

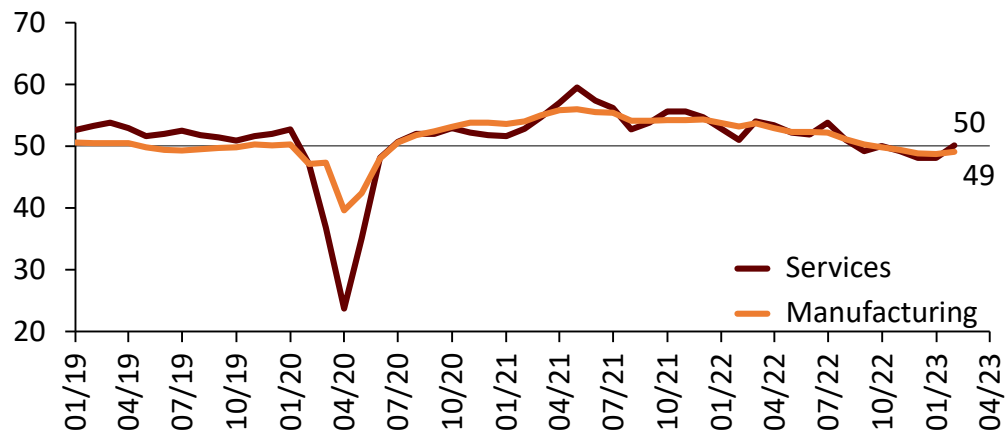
**Q4'2022**  
**Investor Presentation**

**Albaraka Türk Participation Bank**

# Macroeconomic Outlook

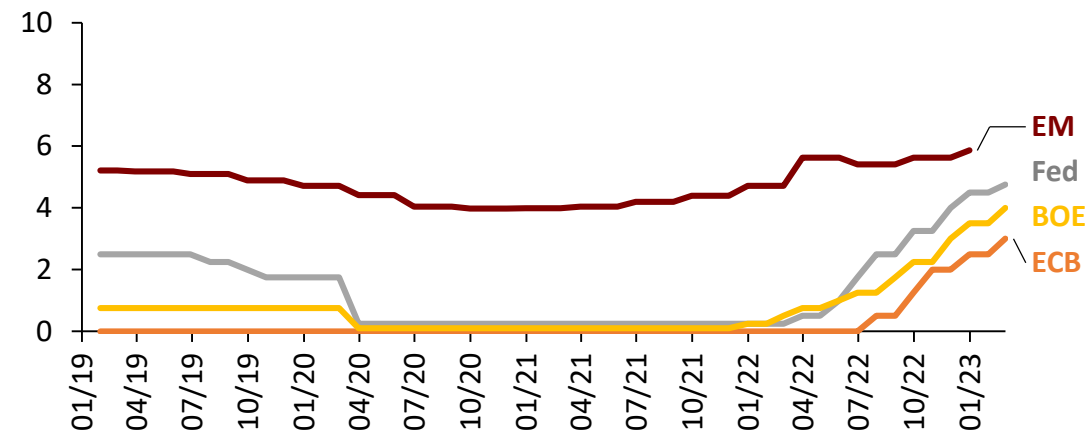
## Global PMI

Index



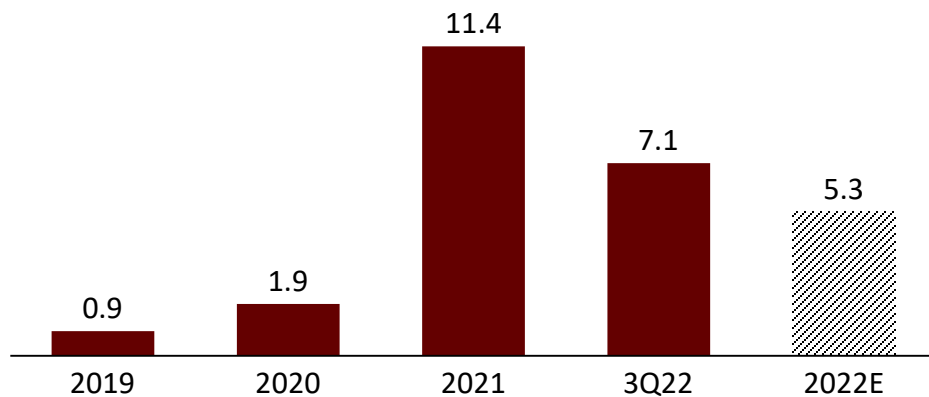
## Central Banks Policy Rates

%



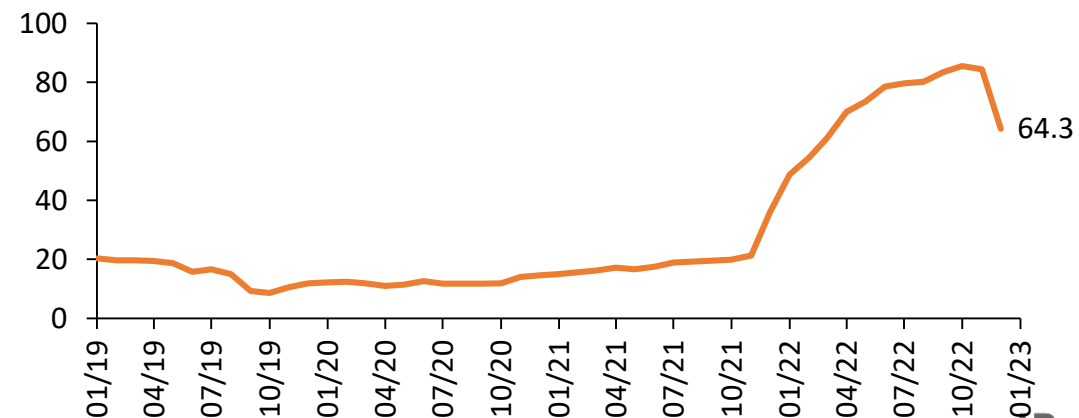
## Turkey: GDP Growth

Annual % Change



## Turkey: Inflation

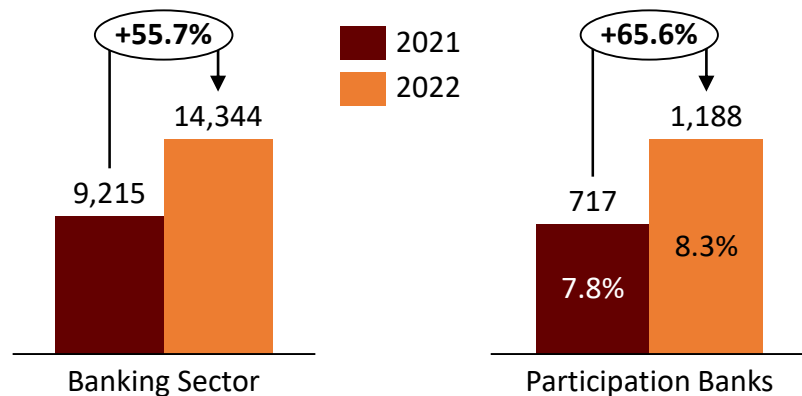
Annual % Change



# Banking Sector Overview

## Total Assets\*

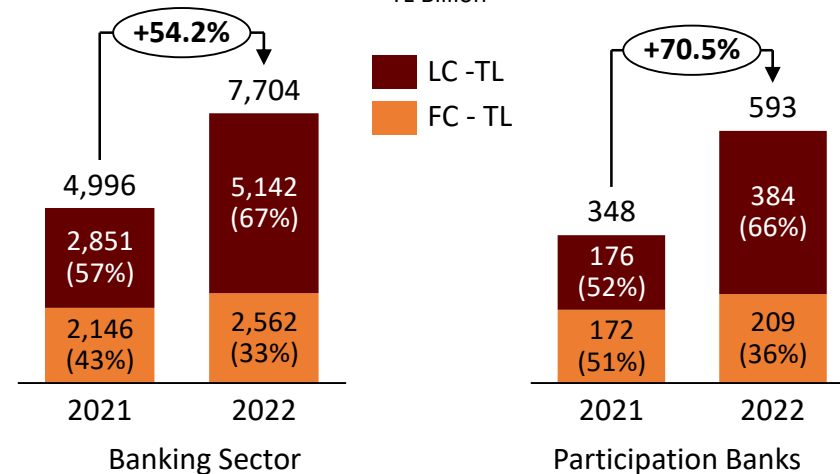
TL Billion



\* Percentage figures indicate the share of participation banks in total banking sector

## Funded Credits\*

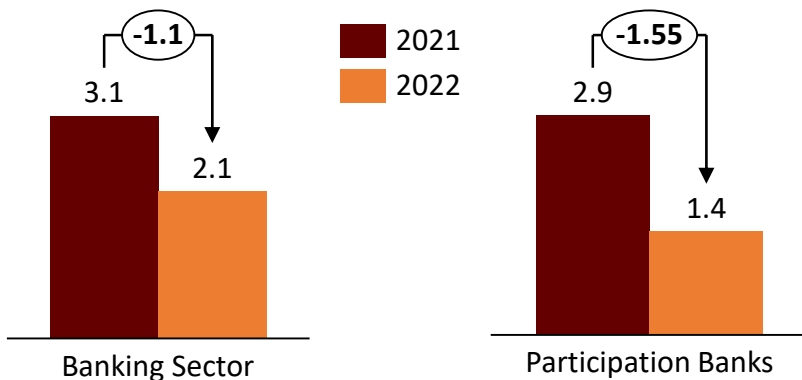
TL Billion



\* Credits extended to banks are included

## NPL Ratio\*

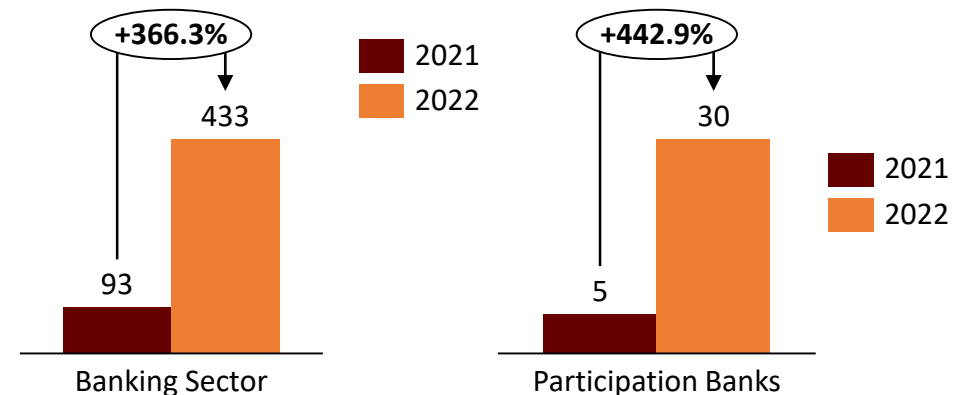
%



\* NPL/ (Credits + f.leasing (net) + net NPL + accruals and rediscounts)

