

# 2014 Q1 Earnings Presentation



## Agenda

### **1. Macro Economic / Banking Outlook**

2. Q1 2014 Financial Results

3. Market Comparison

4. Appendix

## Global Economy

- Portfolio flows to emerging economies remained weak in the first quarter of 2014 because of the continuing global uncertainty about monetary policies.
- Markets have started to discuss the timing and pace of interest rate hikes of FED.
- Economic activities in European countries are still not at the desired level and it is expected that ECB will be introduced monetary easing.
- Political tensions between Russia and western countries put pressure on global economy.

## Turkish Economy

- After the huge interest rate hike of CBRT, depreciation in TRL against dollar has been under controlled.
- Apart from the positive affects of the interest rate increase, economic activity will be slowdown in the first quarter.
- Price stability was deteriorated and core inflation reached double digit because of the secondary effects of the depreciation in TRL.
- Tension in the local political arena calm down but not eliminated after the local elections.

### Banking Industry

- In the first quarter of 2014, net profit of banking sector decreased by 13.9% year on year basis.
- At the same period, credit growth rate reached 3.4% while NPL amount raised 5.8%.
- Increase in interest rates depressed credit demand and lowered banks profitability.
- Sector continued to rollover the amount of syndication and issued new debt instrument.

### Participation Banks

- In the first quarter of 2014, participation banks grew under the banking sector .
- Continuing branch network expansion.
- Sukuk issuances will continue in 2014.
- New participation banks would not be realized in 2014.

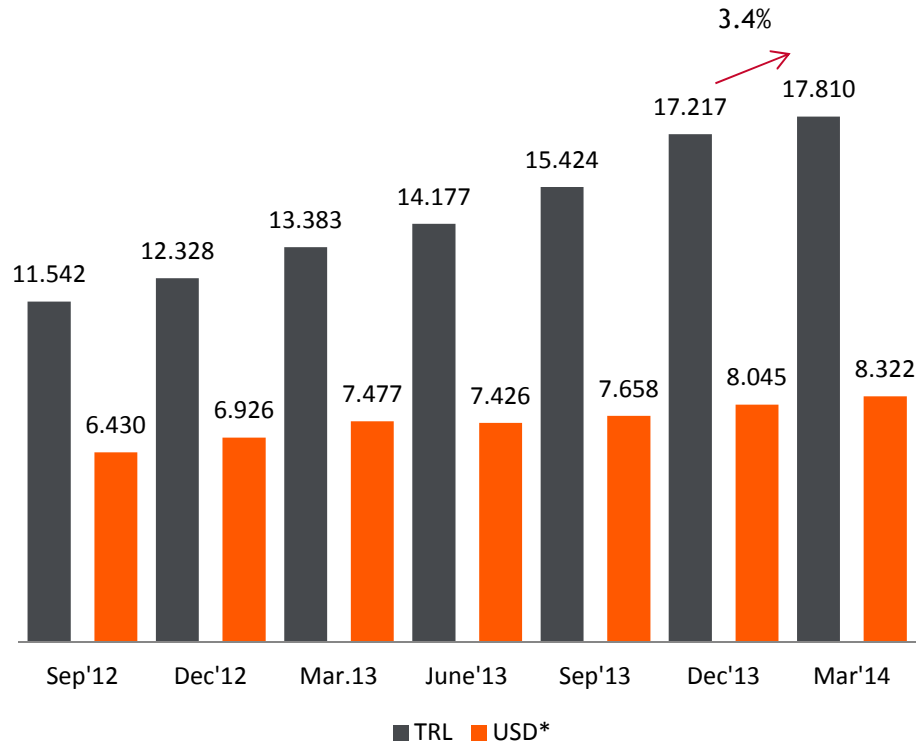
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# Growth in total assets

## Total assets (million TRL)

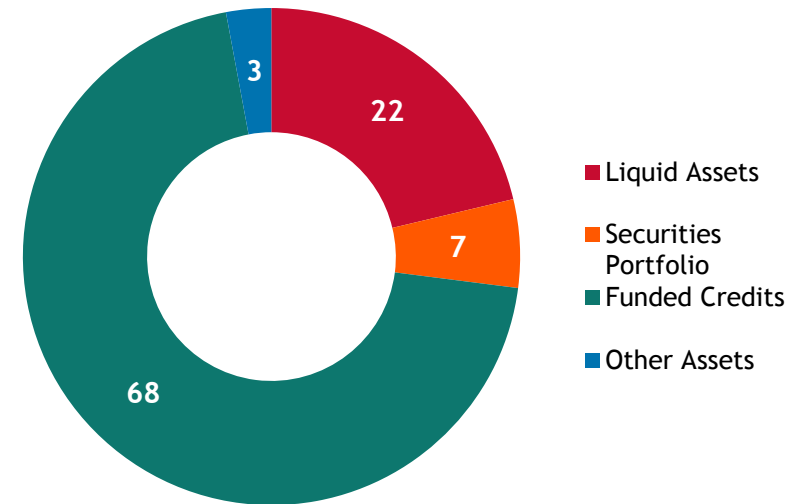
YtD Growth: 3.4 %in TRL terms    YtD Growth: 3.4 in USD terms



