



Burgan Bank A.Ş. Turkey (BBT)

**December 2016 Presentation
(BRSA Consolidated)**

Operating Environment

Macro Economic Outlook - Turkey

Ratings	Fitch	Moody's	S&P
Long Term FC Rating	BB+	Ba1	BB
Outlook	Stable	Stable	Negative

Key Indicators	2015	2016F(*)	2017F(*)
Nominal GDP (USD bn)	860	850	735
Population (mn, mid-year)	78.2	79.0	79.9
GDP per capita (USD)	11,014	10,700	9,200
Real GDP (% change)	6.1%	2.5%	2.5%
CPI Inflation (year-end)	8.8%	7.8%	9.5%
Gov. Debt (USD bn)	220	200	195
Gov. Debt / GDP	27.5%	27.2%	27.0%
Current Account Bal. / GDP	-3.7%	-4.0%	-4.5%
Forex Reserves (USD bn)	113	106	102
Trade Balance (USD bn)	-63	-55	-63
Export (USD bn)	144	144	147
Imports (USD bn)	207	199	210

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

Following Moody's' action in September 2016, Fitch downgraded Turkey's sovereign rating to non-investment grade in January 2017. Political developments and security concerns as well as unfavourable EM sentiment led the Turkish Lira to weaken to record-low levels in January. As a response to deteriorating inflation outlook, the CBT has tightened the liquidity policy through an unorthodox mix. The average weighted funding rate rose 200bps to 10.4%, helping the currency to gain some strength. However, headline inflation climbs to 9.2% as of January, and is expected to reach 11% by April. We expect inflation to slightly decelerate to 9.5% by end-2017.

Amid political uncertainties and volatility in financial markets, economic activity has slowed down considerably in the 2nd half of 2016, suggesting an annual GDP growth of 2.0-2.5% for 2016. Leading indicators signal a slightly better outlook in 1Q17 as government employs fiscal tools to boost private demand, exports tend to recover and financial volatility eases. However, growth prospects remain subdued as both political risks persist. Turkey will hold a referendum on constitutional amendment on April 16, which introduces a switch to the Presidential system. We expect Turkish economy to expand by 2.5% in 2017, mostly driven by private consumption and public spending.

C/A deficit slightly widened to 4.0% of GDP in 2016, from 3.7% in 2015, partly driven by US\$7.8bn drop in Turkey's tourism revenue. We expect C/A deficit to widen further to 4.5% of GDP in 2017 as tourism revenues are expected to remain subdued and favourable contribution of lower energy prices dissipates.

Operating Environment

Turkish Banking Sector

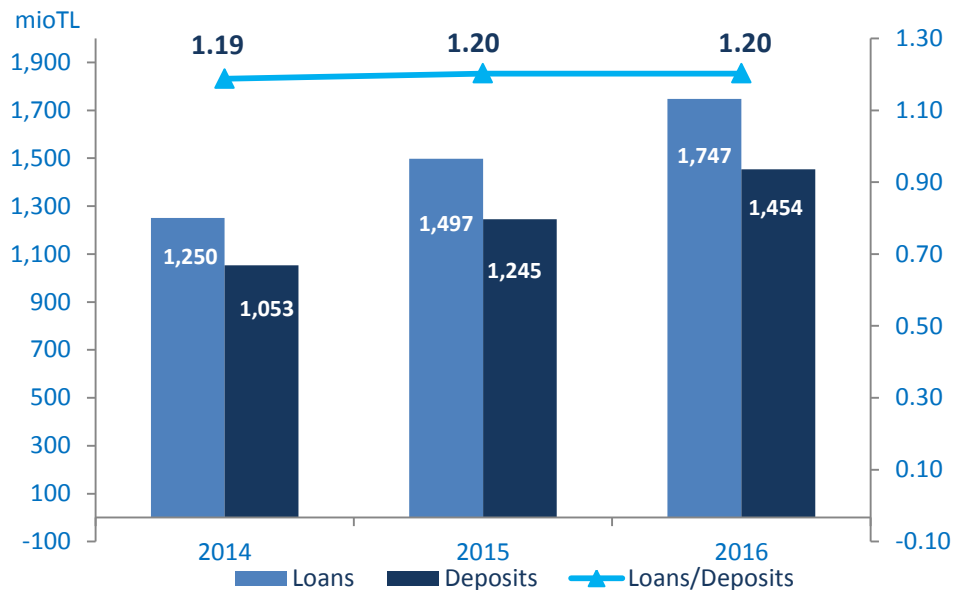
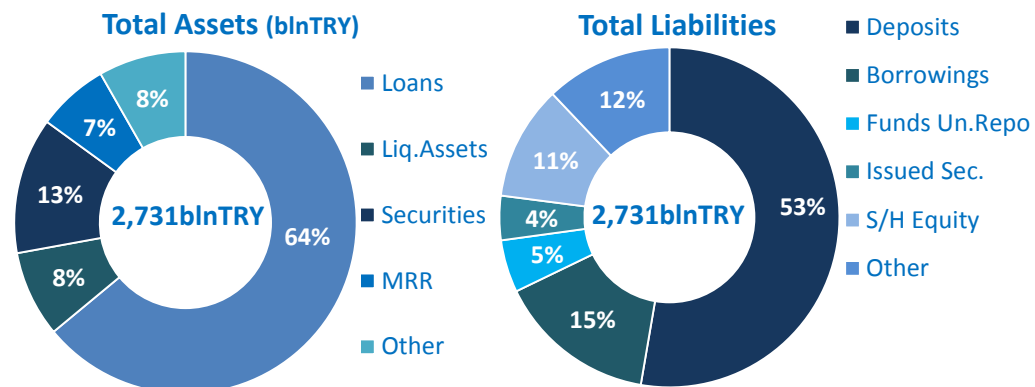
Number of Banks: 52

