



## **Burgan Bank A.Ş. Turkey (BBT)**

**December 2017 Presentation  
(BRSA Consolidated)**

# Operating Environment

## Macro Economic Outlook - Turkey

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

Key Indicators	2016	2017	2018F(*)
Nominal GDP (USD bn)	856.8	850.0	900.0
Population (mn, mid-year)	79.3	80.1	80.9
GDP per capita (USD)	10,883	10,600	11,100
Real GDP (% change)	3.2	7.0	4.0
CPI Inflation (year-end)	8.5	11.9	9.5
Gov. Debt (USD bn)	210	235	250
Gov. Debt / GDP	28.1	28.5	29.0
Current Account Bal. / GDP	-3.8	-5.5	-5.0
Forex Reserves (USD bn)	106.1	107.7	110.0
Trade Balance (USD bn)	-56.1	-76.7	-78.0
Export (USD bn)	142.5	157.1	168.0
Imports (USD bn)	198.6	233.8	246.0

(\*) Source: Burgan Bank Macroeconomic Research

### Recent Developments

The Turkish economy is estimated to grow by 7.0% yoy in 2017, the highest growth rate of the last seven years, thanks to the incentives of the government to stimulate economic activity and employment as well as the recovery in economic activity in Europe. Amid slower fiscal stimulus, GDP growth is expected to moderate towards 4.0% in 2018.

Current account deficit widened to 5.5% of GDP in 2017, driven by higher gold and energy imports. However, strong exports and tourism revenues as well as slower economic activity and lower gold imports are expected to drive current account deficit down to 5.0% of GDP in 2018.

Annual inflation accelerated to the highest level of the last 14 years in 2017 on the back of buoyant domestic demand, FX pass-through and elevated food inflation. Yet, it is projected to decelerate to single-digit levels by end-2018 thanks to slower FX pass-through, slow adjustment in administered prices, and normalisation in food prices. The market consensus for annual consumer inflation stands at 9.5% for YE18.

The CBT has tightened the monetary policy stance in response to the currency depreciation and deterioration in inflation outlook in 2017. The Late Liquidity window has become the main source of funding and increased by 450bps to 12.75%, and the current monetary and liquidity stance is expected to be maintained throughout most of 2018.

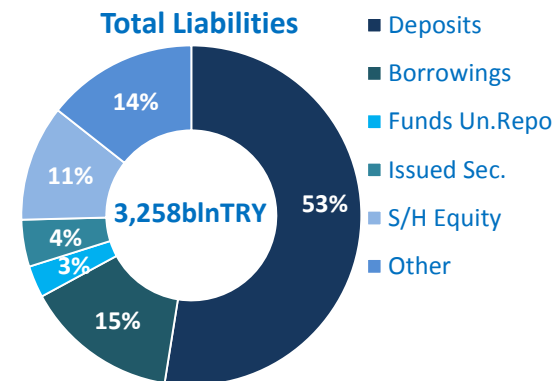
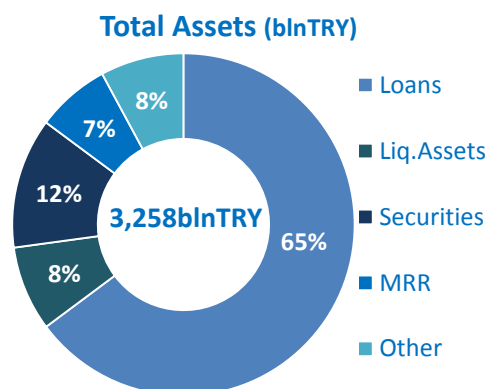
# Operating Environment

## Turkish Banking Sector

Number of Banks: 51 ( Including 5 Participation Banks)

