

BURGAN BANK AŞ PRESENTATION

December 2013

KUWAIT - TURKEY - IRAQ - JORDAN - ALGERIA - TUNISIA



- **Macroeconomic and Banking Sector Outlook**
- **Burgan Bank at a Glance**
- **Financial Highlights & Transactional Growth Performance**

Macro Economic Environment



Macro Forecasts	2011	2012	2013	2014F	2015F
Nominal GDP (TRY mln)	1,297.7	1,416.8	1,561.5	1,731.2	1,935.5
Nominal GDP (USD mln)	774.0	785.7	820.3	813.7	881.1
GDP Growth	8.8%	2.1%	4.0%	3.0%	4.0%
Exchange Rate - TRY/ USD (eop)	1.8889	1.7776	2.1304	2.1500	2.2500
Exchange Rate - TRY / USD (yoy change , eop)	22.8%	-5.9%	19.8%	0.9%	4.7%
Exchange Rate - TRY/ USD (avg)	1.6725	1.7918	1.9035	2.1275	2.1965
Exchange Rate - TRY / USD (yoy change , avg)	11.6%	7.1%	6.2%	11.8%	3.2%
CPI Inflation (eop)	10.4%	6.2%	7.4%	8.0%	6.5%
CPI Inflation (avg)	6.5%	8.9%	7.5%	8.3%	7.0%
PPI Inflation (eop)	13.3%	2.5%	7.0%	7.0%	6.5%
PPI Inflation (avg)	11.1%	6.1%	4.5%	9.9%	6.5%
CBT Policy Rates (O/N, eop)	9.04%	5.55%	7.10%	8.75%	8.00%
Yields on Benchmark Bond (eop)	11.04%	6.18%	10.10%	9.25%	9.00%

Growth: GDP Movements

Economic Activity

GDP grows 4.3% yoy in 1Q, thanks to net exports

➤ The Turkish economy expanded 4.3% yoy in 1Q14. Seasonally-adjusted GDP rose 1.7% qoq in 1Q14, implying some acceleration versus the average qoq growth of 0.6% in 2H13.

➤ The composition of GDP growth has changed remarkably as of 1Q14 vs. 2013. Both private consumption and investments lost momentum in 1Q14, though to a limited degree, in response to tighter financial conditions and political uncertainties.

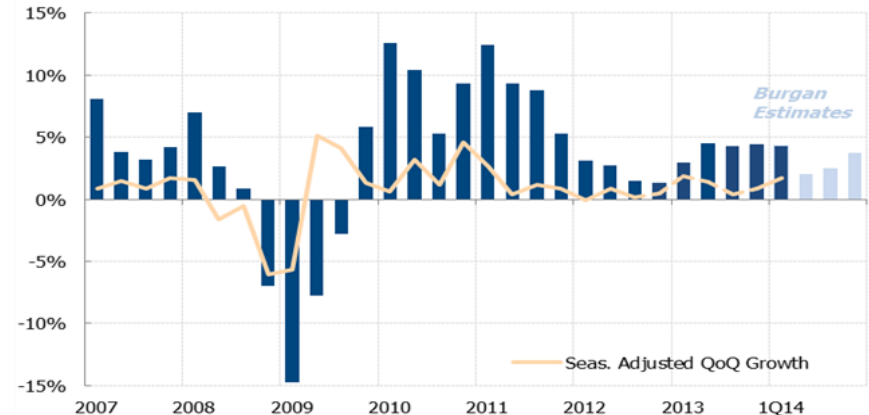
➤ Net exports, a drag on GDP growth throughout 2013, have become the major contributor (+2.7pp) to GDP growth as of 1Q14, thanks to rebalancing.

➤ Public sector again contributed positively (+1.0pp), while inventories dragged total GDP down by 1.2pp in 1Q.

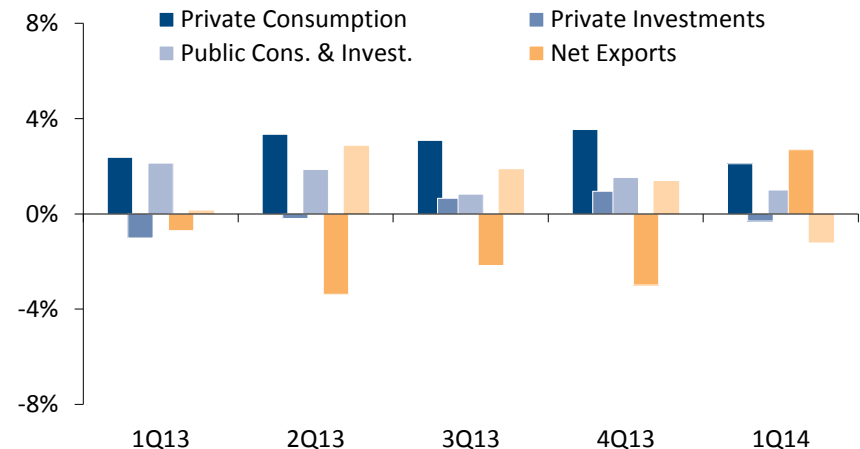
➤ Given the stronger-than-expected performance on the production side so far, we still see some upside risk to our GDP growth forecast for 2014. Despite slower PMI levels, leading indicators for exports, business confidence and CUR remain solid. However, weaker guidance for agricultural production may somewhat balance those upside risks; hence, we maintain our GDP growth forecast of 3% at the moment.