\*USD equivalent of total assets

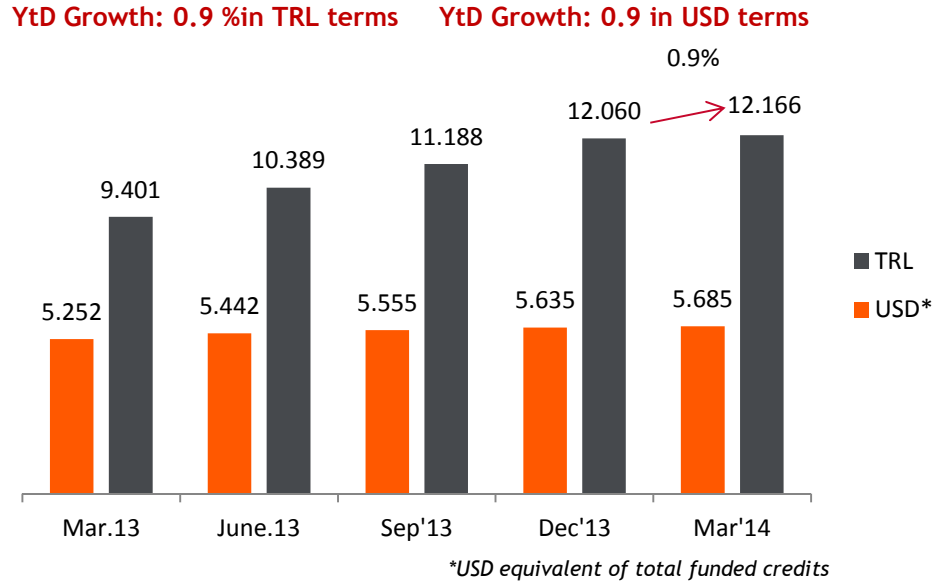
L/D (Q1) = 96%

## Asset Segmentation (Q1'14) (%)

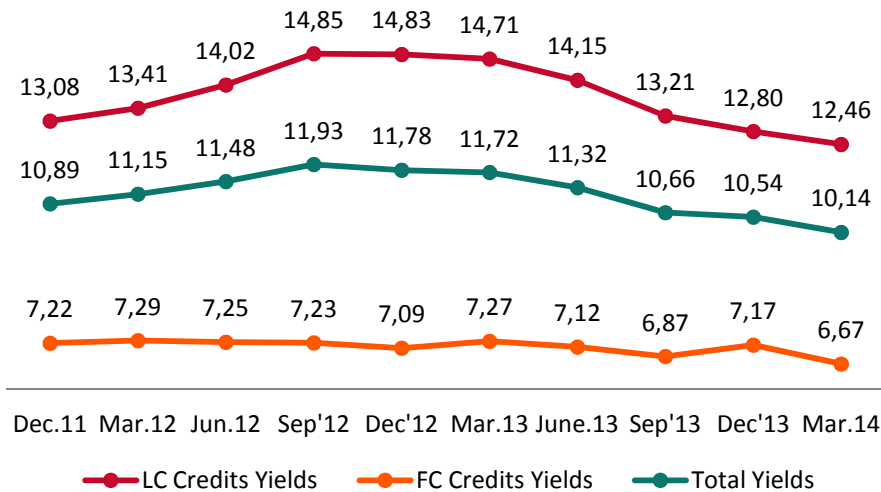


# Growth in funded credits

## Total Funded Credits\* (million)

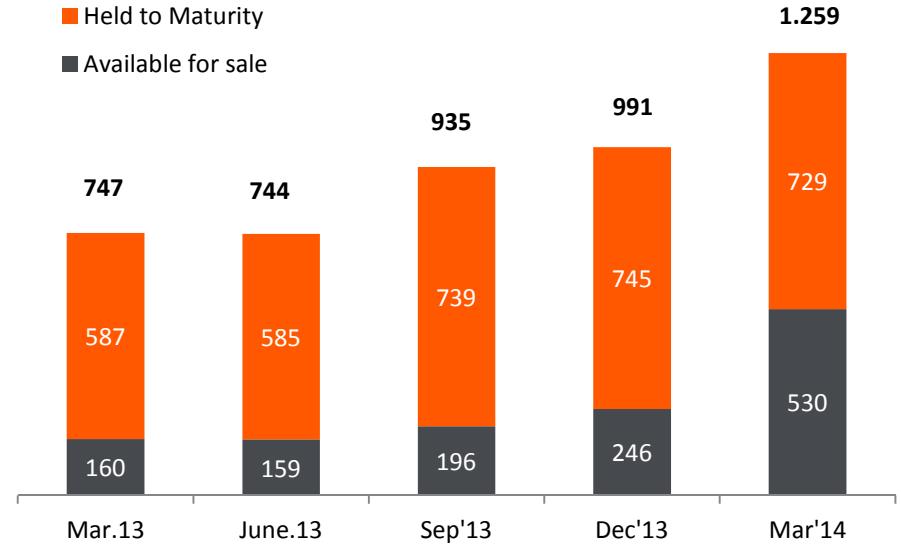


## Credit Yields(1) (%)

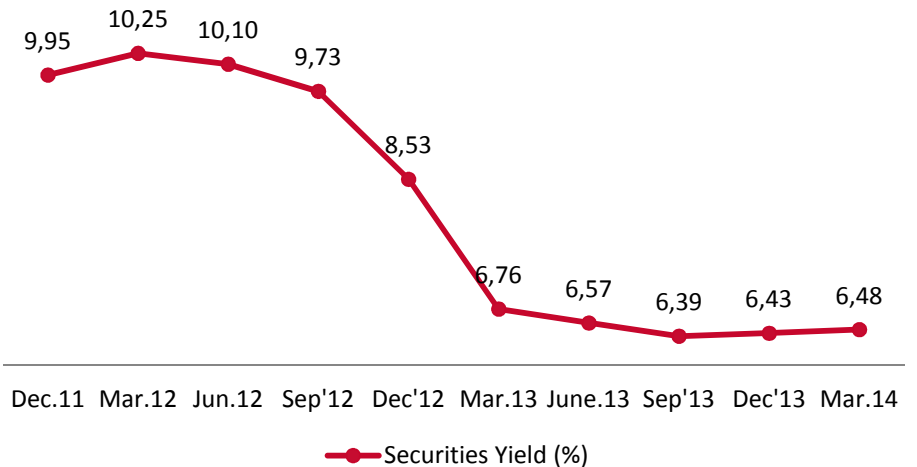


(1) Profit share income received from credits for the last 12M/12M average credits