➤ Number of Depository Banks: 34

Growth (billionTRY)	2014	2015	2016	YoY
Total Assets	1.994	2.357	2.731	15,8%
Total Deposits	1.053	1.245	1.454	16,7%
Total Loans	1.250	1.497	1.747	16,7%
Net Profit	24,6	26,1	37,5	44,0%

Key B/S Ratios(%)	2014	2015	2016
ROA	1.3	1.2	1.5
ROE	12.2	11.3	14.3
NPL	2.9	3.1	3.2
CAR	16.3	15.6	15.6
NIM	3.5	3.5	3.6
Coverage	73.9	74.6	77.4
Loan/Deposit	118.8	120.2	120.2
Total Assets/GDP	114.1	122.3	111.2
Total Loans/GDP	71.5	77.7	71.1
Total Deposits/GDP	60.2	64.6	59.2

Source: BRSA

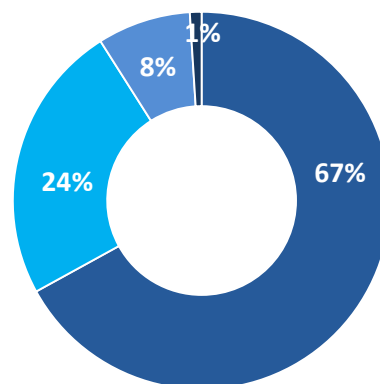


- One of the leading financial institutions with a growing presence in the MENA region as a subsidiary of KIPCO (Kuwait Projects Company)
- Listed on Kuwait Stock Exchange with a market cap of 2 bn \$
- Has a strong domestic franchise with 15.6% market share of assets in Kuwait
- International presence with its subsidiary/group banks in different regions:
 - Turkey – Burgan Bank A.S.
 - Algeria – Algeria Gulf Bank
 - Iraq – Bank of Baghdad
 - Jordan – Jordan Kuwait Bank⁽¹⁾
 - Malta – Fimbank P.L.C.
 - Tunis – Tunis International Bank

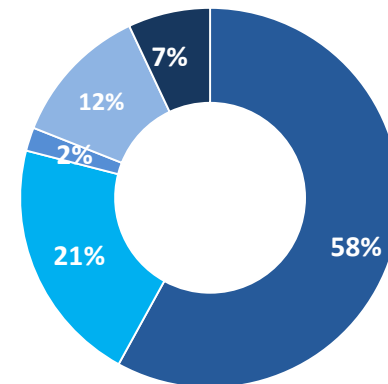
Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	3Q2016
Core revenue Growth (YoY) ⁽²⁾	8.0%
Net Profit Growth (YoY) ⁽³⁾	12.1%
Cost to Income Ratio	48.5%
Loans to Cust. Deposits	114.4%
Liquidity Ratio	29.3%
NPA Ratio	3.4%
NPA net of Collateral Ratio	1.0%
ROE ⁽⁴⁾	10.9%

Loans by Operations



Revenues by Operations



■ Kuwait ■ Turkey ■ Algeria ■ Iraq ■ Tunisia

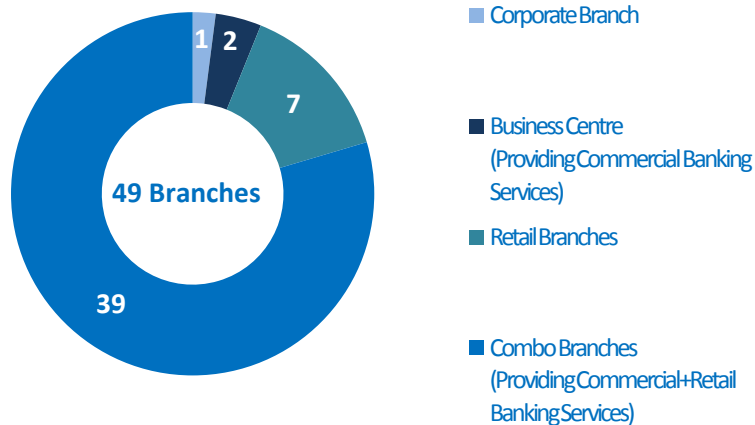
- International operations contributing 33% in Loans and 41% in Revenues
- Burgan Bank, Turkey is ranked as the biggest contributor among Burgan Subsidiary Banks in loans share as well as revenue generation