## Net Profit

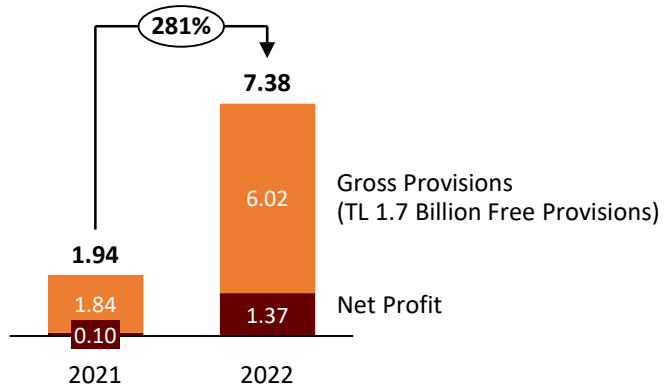
TL Billion



# Albaraka Türk Snapshot

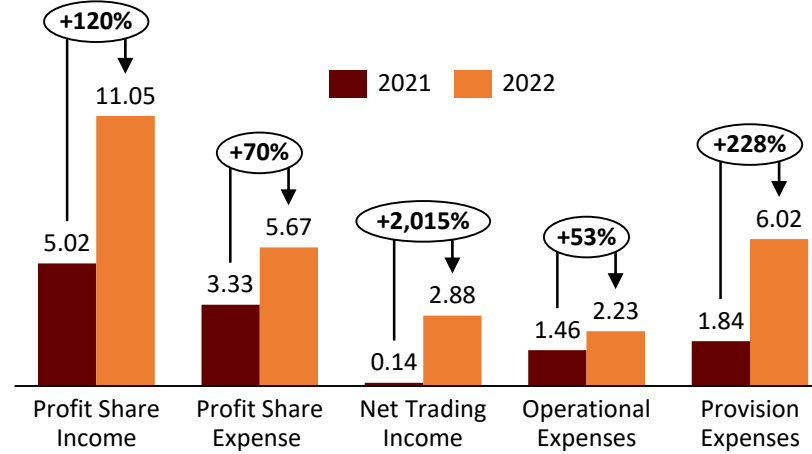
## Pre-Provisions Profit

TL Billion



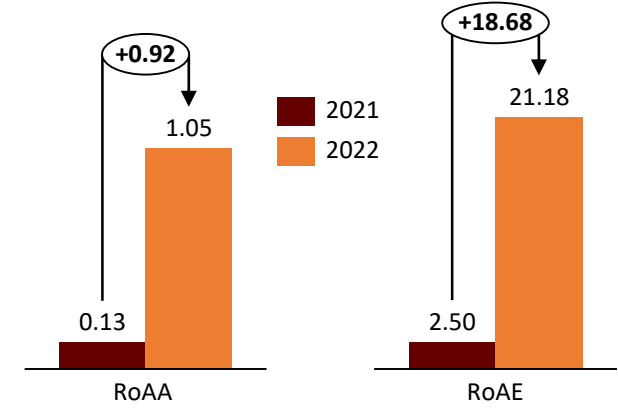
## Income – Cost Dynamics

TL Billion



## Return on Equity & Assets\*

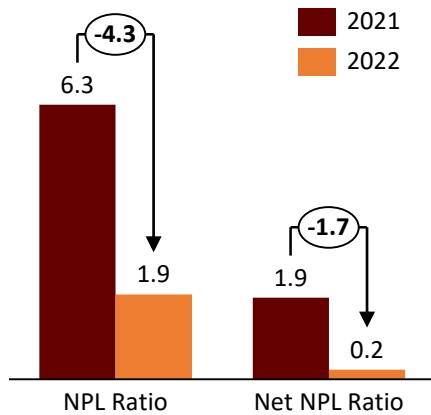
%



\* Annualized net profit/5Q average assets or equity

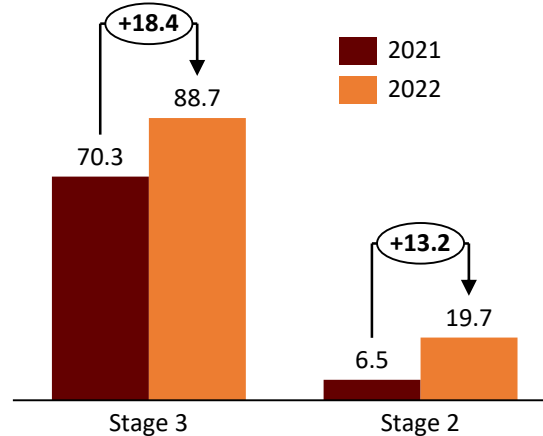
## NPL Ratio

%



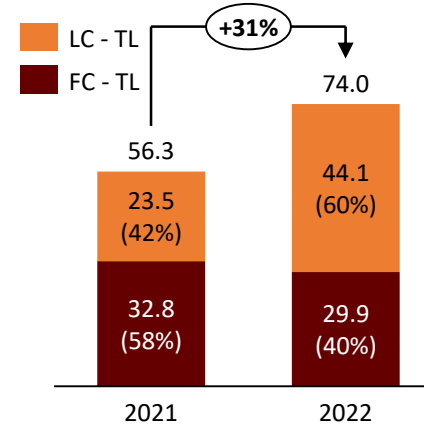
## Provisioning Ratio

%



## Performing Funded Credits\*

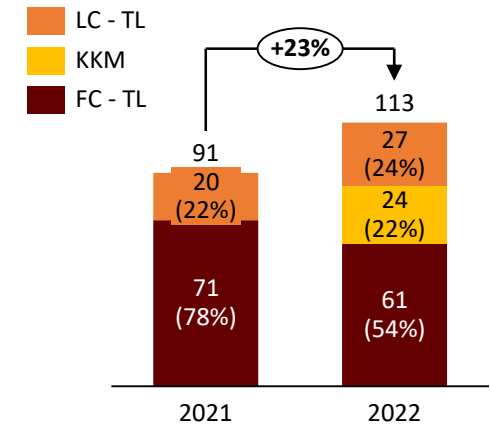
TL Billion, %



\* Includes P/L projects and f. leasing (net)

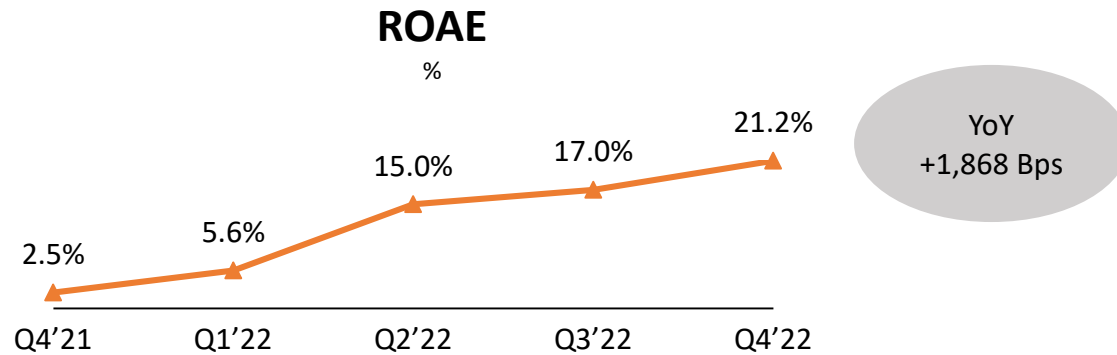
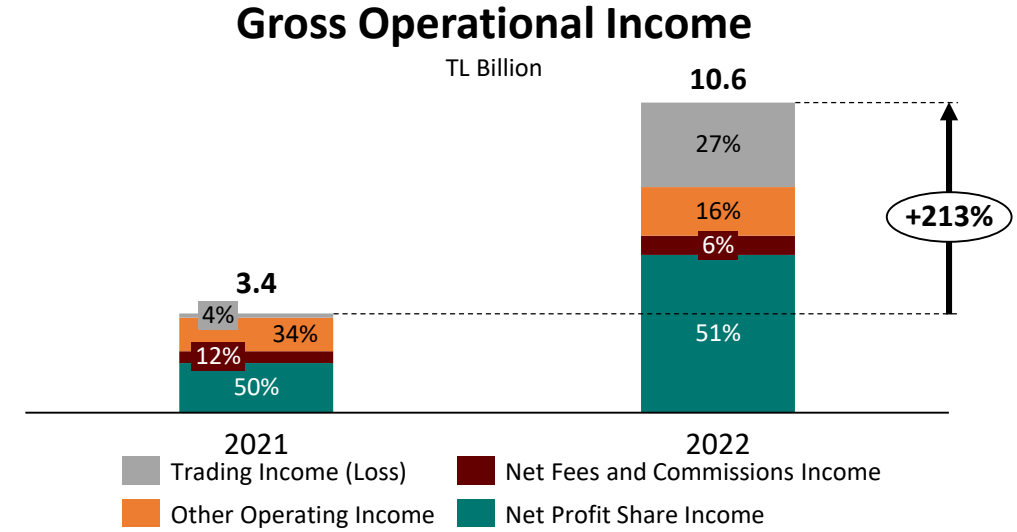
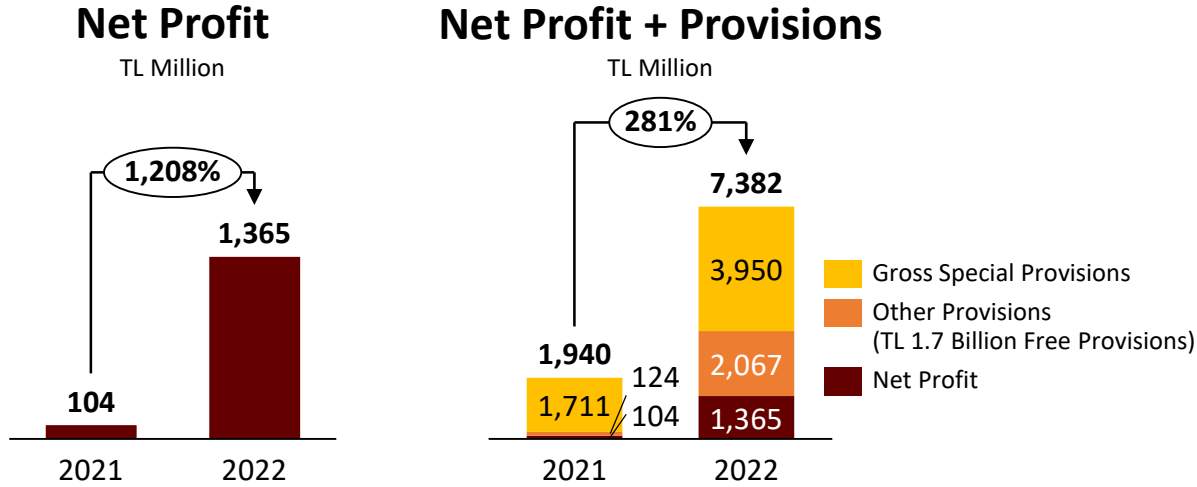
## Collected Funds