## Total Securities Portfolio (TRL million)



## Securities Yield(2) (%)



(2) Profit share income received from securities for the last 12M/12M average securities

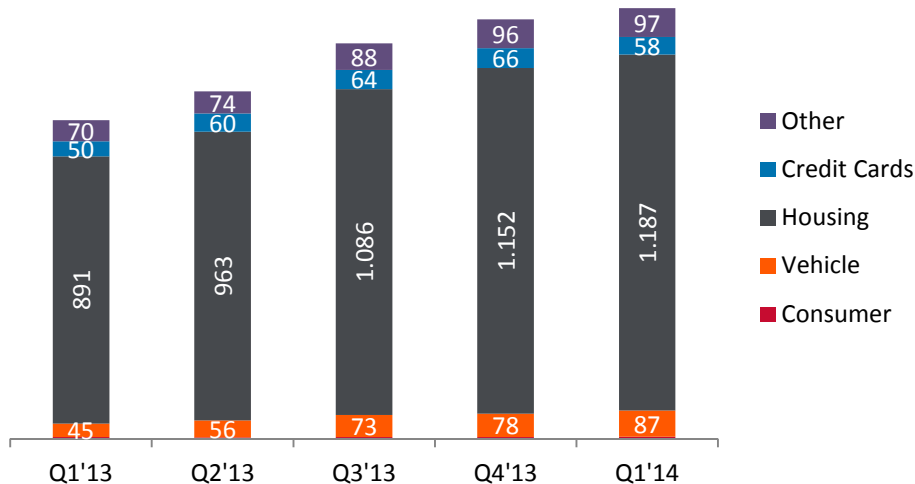
# Funded Credits Portfolio

Composition of Total Funded Credits\* (%)

	Q2'13	Q3'13	Q4'13	Q1'14
Corporate Credits	37.6	39.4	38.8	40.0
SME Credits	51.2	48.7	48.9	48.1
Retail Credits	11.2	11.9	12.3	11.9
Total	100.0	100.0	100.0	100.0

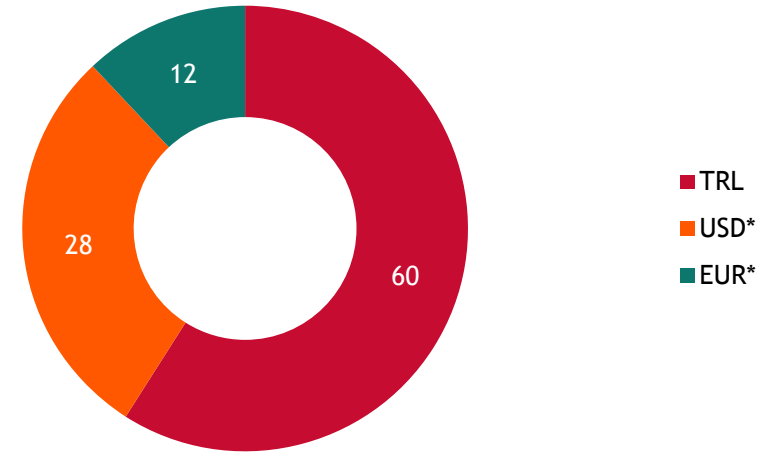
\*According to BRSA definition

Total Retail credits \*(TRL million)



\*Excluding installment based commercial credits and corporate credit cards

Currency Composition of Total Funded Credits (Q1'14, %)

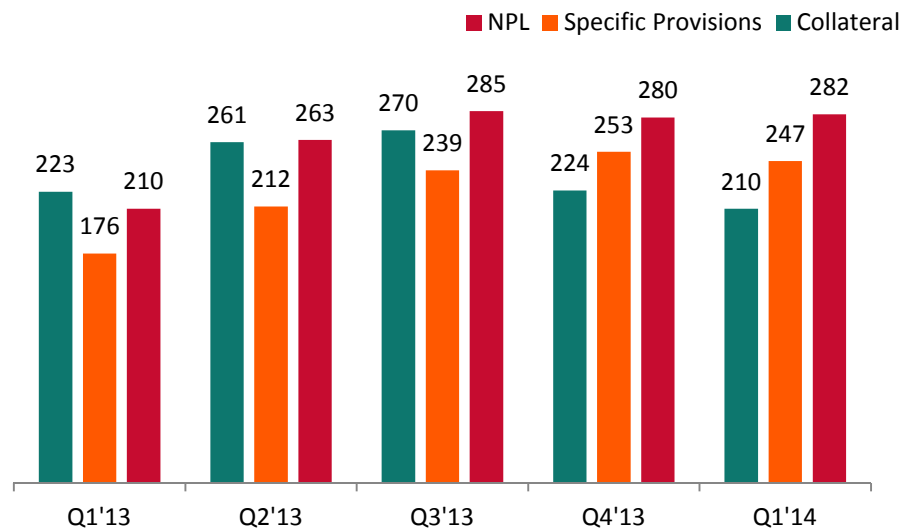


\*Including USD & EUR indexed credits

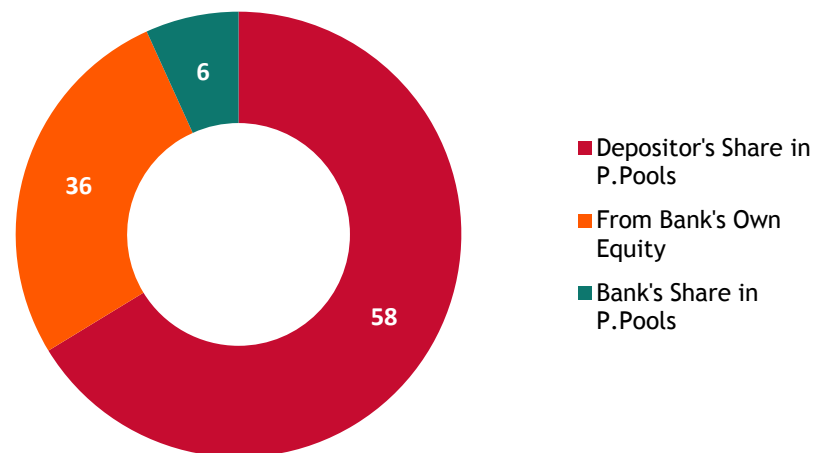
- Retail credits (excluding installment based commercial credits and corporate credit cards) grew to 1,437million TRL in March 31, 2014 up from 1,398 million TRL in Q4 2013
- Housing finance is primary segment among retail credits



