



## **Burgan Bank A.Ş. Turkey (BBT)**

**March 2015 Presentation  
(BRSA Consolidated)**

**Burgan Bank Group**

**Kuwait – Turkey – Iraq – Jordan – Algeria – Tunisia - Malta**

# Operating Environment

## Macro Economic Outlook - Turkey

### Ratings

	Fitch	Moody's	S&P
Long Term FC Rating	BBB-	Baa3	BB+
Outlook	Stable	Negative	Negative

### Key Indicators

	2013	2014F	2015F(*)
Nominal GDP (USD bln)	823,0	800,1	725,0
Population (mil)	76,7	77,7	78,6
GDP per capita (USD)	10.822	10.404	9.250
Real GDP (% change)	4,1%	2,9%	2,9%
CPI (Inflation)	7,4	8,2	7,5
Gov. Debt (USD bln)	297,1	268,0	250,0
Gov. Debt / GDP	36,1	33,5	34,0
Current Account Bal. / GDP	-7,9	-5,8	-5,0
Forex Reserves (USD bln)	133	126	125
Trade Balance (USD bln)	-100	-84,5	-75
Export (USD bln)	152	158	160
Imports (USD bln)	252	242	235

### Recent Developments

We expect Turkish economy to grow by 2.9% in 2015, as subdued global growth and volatility in financial markets may take a toll on Turkey's economic growth this year. The composition of growth has started to change as of 4Q14, tilted more towards domestic - rather than external - demand; this trend to be sustained throughout 2015. Agricultural sector, which had been a major drag on growth last year, is expected to recover in 2015, contributing positively to GDP growth. Political landscape is likely to be key for the growth trend in 2H15. Exports continue to remain under pressure due to unfavorable EURUSD parity and uncertainties in main export markets, including the EU, Iraq and Russia. On the other hand, current account deficit-to-GDP ratio is expected to improve further to 5% by YE15, from 5.7% in 2014, mainly driven by lower oil prices and higher gold exports. Despite lower energy prices, inflation is expected to remain elevated at around 7.5% by YE15, given the weakness in Turkish Lira and high food inflation.

(\*) Source: Borgan Securities Co. Macroeconomic Research

# Operating Environment Turkish Banking Sector

Number of Banks: 51

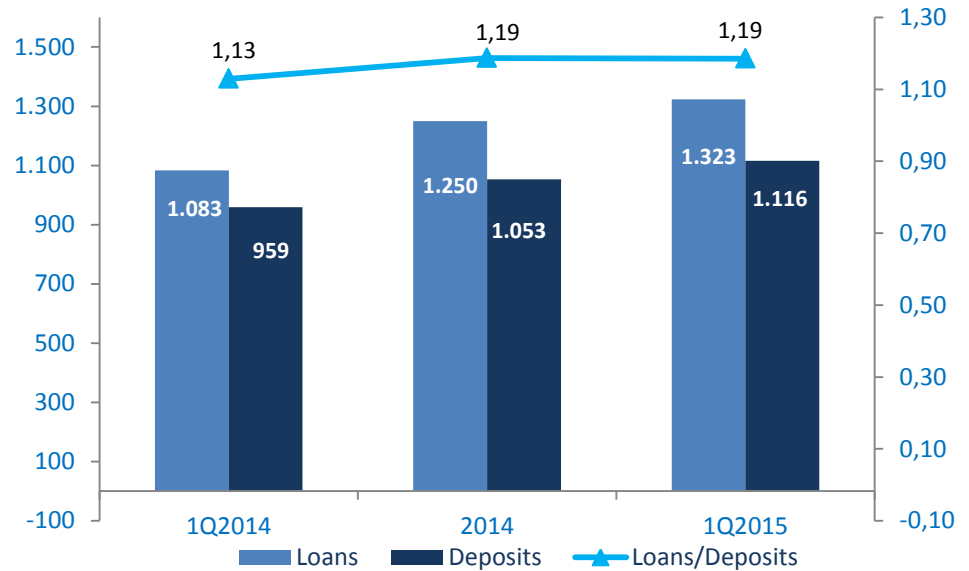
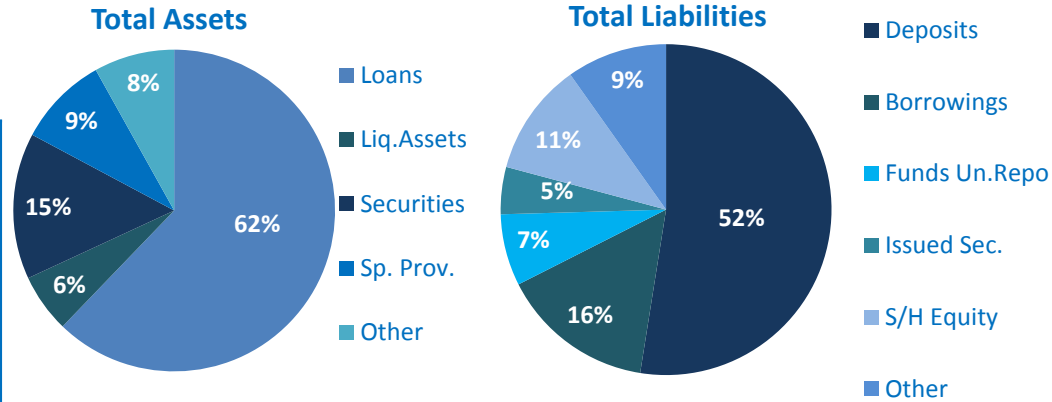
➤ Number of Depository Banks: 34