- (1) On 30.12.2015 Burgan Bank sold its 51.19% share in Jordan Kuwait Bank to a subsidiary that belongs to KIPCO Holding. The transaction enabled Burgan Bank KPSC to support growth in its core markets without raising additional capital .
- (2) After adjusting for FX depreciation
- (3) Excluding discontinued operations from sale of Jordan Kuwait Bank in December 2015
- (4) Excluding additional provisions, one-offs and AT1 cost

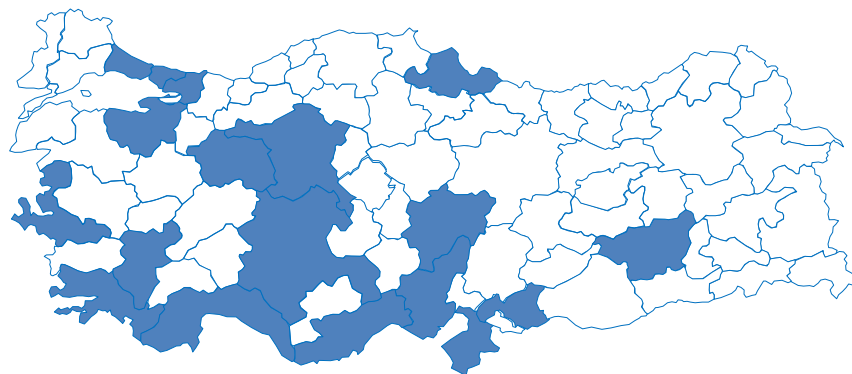
Burgan Bank A.Ş. At a Glance

- Incorporated in 1989 as Tekfen Yatırım Bankası AŞ
- Became a Burgan Group member as of December 2012. Burgan Bank SAK acquired **99.26%** of its shares.
- Enables better service and strengthens client relationships through its subsidiaries:
 - **Burgan Leasing**
 - **Burgan Securities**
 - **Burgan Portfolio Management**
 - **Burgan Wealth Limited Dubai**
- Rated by :
 - **Fitch Ratings (09.02.2017)**
Long Term Global Local Currency : **BBB-**
Outlook : **Stable**
 - **Moody's (13.10.2016)**
Bank Deposits: **Ba3/NP**
Outlook : **Stable**

Segment-wise Branch Distribution



- **49** Branches across **17** cities where **80%** of loans&deposits of the whole sector are held.



2016 Achievements

Growth

- Total asset size increased by **30.4%** compared to the YE2015 above the system growth of 15.8%
- The loan book grew by **31.0 %** compared to the YE2015 which is well above the system growth of 17%
- Deposit volumes are up **24.8%** y-o-y. (banking sector growth is 17%)

Asset Quality

- The asset quality of the bank is improving with NPL ratio of **2.3%**, better than banking sector average of **3.2%**

Funding

- Funding sources are continued to be well diversified through;
 - **USD 194.9 mn** new loan generation from the international markets since the beginning of the year
 - **USD 60 mio** long-term funding from IFC
 - Syndicated loan amounting **USD 150 mio** was signed in August 2016.
 - **USD 250 mn** committed line agreement signed with BBK for emergency funding needs.
- Sound customer deposit base, with deposits accounting for around **55%** of total liabilities

Capital

- Well positioned Capital Base with a CAR of **15.8%** and Tier 1 Ratio of **7.4%** (all sub-debt from parent)

Profitability

- **TL 71.7 mio** profit realized with higher net interest income and lower provisions

Others

- Continuous investment in People and Technology: Management trainee program, digital banking, risk management systems.
- BBT was awarded with the highest investment-grade credit rating that can be assigned to a financial institution in Turkey at the very first time it was rated by Fitch, “BBB-”.

Performance Trends

Sustainable Balance Sheet Growth

Balance Sheet (million TRY)

	2014	2015	2016	Y/Y
Total Assets	9,487.3	11,573.1	15,094.1	30.4%
Loans¹	7,215.1	9,195.2	12,041.3	31.0%
Securities	775.0	679.5	721.1	6.1%
Deposits	5,339.4	6,611.5	8,248.7	24.8%
Borrowings	1,920.7	2,522.2	3,446.1	36.6%
Subordinated Loan(*)	350.0	438.9	1,057.5	140.9%
Shareholders' Equity	953.0	1,012.5	1,092.6	7.9%

