

Q1'23
Investor Presentation

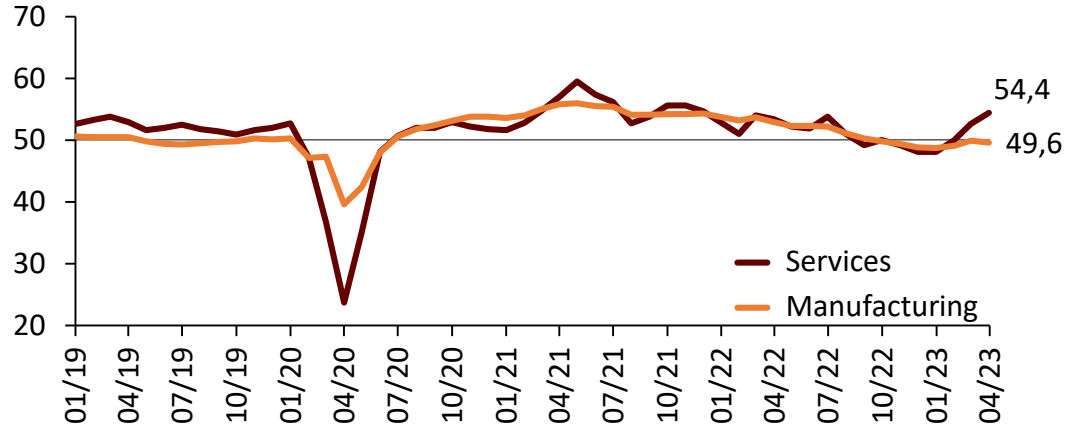
Albaraka Türk Participation Bank

Macroeconomic Outlook

Global central banks continue to raise policy rates as global economic activity remains robust. While the economic growth in the Turkish economy was 5.6% in 2022, the annual consumer inflation slowed to 43.7% in April.

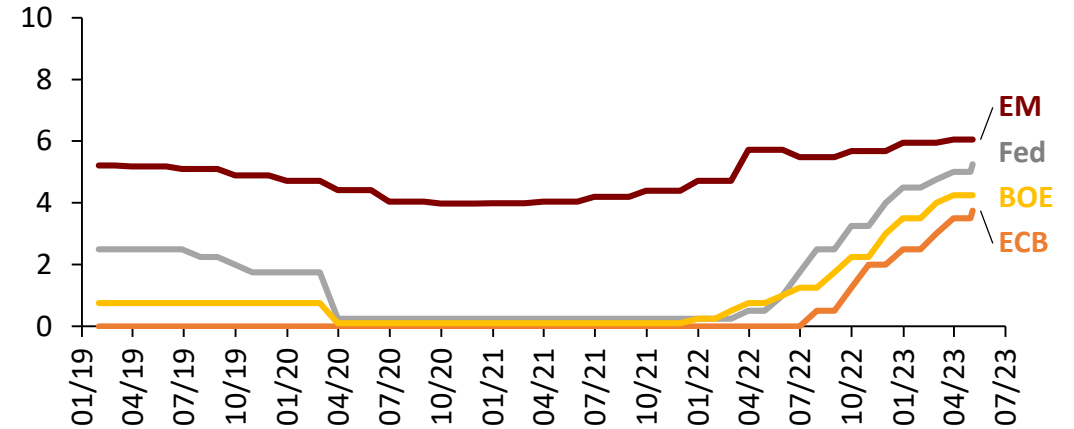
Global PMI

Index



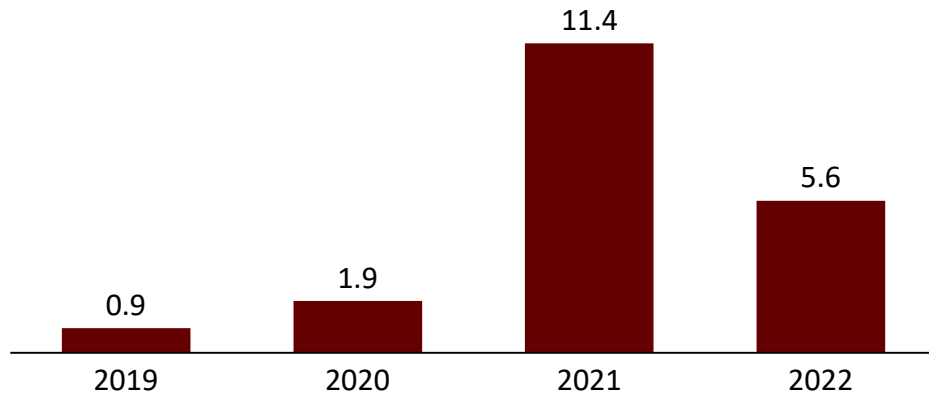
Central Banks Policy Rates

%



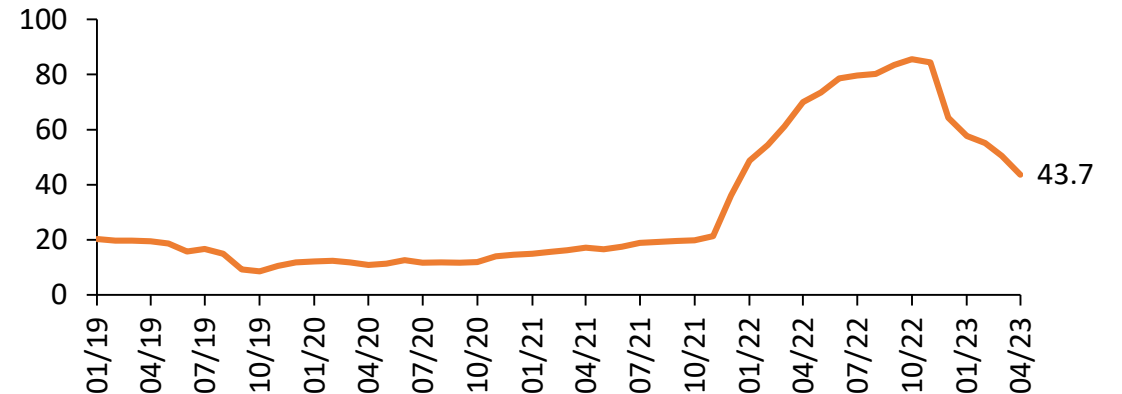
Türkiye: GDP Growth

Annual % Change



Türkiye: Inflation

Annual % Change

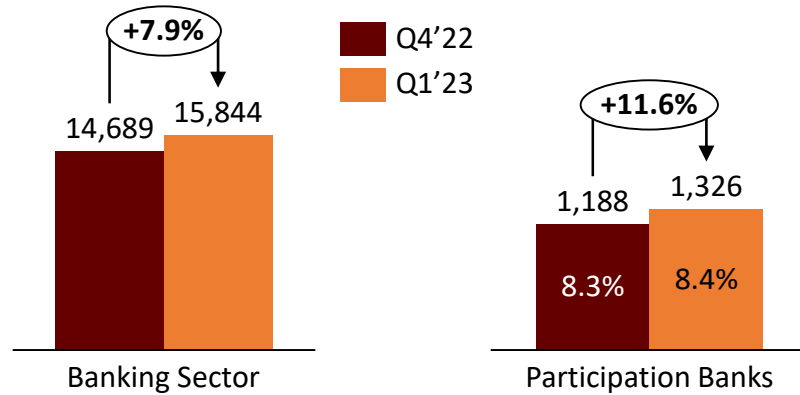


Banking Sector Overview

Liraization continue both in Turkish and participation banking sectors. Asset quality further improved in Q1'23.

Total Assets*

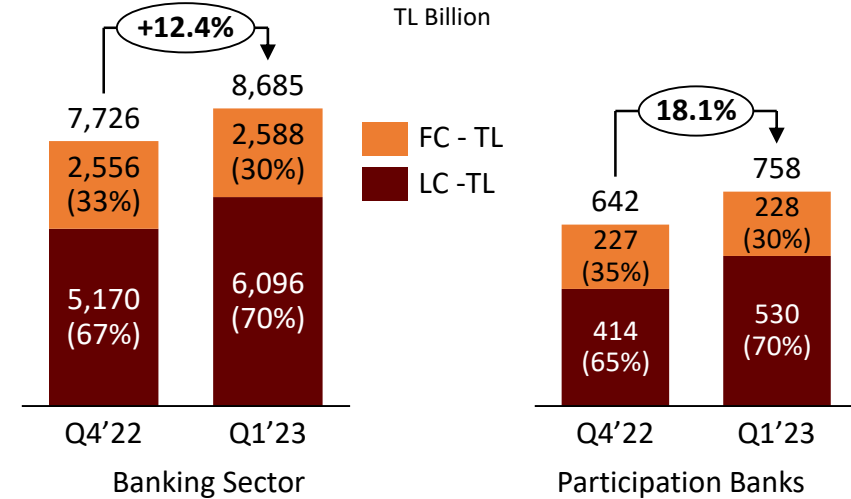
TL Billion



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

Funded Credits*

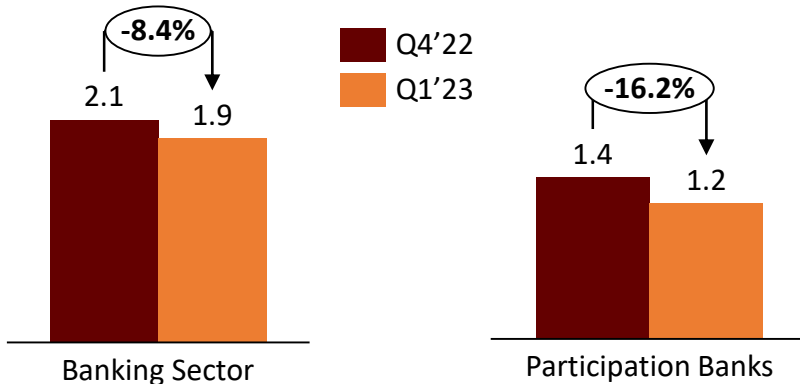
TL Billion



* Includes credits, f. leasing (net), net NPL, accruals and rediscounts, credits extended to banks