Growth (billionTRY)	1Q2014	2014	1Q2015	YtD	YoY
Total Assets	1.797	1.994	2.128	6,7%	18,4%
Total Deposits	959	1.053	1.116	6,0%	16,4%
Total Loans	1.090	1.250	1.333	5,8%	21,4%
Net Profit	6,0	24,7	6,7	8,5%	11,7%

(\*Annualized)

Key B/S Ratios(%)	1Q2014	2014	1Q2015
ROA	1,3	1,3	1,3
ROE	12,0	12,2	11,6
NPL	2,8	2,9	2,8
CAR	15,7	16,3	15,5
NIM	3,3	3,5	3,3
Coverage	76,7	73,9	73,0
Loan/Deposit	113,6	118,8	119,5
Total Assets/GDP	109,3	115,3	120,1
Total Loans/GDP	66,3	72,3	75,2
Total Deposits/GDP	58,3	60,9	62,9

Source: BRSA



# Burgan Bank SAK

## Sound and Consistent Financial Performance

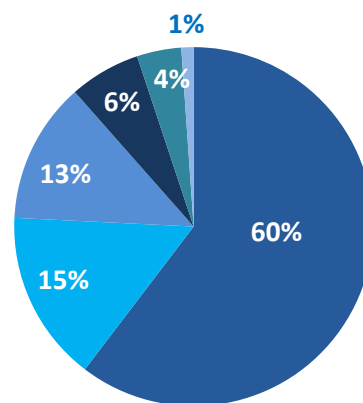
- A subsidiary of KIPCO(Kuwait Projects Company), is a strongly positioned regional Bank in the MENA region
- Listed on Kuwait Stock Exchange with a market cap of 2,7 bn \$
- Having a network of 240 branches across 8 countries
- Carrying an asset size of 25,9 bn \$

### Shareholding Structure

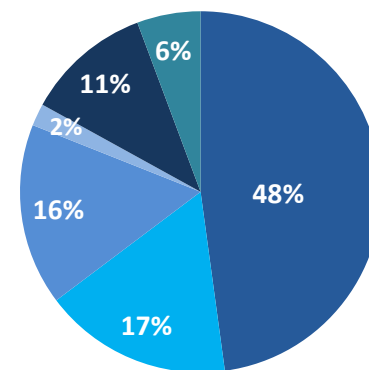
- KIPCO 40.87%
- United Gulf Bank 17%
- Wafra Int. Inv. Comp Kuwait 7.19%
- Free float 34.94%

<i>Financial Performance</i>	<i>1Q2014 vs. 1Q2015</i>
Revenue Growth (YoY)	14,3%
Operating Profit Growth (YoY)	12,3%
Cost to Income Ratio	45,7%
Loans to Cust. Deposits	90,9%
Liquidity Ratio	32,2%
NPA Ratio	3,1%
NPA net of Collateral Ratio	1,7%
ROE	13,8%

### Loan+Deposit by International Operations



### Revenues by Int. Operations



■ Kuwait ■ Turkey ■ Jordan ■ Algeria ■ Iraq ■ Tunisia

Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
CI	A-	AA-

- International operations contributing 40% in Total Assets and 52 % in Revenues
- Burgan Bank, Turkey is ranked as the biggest contributor among Burgan Subsidiary Banks in Loans + Deposit share as well as revenue generation