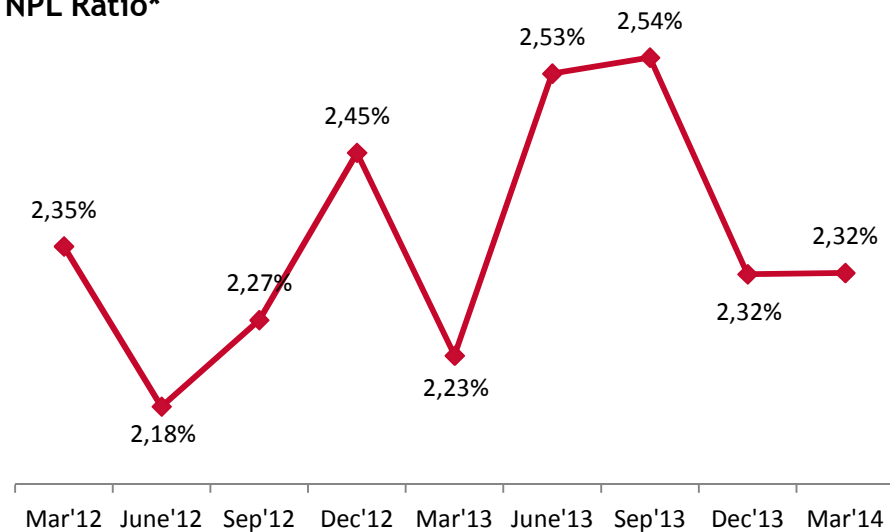
## Non-performing Loans (TRL million)



## Composition of NPL (Q1'14) (%)

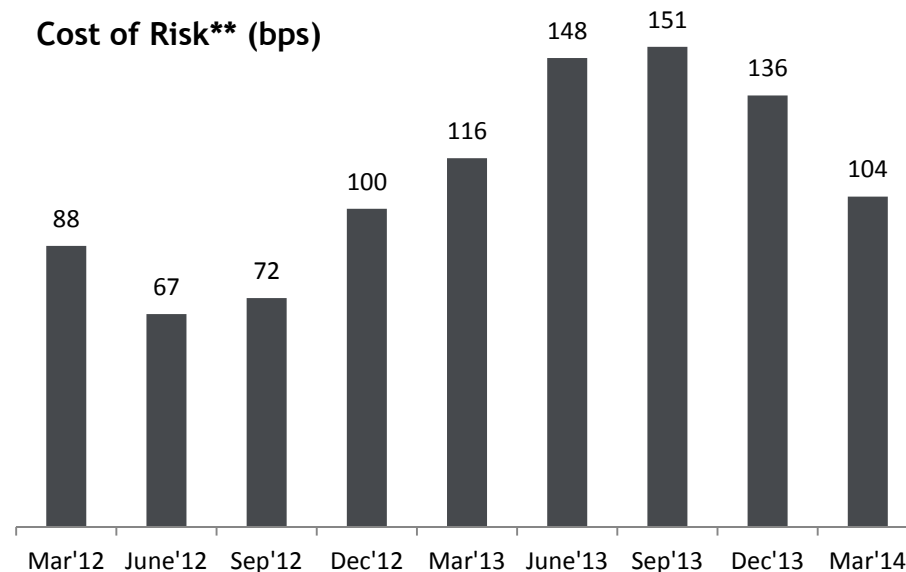


## NPL Ratio\*



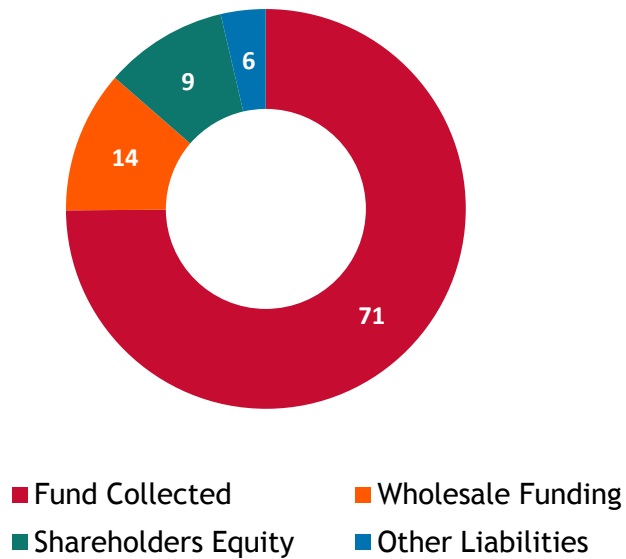
\* Including financial leasing & accruals and discounts