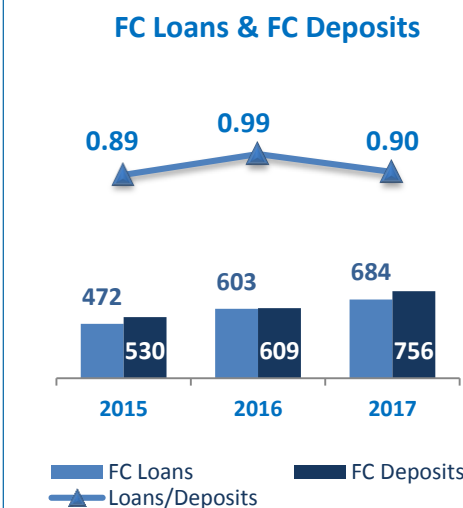
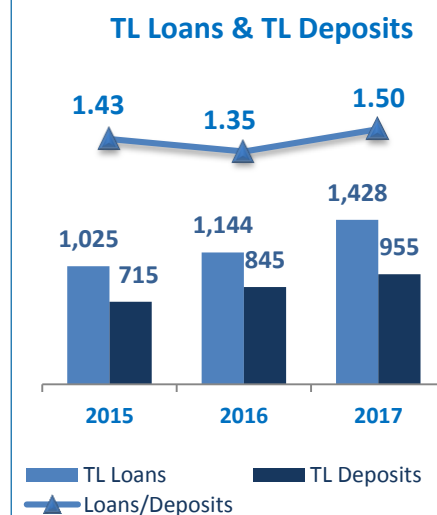
➤ Number of Depository Banks: 33

Growth (billionTRY)	2015	2016	2017	YTD
Total Assets	2,357	2,731	3,258	19.3%
Total Deposits	1,245	1,454	1,711	17.7%
Total Loans	1,497	1,747	2,111	20.8%
Net Profit	26.1	37.5	49.1	30.8%



Key B/S Ratios(%)	2015	2016	2017
ROA	1.2	1.5	1.6
ROE	11.3	14.3	16.0
NPL	3.1	3.2	3.0
CAR	15.6	15.6	16.9
NIM	3.5	3.6	3.8
Coverage	74.6	77.4	79.3
Loan/Deposit	120.2	120.2	123.4
Total Assets/GDP	101.0	104.7	103.7
Total Loans/GDP	64.1	67.0	67.2
Total Deposits/GDP	53.3	55.7	54.5

mioTL



Source: BRSA

# Burgan Bank K.P.S.C.

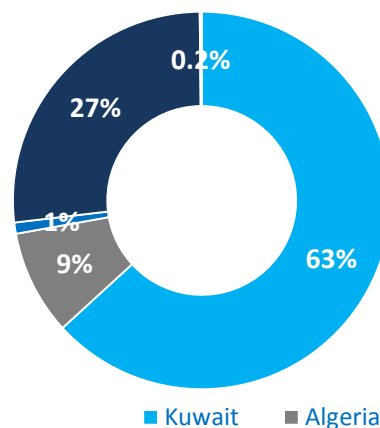
## Sound and Consistent Financial Performance

- 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 US\$ 2.2bn<sup>(1)</sup>
- Has a strong domestic franchise with 15.1% 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
  - Tunis – Tunis International Bank

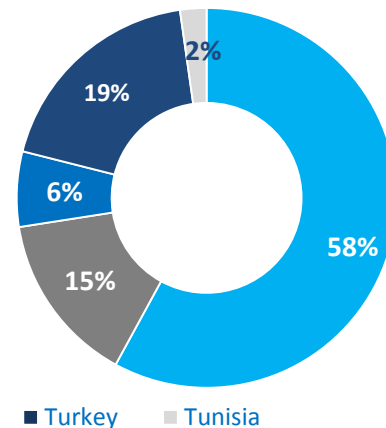
Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	FY'2017
Core Revenue Growth (YoY) <sup>(2)</sup>	7%
Net Profit Growth (YoY) <sup>(3)</sup>	17%
Cost to Income Ratio <sup>(2)</sup>	45.0%
Loans to Cust. Deposits	106.1%
Liquidity Ratio	27.8%
NPA Ratio	2.3%
NPA net of Collateral Ratio	0.6%
ROTE <sup>(3)</sup>	13.8%