GDP Growth Rates 2007-2014



Contribution to GDP Growth, 2013-2014



Outline

- ❑ As of Dec 31, 2013, there were 49 banks operating in Turkey, with a combined network of 11,986 domestic and foreign branches
- ❑ The sector employs 214,263 individuals (ca. 1% of total employment)
- ❑ Total asset size amounted to TRY 1.732bn as of Dec 31, 2013 , of which ca. 60.5% were in loans
- ❑ Depository banks hold ca. 96% of the financial system's market share in terms of assets
 - Approximately 71% of depository banks are private and hold 72% of total depository bank's loans

Regulatory Environment

- ❑ There are 3 main bodies and institutions which are responsible for supervising and inspecting the financial system:
 - The Banking Regulation and Supervision Agency ("BRSA"), which began its operations in 2000, oversees the environment in which banks and financial institutions operate
 - The Central Bank of Turkey ("CBT"), aims to ensure stability in the financial system by regulating the money markets, protecting the value of the Turkish lira and determining the inflation target. It is responsible for setting the rediscount ratios and determining the reserve and liquidity requirements for the banking sector
 - The Capital Markets Board of Turkey ("CMB") is the regulatory and supervisory authority in charge of the securities markets
- ❑ Although not a regulatory body The Banks Association of Turkey is a prominent professional organisation, founded in 1958, with the aim of preserving the rights and benefits of banks as well as maintaining growth and fair competition within the sector.

Banking Sector – Recent Developments



➤ **The Total Assets of Turkish banking system increased by 26,4% and reached 1,732 billion TL at 31 December 2013.**

Loans

- The loan growth of the sector is 31.8%. The growth is primarily seen in the second and third quarters of the year. The growth is mainly driven by SME and corporate loans having a share of 70.8% in the total growth amount. Pace of growth in retail loans was slowed down due to the precautionary actions taken by BRSA in order to secure the financial stability. NPL ratio of the sector has come down to 2,7% from 2,9% previous year

Deposits

- Deposits grew by 22,5% as of Dec 31 2013. The Banks shifted their funding from local deposits to international funding facilities and bond issuances which was increased by 23,7% in total. This caused 0.5% drop in the share of deposits in total liabilities.