## Cost of Risk\*\* (bps)

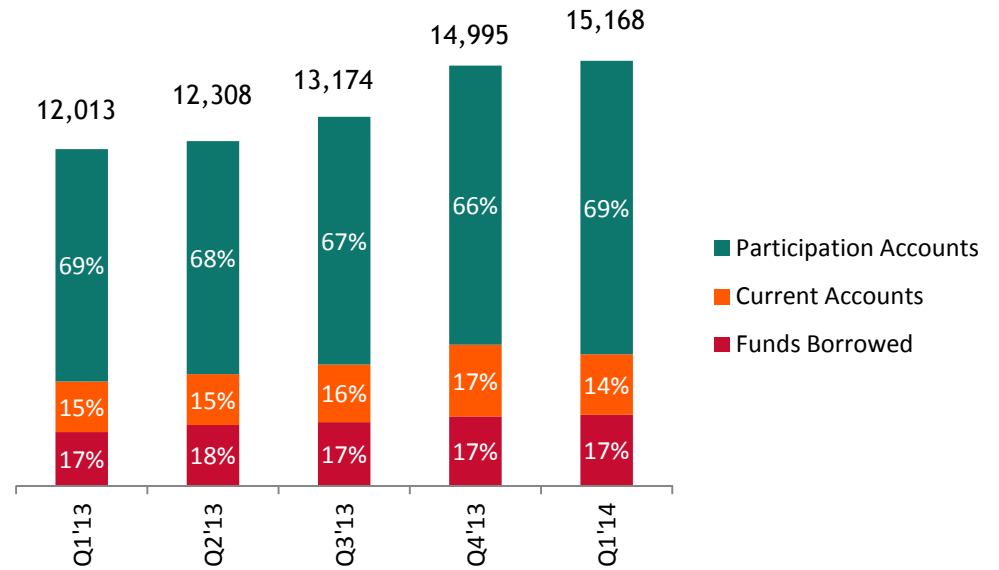


\*\* Specific provisions for credits for last 4Q/4Q average credits

Composition of Total Liabilities (Q1'14, %)



Composition of Funding Base (TRL million)



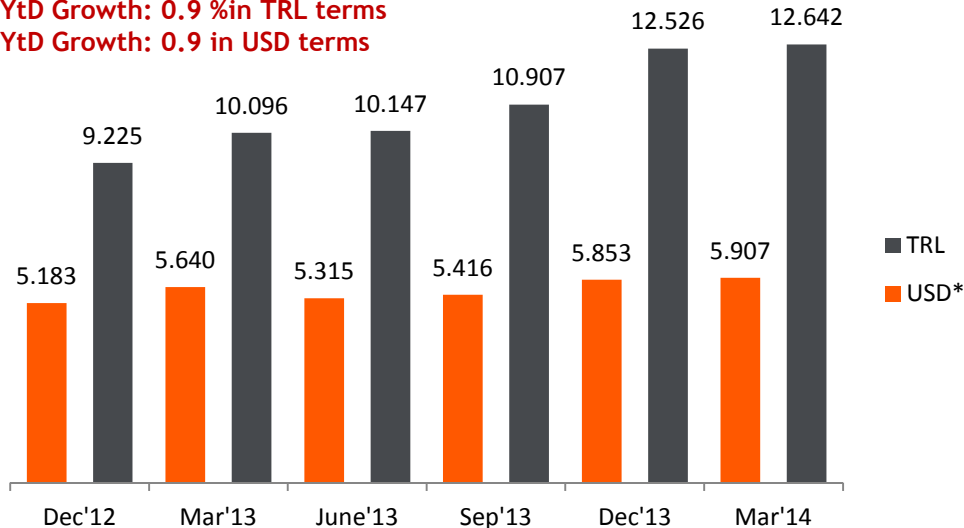
- Participation accounts are still main source of funded credits
- Alternative funding (murabaha syndication and wakala) helps to diversify funding sources