Loans by Operations



Revenues by Operations



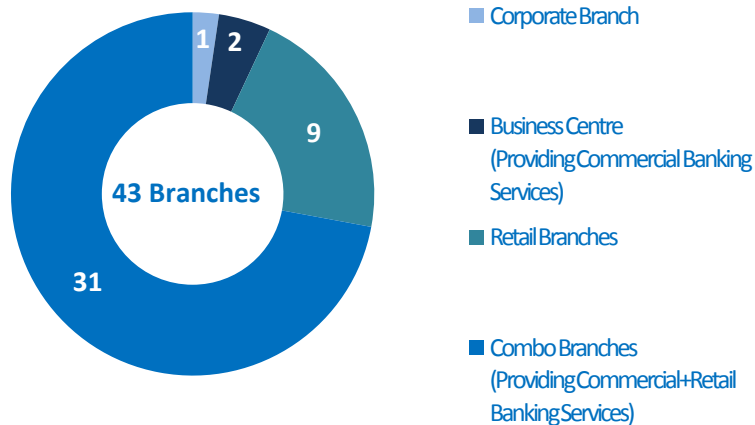
- International operations contributing 37% in Loans and 42% in Revenues
- Burgan Bank, Turkey is ranked as the biggest contributor among Burgan Subsidiary Banks in loans share as well as revenue generation

(1) Closing Price on 31/12/2017  
 (2) Excluding one offs  
 (3) Excluding one offs, precautionary provisions and after AT1 cost

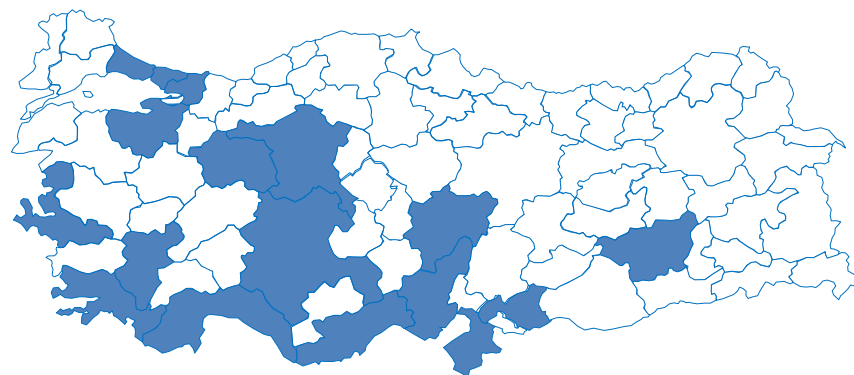
# Burgan Bank A.Ş. At a Glance

- Incorporated in 1989 as Tekfen Yatırım Bankası AŞ
- Became a Burgan Group member as of December 2012. Burgan Bank K.P.S.C. acquired **99.26%** of its shares.
- Enables better service and strengthens client relationships through its subsidiaries:
  - **Burgan Leasing**
  - **Burgan Securities**
  - **Burgan Wealth Limited Dubai**
- Rated by :
  - **Fitch Ratings (26.01.2018)**  
Long Term Global Local Currency : **BBB-**  
Outlook : **Stable**

## Segment-wise Branch Distribution



- **43** Branches across **16** cities where **79%** of loans&deposits of the whole sector are held.



# 2017 Achievements

## Growth

- Total asset size increased by **24.3%** (banking sector - **19.3%**)
- The loan book grew by **26.7 %** (banking sector - **20.8%**)
- Deposit volumes are up by **7.6 %** and reached to 8,9 billion TL

## Asset Quality

- NPL ratio decreased to **2.6%** with the improvement of asset quality (banking sector - **3.0%**)

## Funding

- Diversification of funding sources continued;
  - **USD 612mn** (USD 125 mn from parent) new funding generation from the international markets
- Sound customer deposit base, deposits account for **47.3%** of total liabilities

## Capital

- In December 2017, capital increase of TL 285 mn was completed
- Well positioned Capital Base with a CAR of **17.3%** and Tier 1 Ratio of **9.2%** (all sub-debt from parent)