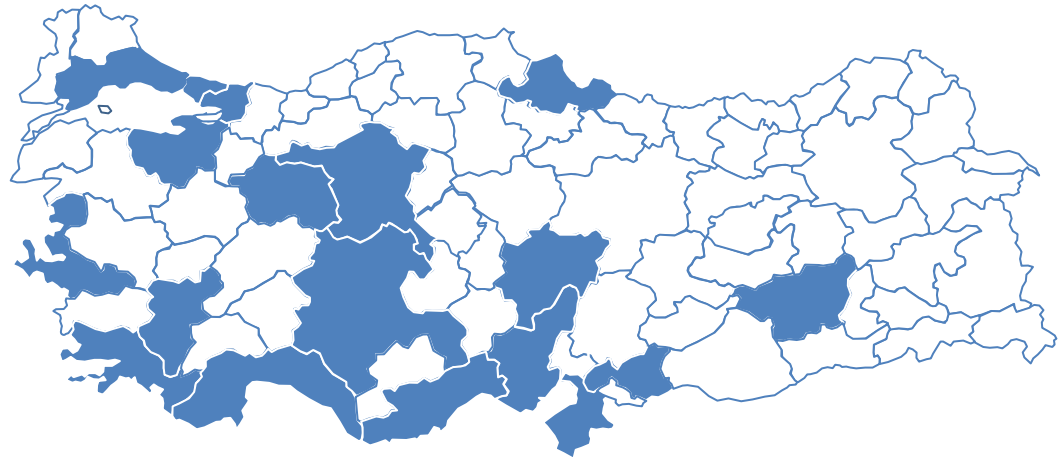
# Burgan Bank A.Ş. at a Glance

- Burgan Bank A.Ş. is 99,26% owned by Burgan Bank SAK, Kuwait
- Has 57 Branches well spread out of the whole country
  - 28 Branches in Istanbul
  - 30 Branches out of Istanbul
  - 32 Combo Branches (Providing Commercial and Retail Banking Services)
  - 21 Retail Branches
  - 3 Business Centres (Providing Commercial Banking Services)
  - 1 Corporate Branch

- Synergies with Group Banks located in
  - Algeria – Gulf Bank Algeria
  - Iraq – Bank of Baghdad
  - Jordan – Jordan Kuwait Bank
  - Tunis – Tunis International Bank
  - Malta – Fimbank / LFC

- Burgan Bank A.Ş. has three subsidiaries
  - Burgan Leasing
  - Burgan Securities
  - Burgan Portfolio Management

- Rated By Moody's
  - Long Term Global Local Currency : Ba2



- Well spread out in the country , present in cities, producing 85% of total GDP

# Performance Trends

## Growing Balance Sheet

### Balance Sheet (million TRY)

	1Q2014	2014	1Q2015	YtD	Y/Y
Total Assets	7.191,6	9.487,3	9.881,5	4,2%	37,4%
Loans <sup>1</sup>	5.279,3	7.215,1	7.845,2	8,7%	48,6%
Securities	766,5	794,6	379,4	-52,3%	-50,5%
Deposits	3.669,7	5.339,4	5.450,5	2,1%	48,5%
Borrowings	1.648,3	1.920,7	2.282,9	18,9%	38,5%
Subordinated Loan	324,3	350,0	393,0	12,3%	21,2%
Shareholders' Equity	581,2	953,0	969,8	1,8%	66,9%

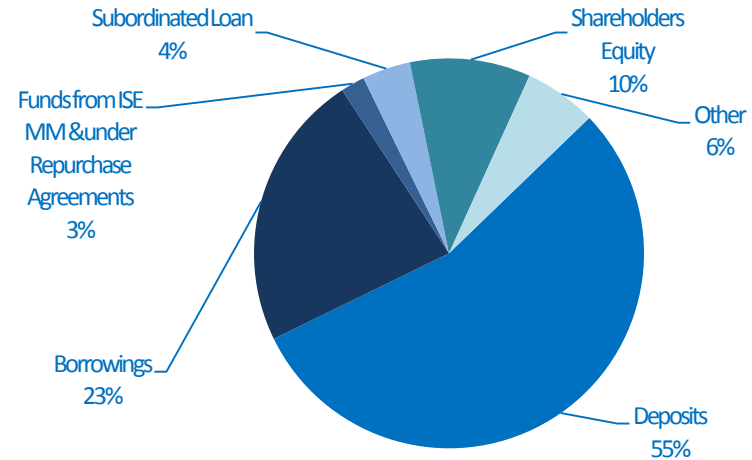
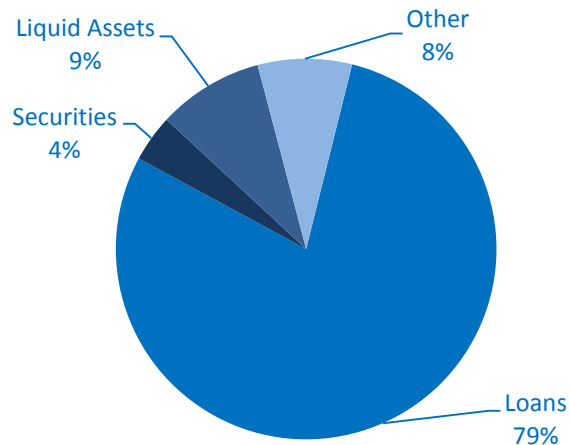
### Balance Sheet Ratios