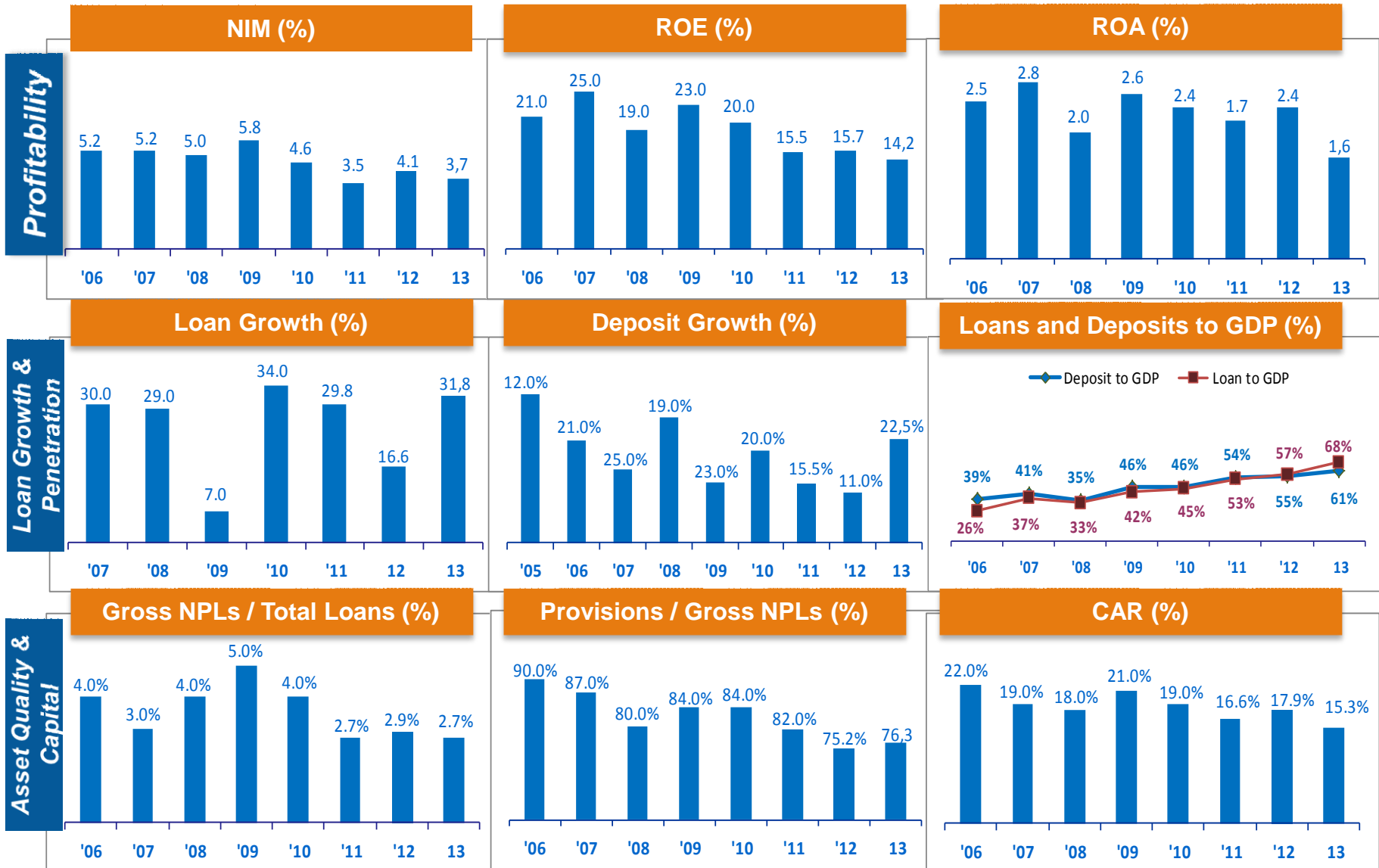
Capital

- Basel II has been implemented in the sector since July 2012 and it was followed by Basel III capital framework adaptation in January 2014. Year on year basis risk weighted assets of the sector increased by 32,9% while the equity increased by 13,8%. These changes caused 2,6bps decline in Capital Adequacy Ratio and it stood at 15,3% as of December 2013.

Net Income

- Net Income of the sector reached to 24.7bnTL with an increase of 5.1% at Dec 31 2013. This is mainly driven by the increase in net interest income

Banking Sector – Key Metrics



Source: Banking Regulation and Supervision Agency.

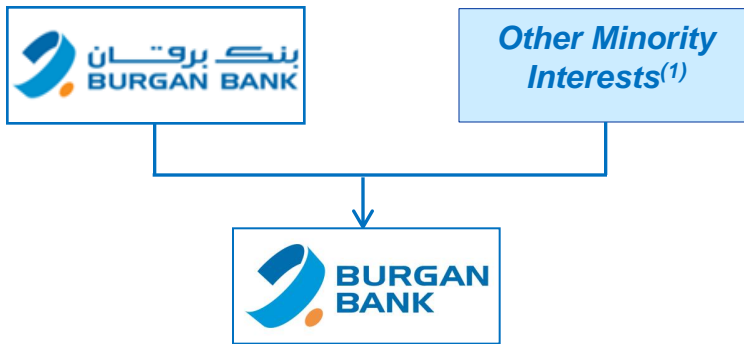
- **Macroeconomic and Banking Sector Outlook**
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Shareholders and Group Structure



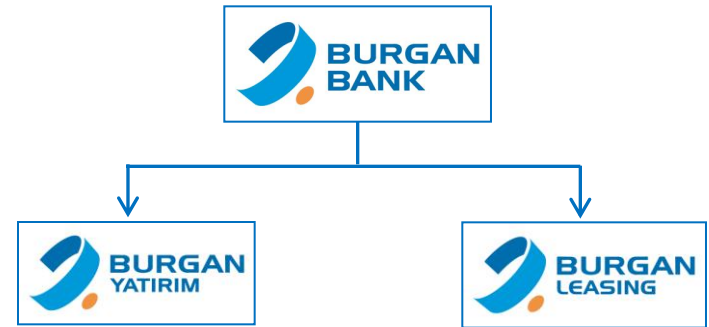
- Stable shareholders base and lean group structure

Shareholders Structure



- The transfer of 99.26% of the shares of the bank to Burgan Bank S.A.K., Kuwait has been completed on December 21, 2012.
- Name changed to Burgan Bank AŞ on January 28, 2013 . Burgan Bank AŞ and its subsidiaries (Burgan Yatırım Menkul Değerler & Burgan Leasing) are fully owned subsidiaries of Burgan Bank S.A.K., Kuwait as of December 21, 2012.

