

Composition of Funding Base (Million TRL)



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

Maturity Profile of Liabilities (Million USD)



Funding Profile (Collected Funds)

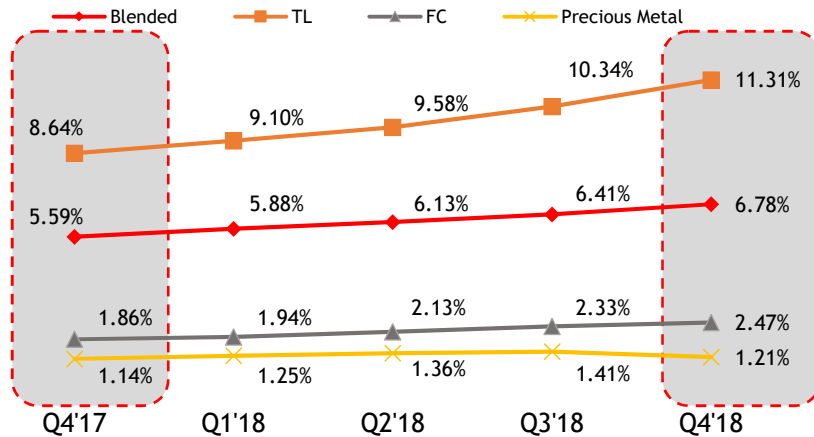


Total Funds Collected (Million TRL)

	2017	2018	YoY
Funds Collected	25,310	28,623	13.1%
Current acc./ Total Funds Col.	28.26%	30.49%	
Current Accounts	7,153	8,729	22.0%
Current Accounts TL	3,196	2,810	-12.1%
Current Accounts, FC, \$	1,049	1,121	6.8%
Participation Accounts	18,157	19,895	9.6%
Participation accounts TL	10,052	8,970	-10.8%
Participation Accounts FC, \$	2,149	2,069	-3.7%

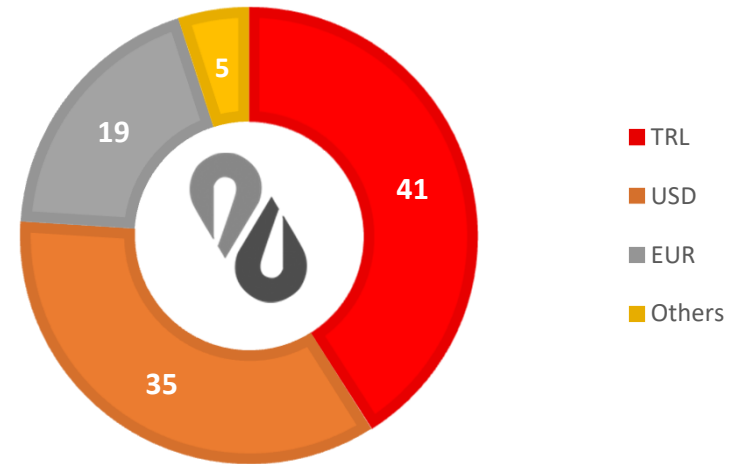
*USD equivalent of FC accounts

Cost of Funds Collected*

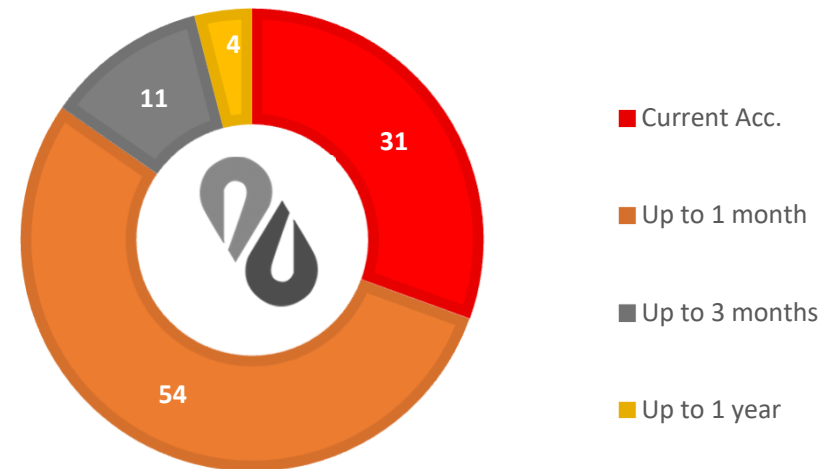


*Profit share expense to depositors for the last 4Q/4Q average participation accounts

Currency Composition of Funds Collected (Q4'18,%)



