

Corporate Credit Rating
(Update)

Banking

alBaraka		Long Term	Short Term	
International	Foreign currency	BBB-	A-3	
	Local currency	BBB-	A-3	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
National	Local Rating	AA (Trk)	A-1+(Trk)	
	Outlook	Stable	Stable	
Sponsor Support		3	-	
Stand Alone		AB	-	
Sovereign*	Foreign currency	BBB-	-	
	Local currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Assigned by Japan Credit Rating Agency, JCR on August 28, 2015

Albaraka Türk Katılım Bankası A.Ş.					
Financial Data	2015*	2014*	2013*	2012*	2011*
Total Assets (000,000 USD)	10,152	9,925	8,081	6,935	5,538
Total Assets (000,000 TRY)	29,517	23,014	17,216	12,328	10,461
Total Deposit (000,000 TRY)	20,341	16,643	12,529	9,225	8,045
Total Net Loans (000,000 TRY)	19,505	16,184	12,060	9,100	7,287
Equity (000,000 TRY)	2,096	1,786	1,497	1,218	1,004
Net Profit (000,000 TRY)	301	248	241	192	160
Market Share (%) **	24.55	22.08	17.92	17.54	18.63
ROAA (%)	1.42	1.60	2.02	2.12	2.14
ROAE (%)	19.28	19.56	22.03	21.71	21.77
Equity/Assets (%)	7.10	7.76	8.69	9.88	9.60
CAR - Capital Adequacy Ratio (%)	15.16	13.89	14.82	13.03	12.53
Asset Growth Rate (Annual) (%)	28.26	33.68	39.65	17.85	24.44

* End of year ** Among the Participation Banking Sector

Overview

Albaraka Türk Katılım Bankası A.Ş. (hereinafter referred to as "Albaraka" or "the Bank") operates in the fields of SME, corporate, commercial, investment and retail banking services strictly conformable to the principles of Islamic Shari'a. The first finance institution in the interest-free banking field in Turkey, the Bank was incorporated in 1984 and launched operations in the beginning of 1985. The qualified shareholder, the Bahrain-based Al Baraka Banking Group B.S.C., one of the leading groups in the Middle East with an asset size of USD 24,618mn, held 54.06% of shares at the end of FY2015. The group operates in fifteen countries through its subsidiaries and affiliates with a wide geographical presence through nearly 600 branches. Albaraka Türk went public in 2007 and is currently trading on the Borsa İstanbul A.Ş. (BIST) with the ticker "ALBRK" and a current free float of 24.81%.

Albaraka Türk, the largest subsidiary of the Al Baraka Banking Group, had an assets size of USD 10,152mn and a widespread branch network (212 domestic and 1abroad) with over 3,700 employees.

As in the previous year, the Bank outperformed both the Turkish Banking and Participation Banking sectors in growth of assets, deposits and loans in 2015. The Bank maintained its asset quality evidenced by lower-than-sector average NPLs. Thanks to supplementary capital derived from subordinated loans, the Bank's solo basis capital adequacy ratio increased to 15.27% and converged to the Turkish Banking sector average. Furthermore, the Bank attained its efforts to diversify and extend the maturity of its funding mix through overseas financial markets.

Strengths

- Sound growth performance in assets, deposits and loans book, outperforming the sector averages
- Notable increase in capital adequacy ratio supported by particularly supplementary capital and retention of a large portion of profit
- Continuous and progressive profit throughout the reviewed period despite deteriorated return on asset and equity ratios
- Maintenance of asset quality through below sector NPL ratios
- Reasonable earning power with recurring income streams
- Competence in accessing fund resources in overseas markets coupled with diversified funding mix
- High level of compliance with corporate governance best practices and continuity of well-established risk management practices
- Existence of experienced and visionary management team along with sound operational track record
- Growth in market share in both the Turkish Banking and Participation Banking Sectors

Constraints

- Continuity of tapering of net profit share income margin (NIM) and rising opex exerting pressure on profitability indicators
- Sector-wide structural maturity mismatches and short maturity deposits profile
- Upside risks via weakened TRY and downside risks to growth coercing profit margins and impacts on debt-servicing capabilities of the real sector further aggravated by the recent upward trend in bankruptcy postponements
- Notable increase in the overdue (up to 90 days) but not impaired loans portfolio, indicating deterioration to a certain extent
- High credit risk concentration among the top 100 customers, despite a slight progress
- Expected increase in competition through new state-owned entrants

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