TL Billion, %

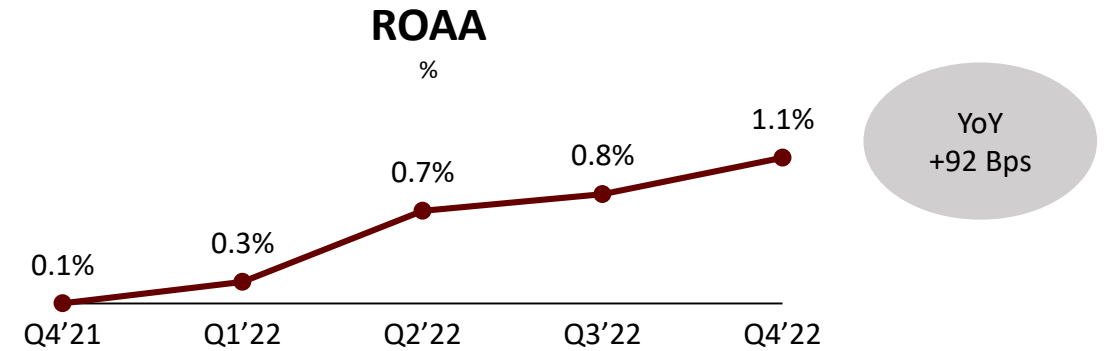


# Profitability back on track, asset quality highly improved along with high provisions

Although high amount of provisions set aside, our net profit reached to TL 1.37 billion as end of 2022.



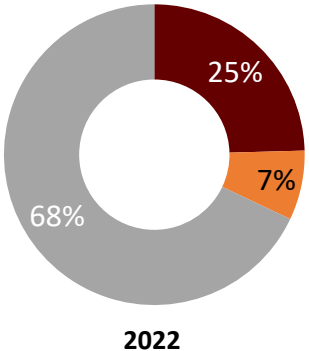
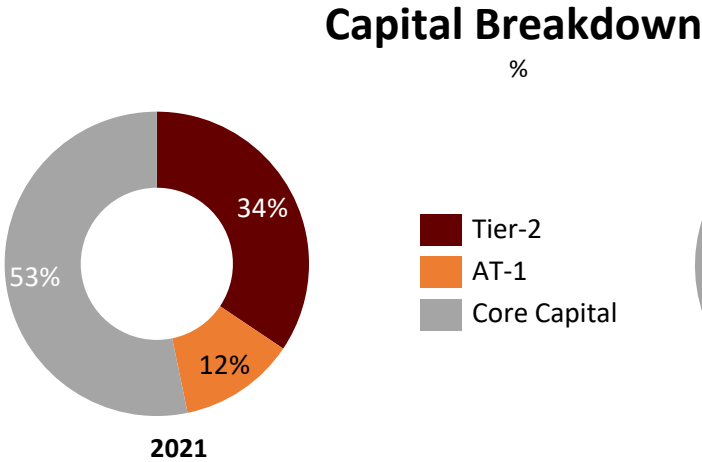
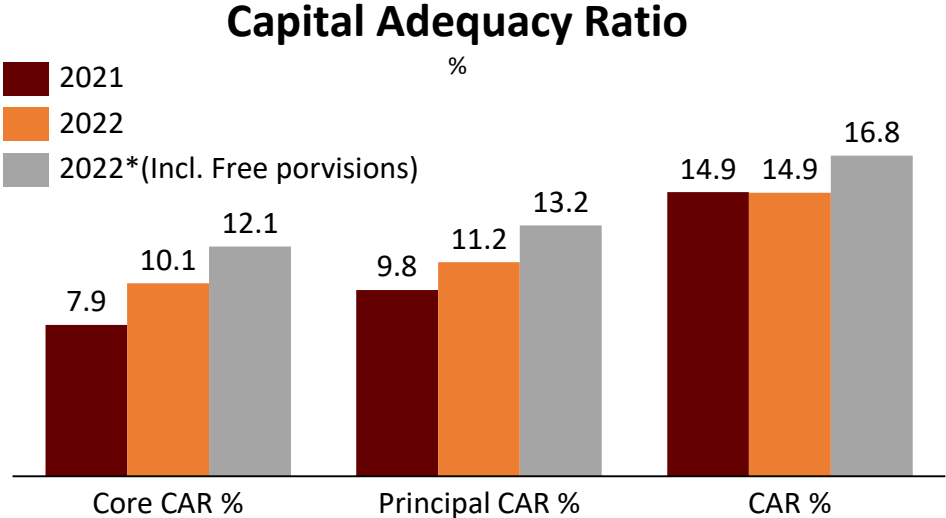
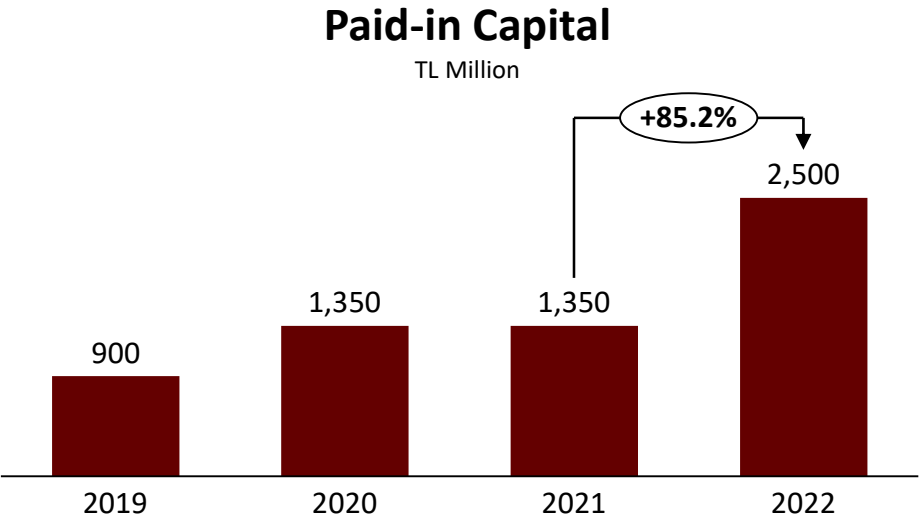
(\*) Annualized net profit/5Q average equity



(\*) Annualized net profit/5Q average assets

# Capital base bolstered up by additional capital injection and increased capacity of internal capital generation

Despite the 20% Tier-2 amortization in 2022, we managed to keep CAR at the same level compared to 2021.

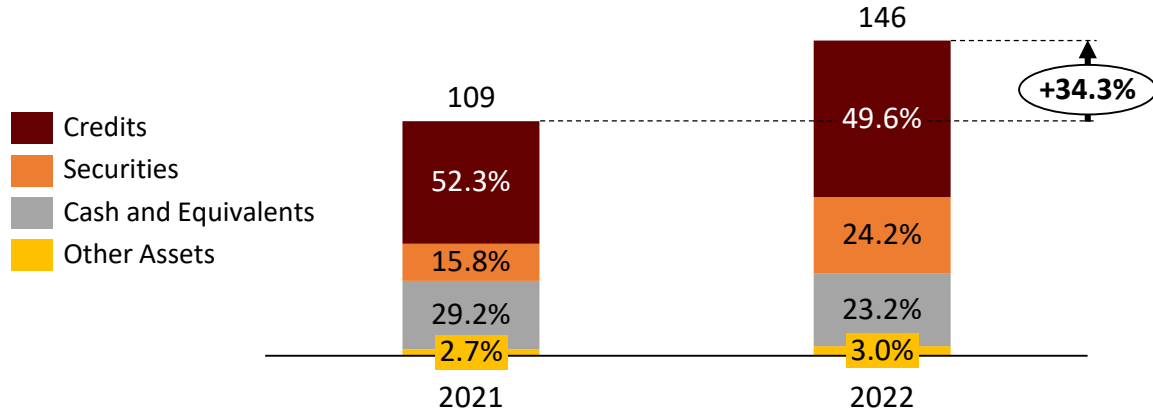


# Modarate asset growth in line with market developments

Share of TL assets increased in total assets and our balance sheet become more resilient to potential exchange rate fluctuations.