	1Q2014	2014	1Q2015
Loans / Assets	73%	76%	79%
Securities / Assets	11%	8%	4%
Loans / Deposits	144%	135%	144%
Loans / Deposits <sup>2</sup>	94%	95%	97%

(1) Factoring and Leasing Receivables Included

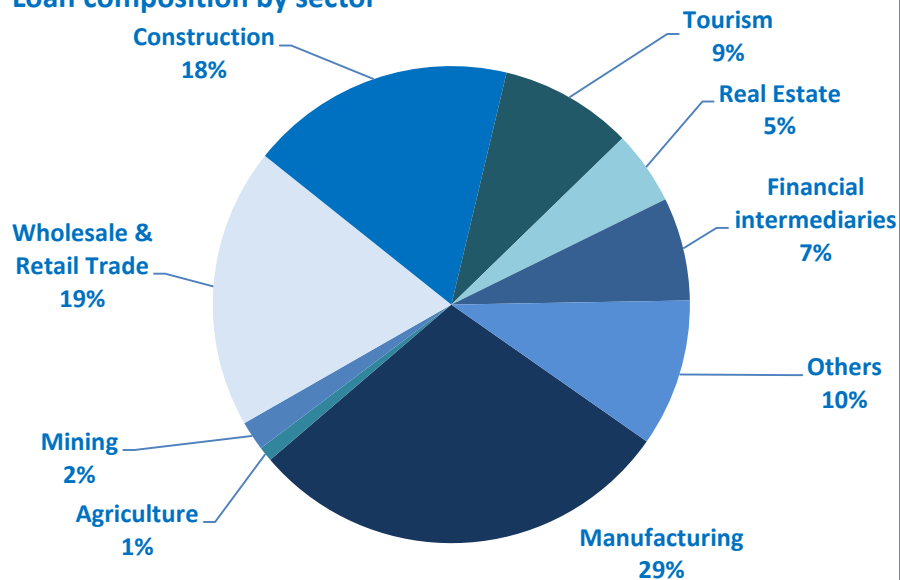
(2) Sub debt and Borrowings included

### Asset & Liabilities Composition

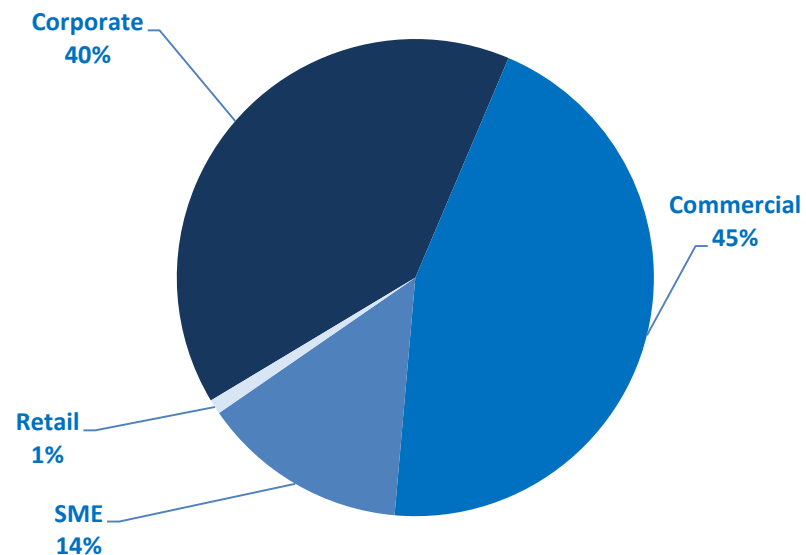


# Loan Growth Well Above Market Average

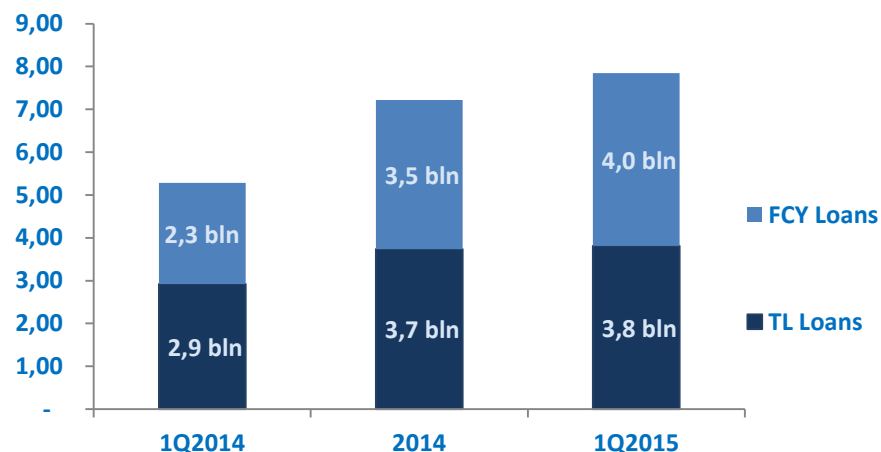
## Loan composition by sector



## Loan composition by customer segment



## Loan Growth(billion TRY)



## Definition of customer segment

**Corporate:** Companies with turnover exceeding TRY 100 mln

**Commercial:** Companies with turnover between TRY 25 mln to TRY 100 mln

**SME:** Companies with turnover below TRY 25 mln.