NPL Ratio*

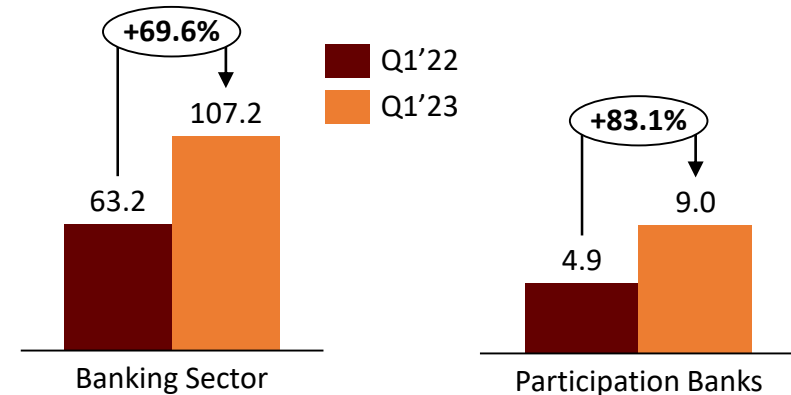
%



* NPL/ (credits, f. leasing (net), net NPL, accruals and rediscounts, credits extended to banks)

Net Profit

TL Billion

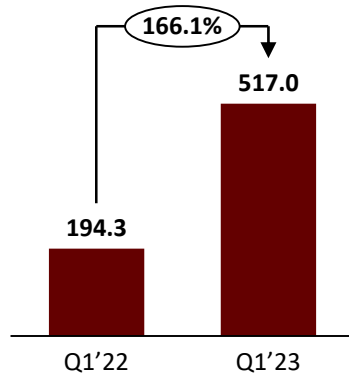


Albaraka Türk Snapshot

Well managed A&L management leading to continuous improvement for better financial results.

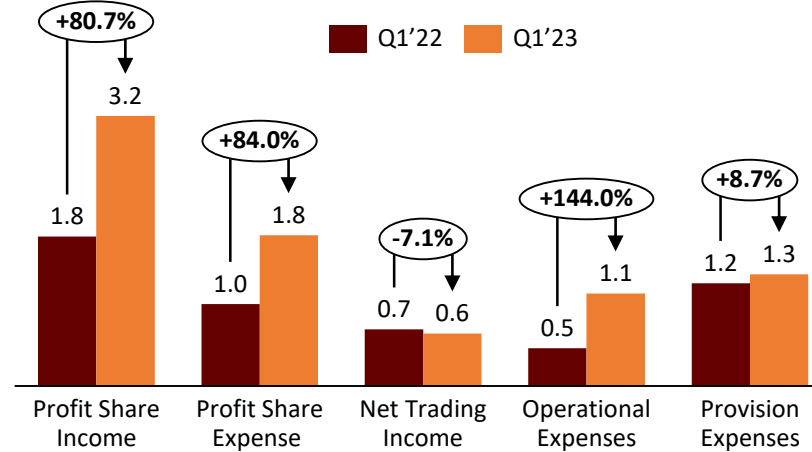
Net Profit

TL Million



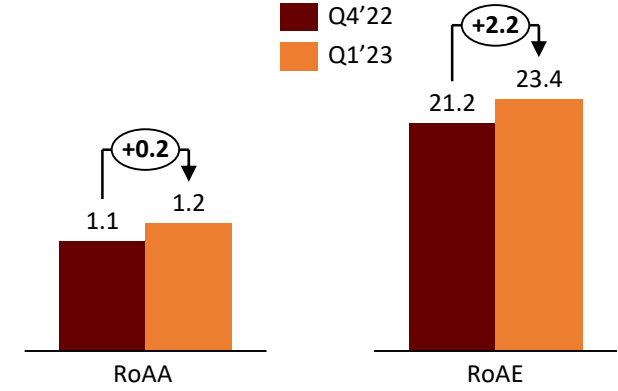
Income – Cost Dynamics

TL Billion



Return on Equity & Assets*

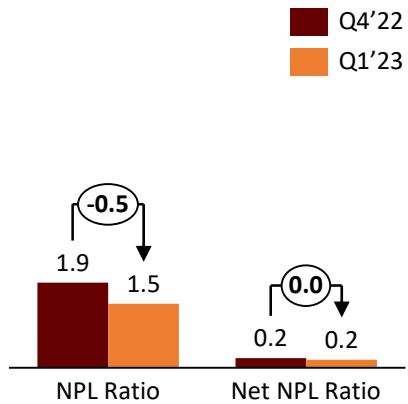
%



* Annualized net profit/5Q average assets or equity

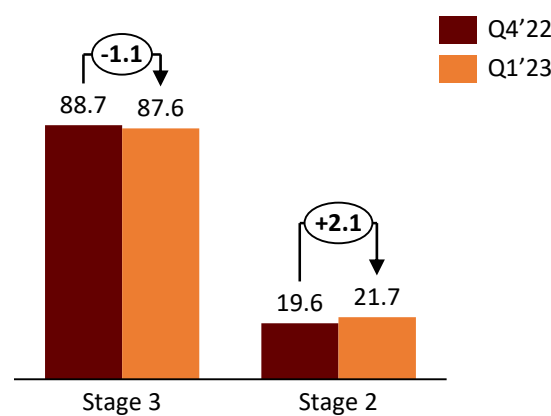
NPL Ratio

%



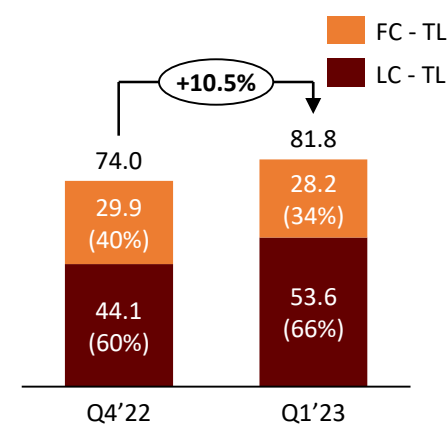
Provisioning Ratio

%



Performing Funded Credits*

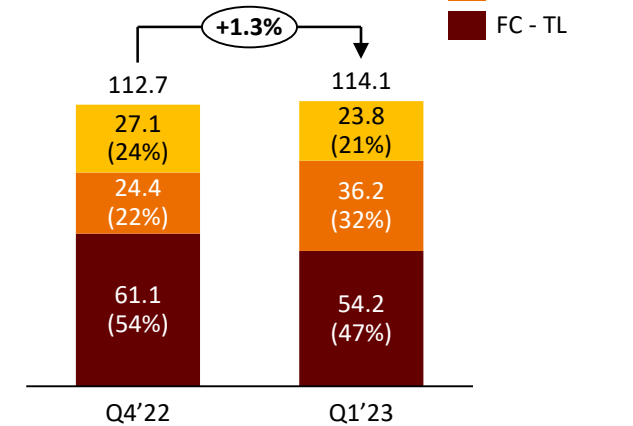
TL Billion, %



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

Collected Funds*

TL Billion, %



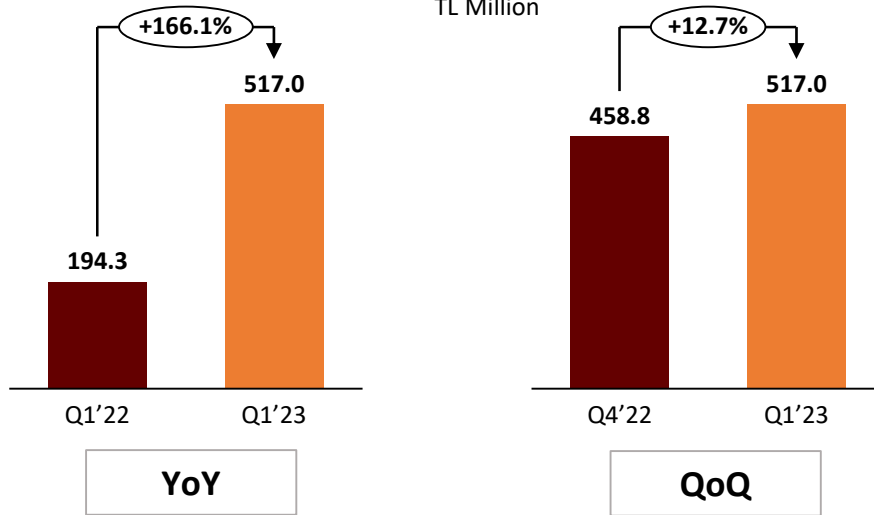
* Includes participation and current accounts.

Profitability continue to increase on back of strong operational revenues

Net profit increased both YoY and QoQ which led to ROAE and ROAA keep improving for last 5 quarters.