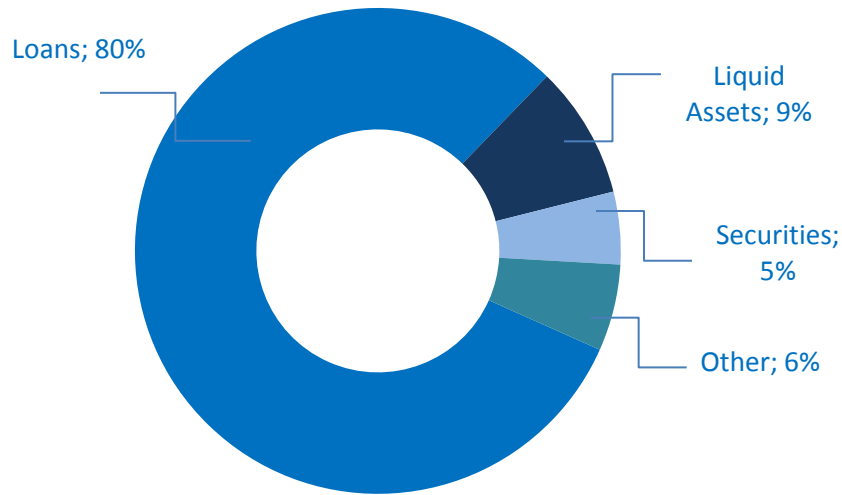
Balance Sheet Ratios

	2014	2015	2016
Loans / Assets	76%	79%	80%
Securities / Assets	8%	6%	5%
Loans / Deposits	135%	139%	146%
Loans / Deposits²	109%	111%	110%