Group Structure



- Brokerage business of the Group
- Burgan Yatırım Menkul Değerler AŞ is one of Turkey's leading investment houses and operates in the following areas:
 - Intermediation on the Istanbul Stock Exchange and Turkish Derivatives Exchange transactions;
 - Corporate finance;
 - Market and macroeconomic researches;
 - Asset management

- Leasing Business of the Group
- Burgan Leasing collaborates closely with Burgan Bank, supporting SMEs as well as Commercial and Corporate clients
- The company has built long-standing client relationships in several sectors including construction, manufacturing, agriculture and medicine

(1) Minority shareholders, mostly individuals stemming from the shareholders' structures of Tekfen Investment Bank and BankEkspres.

BURGAN BANK SAK



- Established in 1977 in Kuwait
- Third Largest Bank by assets, in Kuwait as of 31.12.2013
- Member of the KIPCO Group - one of the largest holding companies in the Middle East and North Africa with consolidated assets of \$30.5 bn together with 60 companies operating across in 24 countries
- A footprint spread over the MENA region with a network of 231 branches across 5 countries
- Listed on the Kuwait Stock Exchange with a market cap of US\$ 3.2 bn
- Five majority owned subsidiaries operating in :

Turkey	
Algeria	بنك الخليج الجزائر Gulf Bank Algeria
Iraq	مصرف بغداد Bank of Baghdad
Jordan	البنك الأردني الكويتي JORDAN KUWAIT BANK
Tunis	بنك تونس العالمي Tunis International Bank

Key Indicators⁽¹⁾

Burgan Bank Group	2013
Revenue Growth (YoY)	16.8%
Operating Profit Growth (YoY)	19.4%
Cost to Income Ratio	36.1%
Loans to Cust. Deposits	77.9%
Liquidity Ratio ⁽²⁾	35,5%
NPL to Gross Loans	3.4%
NPL net of Collateral to Gross Loans	1.6%
ROE (excl.additional provision)	14.8%
ROTE(excl.additional provision)	23.3%

Rating

	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA

(1) Figures are reported after consolidation adjustments

(2) Liquid assets comprises of Cash&Cash eq. , Treasury bills&bonds and due from Banks&OFIS

Subsidiaries: Burgan Leasing

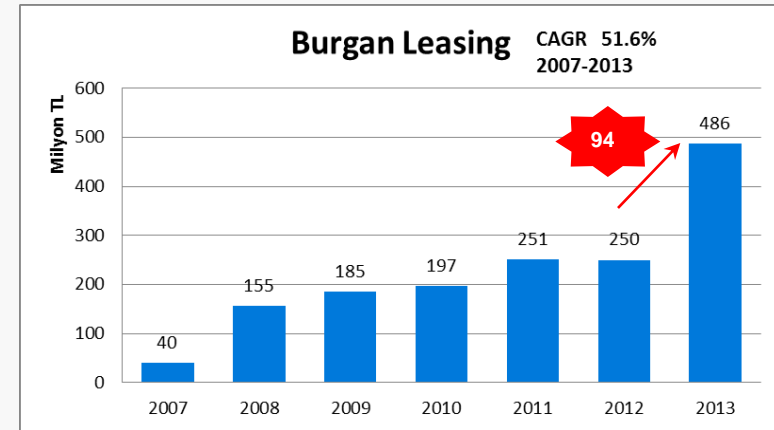
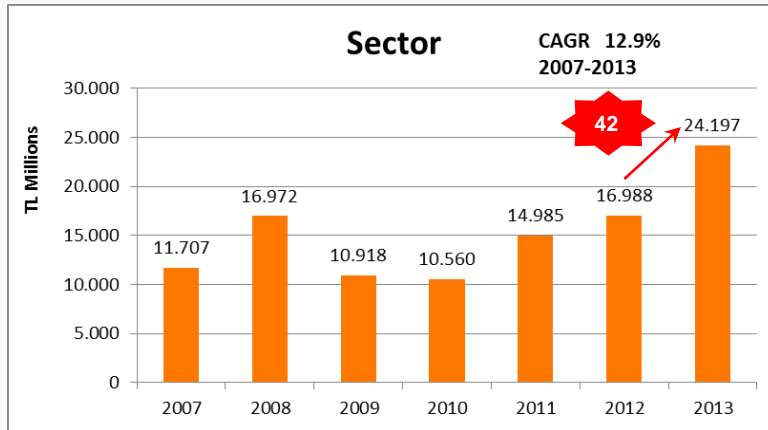


- Burgan Leasing is celebrating its 20th anniversary in 2014. The company is engaged in leasing of all leasable assets including real estate, airplanes, yachts, industrial machinery and medical equipments.
- Burgan Leasing has a market share of 2% with 6 active branches throughout the country
- Burgan Leasing is one of the sector leaders in innovations. In 2013 Burgan Leasing realised the first software leasing in the Turkish Leasing Market, the first construction leasing was also realised by Burgan Leasing in 2008.