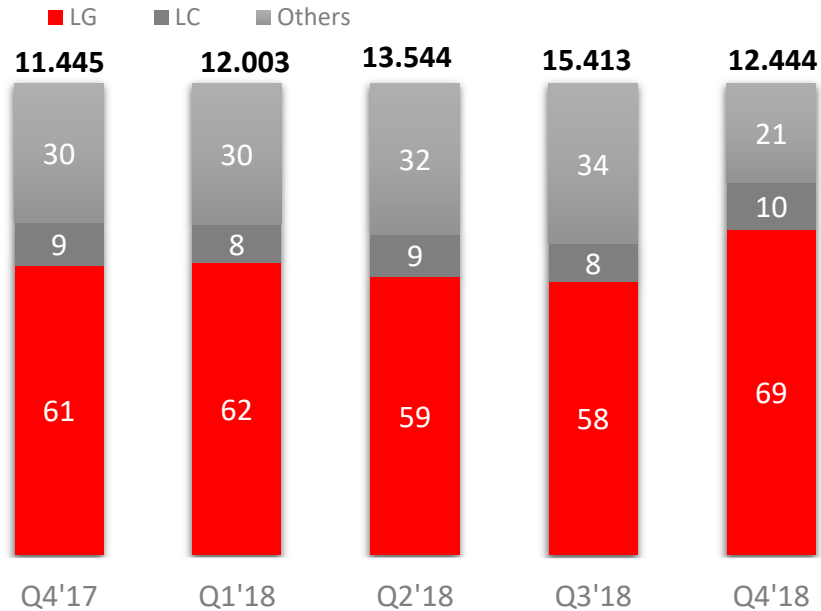
Maturity Composition of Funds Collected (Q4'18, %)



Off Balance Sheet Growth

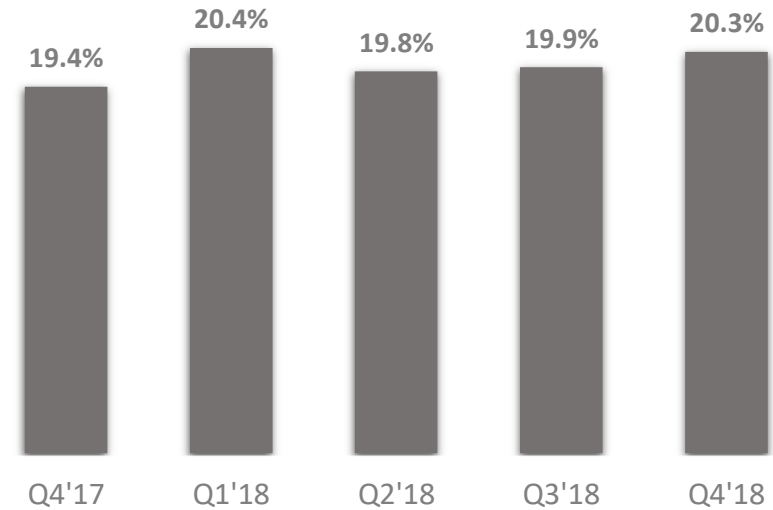


Off Balance Sheet Composition (%)



LGs*-to-Total Assets

*Below 20% of LGs to Total Assets is targeted



Off Balance Sheet (TRL million)

	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Growth (%) YoY
Letter of Guarantee	7,024	7,387	8,004	8,910	8,575	22.08%
Letter of Credit	1,031	1,020	1,178	1,266	1,230	19.30%
Others*	3,390	3,595	4,362	5,291	2,640	-22.12%
Total:	11,445	12,003	13,544	15,413	12,444	8.73%

*Revocable credit limits not included.