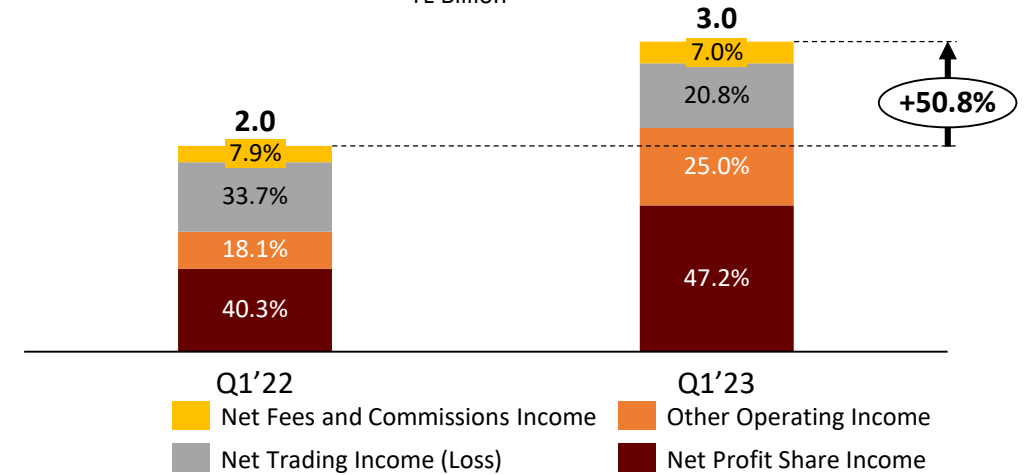
Net Profit

TL Million



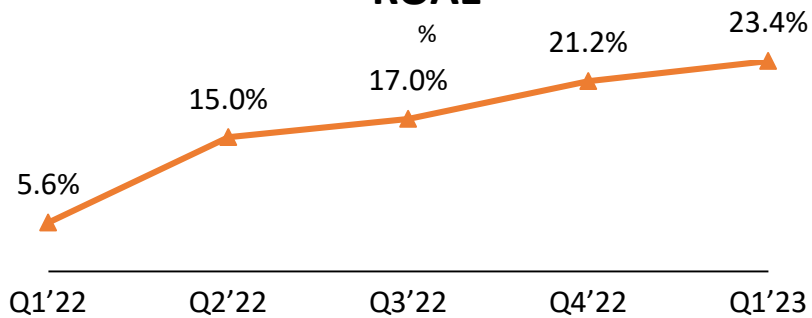
Total Operational Income

TL Billion



ROAE

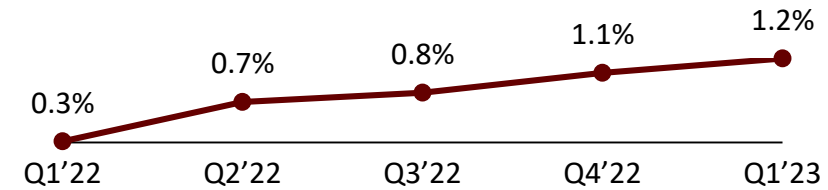
%



YoY
+1.780 Bps

ROAA

%



YoY
+90 Bps

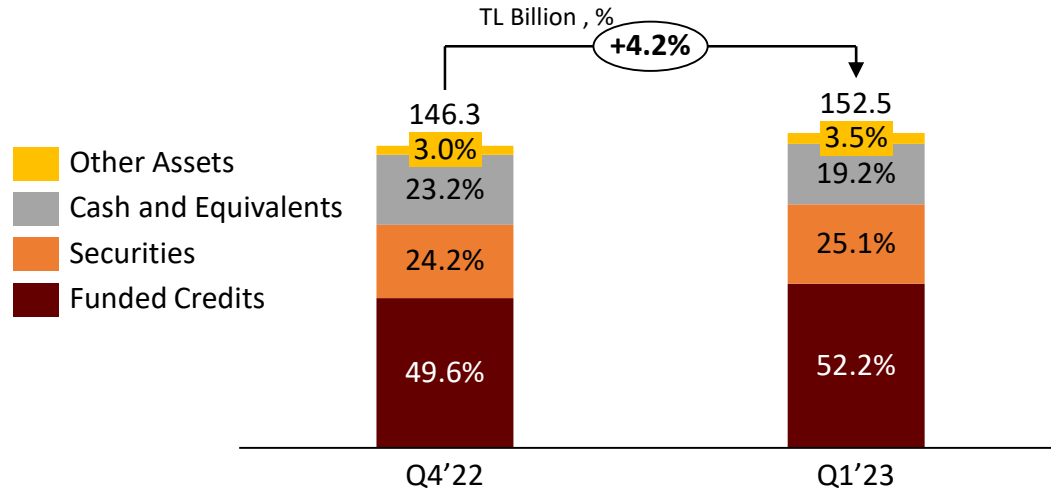
(*) Annualized net profit/5Q average equity

(*) Annualized net profit/5Q average assets

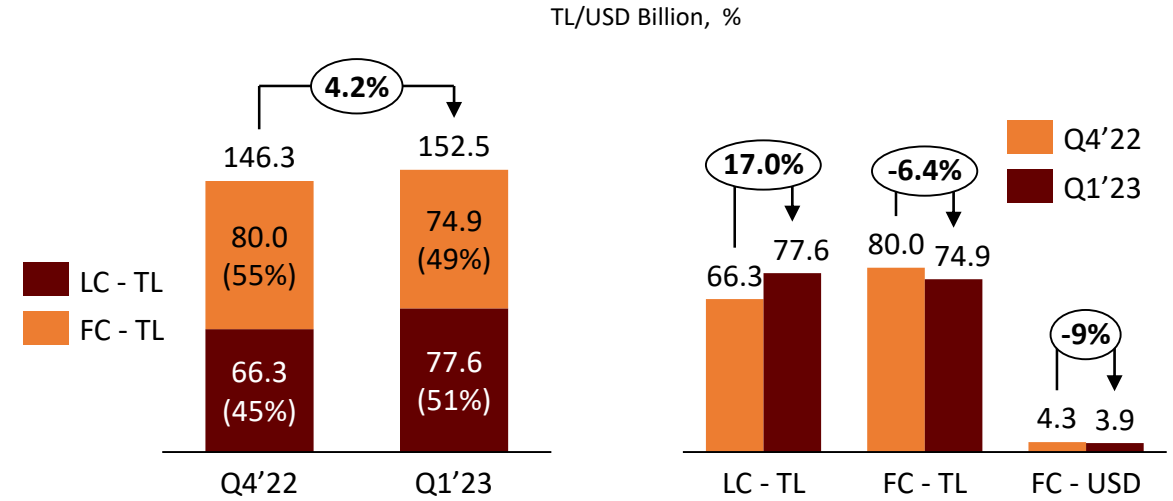
Modarate asset growth in line with market developments

Share of TL assets continue to increase in total assets hence our balance sheet has become more resilient.

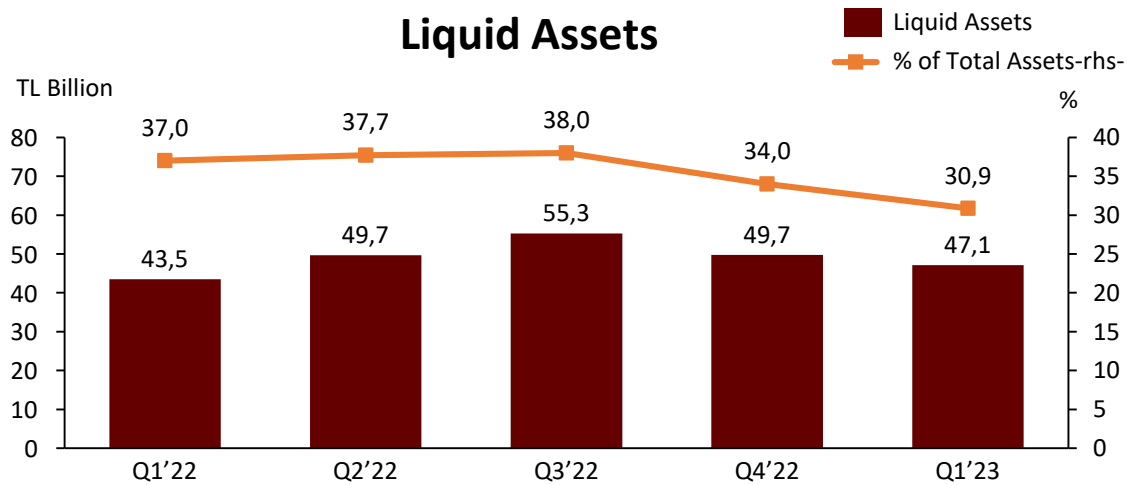
Composition of Total Assets



Currency Breakdown of Total Assets

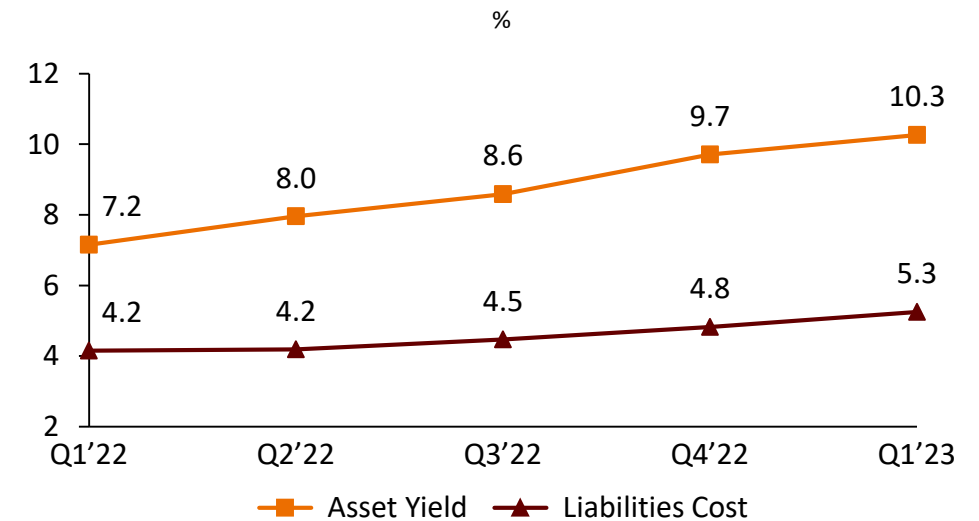


Liquid Assets



*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-Liabilities Spreads

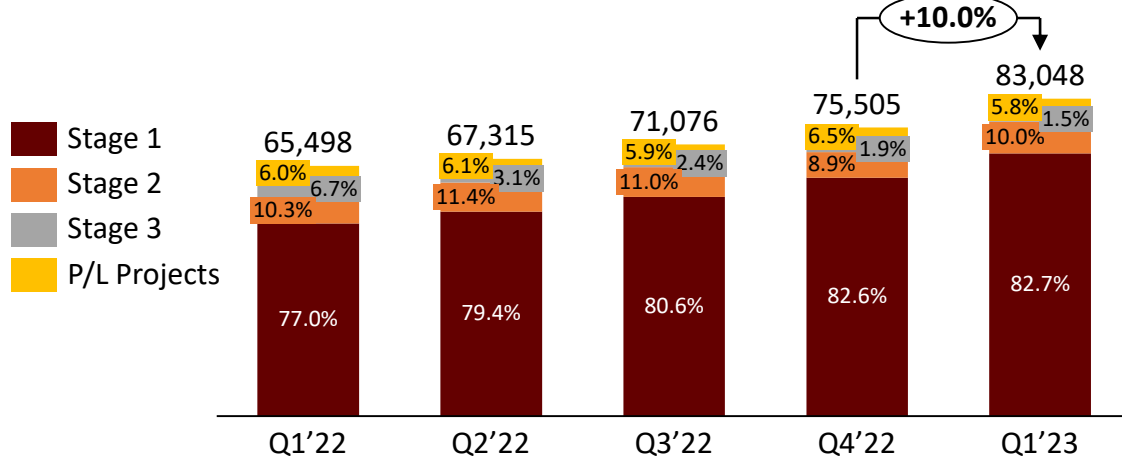


Funded credits portfolio become healthier on basis of increasing TL performing credits

Both share of performing credits and TL credits continue to increase in total funded credits.