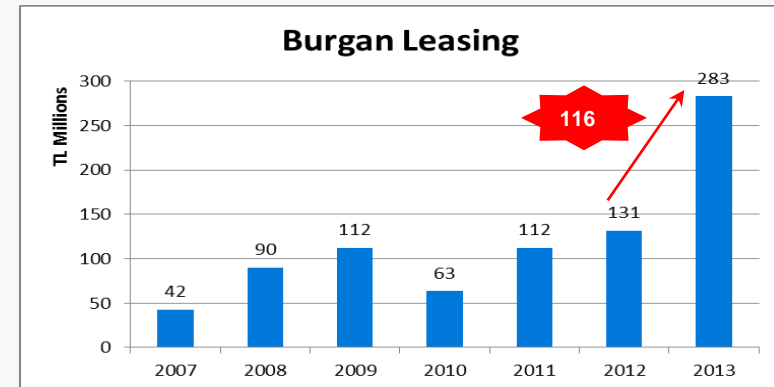
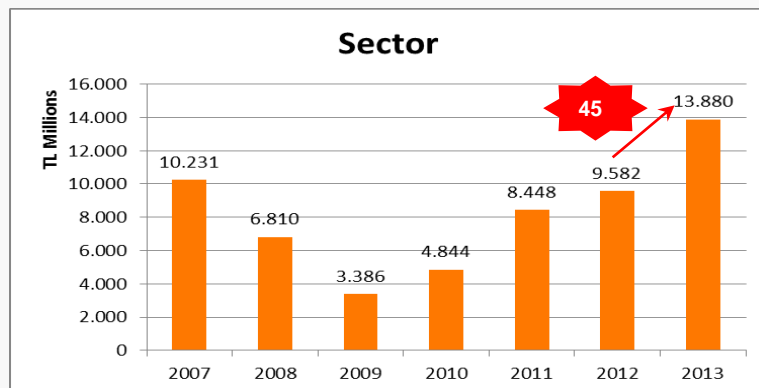
Burgan Leasing main highlights in the sector :

- Portfolio size grew by 94% in 2013 and reached TRL 486mln and is well diversified in terms of tenor and sectors exposed,
Sector growth rate in 2013 is 42%
- One of the highest ROE's in the sector with 12.93%
Sector ROE is 8.72%
- One of the lowest NPL ratios in the sector with 2.54%.
Sector average is 7.43%
- 1st in the sector with "Lease Receivables / Total Assets" ratio 96%.
Sector average is 88%.
- 6th in Net Receivables / Number of Employees with net receivables of TRL 20.3mln TRL per employee.
Sector average 20 mln.TRL

Net Lease Receivables



Annual Volume



Subsidiaries:



Burgan Securities - A Leading Investment Bank in Turkey

- Burgan Securities is a brokerage company providing :
 - Corporate finance advisory,
 - Institutional brokerage,
 - Research and
 - Asset management services.



Confirmed Success



- ❑ Burgan Securities was consecutively awarded for its leading performance and success
- ❑ In 2013, Burgan Securities has been awarded by Global Banking and Finance Review as:
 - "The Best Equity House - Turkey",
 - "The Best Investment Bank - Turkey" and
 - "The Best Corporate Finance Advisory Firm - Turkey"
- ❑ Burgan Securities has a strong research team acknowledged by international investors through numerous awards and prizes
- ❑ Two economists support the equity research team with macroeconomic coverage

GLOBAL BANKING
&
FINANCE REVIEW



"2013 Best Corporate Finance Advisory Firm - Turkey" Prize



"Euromoney 2009 Best Equity House" Prize

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"2013 Best Investment Bank- Turkey" Prize

Institutional Investor
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"2013 Best Equity House - Turkey" Prize

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"Institutional Investor 2010 EMEA Research – Turkey " Prize



"European Emerging Markets Research – Extel 2010" Prize

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"Institutional Investor 2009 EMEA Research – Turkey " Prize

Burgan Bank AŞ - General Overview



- A mid-size bank with a focus on the corporate segment and a fast growing presence in selective retail business leveraging mainly on owners, suppliers, executives and employees of corporate clients



- As of 2013 year end, amongst the top 20 banks in Turkey, Burgan Bank AŞ ranked as 17th in terms of both branch number and total asset size and 18th in terms of total loans size
- Burgan Bank operates through an integrated business model, able to respond with success to the increasing number of customers and transaction volume
 - Customer Centric Segmentation and proactive Coverage
 - Wide and high value added banking products and services
 - Experienced and well regarded senior management as well as talented staff

Burgan Bank AŞ - Distribution Network



- 60 modern and fully refurbished branches located in 21 leading industrial and business cities across the country⁽¹⁾
 - Istanbul: 26 Branches
 - Other cities: 34 Branches