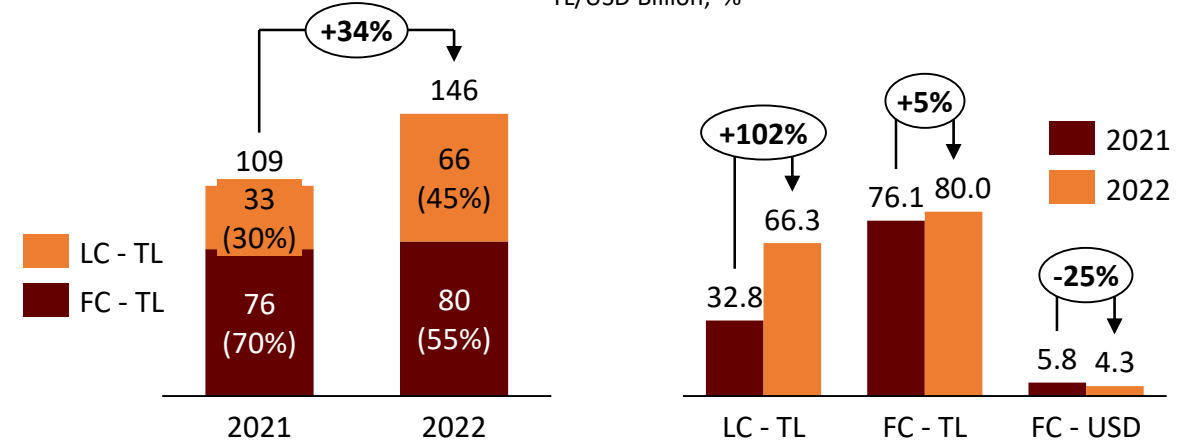
## Composition of Total Assets

TL Billion , %



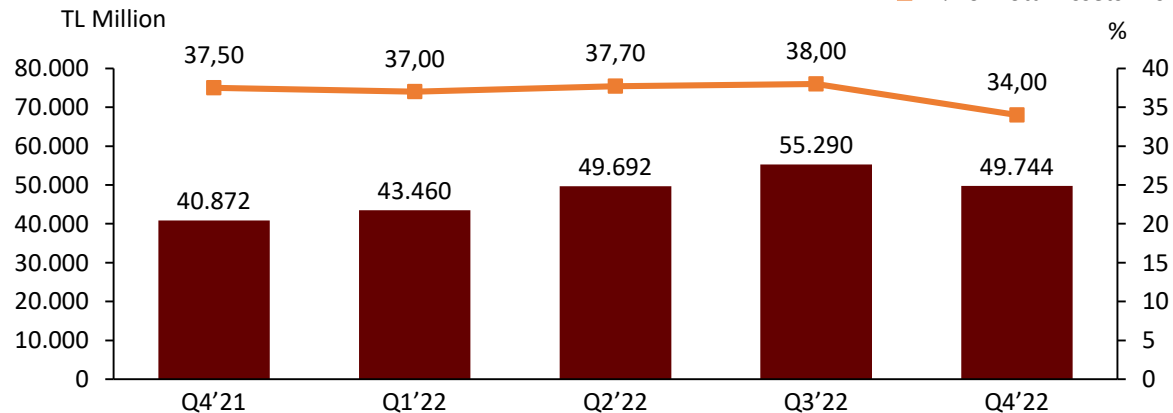
## Currency Breakdown of Total Assets

TL/USD Billion, %



## Liquid Assets

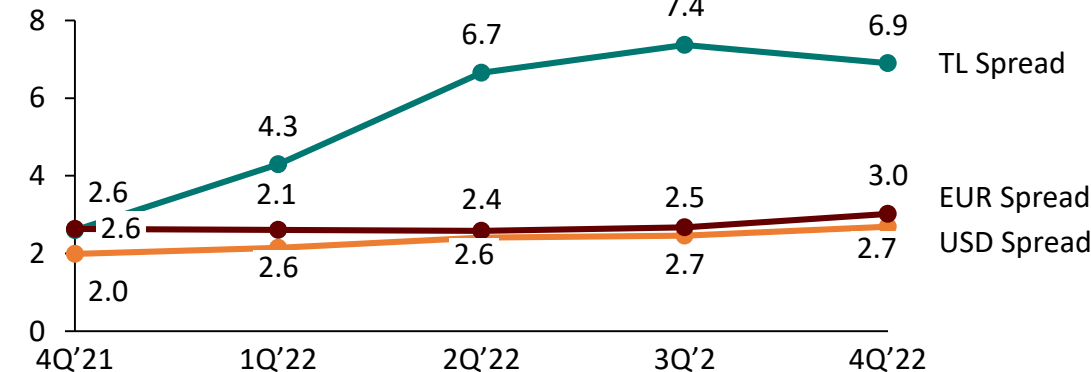
Liquid Assets  
% of Total Assets-rhs-



\*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.

## Asset Spreads

Asset Yields\* – Asset Costs\*\*, %



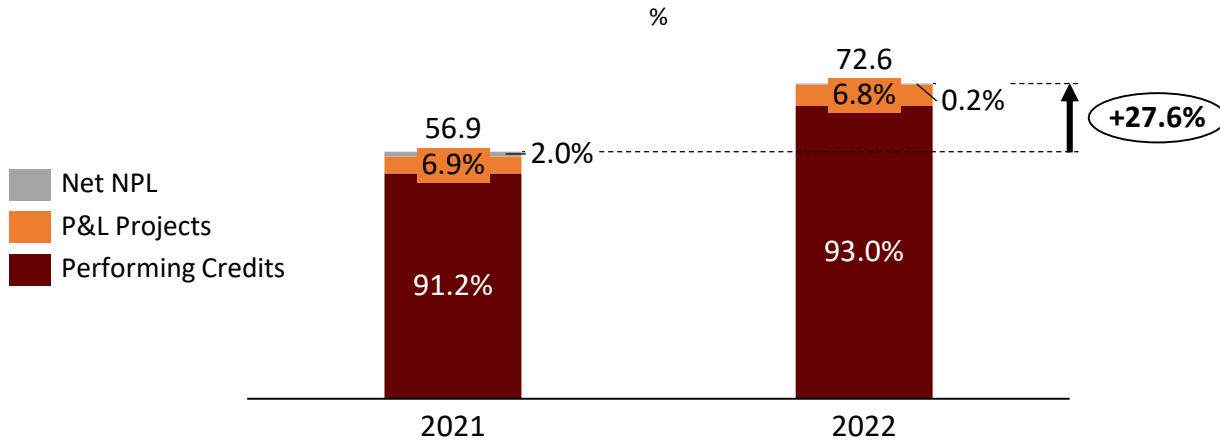
\* Asset yields reflect weighted yield of Credits (s), Sukuk, Deposits, and other placements

\*\* Asset costs reflect weighted cost of all current and participation deposits, borrowed credits, sukuk, vekala and vaad

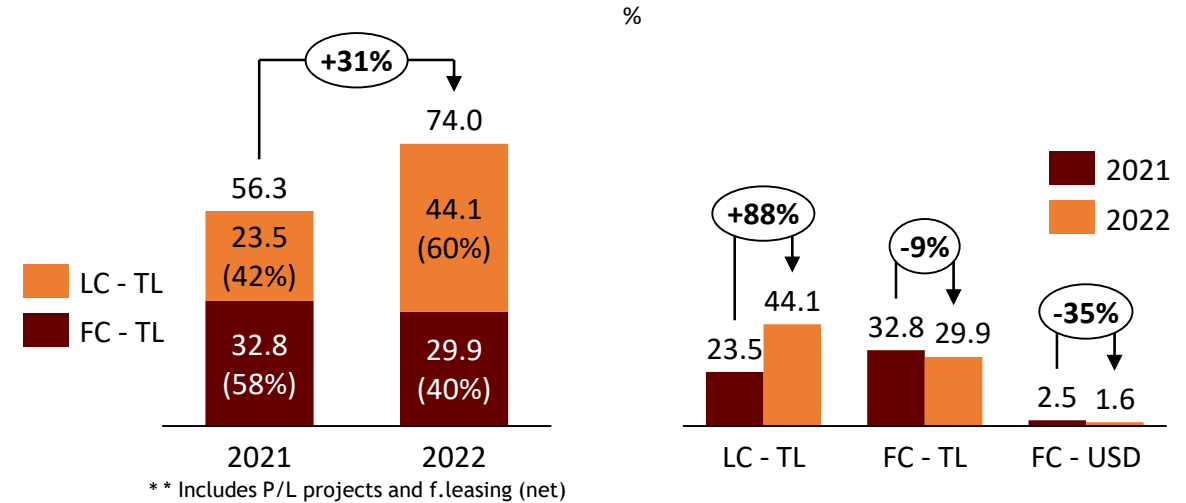
# Funded credits portfolio reshaped by improved asset quality and «liraization» strategy

Both share of performing credits and TL credits increased in total funded credits.

## Composition of Total Funded Credits

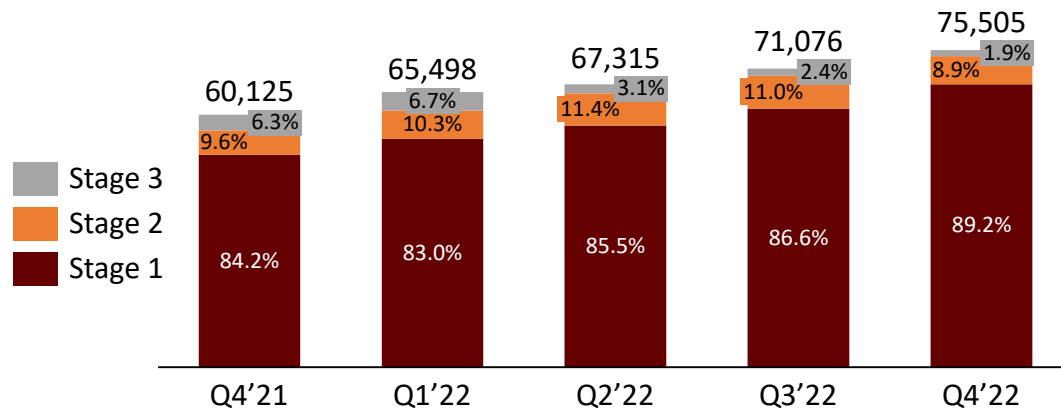


## Currency Breakdown of Performing Credits\*

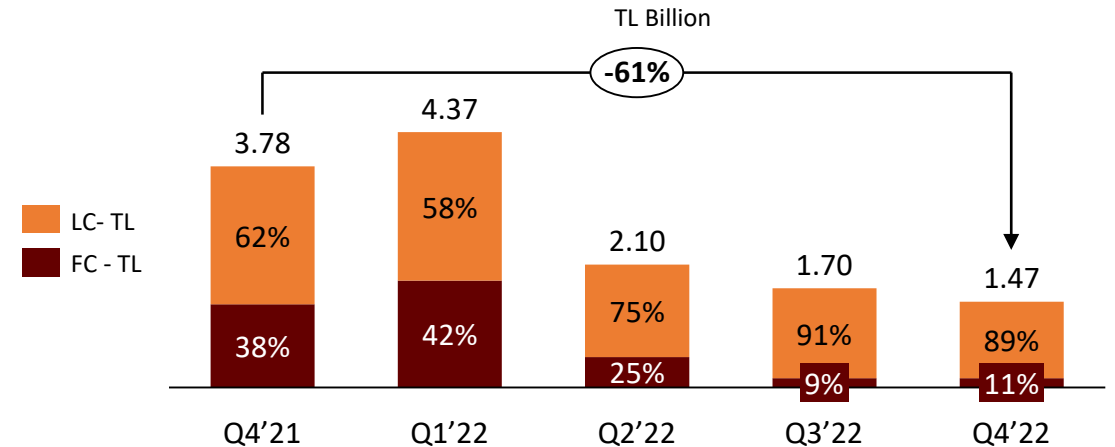


## Gross Funded Credits

Inc. Leasing, TL Million, excl. expected credit losses(provisions)



## Currency Breakdown of Non-Performing Credits



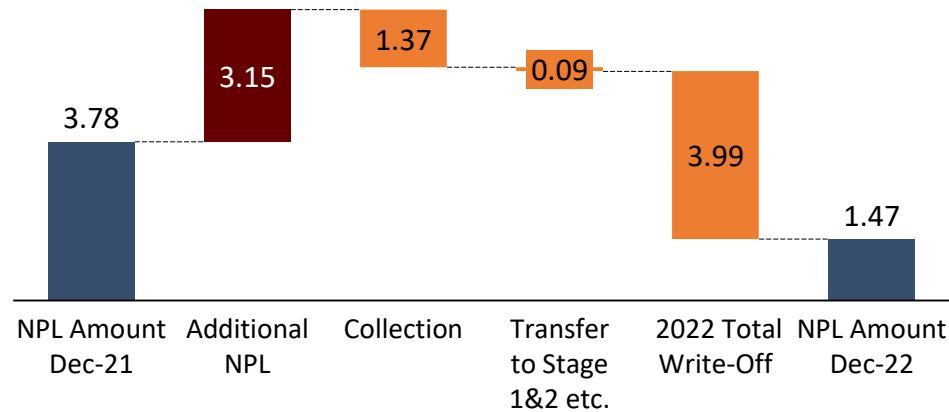


# Asset quality improved significantly, and also backed by high provisioning policy

NPL ratio has retreated to 1.9% which is below the banking sector average, currency composition of NPL portfolio restructured.