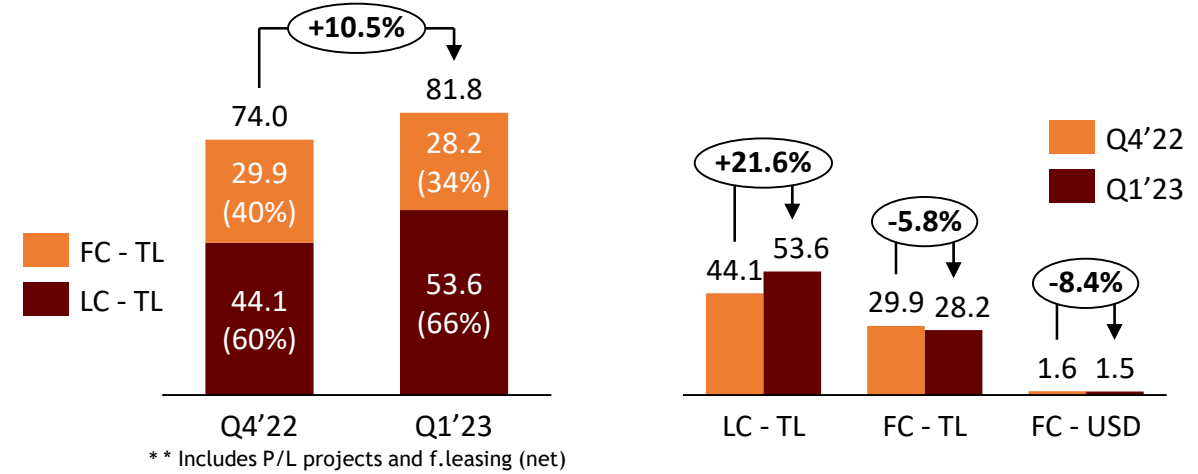
Total Funded Credits

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



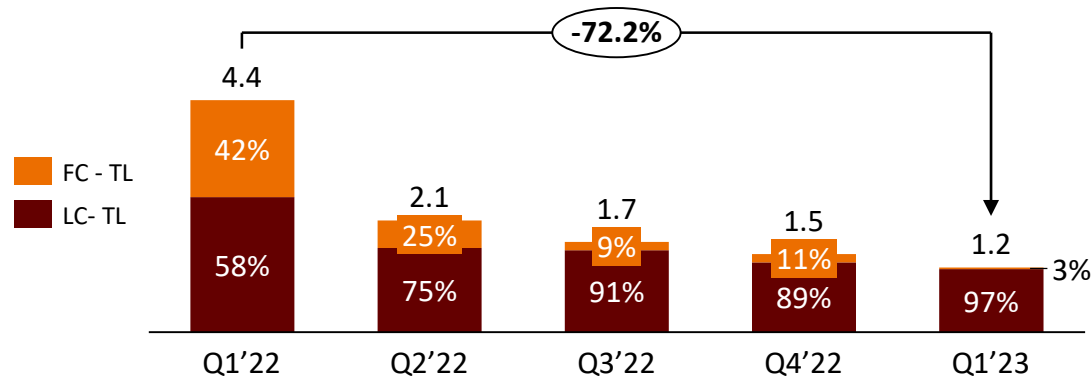
Currency Breakdown of Performing Credits*

TL Billion, %



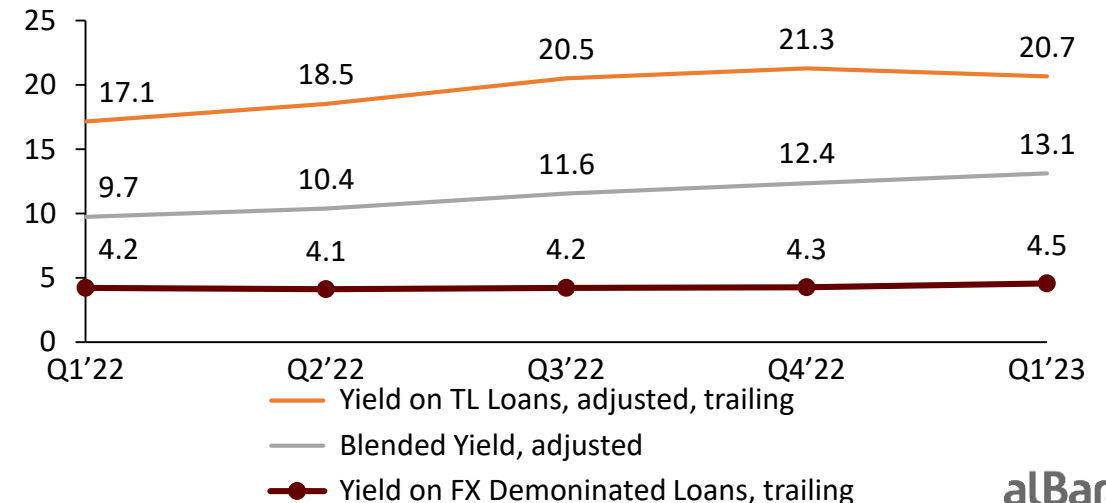
Currency Breakdown of Non-Performing Credits

%



Funded Credits Yields

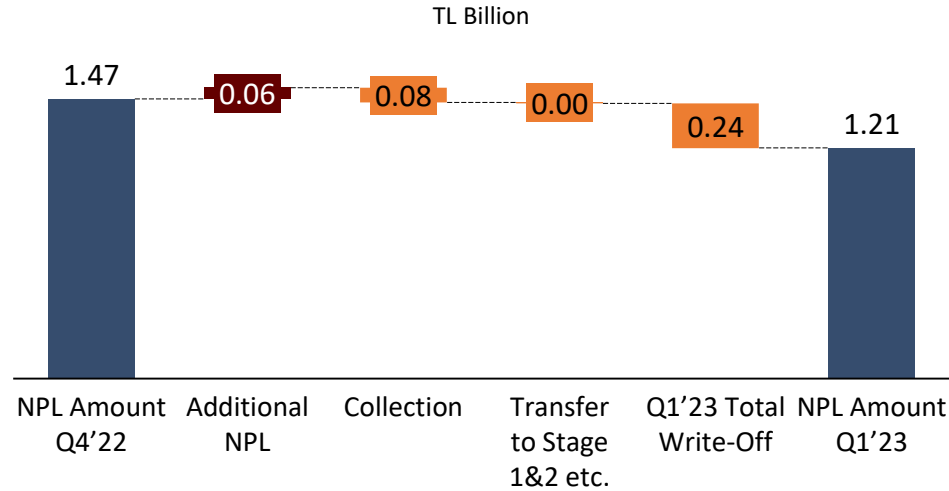
%



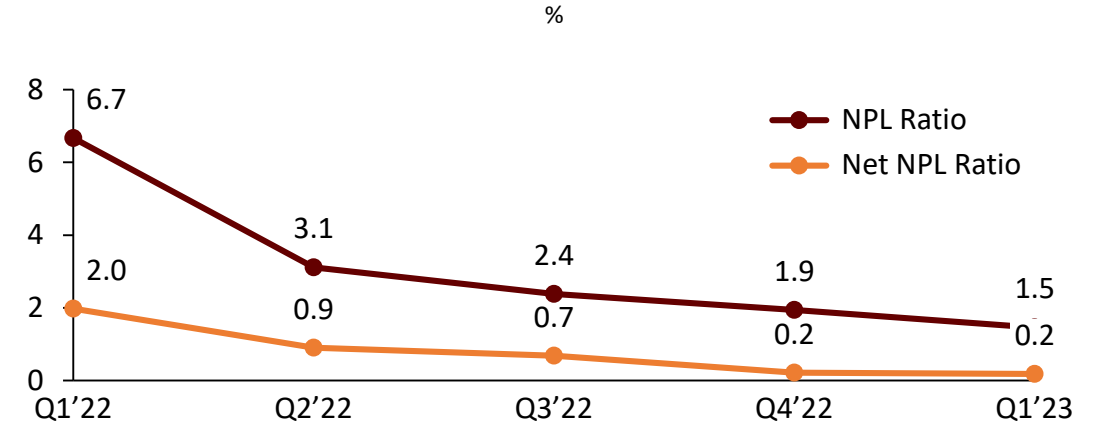
Asset quality further improved with NPL ratio below sector average

NPL ratio has gone below 1.5% which eased cost of risk.