Alternative Distribution Channels

- Internet Banking
- Phone Banking
- ATMs
 - 60 unit own network, part of national ATM sharing agreement



Burgan Bank is present in number of key cities / areas which together account for ca. 90% of the Turkish economy

Penetration of Turkish Economy

Deposits:	92%
Loans:	86%
Exports:	87%
Imports:	94%

(1) Including free trade zone and central large corporate branch

Burgan Bank AŞ at a Glance



Financial Highlights

(BRSA Consolidated, 31 December 2012; mln TRY)

Total Assets	:	4,643
Loans ⁽¹⁾	:	3,293
Deposits	:	3,189
Securities	:	441
Equity	:	659
Net Profit	:	-34
# of Branches	:	60
# of Employees	:	1,070
Capital Adequacy	:	15.76%
Tier I Capital	:	14.72%



Financial Highlights

(BRSA Consolidated, 31 December 2013; mln TRY)

Total Assets	:	7,304
Loans ⁽¹⁾	:	5,242
Deposits	:	3,408
Securities	:	947
Equity	:	591
Net Profit	:	-54
# of Branches	:	60
# of Employees	:	1,124
Capital Adequacy	:	13.70%
Tier I Capital	:	8.96%

(1) Including Factoring and Leasing Receivables

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Income Statement



<i>P&L Consolidated, mln TRY</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2012-2013 Δ</i>
Interest on Loans	215	355	318	-10%
Interest on Securities Portfolio	109	67	64	-4%
Interest on Money Market Transactions	75	41	3	-93%
Interest on Mandatory Reserves & Other Interest Inc.	57	53	56	8%
TOTAL INTEREST INCOME	456	516	441	-15%
Interest on Deposits	-132	-211	-166	-21%
Interest on Funds Borrowed	-96	-61	-31	-49%
Interest on Repo and Money Market Transactions	-58	-23	-24	4%
Other Interest Expense	-42	-24	-36	50%
TOTAL INTEREST EXPENSE	-328	-319	-257	-19%
NET INTEREST INCOME	128	197	184	-7%
Derivative and Foreign Exchange Profit/Losses	4	13	22	69%
Profit/Losses on Trading Account Securities	39	10	5	-50%
Net Fees and Commissions Income	55	34	30	-12%
Other Income	8	13	12	-8%
REVENUE	234	267	253	-5%
TOTAL OPERATING EXPENSE	-180	-251	-221	-12%
OPERATING INCOME	54	16	32	100%
Provision	-20	-42	-95	126%
Tax Provision	-9	-8	9	
NET PROFIT	25	-34	-54	59%

Balance Sheet



Assets <i>(Consolidated, mln TRY)</i>	2011	2012	2013	2012 - 2013 △
Cash and Central Bank	349	363	521	44%
Banks	443	213	63	-70%
Loans ⁽¹⁾	2,702	3,293	5,242	59%
Securities	1,382	441	947	114%
Tangible /Intangible Assets	118	52	53	2%
Other Assets	142	281	478 ⁽²⁾	72%
Liabilities				
Deposits	2,175	3,189	3,408	7%
Repo & Money Market	846	88	790	798%
Borrowings	1,206	442	1,751	296%
Subordinated Loans	0	0	320	
Other Liabilities	229	265	444 ⁽³⁾	68%
Shareholders' Equity	680	659	591	-10%
Total Assets	5,136	4,643	7,304	57%

(1)Including Factoring and Leasing Receivables and Net NPL

(2)Including Trading Derivative Financial Assets being 162 mio TL

(3)Including Trading Derivative Financial Liabilities being 127 mio TL

Ratio Analysis



Key Ratios⁽¹⁾	2011	2012	2013
Capital Adequacy Ratio	15.5%	15.76%	13.70%
Loan ⁽²⁾ / Deposit Ratio	124.2%	103.3%	95.7% ⁽³⁾
NPL Ratio	4.1%	5.2%	2.3%
ROAE	4.78%	-4.17%	-8.59%
Provision Coverage	67.3%	63.1%	53.4%
Cost/Income Ratio	76.9%	70.4% ⁽⁴⁾	87.5%

Strong capital and liquidity ratios

- Burgan Bank has a **13.70% Capital Adequacy Ratio**
- **NPL Ratio of 2.3%** is below the sector average **2.7%**

(1) Consolidated figures

(2) Including factoring and leasing receivables and net NPL

(3) With the secured funding from parent Loan/(Deposit+Parent Funding) Ratio=95.7%