Income- Cost Dynamics



(Million TRL)	YoY			Notes
	2017	2018	%	
Net Profit Share Income	1,268	1,020	-19.6%	Adjusted for the TRY233 mln profit share income on JV projects in the 2017 period, the Net Profit Share Income would have been flattish in 2018 over a year ago. Upward pricing of Funded Credits in 2H19 is expected to lead stronger Net Profit Share Income.
Net Fee Income	148	198	33.5%	Circa 33.5% Y-o-Y expansion in this line item is mostly driven by higher POS commissions and custody services, despite the deceleration in economic activity leading to slower growth in Funded Credits.
Net Trading Income	45	359	691.0%	\$205 mln Tier-1 capital sukuk shaped stronger FX gains in the 2018. This USD-denominated capital has acted as an organic hedge to TL depreciation.
Other Income	122	361	195.2%	IFRS-9 adjustments related to provision reversals led to 2018 total operating income being well above the same period of last year.
Provisioning	461	608	31.9%	Doubled NPA inflows in 2018 and the IFRS-9 related provisioning expenses put pressure on the provisioning expenses. Nevertheless, our total coverage ratio remained almost unchanged at 66.5%, while Stage-3 coverage ratio stood at 47.3%.
Personnel Expenses	443	536	20.9%	HR costs grew by 21% YoY in line with CPI
Other Costs	720	1,019	41.6%	Despite the continued branch expansion (+10 branches YoY) to 230 and staff addition (+89 personnel YoY) to 3,988 headline cost growth remained below 20.35% inflation. The growth in Non-HR expenses was driven by a TRY210 mln revaluation loss on asset held for sale due to Lira depreciation.
Net Profits	237	134	-43.5%	Worsening asset quality related higher provisioning expenses, rising cost of funding and one-off revaluation loss on asset held for sale due to Lira depreciation depressed net profit in 2018.

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Financial Ratios - Sector Comparison



Percent %	2017			2018		
	Albaraka Türk	Participation Banks	Banking Sector	Albaraka Türk	Participation Banks	Banking Sector
CAR	17.06	16.98	16.87	14.66	15.76	17.27
NPL Ratio	4.68	3.22	2.95	6.88	3.80	3.85
Provisioning Ratio (Stage 3)	57.68	70.75	79.38	47.31	63.30	68.32
Loan/Deposits	99.54	103.50	120.91	91.48	95.23	115.84
ROAA	0.85	1.36	2.06	0.42	1.48	1.78
ROAE	10.05	12.62	14.73	4.27	13.93	13.55
Asset Yield	8.43	8.22	8.83	8.29	9.64	10.49
Asset Spread	3.88	3.37	3.48	2.81	3.23	3.37
Net Profit Share Margin	4.02	4.13	4.12	2.80	4.21	4.26
Op Costs / Avg. Assets	2.35	2.24	1.95	2.89	2.10	1.84
Cost/Income*	52.67	43.42	38.69	59.93	35.70	34.39
Credits / Branches (000'TRL)	114.516	107.627	188.355	113.848	119.643	216.718
Staff / Branches	17.72	14.56	17.98	17.34	14.08	17.96
CA / Deposits	28.26	30.52	21.24	30.49	32.75	21.32

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

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Summary Balance Sheet



(Million TRL)	Dec '17	Dec '18	Growth (%)
Cash and Balances with Central Bank	5,757	5,918	2.8%
Banks	1,511	5,217	245.2%
Financial Assets	2,876	2,949	2.5%
Funded Credits	25,193	26,185	3.9%
<i>Cash Credits</i>	24,456	25,174	2.9%
<i>NPL</i>	1,213	1,889	55.7%
<i>Provisions</i>	699	893	27.7%
<i>Net Financial Leasing Receivables</i>	737	380	-48.5%
Associates	30	40	32.0%
Fixed Assets	618	687	11.1%
Assets Held For Sale and Investment	84	650	671.3%
Other Assets (inc. Tax Assets)	159	570	259.6%
Total Assets	36,229	42,224	16.5%
Funds Collected	25,310	28,623	13.1%
Funds Borrowed	5,412	6,852	26.6%
Debts	1,134	2,192	93.3%
Provisions (inc. Taxes)	265	90	-65.9%
Tier II Sukuk	1,627	1,204	-26.0%
Shareholders' Equity	2,482	3,261	31.4%
<i>Capital</i>	900	900	
<i>Capital Reserves (inc. Premium)</i>	225	846	
<i>Profit Reserves</i>	1,113	1,301	
<i>Profits</i>	237	161	
Total Liabilities	36,229	42,224	16.5%

Summary Income Statement



(Million TRL)	Dec'17	Dec'18	Growth (%)
Profit Share Income	2,659	3,020	13.6%
Profit Share Expense	1,391	2,000	43.8%
Net Profit Share Income	1,268	1,020	-19.6%
Net Fees and Commissions Income	148	198	33.5%
<i>Fees and Commissions Received</i>	217	293	35.3%
<i>Fees and Commissions Paid</i>	53	95	79.2%
Net Trading Income	45	359	691.0%
Other Operating Income	122	361	195.2%
Total Operating Profit	1,584	1,401	-11.5%
Provisions for Loan Losses and Other Receivables	461	608	31.9%
Other Operating Expenses*	834	1,161	39.2%
Operating Profit Before Tax	289	168	-41.7%
Tax Provision	52	35	-33.2%
Net Profit	237	134	-43.5%

* including personnel expenses



THANK YOU

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