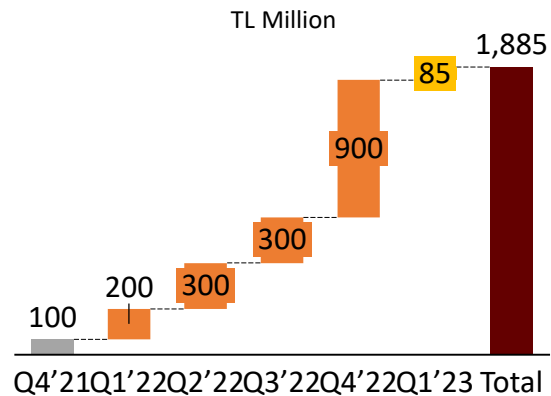
Non Performing Credits Development



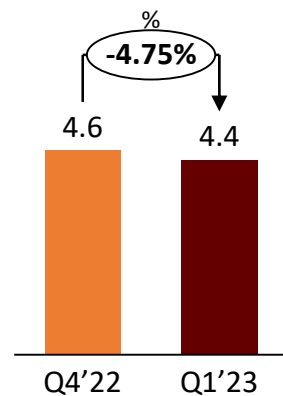
NPL Ratio



Free Provisions

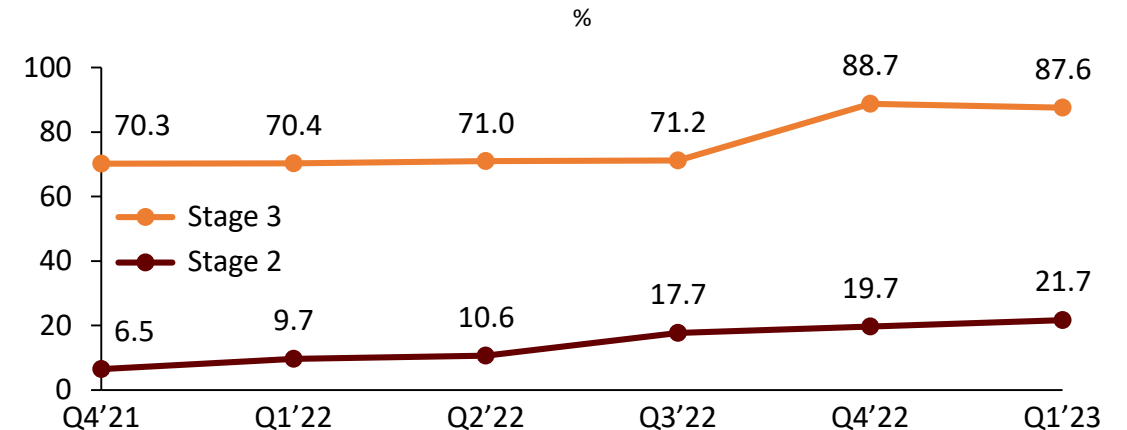


Cost of Risk



Cost of risk: 12-months cumulative total provision expense to 5Q average total assets.

Provisioning Ratio

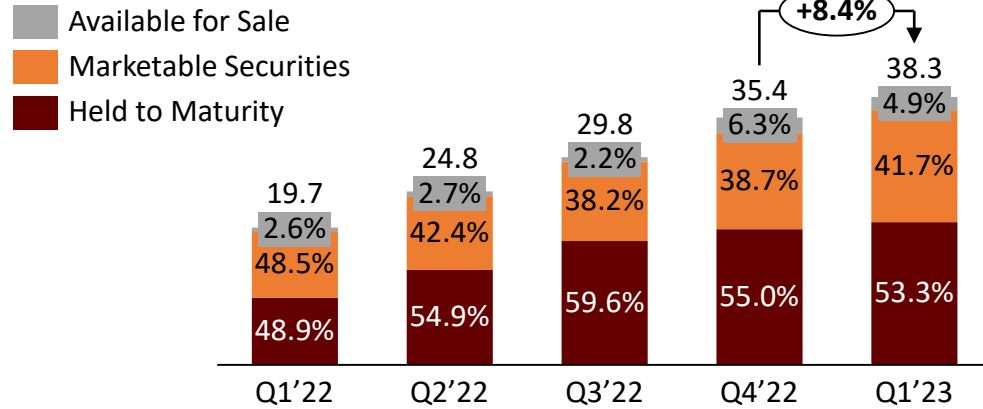


Moderate growth in securities portfolio with effects of regulatory requirements

Growth in total securities portfolio went up by %8.4 YtD. The portfolio income increased by 107.1% YoY.

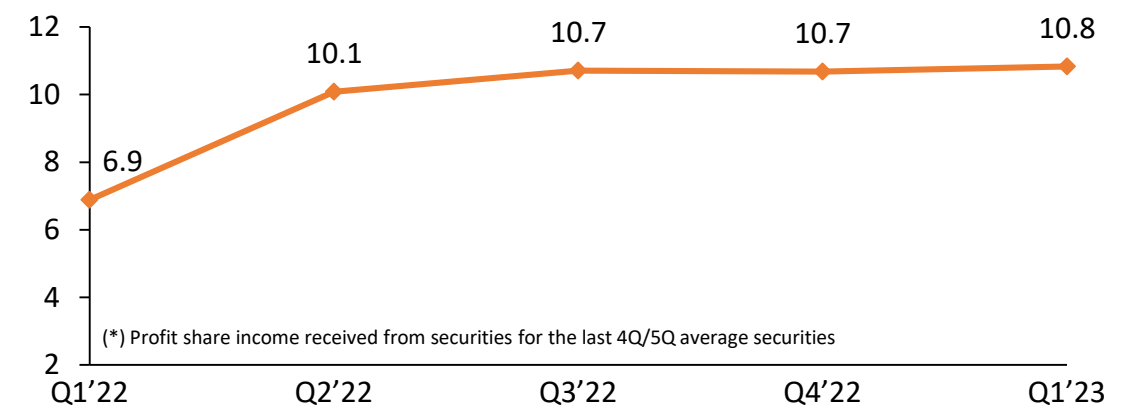
Total Securities Portfolio

TL Billion



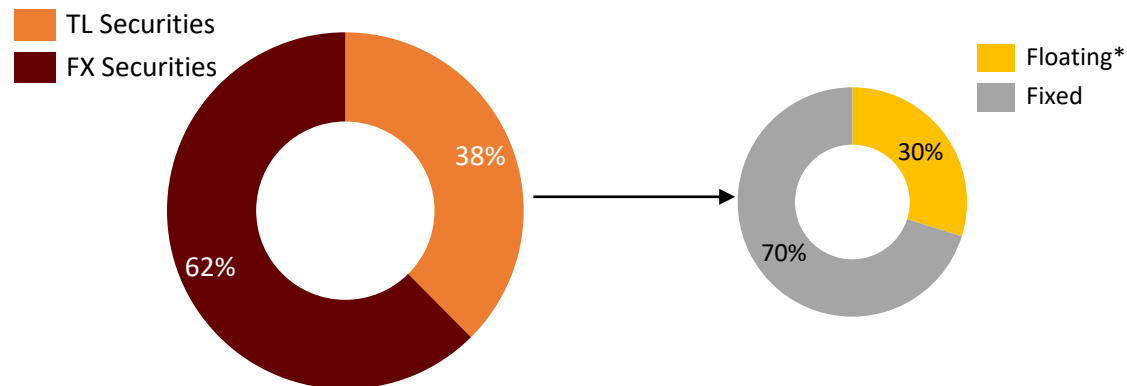
Securities Yield*

%



Breakdown of TL & FX Securities (Q1'23)

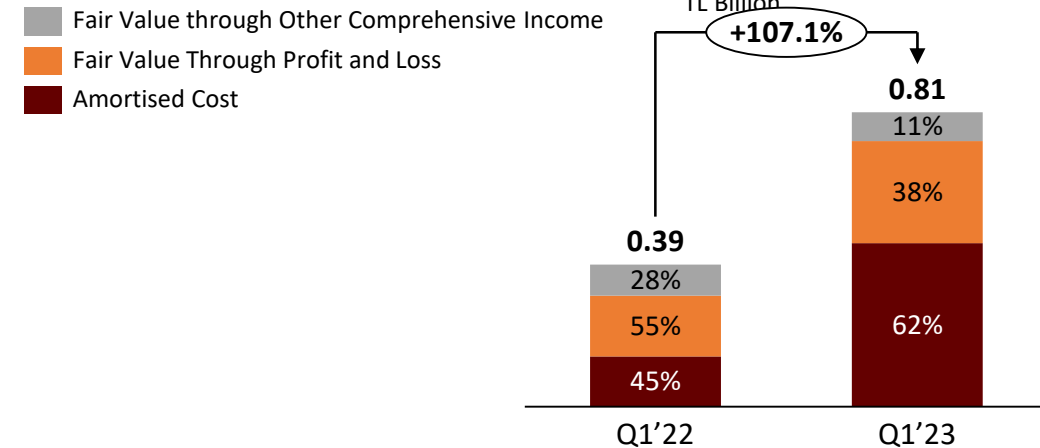
TL Billion , % Share in Total Securities



* There are floating rate securities only in TL securities portfolio.