**Retail:** Individual customers

➤ As of 1Q 2015 loan portfolio showed a remarkable year-to-year growth with 48,6% which was well above the system average of 22,2%

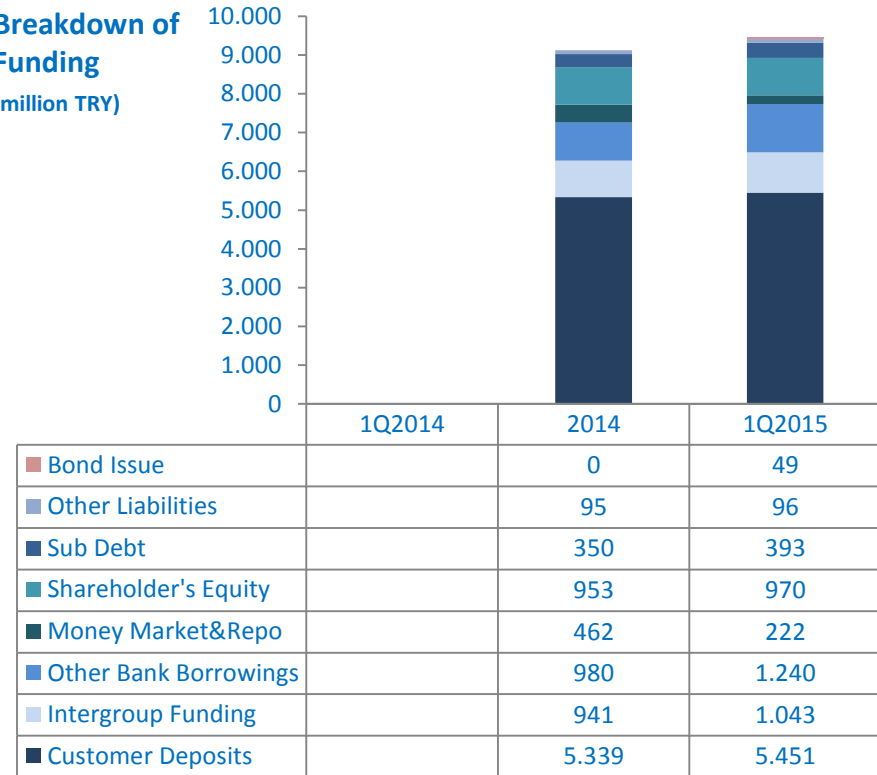
# Diversified Funding Structure

## Funding structure (million TRY)

	1Q2014	2014	1Q2015	YtD	YoY
Customer Deposits	3.670	5.339	5.451	2,1%	45,5%
Borrowings	1.648	1.921	2.283	18,8%	16,6%
Intergroup Funding	887	941	1.043	10,8%	6,1%
EIB	145	106	109	2,8%	-26,9%
Other Bank Borrowings	475	784	1.042	32,9%	65,1%
Eximbank	141	90	89	-1,1%	-36,2%
Sub Debt	324	350	393	12,3%	8,0%
Money Market&Repo	487	462	222	-51,9%	-5,1%
Bond Issue	0	0	49	NA	NA
Other Liabilities	118	95	96	1,1%	-19,5%
Shareholder's Equity	581	953	970	1,8%	64,0%