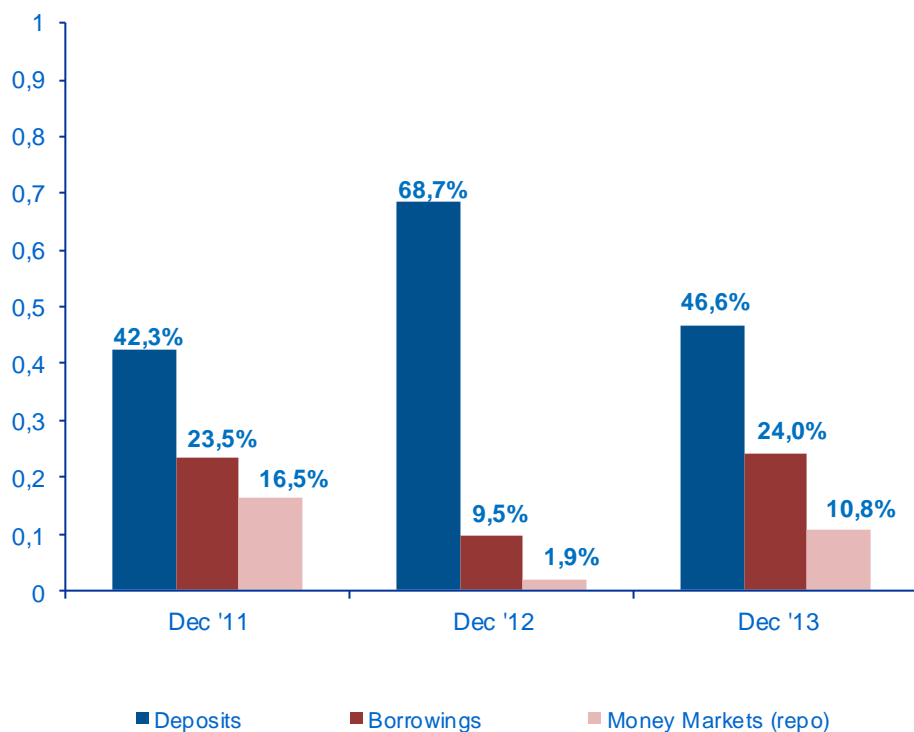
Capital



	2011 Consolidated	2012 Consolidated	2013 Consolidated
+ CORE CAPITAL	583,339	612,806	559,542
+ SUPPLEMENTARY CAPITAL	25,825	43,352	295,520
(-) DEDUCTIONS FROM CAPITAL	-362	-340	-319
A SHAREHOLDERS EQUITY (Capital Base)	<u>609,351</u>	<u>655,818</u>	<u>854,743</u>
B AMOUNT SUBJECT TO CREDIT RISK	3,512,283	301,276	451,300
C AMOUNT SUBJECT TO MARKET RISK	87,825	5,913	21,620
D AMOUNT SUBJECT TO OPERATIONAL RISK	320,994	25,628	26,202
CAPITAL ADEQUACY RATIO (A/(B+C+D))	15.54%	15.76%	13.70%
TIER I	14.87%	14.72%	8.96%

Funding Structure

- As of Dec 31, 2013, Burgan Bank's main funding sources are Customer Deposits, Money Market Deposits Borrowings and Subordinated Loans representing **85,8%** of total liabilities. **Deposits+Parent Funding(including subloan) represent 75% of total liabilities**

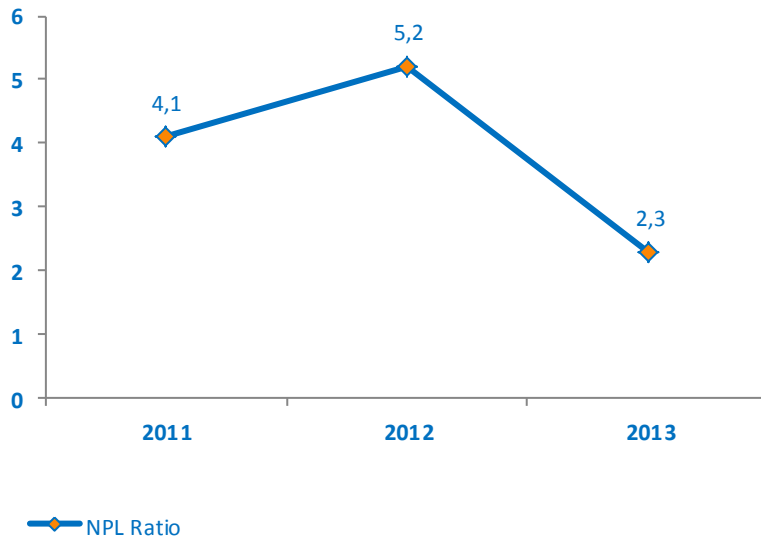


Consolidated mIn TR	Dec-11	Dec-12	Dec-13
Deposits	2,175	3,189	3,408
Borrowings	1,206	442	1,751
Money Markets (repo)	846	88	790
Subordinated Loans	0	0	320
Other Liabilities	229	265	444
Shareholders' Equity	680	659	591
Total Liabilities	5,136	4,643	7,304