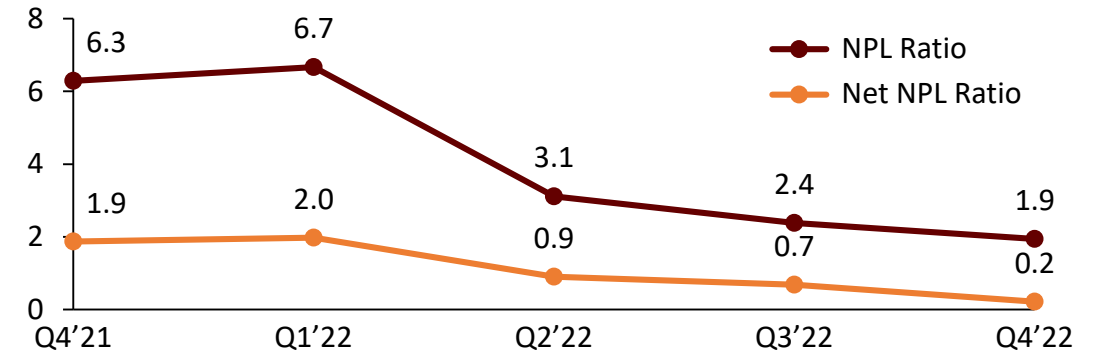
## Non Performing Credits Development

TL Billion



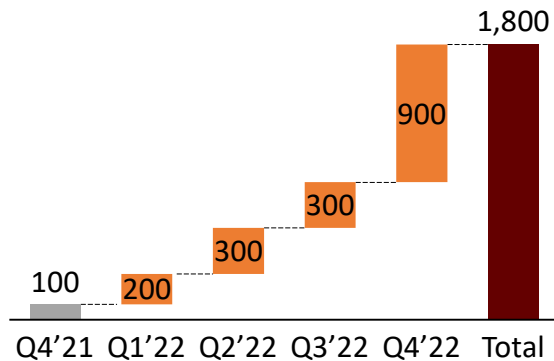
## NPL Ratio

%



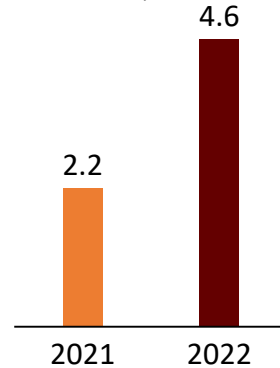
## Free Provisions

TL Million



## Cost of Risk

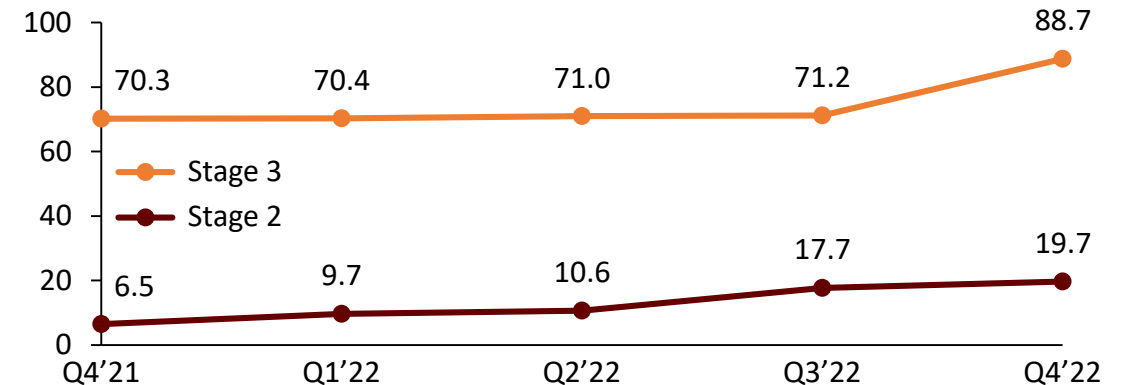
%



Cost of risk: 12-months cumulative total provision expense to 13 months average total assets.

## Provisioning Ratio

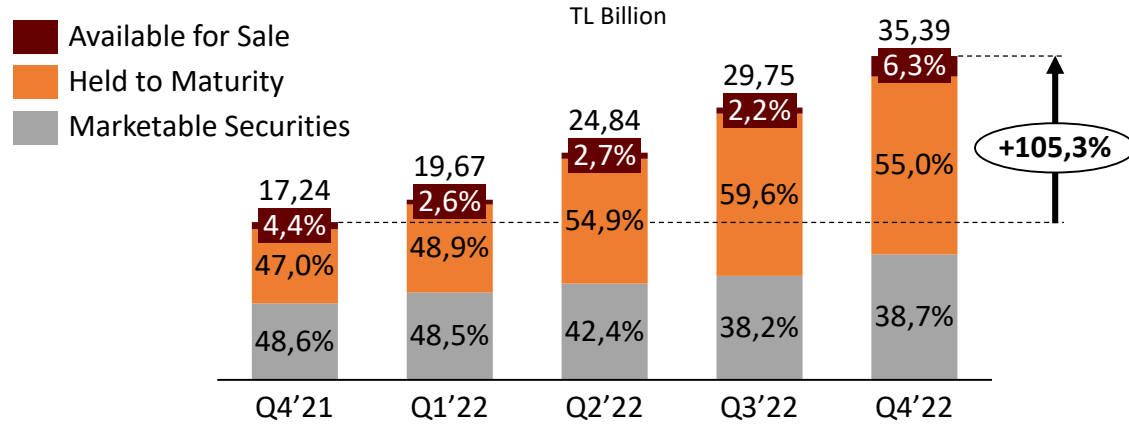
%



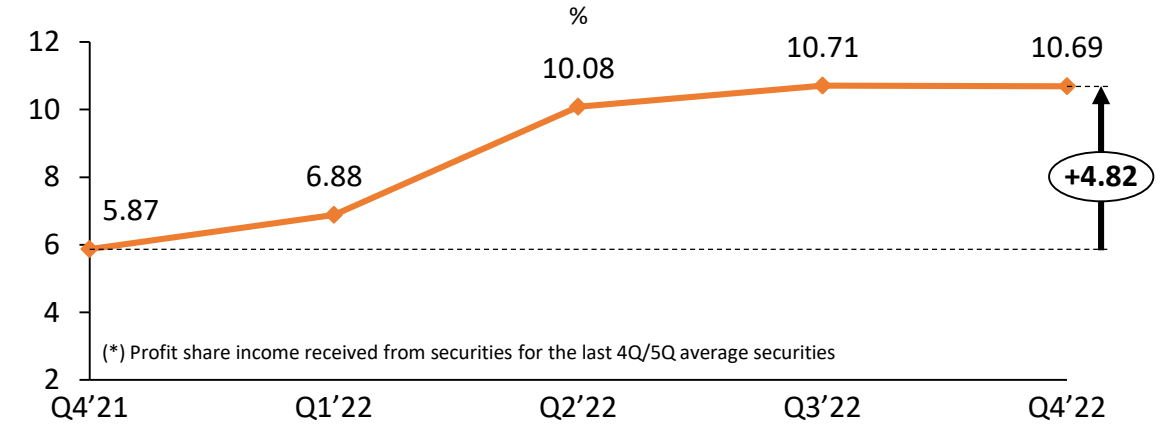
# Growth in securities portfolio driven by CBRT pledge, supported profitability

Growth in total securities portfolio went up by %105 YoY.

## Total Securities Portfolio

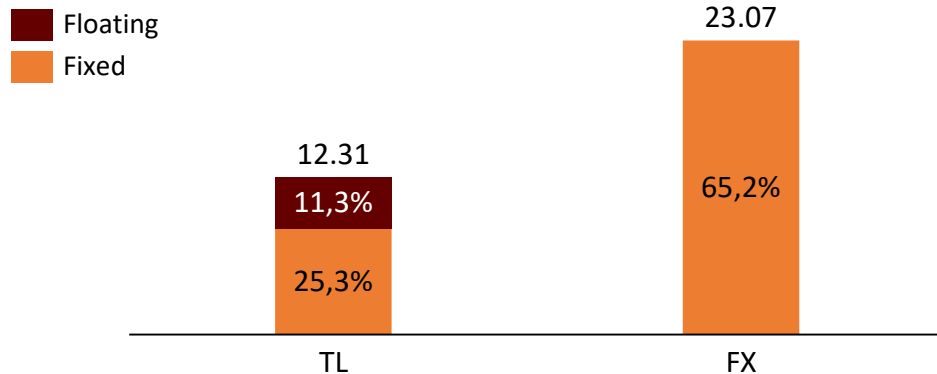


## Securities Yield\*



## Breakdown of TL & FX Securities (Q4'22)

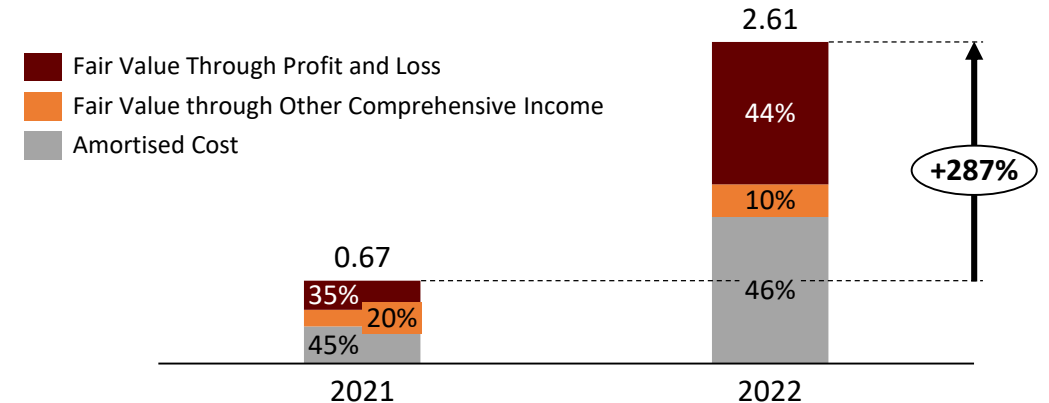
TL Billion , %\* Share in Total Securities