- Capital injection was realized by converting 330mioTRY from intergroup funding into the paid in capital
- Commitment of Burgan Bank SAK still continues with a balance of 250mioUSD in intergroup funding

## Breakdown of Funding (million TRY)

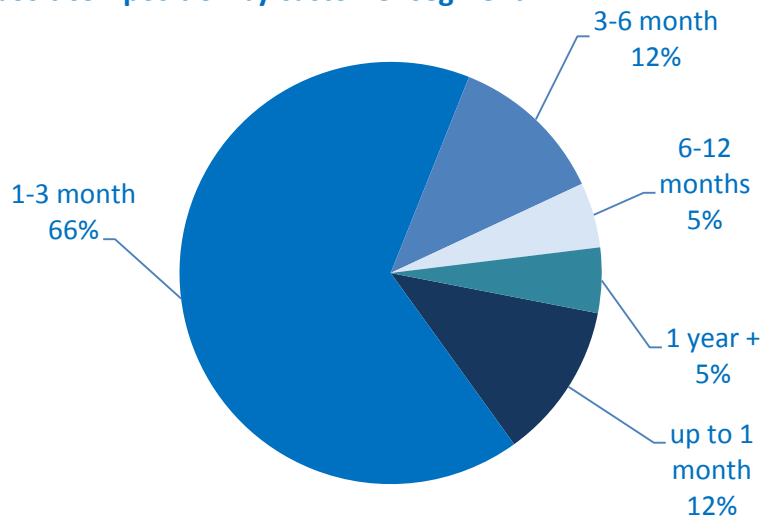


- Third party funding sources increased significantly through the increased cooperation with Correspondent Banks.