# Total Funds Collected

## Total Funds Collected (million)

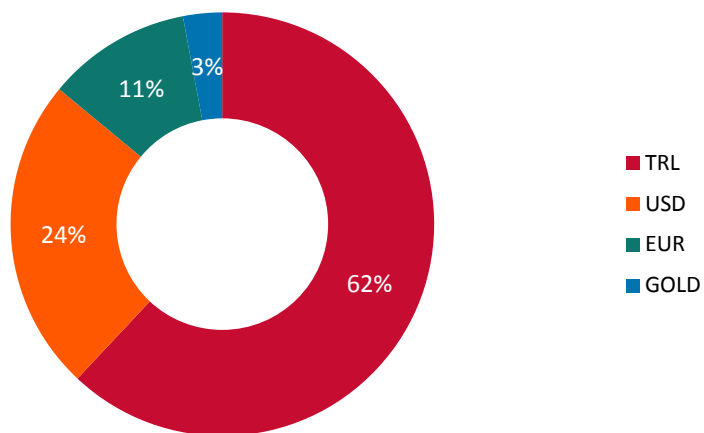
YtD Growth: 0.9 %in TRL terms

YtD Growth: 0.9 in USD terms

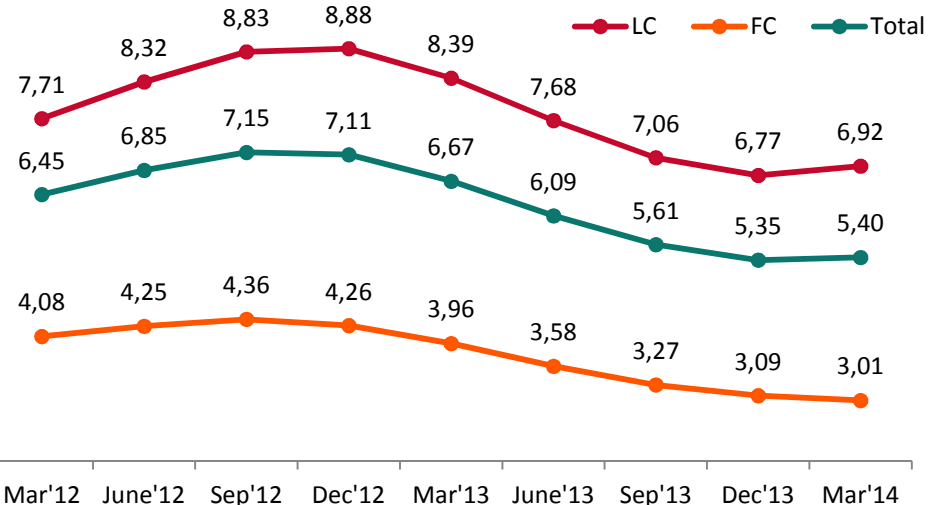


\*USD equivalent of total funded credits

## Currency Composition of Participation Accounts (Q1'14)

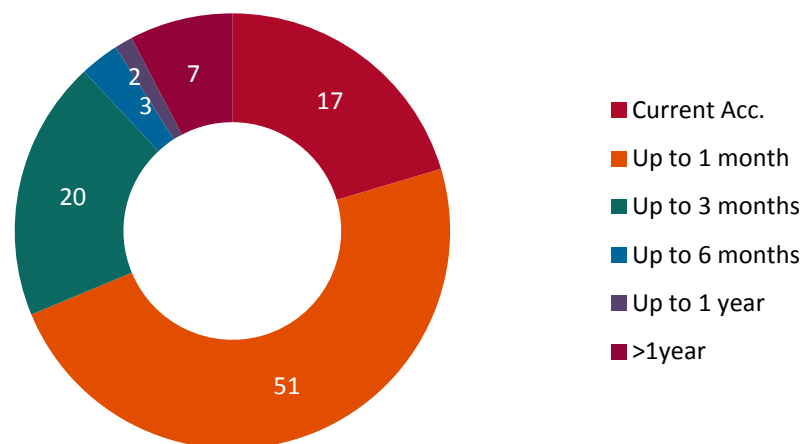


## Cost of Funds Collected (1)

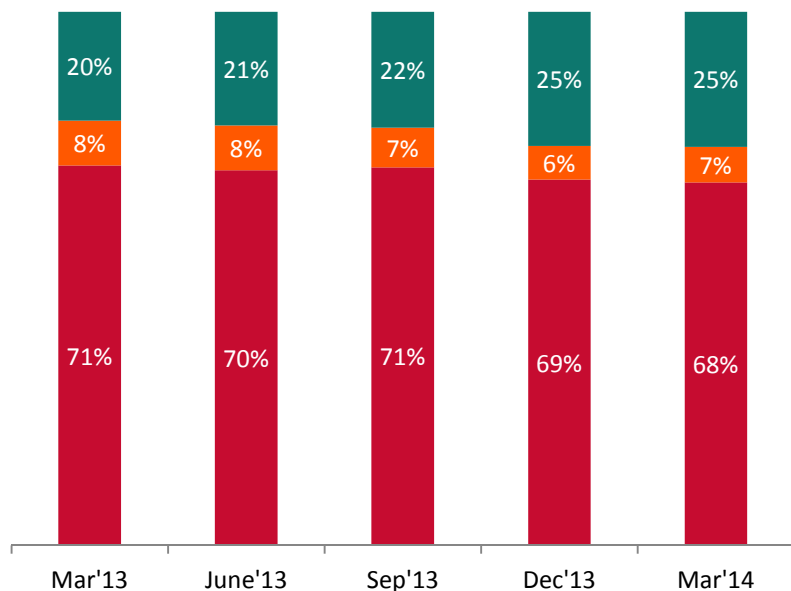


(1) Profit share expense to depositors for the last 4Q/4Q average participation accounts

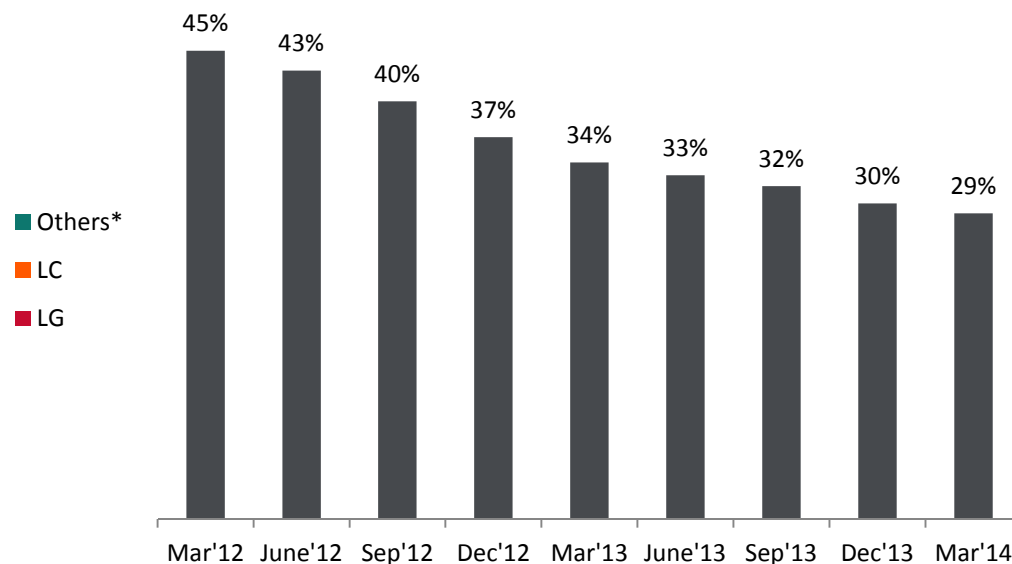
## Maturity Composition of Funds Collected (Q1'14, %)