Securities Portfolio Income

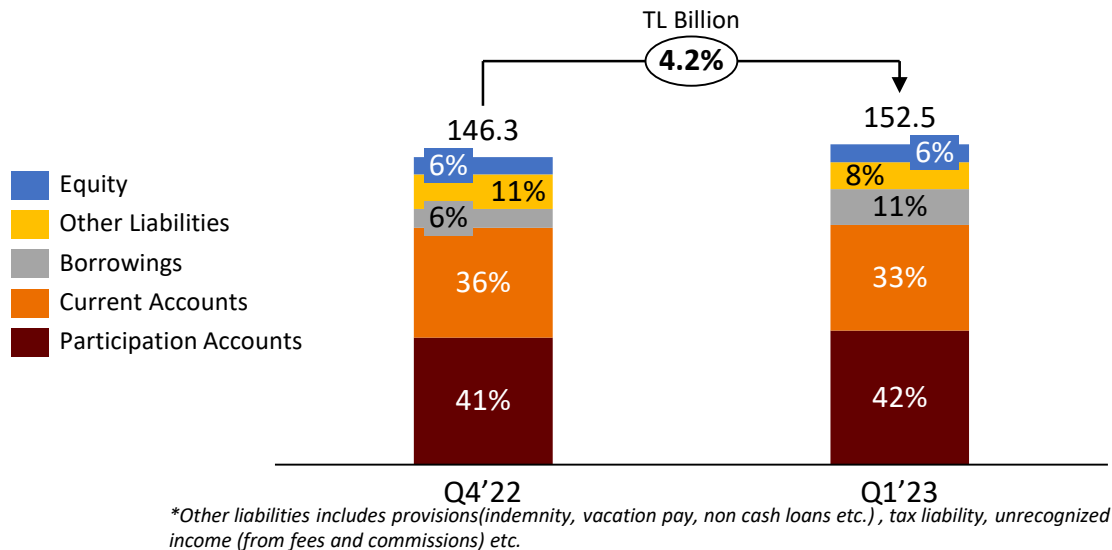
TL Billion



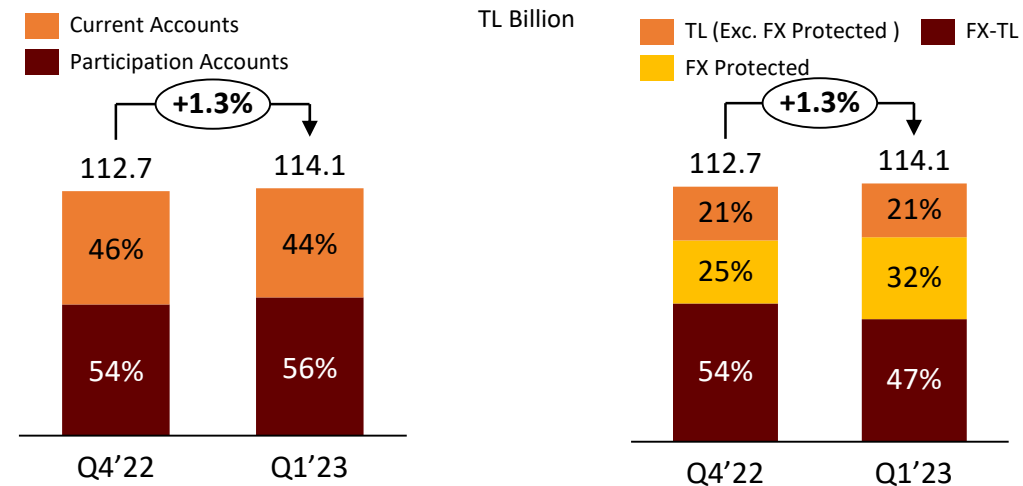
Liraization continue on funding side, also maturity of collected funds improve

Compositon of total liabilities slightly changed by the additional Tier – 2 sukuk issuance. However participation funds constitutes 75% of total liabilities.

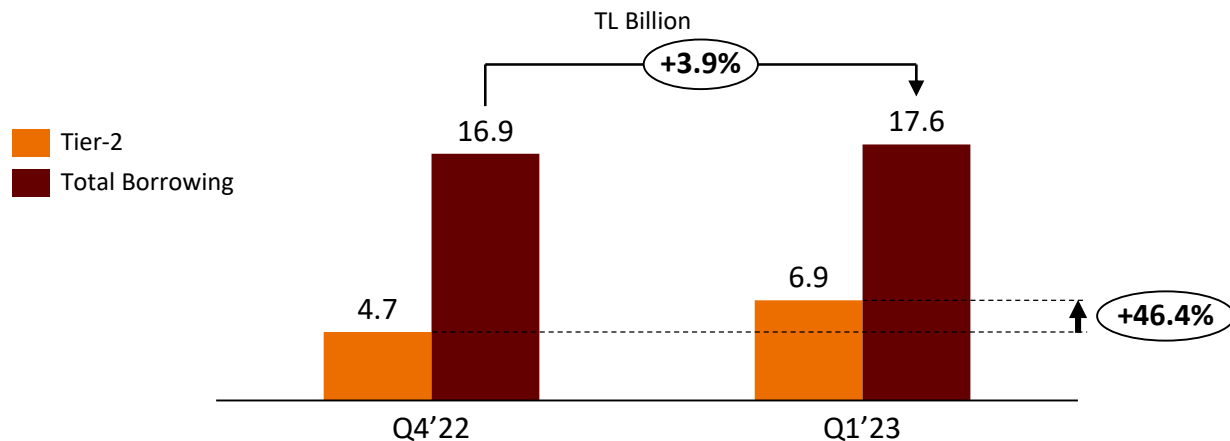
Composition of Total Liabilities



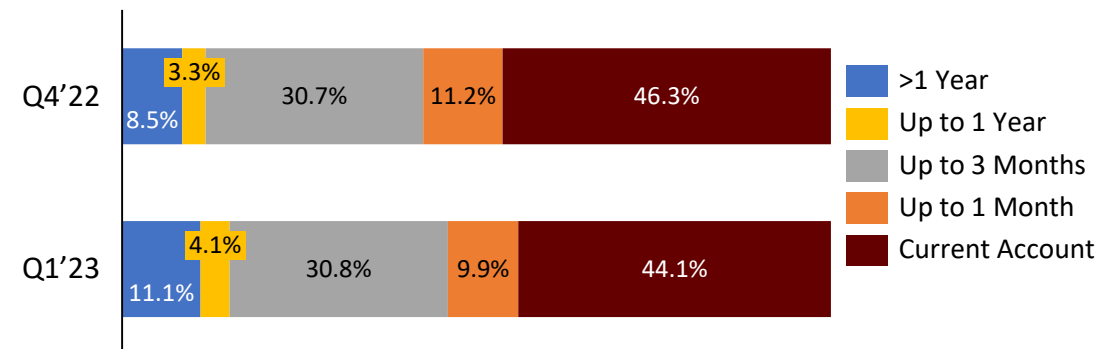
Composition of Collected Funds



Growth in Borrowings



Maturity Composition of Funds Collected (%)

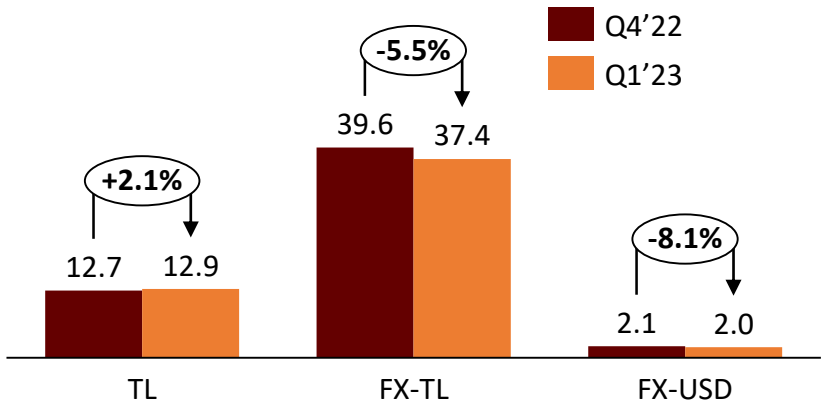


TL funds collection continue to increase by help of currency protected deposit scheme

TL current and participation accounts increased by 2.1% and 20.9% YtD respectively.

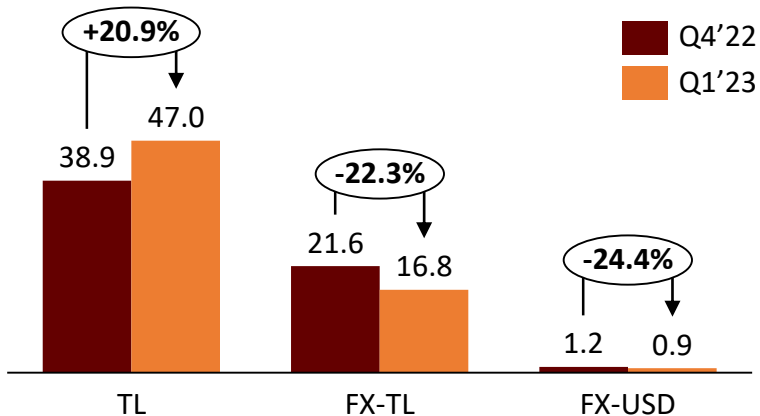
Current Accounts

TL Billion – Annual Growth %



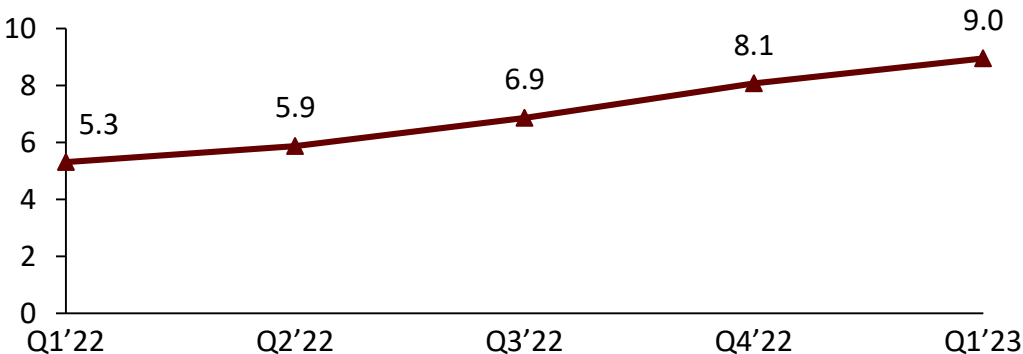
Participation Accounts

TL Billion – Annual Growth %



Cost of Funds Collected*

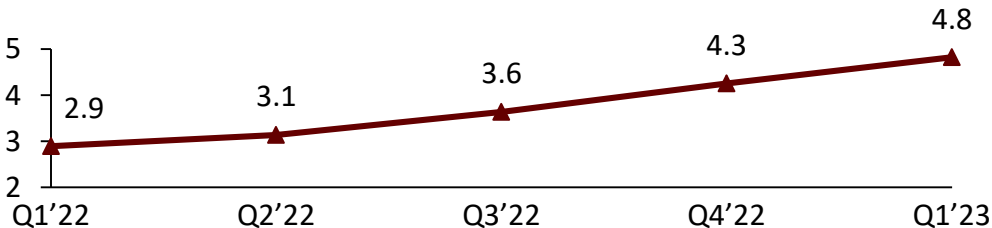
%



*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 (incl. current acct.)