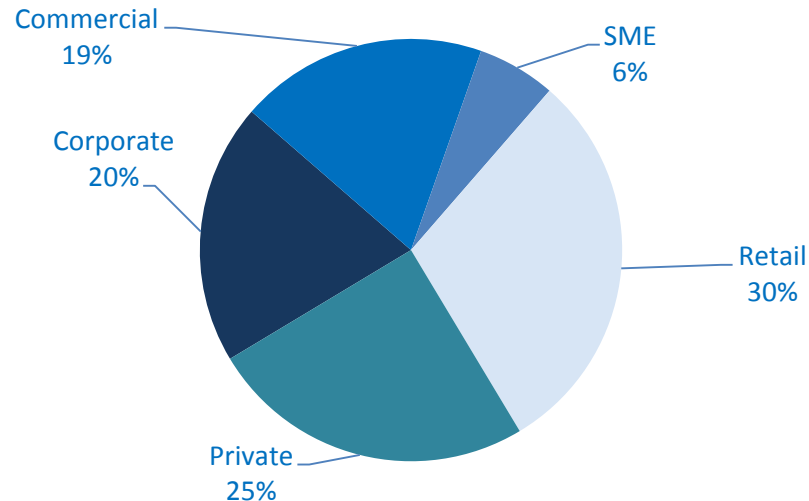


# Deposits Increased Five Fold Market Average

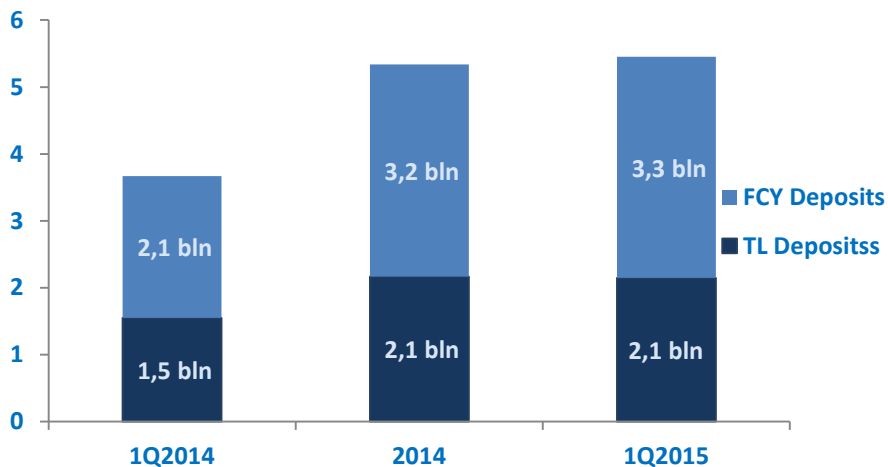
Deposit composition by customer segment



Deposit composition by customer segment

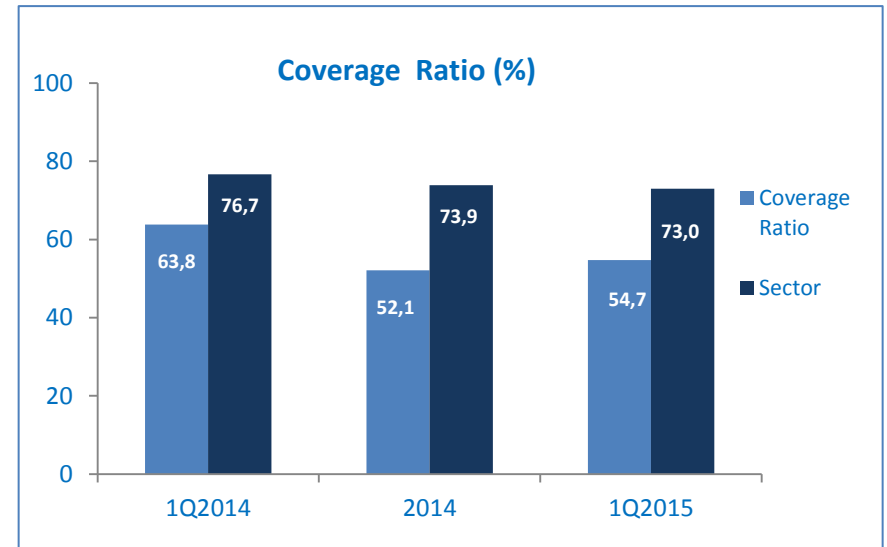
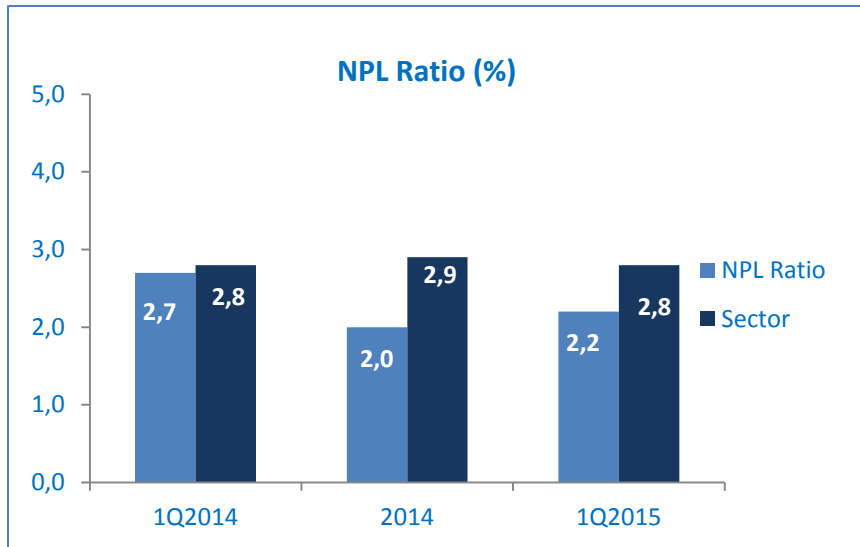


Deposit Growth(billion TRY)



- As of 1Q2015 48,5% deposit growth is achieved year -on-year whilst the system average was 16,4%
- Well diversified deposit portfolio. The Total of Top 20 deposits receives a share of 26,5% out of Total Deposits.
- The biggest depositor share is 5,3%

# Improved Asset Quality



## NPL KPIs

	1Q2014	2014	1Q2015
Gross Loans (million TRY)	5.372	7.289	7.939
NPL's(million TRY)	146	146	172
NPL Ratio	2,7%	2,0%	2,2%
NPL, net of collateral	110	102	124
NPL coverage, net of collateral	94,0%	78,5%	80,7%

- Provisioning is in line with BRSA rules and regulations.
- Coverage ratio is below sector average due to the structure of the Loan portfolio.