## Profitability

- Net profit reached to 109.8 mio TL (53% yoy increase)

## Others

- Continuous investment in People and Technology: Management trainee program, digital banking, risk management systems
- Highest possible investment-grade credit rating in Turkey by Fitch, “BBB-” as of December 2017

# Performance Trends

## Sustainable Balance Sheet Growth

### Balance Sheet (million TRY)

	2015	2016	2017	Y/Y
<b>Total Assets</b>	11,573.1	15,094.1	18,754.7	24.3%
<b>Loans<sup>1</sup></b>	9,195.2	12,041.3	15,258.6	26.7%
<b>Securities</b>	679.5	721.1	444.4	-38.4%
<b>Deposits</b>	6,611.5	8,248.7	8,872.5	7.6%
<b>Borrowings</b>	2,522.2	3,446.1	6,082.8	76.5%
<b>Subordinated Loan(*)</b>	438.9	1,057.5	1,140.6	7.9%
<b>Shareholders' Equity</b>	1,012.5	1,092.6	1,512.5	38.4%

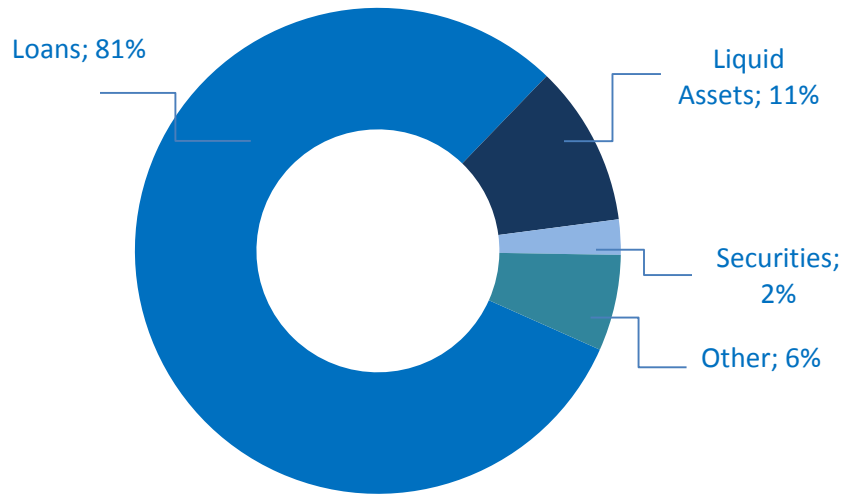
### Balance Sheet Ratios

	2015	2016	2017
<b>Loans / Assets</b>	79%	80%	81%
<b>Securities / Assets</b>	6%	5%	2%
<b>Loans / Deposits</b>	139%	146%	172%
<b>Loans / Deposits<sup>2</sup></b>	111%	110%	121%