(1) Factoring and Leasing Receivables Included

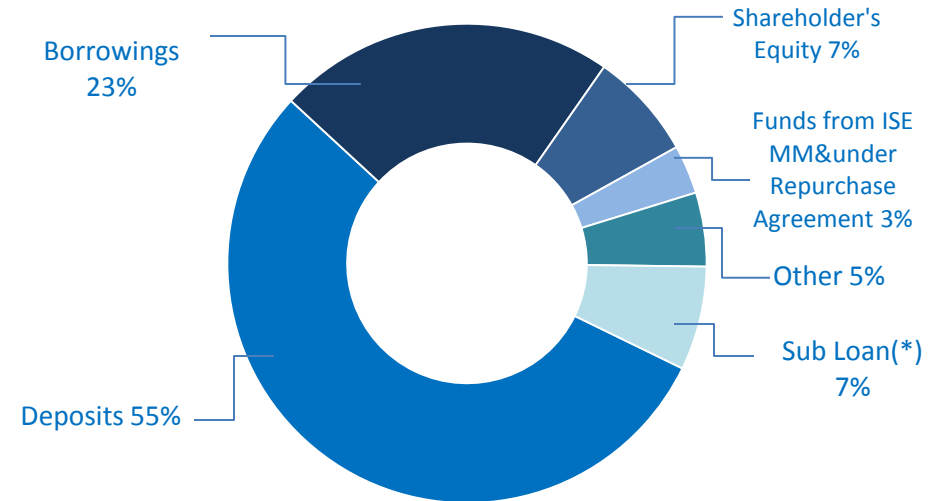
(2) Burgan Group borrowings included

Total Assets



(*) Burgan Group funding

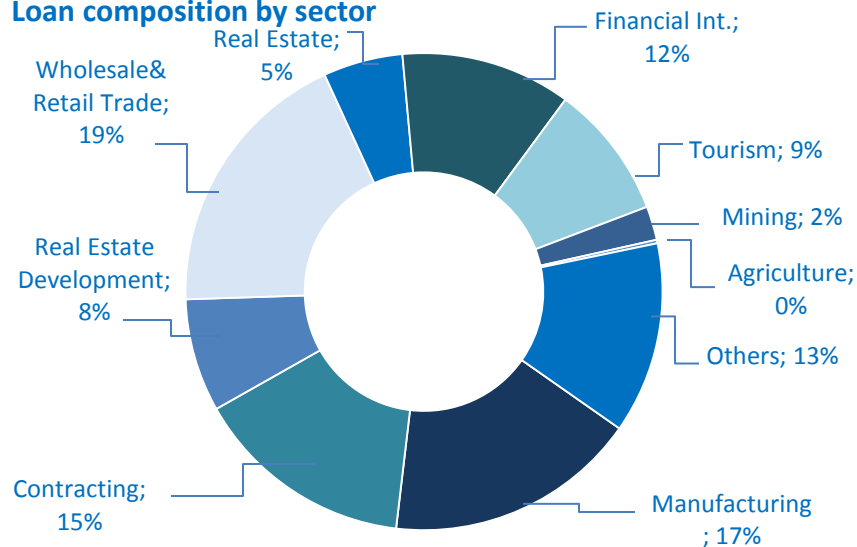
Total Liabilities



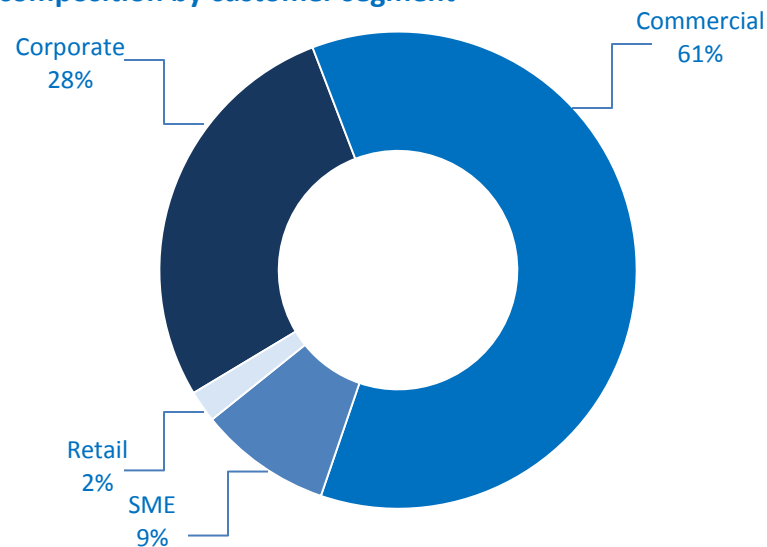
Loan Growth Above The Market Average

Commercial and Corporate Loans – the biggest contributor

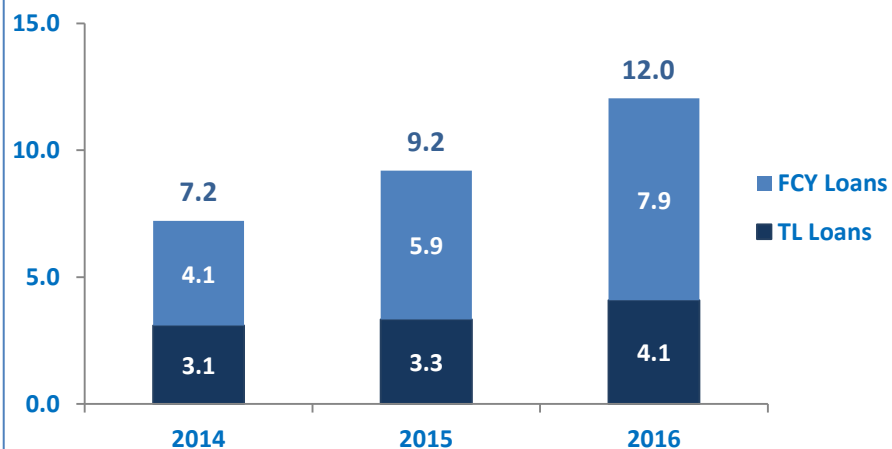
Loan composition by sector



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

Rising Funding Availabilities Well Diversified

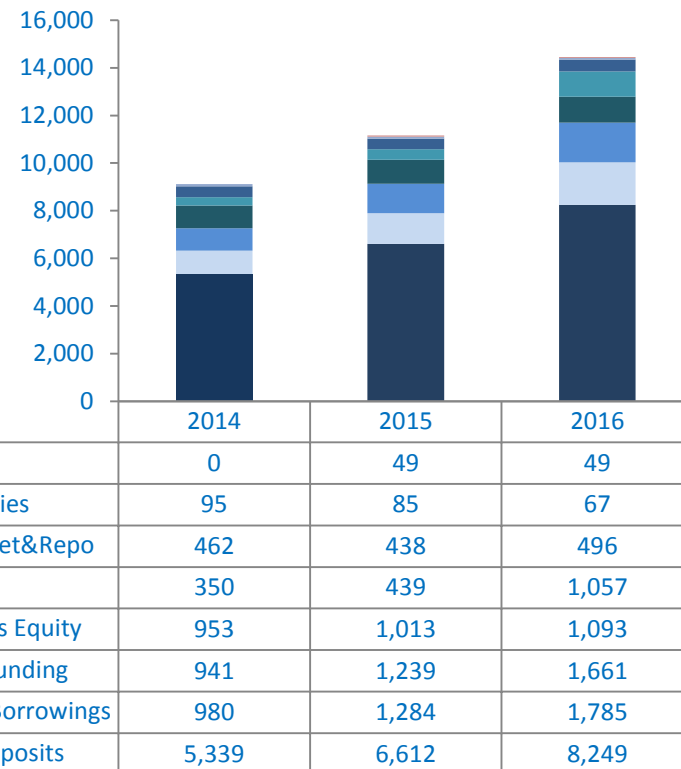
Funding structure (million TRY)

	2014	2015	2016	YoY
Customer Deposits	5,339	6,612	8,249	24.8%
Borrowings	1,921	2,522	3,446	36.6%
Intergroup Funding	941	1,239	1,661	34.1%
EIB	106	81	46	-43.8%
Syndication	0	358	519	44.9%
Oth. Bank Borrowings	784	738	1,147	55.5%
Eximbank	90	107	73	-31.2%
Sub Debt(*)	350	439	1,057	140.9%
Money Market&Repo	462	438	496	13.2%
Bond Issue	0	49	49	0.1%
Other Liabilities	95	85	67	-20.9%
Shareholder's Equity	953	1,013	1,093	7.9%

- Syndicated loan of USD124mio, raised at the end of June/2015 was paid back at the beginning of July/2016. The subject facility was renewed with an increase and new syndicated loan, being USD 150 mio was raised in August 2016.
- Loan Agreement for long term financing signed with IFC for 60 mioUSD.