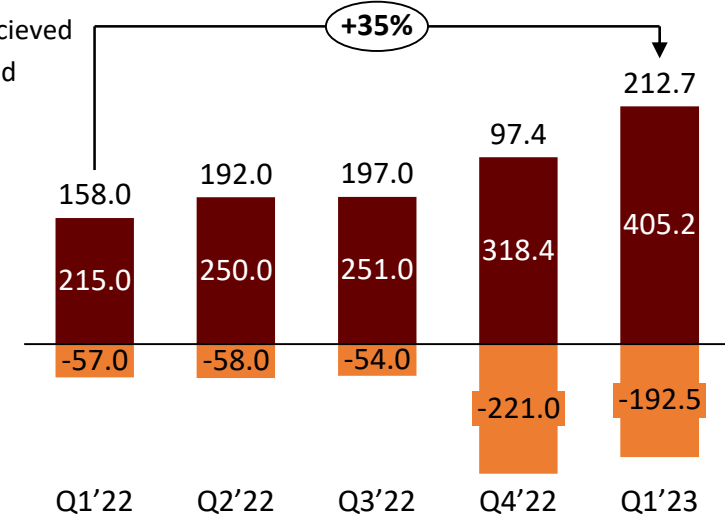
Despite rising expenses, profitability continue to increase

Strong profit share income and fees & commission income enabled us to further enhance income generation both YoY and QoQ.