# Strong Capitalization to Support Future Growth

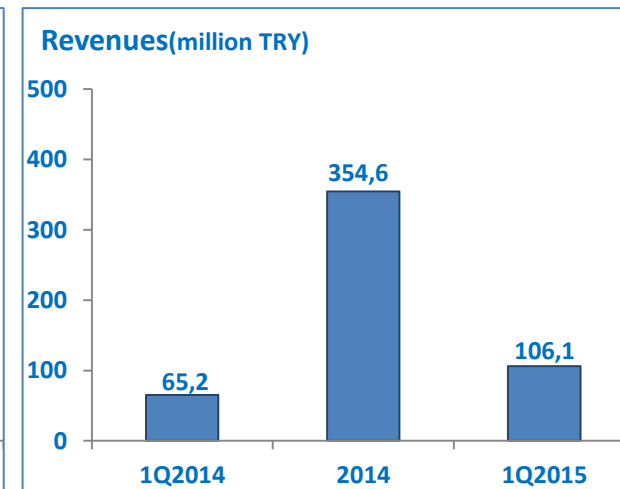
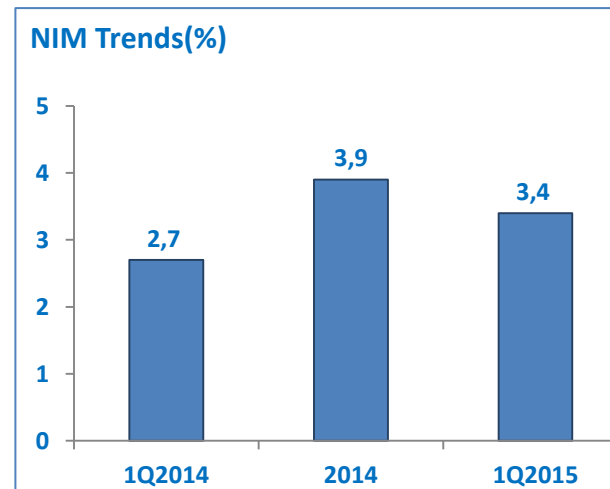
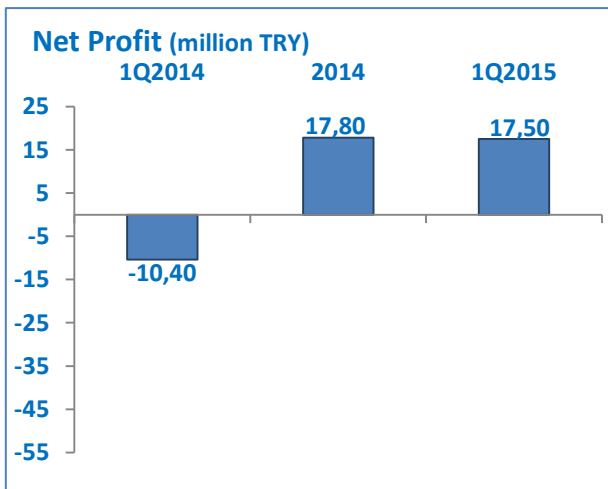
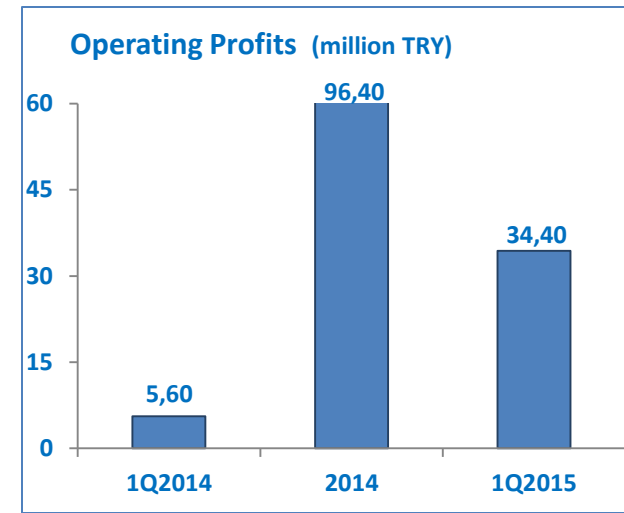
	1Q2014	2014	1Q2015
Shareholder's Equity (million TRY)	581	953	970
CAR Ratio (%)	13,09	16,12	15,48
Tier 1 Ratio (%)	8,37	11,45	10,74

- Paid in capital of the bank was increased by 330mioTRY(approx. 150mioUSD) and reached to 970mioTRY

# Progress in Earnings

(million TRY)	1Q2014	2014	1Q2015	Ytd(*)	Y/Y
Total Interest Income	147,0	674,0	205,4	21,9%	39,7%
Total Interest Expense	98,7	426,5	123,0	15,4%	24,6%
Net Interest Income	48,3	247,5	82,4	33,2%	70,6%
Total Revenues	65,2	354,6	106,2	19,8%	62,9%
Total Operating Expenses	59,6	258,2	71,8	11,2%	20,5%
Operating Income	5,6	96,4	34,4	42,7%	514,3%
Provision	18,3	71,1	13,6	-23,5%	-25,7%
Net Profit	-10,4	17,8	17,5	293,3%	%

(\*) Calculation is based on annualized figures



- Profit generation started on yearly basis
- 17mio TRY net profit was realized in 1Q2015. This figure was -10,4mio TRY in 1Q2014

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**Thank you**