(*) Burgan group

Breakdown of Funding (million TRY)

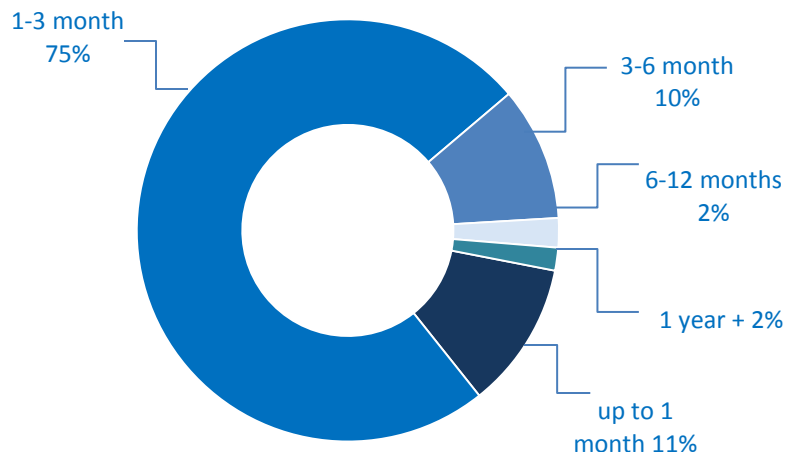


- Commitment of Burgan Bank K.P.S.C. continues with a balance of **772mioUSD** in intergroup funding including sub-debt.
- Third party funding sources continued to increase through strong cooperation with Correspondent Banks.