Quarterly Net Fees and Commission Income

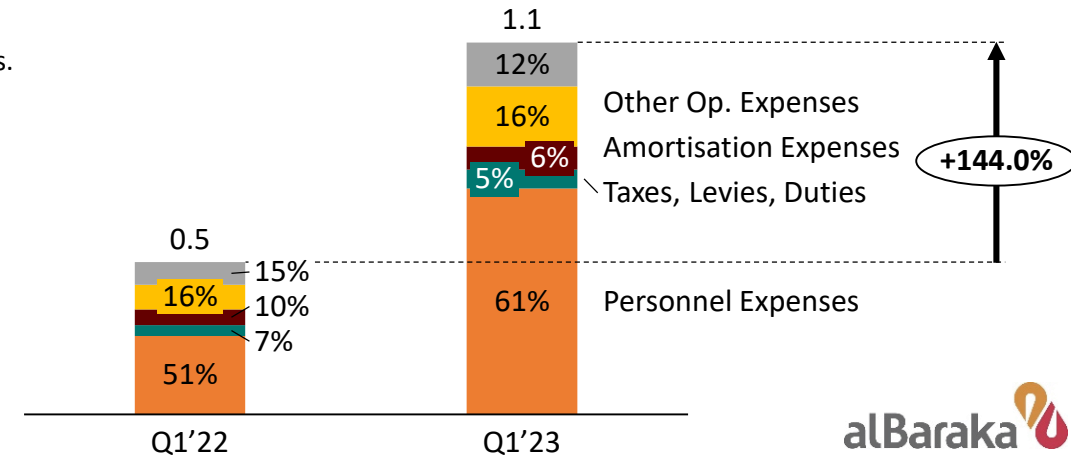
TL Million

Fees and Commissions Received
Fees and Commissions Paid



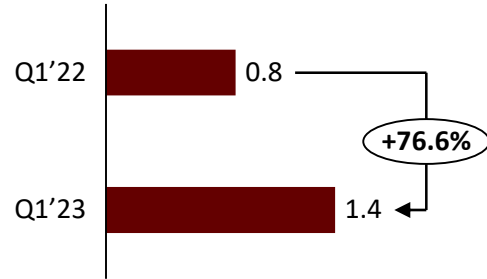
Operational Expenses

TL Billion



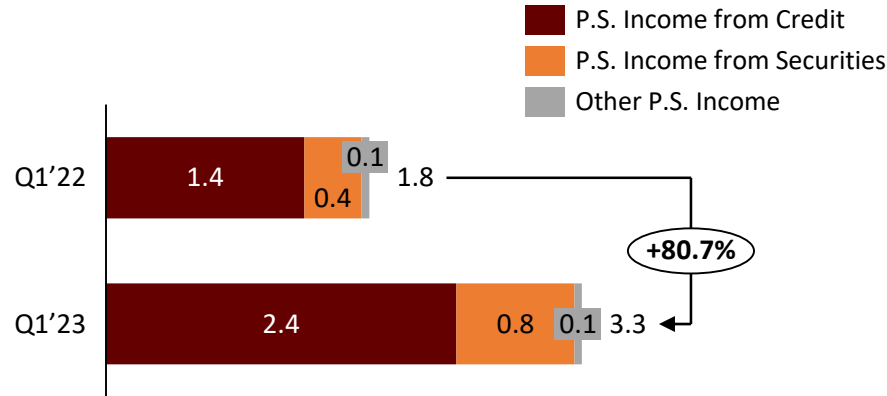
Net Profit Share Income

TL Billion



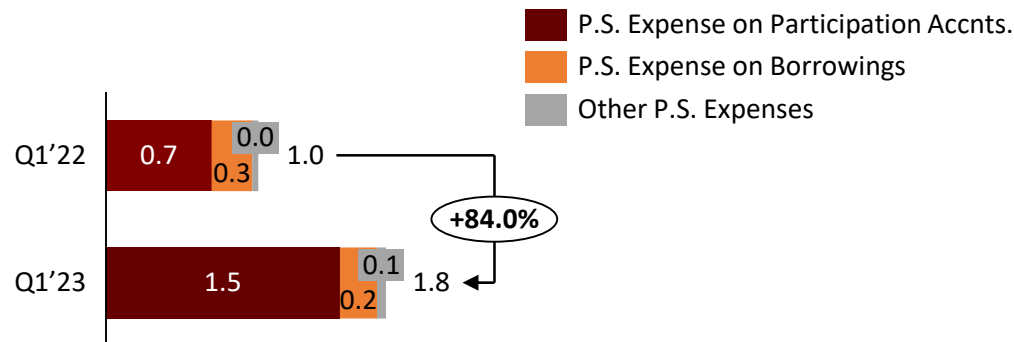
Profit Share Income

TL Billion



Profit Share Expense

TL Billion

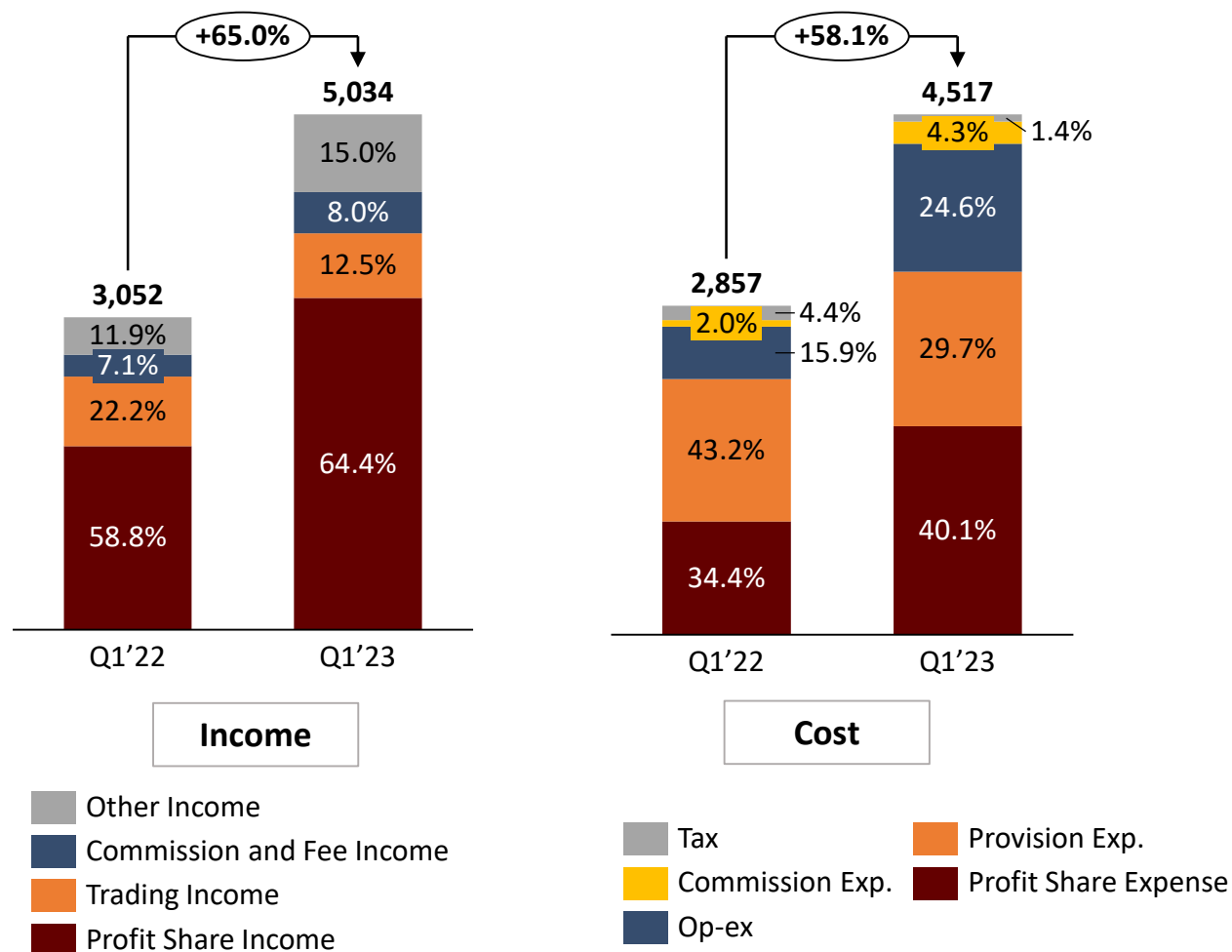


Well managed A&L and OPEX led to significant yield & cost improvement

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

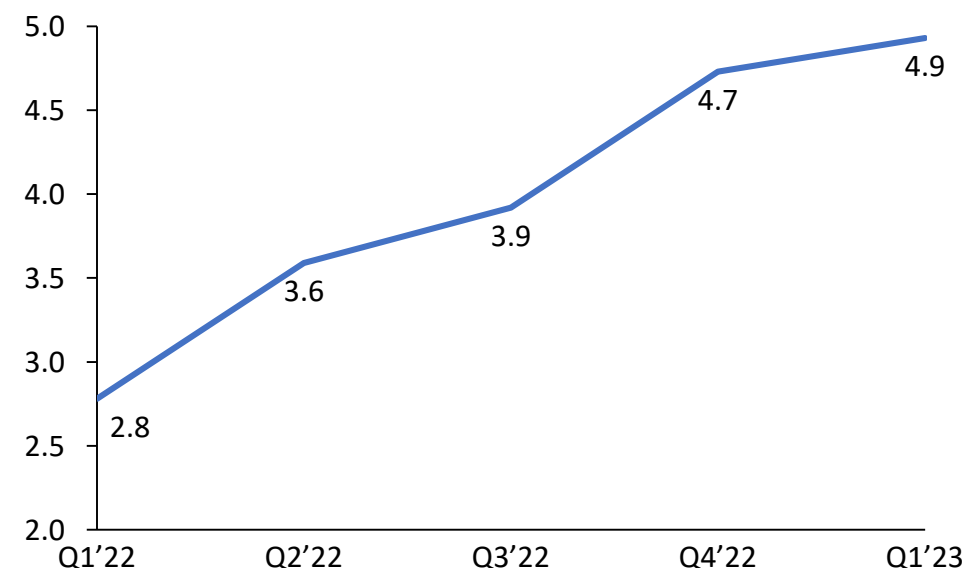
Income-Cost Dynamics

TL Million



Net Profit Share Margin*

%



*Annualized net profit share income/average profit bearing assets

Income – Cost Dynamics

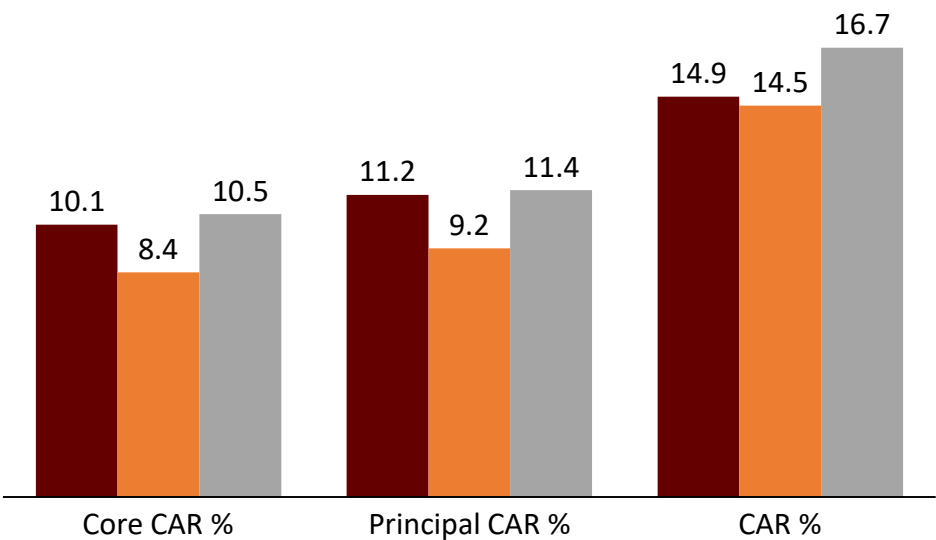
(TL Million)	YoY			Notes
	Q1'22	Q1'23	%	
Net Profit Share Income	811	1,432	80.7	Profit share has continued to increase since net profit share margin kept rising both QoQ and YoY.
Net Fees & Commssion Income	159	213	34.2	Although fees & commission paid raised by 238% YoY due to a large amount of commission, TL 108 million paid to CBRT, net fees & commission income increased by 34% YoY.
Net Trading Income	678	630	-7.1	Net trading income shrank by 7% YoY despite 91% YoY increase in FX transactions income. This is due to reduction of income generated from capital market transactions by 49.2% YoY.
Other Income	364	757	108.1	Reversal of provision due to collections from Stage III credits and asset sales increased this item.
Provisioning (inc. free provisions)	1.235	1,343	8.7	Stage 3 Coverage Ratio has been increased to 89%. Total free provisions increased to TL 1,885 million.
Personnel Expenses	234	675	188.9	Personnel expenses increased by 189% YoY due to increasing personnel expenses in line with inflation and bonus premium payments at Q1'23.
Other Costs	222	436	96.7	Operational expenses increased rapidly due to the high inflationary environment.
Net Profit	194	517	166.1	

Improved profitability and additional Tier-2 supportive to CAR

CAR is at comfortable levels by support of additional USD 100 million Tier-2 as well as increasing profitability.

Capital Adequacy Ratio

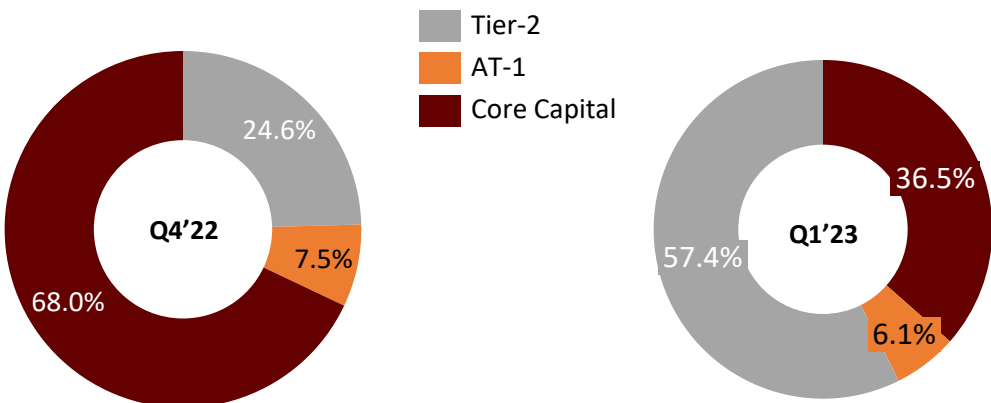
%



■ Q4'22
■ Q1'23
■ Q1'23 (Incl. free provisions)

Capital Breakdown

%



■ Tier-2
■ AT-1
■ Core Capital

Financial Ratios – Sector Comparison

Percent (%)	Q4'22			Q1'23		
	Albaraka Türk	Participation Banks	Banking Sector	Albaraka Türk	Participation Banks	Banking Sector
CAR	14.9	20.5	19.5	14.5	18.2	17.7
NPL Ratio	1.9	1.4	2.1	1.5	1.2	1.8
Provisioning Ratio (Stage 3)	88.7	99.8	86.7	87.6	99.9	87.8
Loan/Deposits	66.5	70.7	82.9	69.7	76.8	87.9
Asset Yield	9.7	12.0	13.5	10.3	12.3	13.6
Asset Spread	4.9	6.1	7.0	5.0	5.8	6.5
Net Profit Share Margin	4.7	6.4	7.4	4.9	6.3	6.9
Op Costs / Avg. Assets	1.7	1.5	1.9	2.1	2	2.2
Cost/Income	21.1	18.7	20.3	36.6	32.9	30.6
Credits / Branches (TL Million)	336	477	720	353	540	790
Staff / Branches	11.8	13	18.7	11.8	13.1	18.9
CA / Deposits	46	41	35	44	39	35

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)	Q4'22	Q1'23	Growth (%)
Cash and Balances with Central Bank	24,865	21,447	-13.7%
Banks	7,340	7,887	7.5%
Money Market Placements	1,726	0	-
Financial Assets	35,264	38,212	8.4%
Funded Credits (net)	72,625	79,528	9.5%
<i>Cash Credits</i>	73,128	80,754	10.4%
<i>Net Financial Leasing Receivables</i>	909	1,080	18.8%
<i>NPL</i>	1,468	1,214	-17.3%
<i>Expected Credit Losses</i>	2,880	3,520	22.2%
Associates	89	89	-
Fixed Assets	2,899	2,940	1.4%
Assets Held For Sale and Investment	341	337	-1.1%
Other Assets (inc. Tax Assets)	1,191	2,047	71.9%
Total Assets	146,340	152,488	4.2%

(TL Million)	Q4'22	Q1'23	Growth (%)
Funds Collected	112,676	114,097	1.3%
Funds Borrowed	4,412	10,156	130.2%
Borrowings from Money Markets	7,818	0.5	-93.0%
Debts (inc. Taxes)	6,046	9,831	62.6%
Provisions	2,576	2,506	-2.7%
Tier II Sukuk	4,694	6,872	46.4%
Shareholders' Equity	8,119	8,477	4.4%
<i>Capital</i>	2,500	2,500	-
<i>Capital Reserves (inc. Premium)</i>	1,608	3,312	105.9%
<i>Profit Reserves</i>	1,832	1,520	-17.0%
<i>Profit/Loss</i>	627	(447)	-
Total Liabilities	146,340	152,49	4.2%

Summary Income Statement

(TL Million)	Q1'22	Q1'23	Growth (%)
Profit Share Income	1.794	3.241	80.7%
Profit Share Expense	984	1.809	84.0%
Net Profit Share Income	811	1.432	76.6%
Net Fees and Commissions Income	159	213	34.2%
<i>Fees and Commissions Received</i>	215	405	88.0%
<i>Fees and Commissions Paid</i>	57	192	237.9%
Net Trading Income	678	630	-7.1%
Other Operating Income	364	757	108.1%
Total Operating Profit	2.011	3.032	50.8%
Provisions (including free provisions)	1.235	1.343	8.7%
Personnel Expenses	234	675	188.9%
Other Operating Expenses	222	436	96.7%
Operating Profit Before Tax	321	579	80.2%
Tax Provision	127	62	-51.1%
Net Profit	194,306	516,972	166.1%

THANK YOU...

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