\* Percentage figures show the share in total securities

## Marketable Securities Portfolio Income

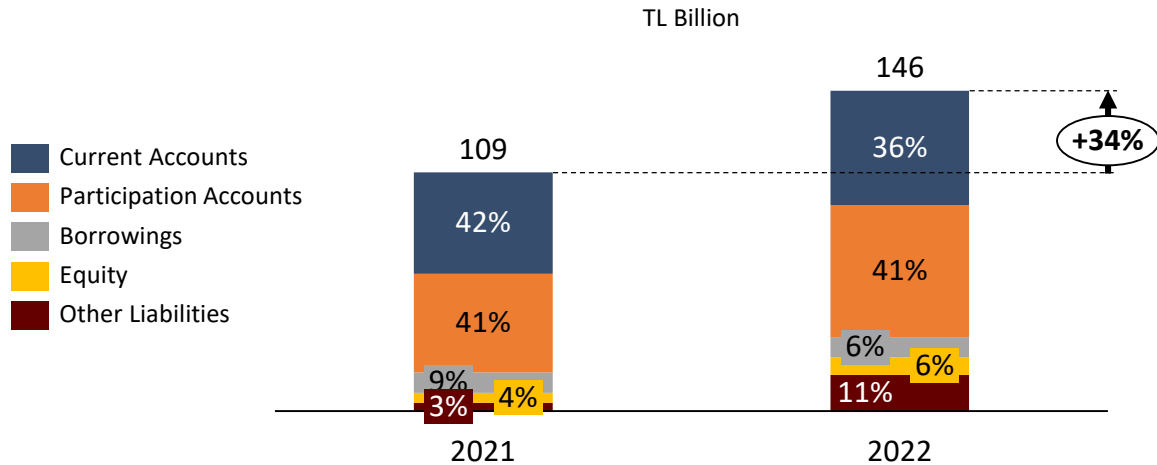
TL Billion



# Solid funds collection remain main sources of funding with increased TL accounts

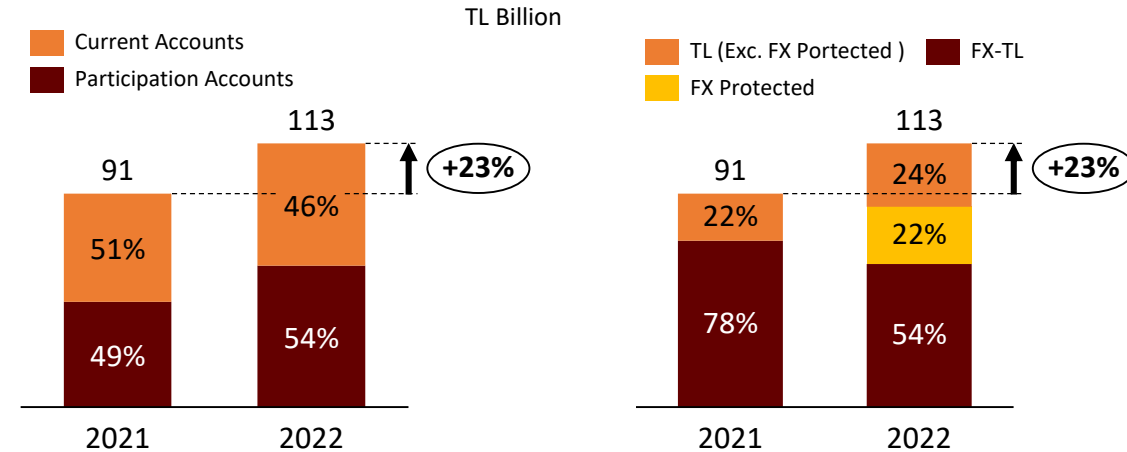
Share of participation accounts increased in total collected funds after introduction of currency-protected participation accounts which also helped increase TL accounts.

## Composition of Total Liabilities

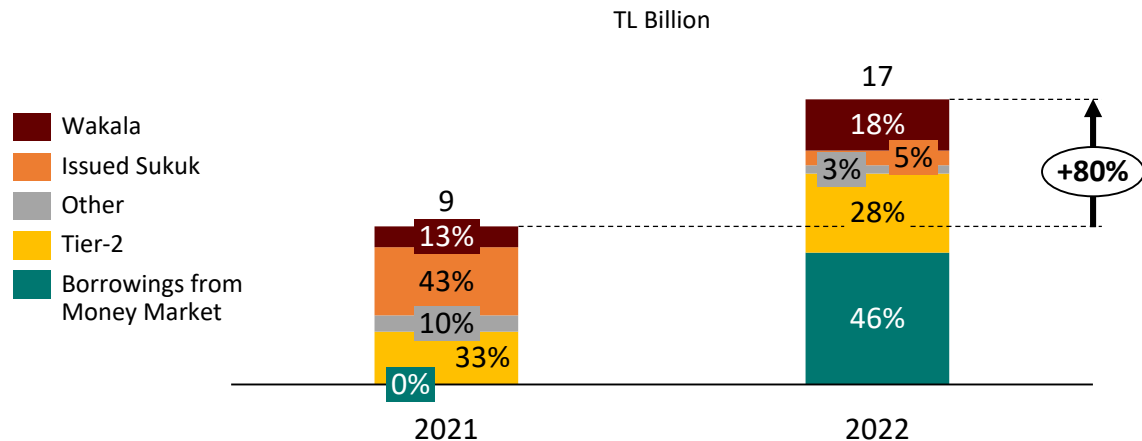


\*Other liabilities includes provisions(indemnity, vacation pay, non cash loans etc.), tax liability, unrecognized income (from fees and commissions) etc.

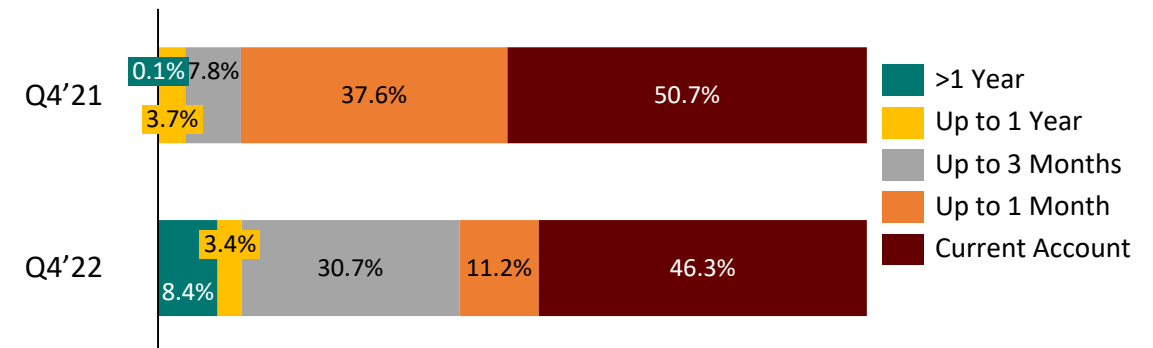
## Composition of Collected Funds



## Composition of Borrowings



## Maturity Composition of Funds Collected (%)

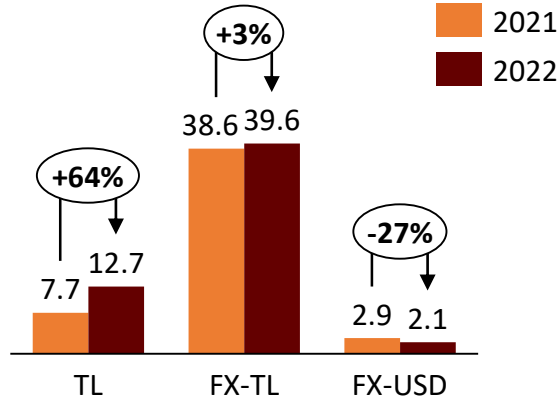


# Current accounts still remain high and reduce cost of funding

Liraization strategy perfectly implemented which enabled us reduce dolarization and cost of funding.

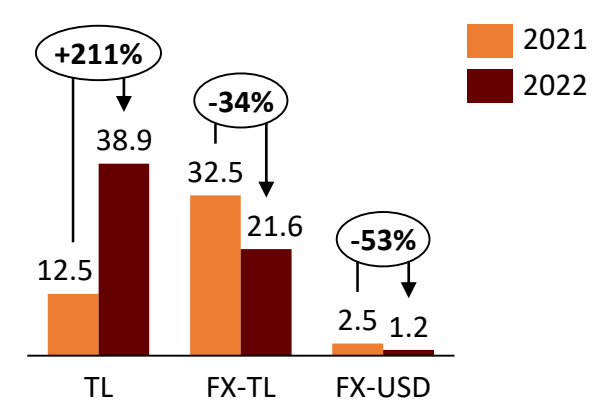
## Current Accounts

TL Billion – Annual Growth %



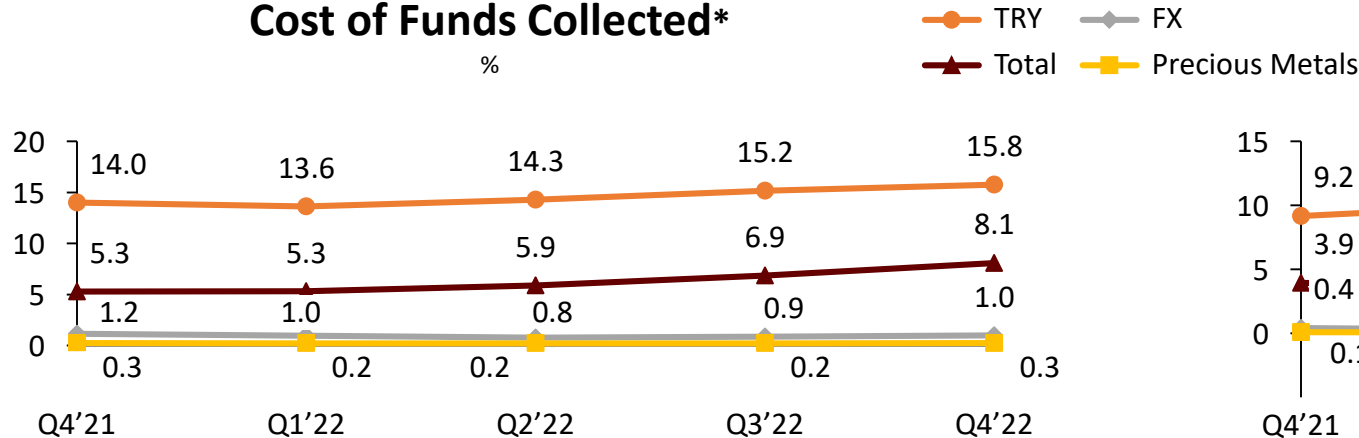
## Participation Accounts

TL Billion – Annual Growth %



## Cost of Funds Collected\*

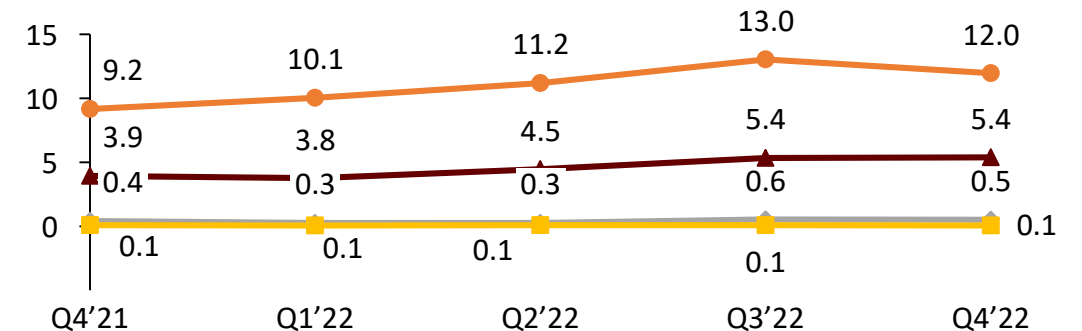
%



\*Profit share expense to depositors for the last 4Q/5Q average participation accounts