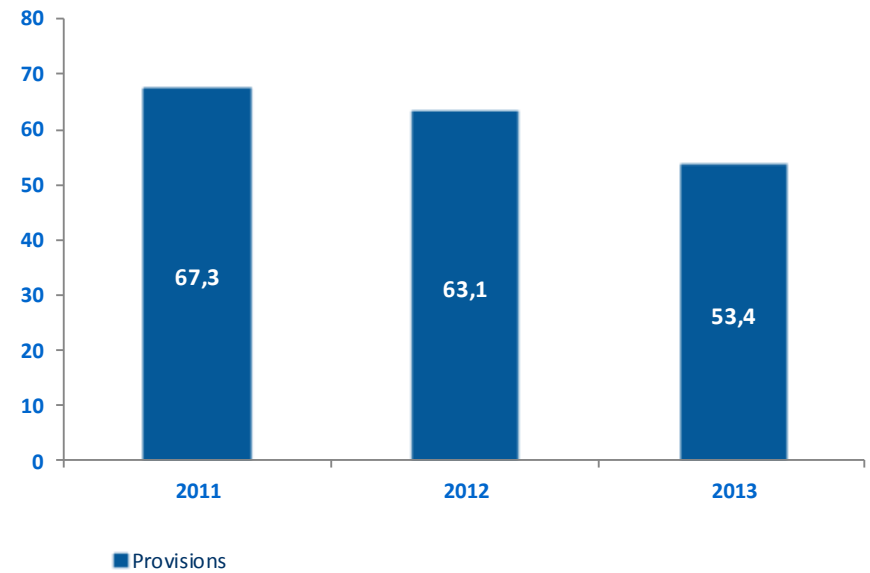
Asset Quality



Non Performing Loans Ratio

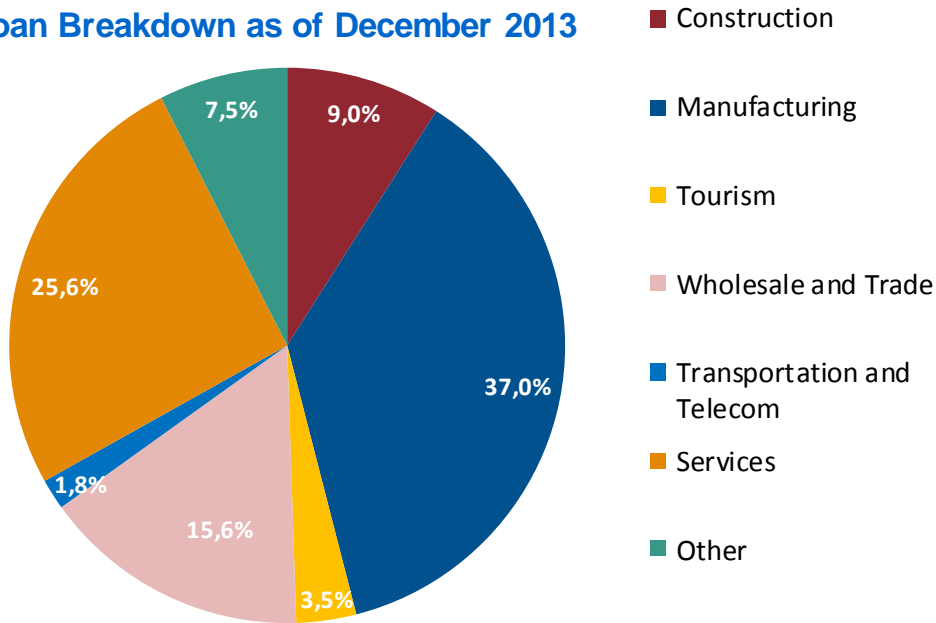


Coverage Rate of Provisions



Loans in Detail

Loan Breakdown as of December 2013



...Supporting Real Sector

- Total Loans reached to 5,242 mlnTRY at the end of 2013.
- Loans grew by 59 % whereas total loans of the Banking sector has grown by 32 %

Transaction Volumes

<i>Trade</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Payments (# of items)			
EUR	12,866	13,292	13,089
USD	22,912	24,777	22,971
Total Trade Finance (USD mio)	1,793	1,973	2,030
LCs issued (import)	257	317	286
Collections (export)	44	56	52
<i>Treasury</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Trading			
TRY Spot	16,447	12,017	14,218
FX Spot	8,462	4,758	6,677
CCY Swap	7,155	5,629	10,276
Bonds Local CCY(TRY)	39,560	15,885	12,677
Sales			
FX Forward	1,074	1,285	2,263
FX Options	755	572	1,138
IRS	35	84	154

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