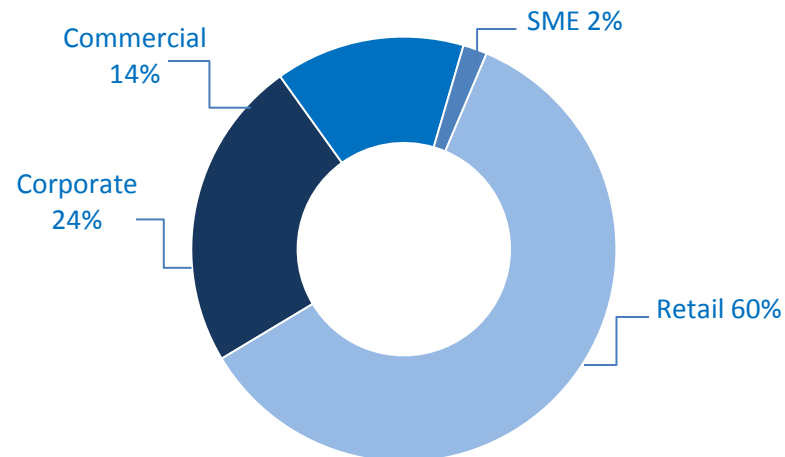
Deposits are the Main Funding Source

FX Deposits – the biggest share

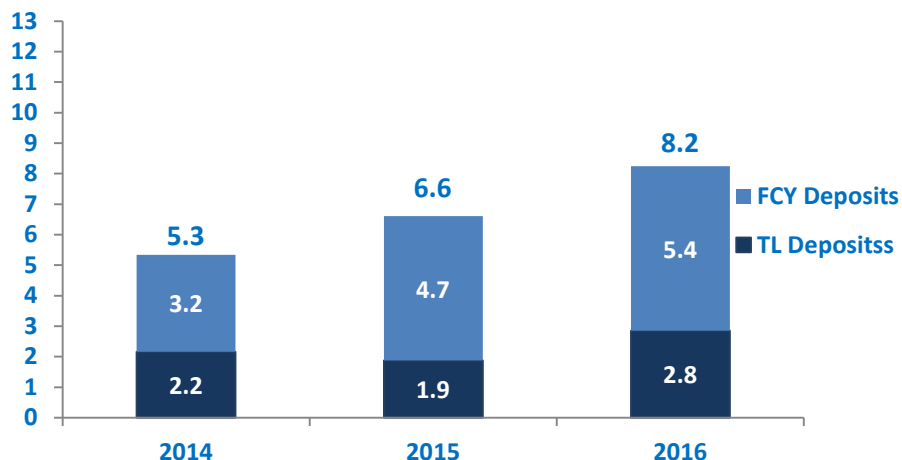
Deposit composition by maturity



Deposit composition by customer segment



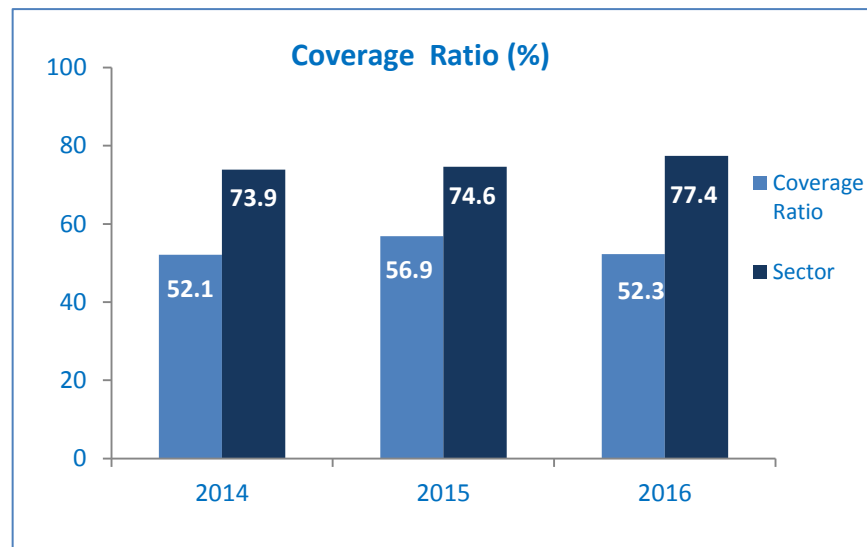
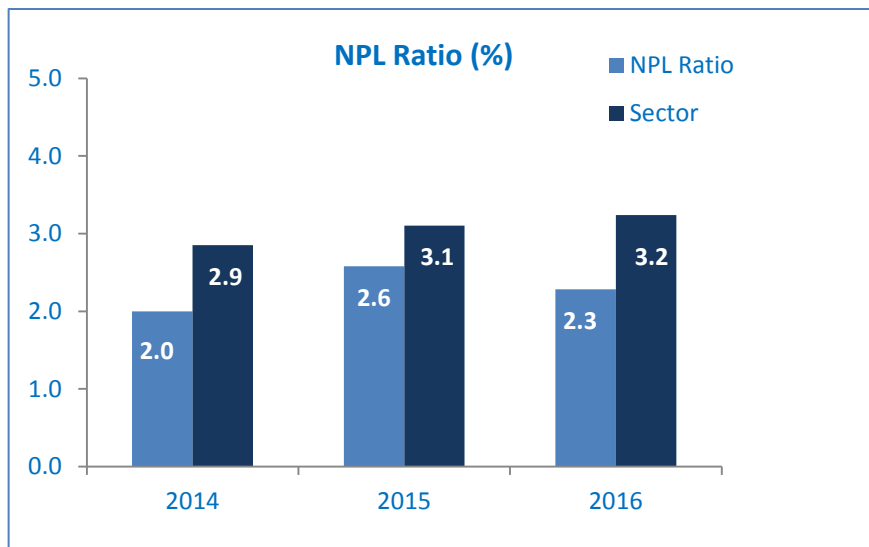
Deposit Growth(billion TRY)



- **Total Deposits** increased by **24.8%** compared to 2015 whilst the sector average was 17%.
- **TL Deposits** expanded by **52.1%** as of 2015.
- **Retail deposits** continue to be the major contributor in the deposit composition
- Well diversified deposit portfolio. The Total of Top 20 deposits receives a share of **27.4%** out of Total Deposits.

Improved Asset Quality

NPL ratio – below the market average



	2014	2015	2016
Gross Loans (million TRY)	7,289	9,332	12,187
NPL's(million TRY)	146	241	278
NPL Ratio	2.0%	2.6%	2.3%
NPL, net of collateral	98	177	208
NPL coverage, net of collateral	77.4%	77.2%	70.0%

- Asset quality remains strong with NPL ratio of **2.3%** below the sector average of **3.2%**
- Provisioning is in line with BRSA rules and regulations.
- Coverage ratio is below sector average due to the structure of the Loan portfolio.