## Cost of Funds Collected\*

% - Including Current Accounts

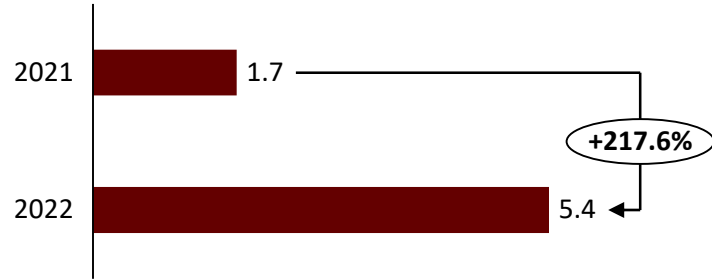


\*Profit share expense to depositors for the last 4Q/5Q average participation funds

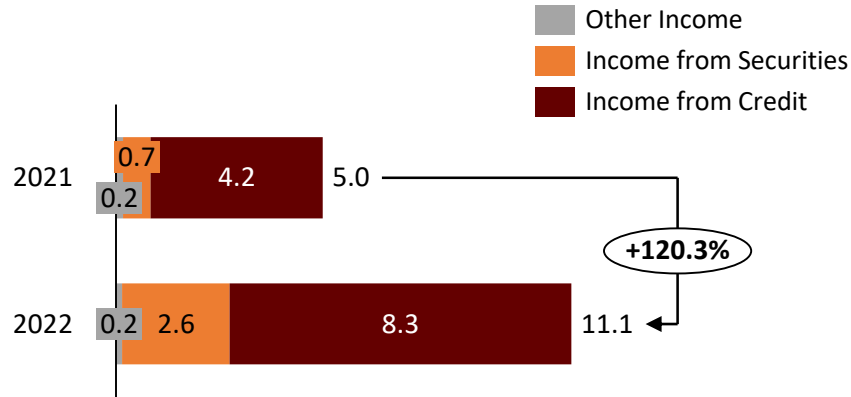
# Low cost TL funds and CPI-linked assets boosted net profit share income

Income generation capacity enhanced and increase in opex kept below inflation.

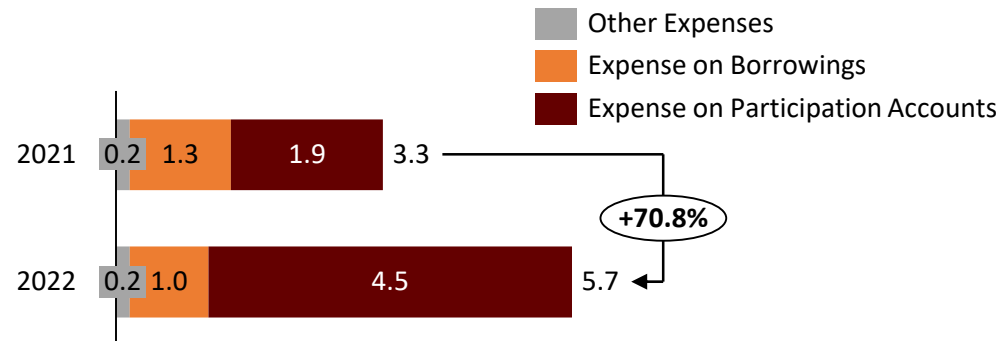
## Net Profit Share Income TL Billion



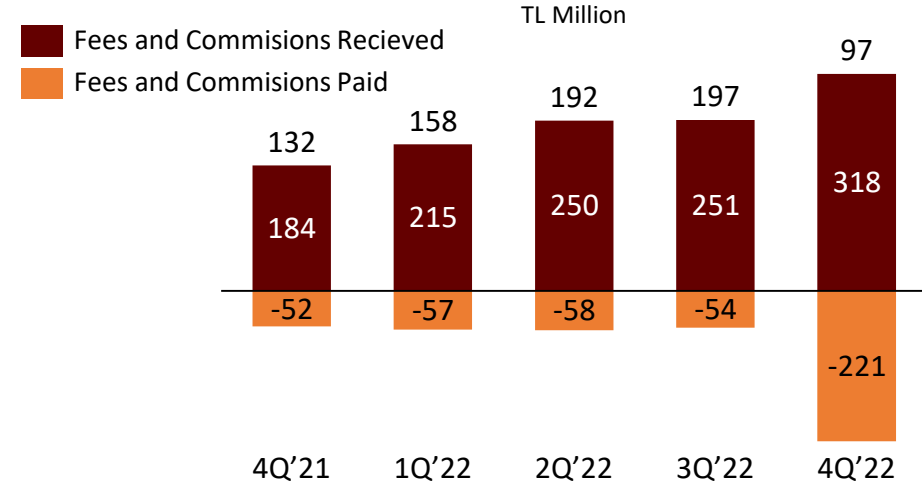
## Profit Share Income TL Billion



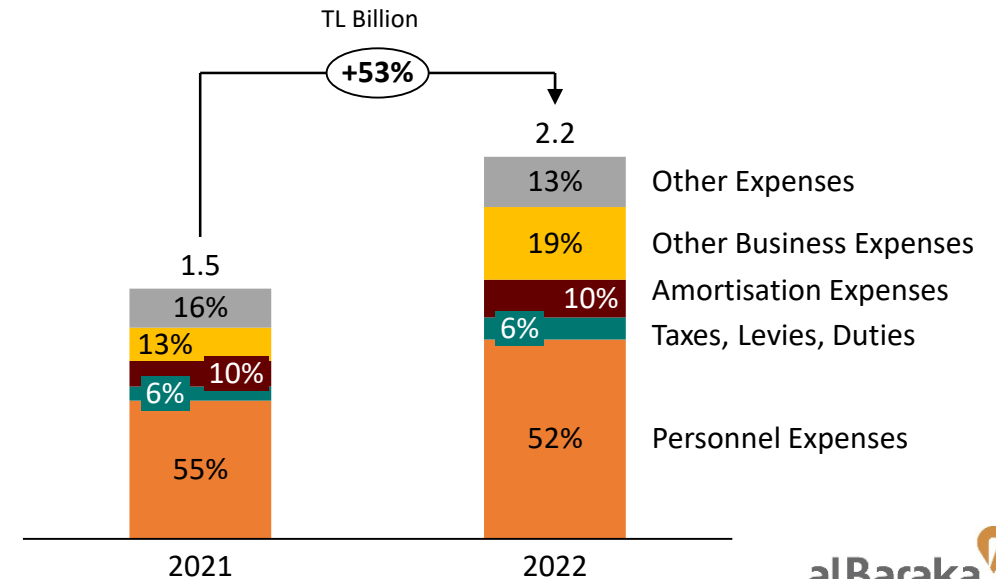
## Profit Share Expense TL Billion



## Net Fees and Commission Income



## Operational Expenses

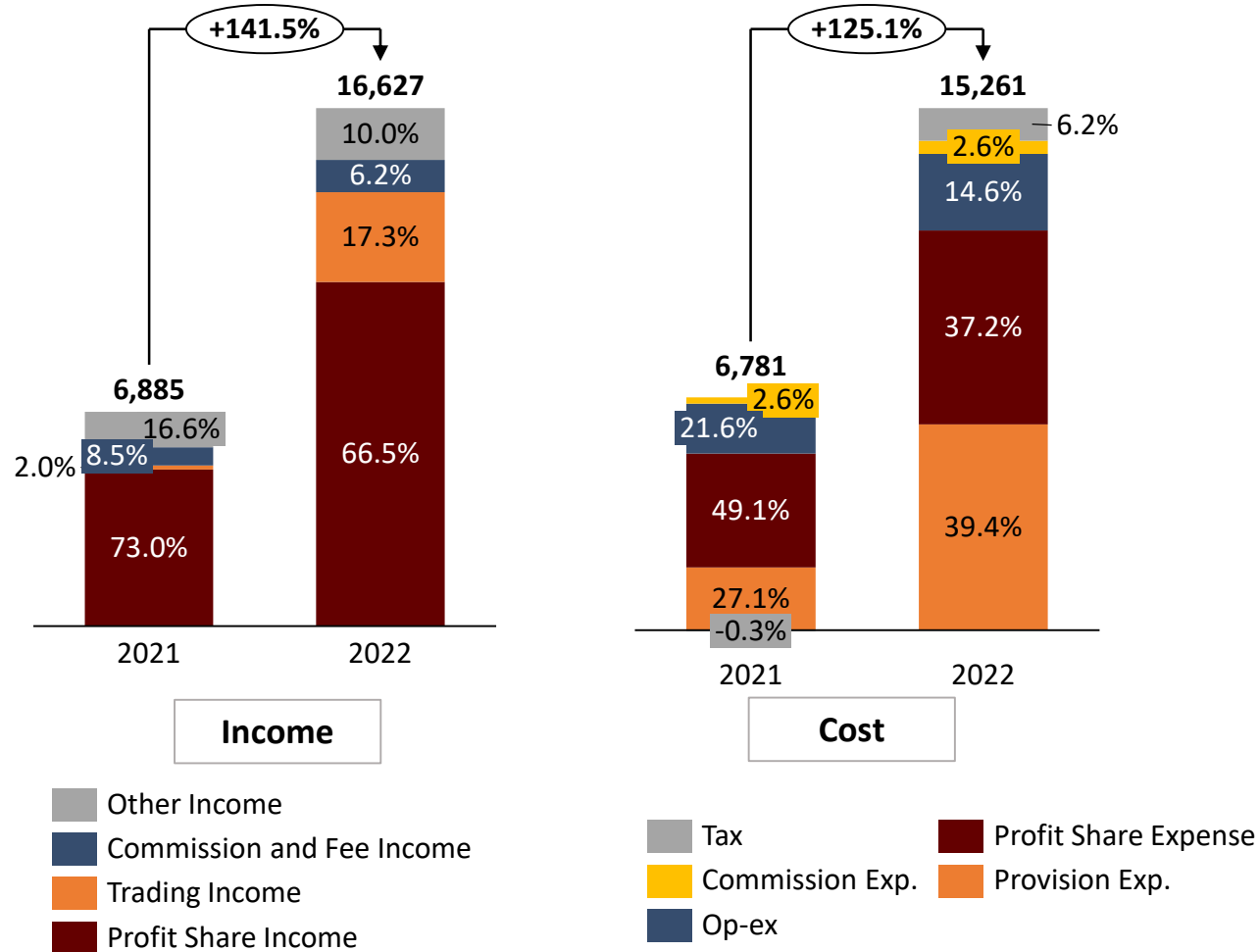


# Well managed A&L and opex led to significant yield & cost improvement

Expanded net profit share margin, fee income and efficient cost management supported profitability.