(1) Factoring and Leasing Receivables Included

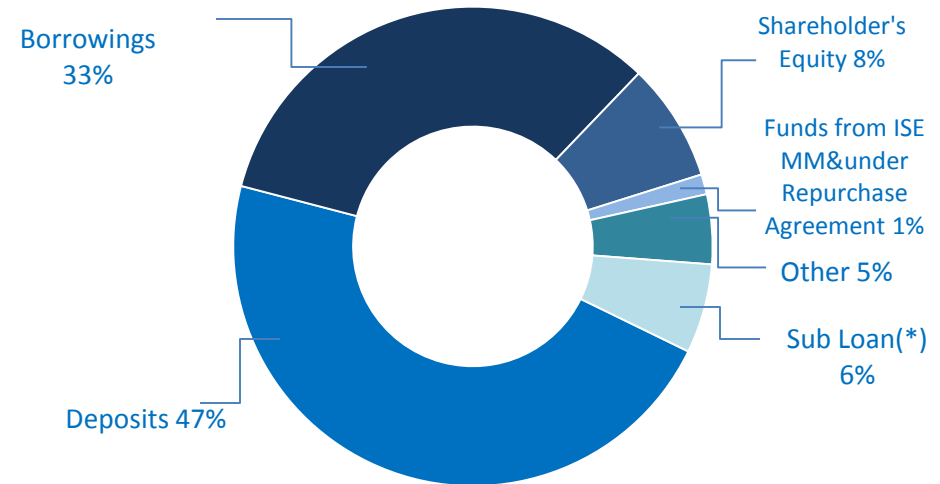
(2) Burgan Group borrowings included

### Total Assets



(\*) Burgan Group funding

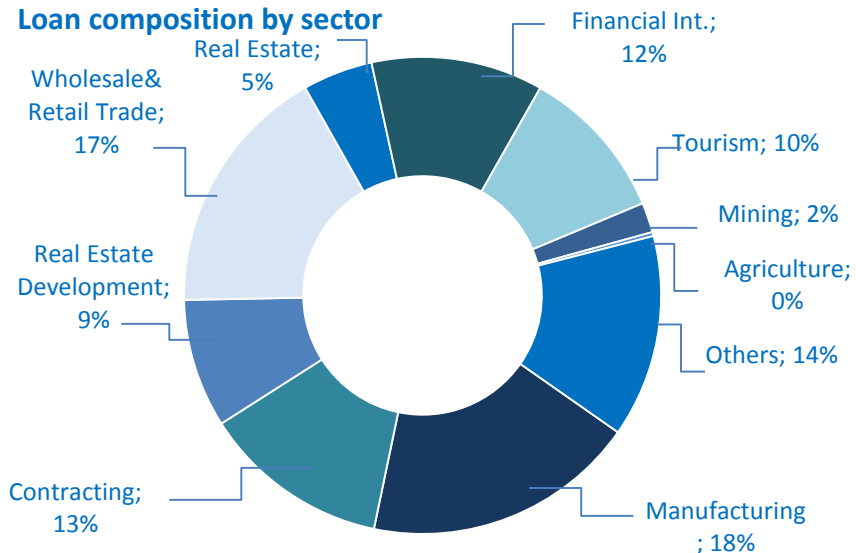
### Total Liabilities



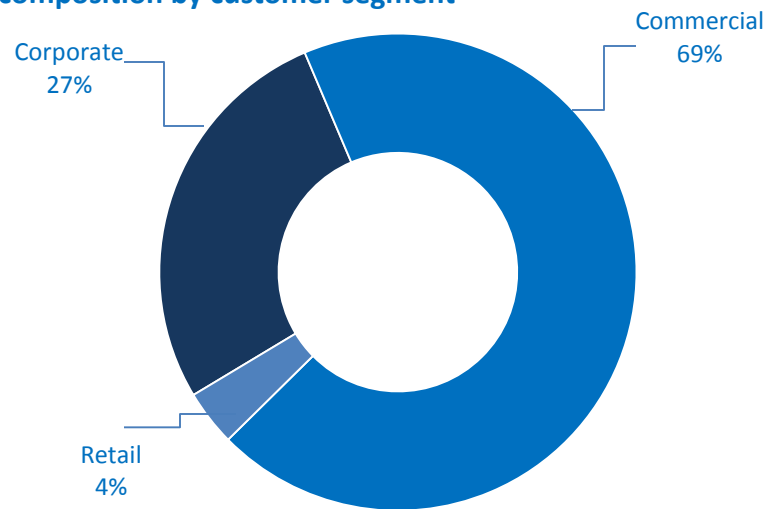
# Loan Growth Above The Market Average

## Commercial and Corporate Loans – the biggest contributor

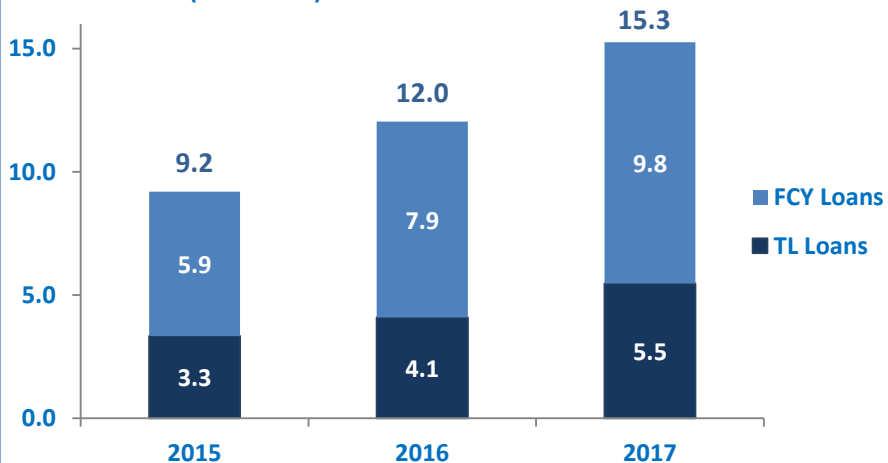
Loan composition by sector



Loan composition by customer segment



Loan Growth (billion TRY)



➤ Loan balance including leasing receivables has increased by 26.7% to TL 15,259 mn.