### Off Balance Sheet Composition



### LGs-to-Total Assets



### Off Balance Sheet (TRL million)

	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Growth (%)	
						Q-Q	YtD
Letter of Guarantee	4,594	4,694	4,944	5,232	5,242	0.2	0.2
Letter of Credit	541	559	519	482	514	6.6	6.6
Others*	1,317	1,423	1,519	1,917	1,955	1.9	1.9
<b>Total:</b>	<b>6,452</b>	<b>6,676</b>	<b>6,983</b>	<b>7,631</b>	<b>7,710</b>	<b>1.0</b>	<b>1.0</b>

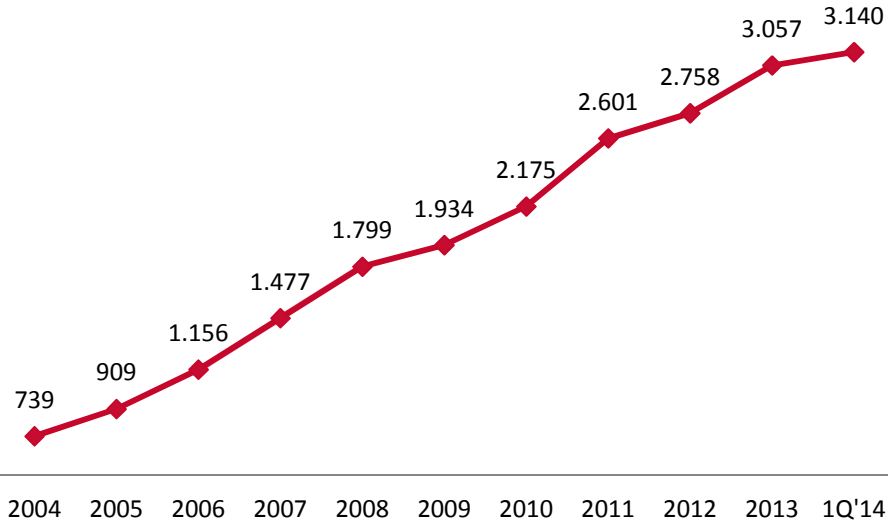
\* Revocable credit limits not included.

## Income-Cost Dynamics

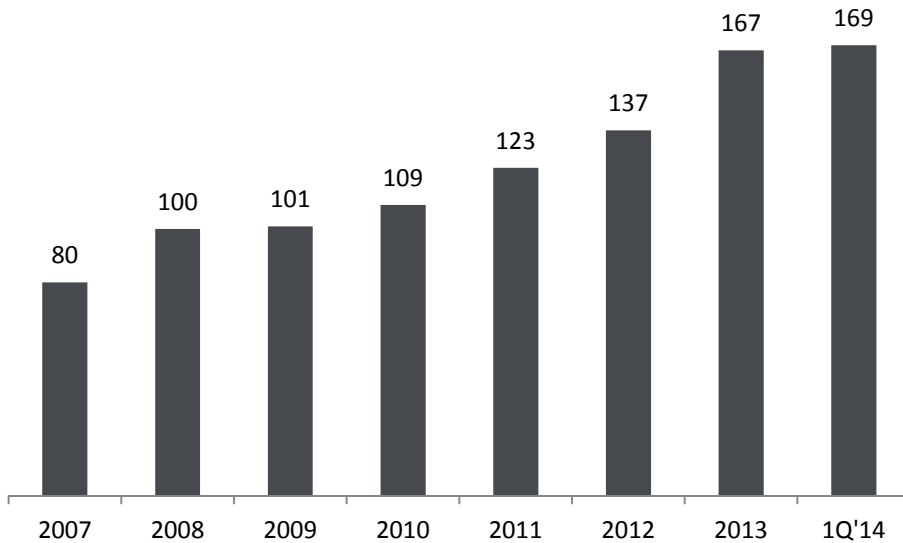
(000 TRL)	Year on Year Change			Quarterly Change			Notes
	Q1'13	Q1'14	%	Q4'13	Q1'14	%	
<b>Net Profit Share Income</b>	150.799	146.309	-3,0	173.426	146.309	-15,6	Profit share expense increased by 39.6% while PSI raised by 16.2% yoy basis. Quarterly decrease in NPSI stems from the difference of joint venture projects returns which are TRL 14.9 mln and TRL 36.6 mln for Q114 and Q413, respectively.
<b>Net Fee Income</b>	25.688	29.592	15,2	29.955	29.592	-1,2	There is no significant change in fee income trend.
<b>Net Trading Income</b>	7.965	17.002	113,5	15.743	17.002	8,0	High FX trading income was earned on YoY basis.
<b>Other Income</b>	58.809	41.107	-30,1	38.950	41.107	5,5	YoY decline was arised from base affect of the one-off NPL collection in Q113. Cancellation of provision in Q4'13 for bonus payment supported QoQ growth.
<b>Provisioning</b>	85.091	24.698	-71,0	26.871	24.698	-8,1	Specific provisioning cost is in line with our projections.
<b>Other Costs</b>	90.233	128.781	42,7	124.756	128.781	3,2	Yoy increase in other costs can be attributable to staff cost, new branch openings and transformation project. (2 new branches in Q1'14)
<b>Tax</b>	14.227	18.953	33,2	16.725	18.953	13,3	-
<b>Net Profits</b>	53.710	61.578	14,6	89.722	61.578	-31,4	-

# Branch and staff size

## Total Employees Size



## Total Number of Branches



## Albaraka Türk Branches



## Current Branches

İstanbul	67	Hatay	2	Aksaray	1	Çankırı	1	Şanlıurfa	1
Ankara	16	Kütahya	2	Elazığ	1	Malatya	1	Balıkesir	1
İzmir	6	Manisa	2	Erzurum	1	Aydın	1	Tokat	1
Bursa	6	Tekirdağ	2	Eskişehir	1	Maraş	1	Trabzon	2
Adana	5	Samsun	2	Giresun	1	Nevşehir	1	Van	1
Konya	5	Batman	1	Afyon	1	Ordu	1	Yalova	1
Kocaeli	5	Bolu	1	Isparta	1	Osmaniye	1	Zonguldak	1
Kayseri	3	Çanakkale	1	Mersin	1	Rize	1	Mardin	1
Antalya	4	Çorum	1	Karaman	1	Sakarya	1	Erbil*	1
Diyarbakır	2	Denizli	1	Karabük	1	Adıyaman	1		
Gaziantep	2	Düzce	1	Kastamonu	1	Sivas	1		