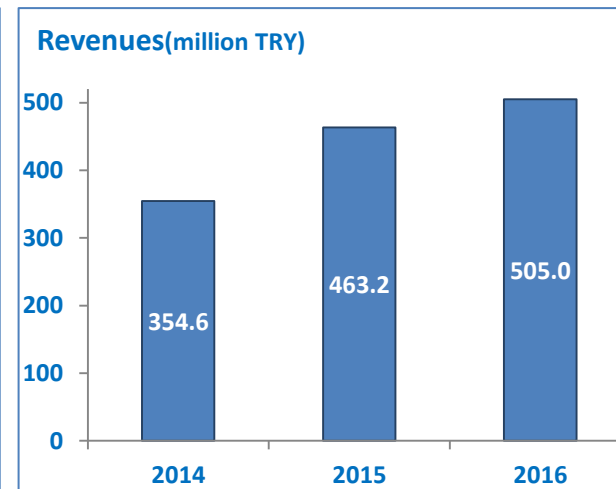
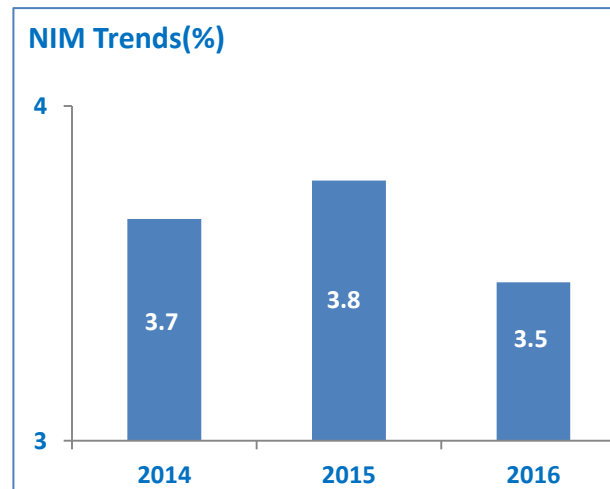
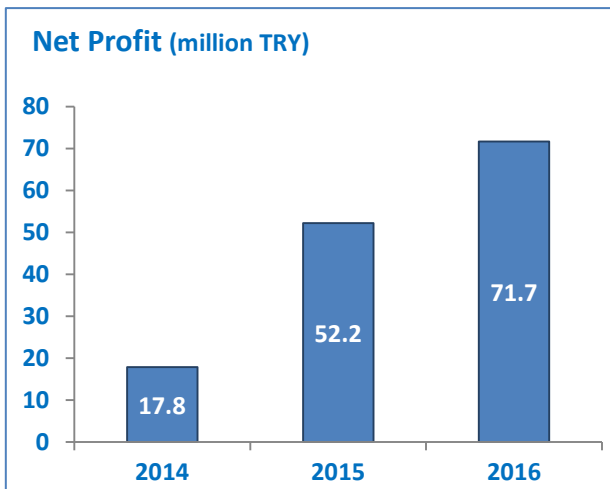
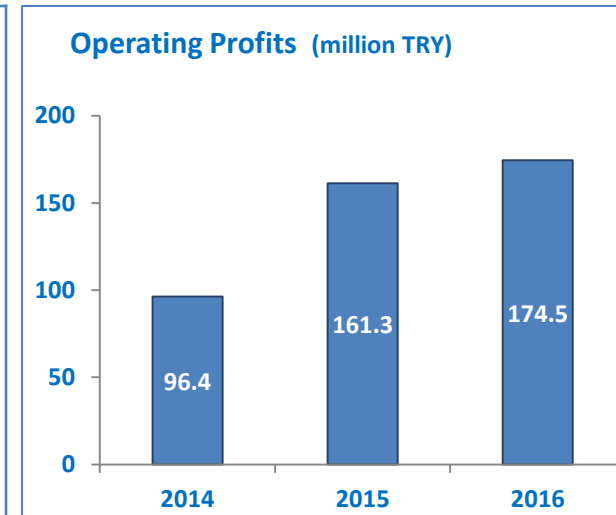
Strong Capitalization to Support Future Growth

	2014	2015	2016
Shareholder's Equity (million TRY)	953	1,013	1,093
Capital Base Inc. Sub-Debt (million TRY)	1,260	1,463	2,148
CAR Ratio (%)	16.1	14.5	15.8
Tier 1 Ratio (%)	11.5	9.4	7.4

- CAR and Tier 1 ratios consistently well above minimum requirements of 12% and 6.0%, respectively.
- Shareholder supported the Bank by providing long term subordinated loans, to be converted into the capital whenever it is needed.

Progress in Earnings

(million TRY)	2014	2015	2016	Y/Y
Total Interest Income	674.0	924.7	1,246.5	34.8%
Total Interest Expense	426.6	559.6	826.3	47.7%
Net Interest Income	247.5	365.1	420.2	15.1%
Total Revenues	354.6	463.2	505.0	9.0%
Total Operating Expenses	258.2	301.9	330.5	9.5%
Operating Income	96.4	161.3	174.5	8.2%
Provision	71.1	92.4	76.7	-16.9%
Net Profit	17.8	52.2	71.7	37.4%



➤ The bank's cost to income ratio is **65.4%** as of December 2016.

Growth

- Keep growing above the sector average
- Expand the market share in commercial and corporate banking
- Increase the number of customers while deepen the relationship with the existing ones.
- Continue investing in digital channels in retail banking.

Profitability

- Improve profitability by growing the business in existing and new markets through expanding its customer base
- Relocate some branches to best communicate the brand
- Strengthen the client relationship by broadening the range of products and services offered.

Human Capital

- Invest in human capital through management trainee programmes.
- Provide massive training programmes for staff at each and every level

Funding

- Diversify the funding base
- Enhance the funding availabilities provided from counter parties
- Raise financing through domestic bond issuance

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Thank you