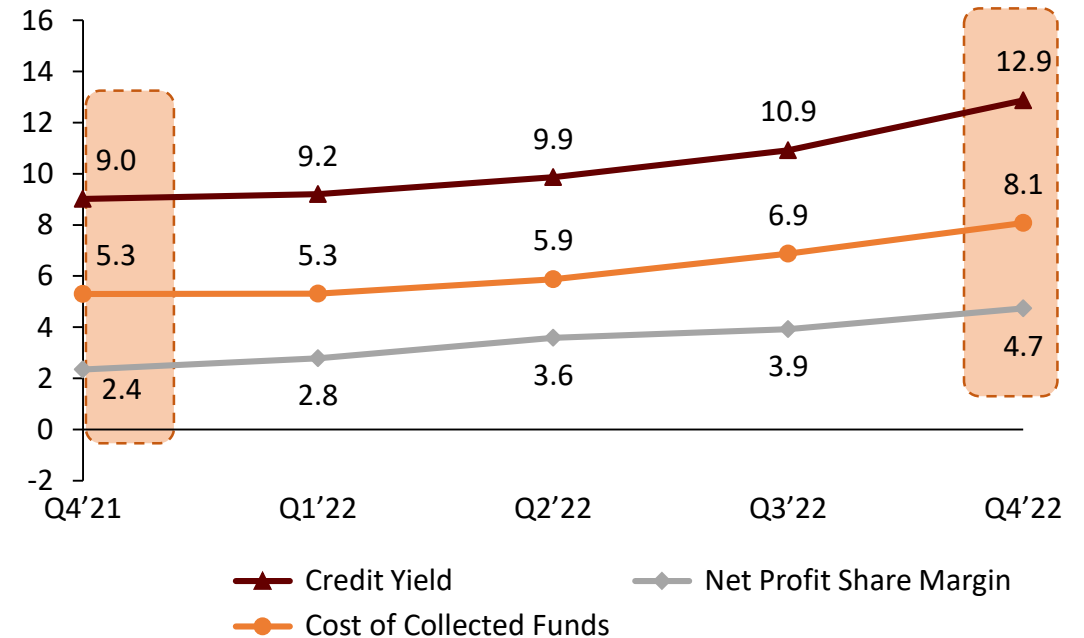
## Income-Cost Dynamics

TL Million



## Yield & Cost Movement

%



## Income – Cost Dynamics

(Million TRL)	YoY			Notes
	Q4'21	Q4'22	%	
<b>Net Profit Share Income</b>	1.694	5.382	217,8	Profit share income continued to increase on back of high credit yields and growing securities income. Thus net profit share income increased by 217% YoY.
<b>Net Fee Income</b>	406	645	58,9	Fee income generation from banking services and off balance sheet credits continued to grow in 2022. Net fee income increased by 58% to TL 645 million in 2022.
<b>Net Trading Income</b>	136	2.881	2.014,9	Net Trading Income reached to TL 2,9 billion at the end of 2022 thanks to high income generated from investment fund participation certificates and Inflation-Linked securities
<b>Other Income</b>	1.144	1.659	45,0	Reversal of provision due to collections from Stage III loans and asset sales increased this item.
<b>Provisioning (inc. free provisions)</b>	1.835	6.017	227,8	Stage 3 Coverage Ratio has been increased to 89%. Total free provisions increased to TL 1,800 million.
<b>Personnel Expenses</b>	808	1.166	44,4	Although personnel wages are increased with the adjustment made above the inflation in personnel wages in 2022, increase in personnel expenses they remained below the annual CPI.
<b>Other Costs</b>	654	1.068	63,2	Despite the inflationary pressures, operational expenses have been well managed and kept below CPI.
<b>Net Profit</b>	<b>104</b>	<b>1.365</b>	<b>1.207,9</b>	

## Financial Ratios – Sector Comparison

Percent (%)	Q4'21			Q4'22		
	Albaraka Türk	Participation Banks	Banking Sector	Albaraka Türk	Participation Banks	Banking Sector
CAR	14.90	18.82	18.39	<b>14.88</b>	<b>20.26</b>	<b>19.46</b>
NPL Ratio	6.29	2.93	3.10	<b>1.94</b>	<b>1.38</b>	<b>2.05</b>
Provisioning Ratio (Stage 3)	70.26	87.89	79.52	<b>88.74</b>	<b>99.78</b>	<b>86.70</b>
Loan/Deposits	63.10	69.46	87.55	<b>66.50</b>	<b>73.56</b>	<b>81.26</b>
Asset Yield	7.50	7.98	10.13	<b>10.63</b>	<b>12.04</b>	<b>13.46</b>
Asset Spread	2.85	2.99	3.87	<b>5.73</b>	<b>6.07</b>	<b>7.00</b>
Net Profit Share Margin	2.35	3.27	4.21	<b>4.73</b>	<b>6.43</b>	<b>7.38</b>
Op Costs / Avg. Assets	1.77	1.55	1.65	<b>1.72</b>	<b>1.58</b>	<b>1.92</b>
Cost/Income*	43.28	31.10	30.15	<b>21.15</b>	<b>18.67</b>	<b>20.25</b>
Credits / Branches (TL Million )	260	299	478	<b>336</b>	<b>484</b>	<b>734</b>
Staff / Branches	12.63	13.08	18.21	<b>11.76</b>	<b>12.96</b>	<b>18.69</b>
CA / Deposits	51	45	42	<b>46</b>	<b>29</b>	<b>32</b>



# Strategic Priorities

**Our short term priority will be managing the balance sheet in accordance with the regulations and minimize the impact on capital, risk profile and income generation.**

In the upcoming period, we put resolving the structural issues that limits our profitability into the center of our strategy.

- Increasing the TL weight in the balance sheet will both require to **increase customer efficiency and customer ownership** via;
  1. Putting **cross sell** at the center of sales activities
  2. Building a large and depth **platform ecosystem with a focus on API and Service Banking**
  3. Improving **mobile banking** infrastructure
  
- Increasing customer efficiency and customer ownership will be possible with **strengthened digital sales capacity**, which is an ongoing process focusing on;
  1. Complete back-end **automation** and **channel migration**
  2. **Streamlined operational** work flow
  3. Strengthening the core banking infrastructure and ensuring sustainability
  4. Advanced **analytical** capabilities
  
- Besides infrastructure development, strong digital sales capacity will also require **transforming the organization into a performance culture** by;
  1. **Upskilling** and efficiently **rewarding** the staff
  2. Making **necessary replacements to enforce digital function** with a product-based approach
  3. Continue to **optimize the branch network** to serve the customers better and increase the productivity of sales force.

# Summary Balance Sheet

(TL Million)	Q4'21	Q4'22	Growth (%)
<b>Cash and Balances with Central Bank</b>	26,499	24,865	-6.2
<b>Banks</b>	5,296	7,340	38.6
<b>Money Market Placements</b>	0	1,726	N/A
<b>Financial Assets</b>	17,178	35,264	105.3
<b>Funded Credits (net)</b>	56,937	72,625	27.6
<i>Cash Credits</i>	55,522	73,128	31.7
<i>Net Financial Leasing Receivables</i>	821	909	10.7
<i>NPL</i>	3,783	1,468	-61.2
<i>Expected Credit Losses</i>	3,189	2,880	-9.7
<b>Associates</b>	43	89	105.8
<b>Fixed Assets</b>	1,592	2,899	82.1
<b>Assets Held For Sale and Investment</b>	119	341	186.7
<b>Other Assets (inc. Tax Assets)</b>	1,291	1,191	-7.8
<b>Total Assets</b>	<b>108,954</b>	<b>146,340</b>	<b>34,3</b>

(TL Million)	Q4'21	Q4'22	Growth (%)
<b>Funds Collected</b>	91,237	112,676	23.5
<b>Funds Borrowed</b>	6,259	4,412	-29.5
<b>Borrowings from Money Markets</b>	0	7,818	N/A
<b>Debts (inc. Taxes)</b>	3,400	6,046	77.8
<b>Provisions</b>	312	2,576	725.3
<b>Tier II Sukuk</b>	3,119	4,694	50.5
<b>Shareholders' Equity</b>	4,627	8,119	75.5
<i>Capital</i>	1,350	2,500	85.2
<i>Capital Reserves (inc. Premium)</i>	1,209	1,608	33.1
<i>Profit Reserves</i>	1,744	1,832	5.1
<i>Profit/Loss</i>	-380	627	N/A
<b>Total Liabilities</b>	<b>108,954</b>	<b>146,340</b>	<b>34,3</b>

# Summary Income Statement

(TL Million)	Q4'21	Q4'22	Growth (%)
<b>Profit Share Income</b>	5,023	11,052	120.0
<b>Profit Share Expense</b>	3,330	5,670	70.3
<b>Net Profit Share Income</b>	1,693	5,382	217.8
<b>Net Fees and Commissions Income</b>	406	645	58.9
<i>Fees and Commissions Received</i>	582	1,035	77.7
<i>Fees and Commissions Paid</i>	176	390	121.1
<b>Net Trading Income</b>	136	2,881	2,014.9
<b>Other Operating Income</b>	1,144	1,659	45.0
<b>Total Operating Profit</b>	3,379	10,567	212.7
<b>Provisions (including free provisions)</b>	1,835	6,017	227.8
<b>Personnel Expenses</b>	808	1,166	44.4
<b>Other Operating Expenses</b>	654	1,068	63.2
<b>Operating Profit Before Tax</b>	81	2,315	2,742.8
<b>Tax Provision</b>	-23	950	N/A
<b>Net Profit</b>	<b>104</b>	<b>1,365</b>	<b>1,207.9</b>

*THANK YOU...*

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