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## Total growth - 2014/03

Percent	2013 (12 Months)			2014 (3 Months)		
	Albaraka Türk	Participation Banks	Banking Sector	Albaraka Türk	Participation Banks	Banking Sector
Asset Size	39.7	35.7	26.4	3.4	-0.6	3.7
Total Credits	32.2	35.0	32.1	0.7	-3.4	3.4
Deposits/Collected Funds	35.5	27.9	22.5	0.9	-3.9	1.5



Percent	2013 (12 Months)			2014 (3 Months)		
	Albaraka Türk/ Participation Banks	AlbarakaTürk/ Banking Sector	Participation Banks/Banking Sector	Albaraka Türk/ Participation Banks	AlbarakaTürk/ Banking Sector	Participation Banks/Banking Sector
Asset Size	17.9	1.0	5.6	18.6	1.0	5.3
Total Credits	17.7	1.1	6.3	18.5	1.1	5.9
Deposits/ Collected Funds	20.3	1.3	6.5	21.4	1.3	6.1

## Ratios

Percent	2013 (12 Months)			2014 (03 Months)		
	Albaraka Türk	Participation Banks	Banking Sector	Albaraka Türk	Participation Banks	Banking Sector
CAR	14.86	14.00	15.30	15.18	14.45	15.75
NPL Ratio	2.32	3.29	2.75	2.32	3.65	2.82
Provisioning Ratio	90.62	64.23	76.39	87.33	62.25	76.71
ROAA (IBT)	1.99	1.58	2.03	1.93	1.52	1.82
ROAE (NI)	17.72	13.06	13.14	17.46	13.05	12.46
Yield	8.89	8.54	8.51	8.62	8.32	8.40
Spread	4.95	4.76	4.30	4.62	4.52	4.05
Net Profit Share Margin	4.92	4.76	4.53	4.57	4.54	4.25
Net Fee Income / Avg. Assets	1.52	1.35	1.22	1.41	1.25	1.17
Op Costs / Avg. Assets	2.97	3.13	2.70	2.70	3.07	2.61
Cost/Income*	45.14	49.82	45.73	55.03	51.16	47.26
Credits / Branches (000 'TRL)	72,215	70,425	89,682	71,697	66,935	92,335
Staff / Branches	18.31	17.41	17.88	18.58	17.55	17.89
CA / Deposits**	20.40	24.54	18.73	16.97	21.71	18.09

\*Cost: Operating Costs, Income: NII/NPSI, Net Fees and Commissions Income, Other Income

\*\*Accruals and rediscounts excluded

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# Summary Balance Sheet

(Thousand TRL)	Dec'13	Mar'14	Growth (%)
Cash and Banks	3.661.389	3.830.520	4.6
Financial Assets	245.681	537.947	119.0
Funds Utilized	12.059.901	12.166.320	0.9
<i>Cash Credits</i>	11.961.340	12.037.927	0.6
<i>NPL</i>	279.668	282.310	0.9
<i>Provisions</i>	253.428	246.533	-2.7
<i>Net Financial Leasing Receivables</i>	72.321	92.616	28.1
Investments Held to Maturity (Net)	745.390	728.589	-2.3
Associates	9.961	14.961	50.2
Fixed Assets	396.543	406.072	2.4
Assets Held For Sale and Investment	28.407	22.963	-19.2
Other Assets (inc. Tax Assets)	69.281	102.519	48.0
<b>Total Assets</b>	<b>17.216.553</b>	<b>17.809.891</b>	<b>3.4</b>
Funds Collected	12.526.212	12.641.768	0.9
Funds Borrowed	2.035.816	2.084.718	2.4
Debts (inc. Taxes)	522.821	913.000	74.6
Provisions	201.463	197.875	-1.8
Tier II Sukuk	432.973	441.236	0.0
Shareholders' Equity	1.497.268	1.531.294	2.3
<i>Capital</i>	900.000	900.000	0.0
<i>Capital Reserves (inc. Premium)</i>	92.780	96.603	4.1
<i>Profit Reserves</i>	261.645	470.272	79.7
<i>Profits</i>	242.843	64.419	-73.5
<i>Past Periods</i>	1.434	2.841	98.1
<i>Current Year</i>	241.409	61.578	-74.5
<b>Total Liabilities</b>	<b>17.216.553</b>	<b>17.809.891</b>	<b>3.4</b>

## Summary Income Statement

(Thousand TRL)	Mar '13	Mar '14	Growth (%)
Profit Share Income	274,166	318,539	16.2
Profit Share Expense	123,367	172,230	39.6
Net Profit Share Income	150,799	146,309	-3.0
Net Fees and Commissions Income	25,688	29,592	15.2
<i>Fees and Commissions Recvd</i>	32,164	36,114	12.3
<i>Fees and Commissions Paid</i>	6,476	6,522	0.7
Net Trading Income	7,965	17,002	113.5
Other Operating Income	58,809	41,107	-30.1
Total Operating Profit	243,261	234,010	-3.8
Provisions for Loan Losses	85,091	24,698	-71.0
Other Operating Expenses	90,233	128,781	42.7
Net Operating Profit	67,937	80,531	18.5
Tax Provision	14,227	18,953	33.2
<b>Net Profits</b>	<b>53,710</b>	<b>61,578</b>	<b>14.6</b>

THANK YOU

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