	growth
Corporate	24%
Commercial	25%
Retail	122%
Total	27%

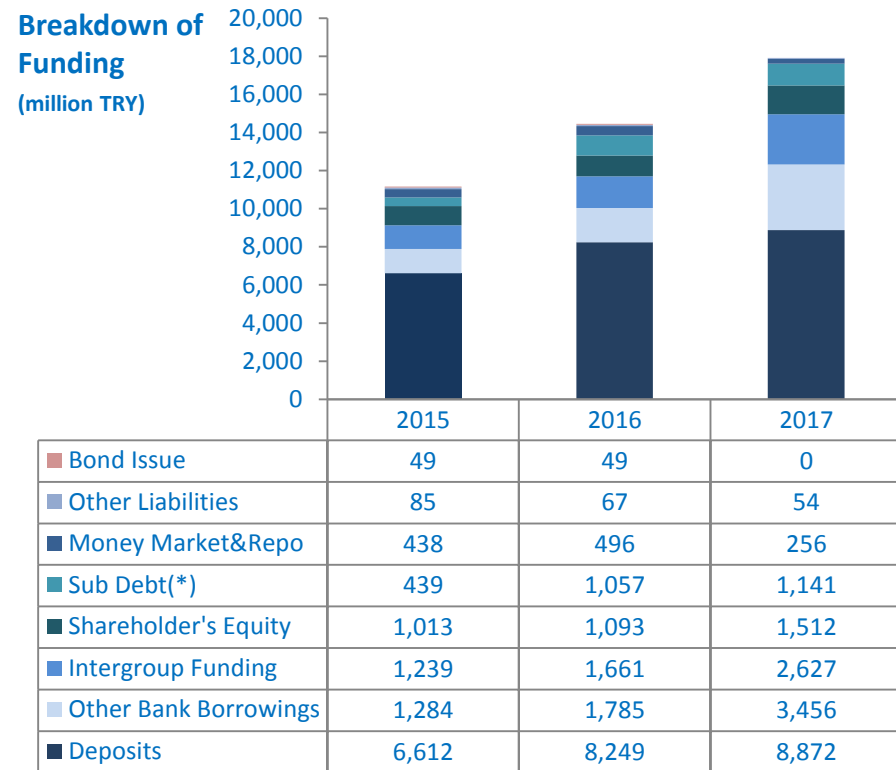


# Rising Funding Availabilities Well Diversified

## Funding structure (million TRY)

	2015	2016	2017	YoY
Deposits	6,612	8,249	8,872	7.6%
Borrowings	2,522	3,446	6,083	76.5%
Intergroup Funding	1,239	1,661	2,627	58.1%
Syndication	358	519	782	50.7%
Oth. Bank Borrowings	819	1,193	2,559	114.6%
Eximbank	107	73	115	56.8%
Sub Debt(*)	439	1,057	1,141	7.9%
Money Market&Repo	438	496	256	-48.3%
Bond Issue	49	49	-	-100.0%
Other Liabilities	85	67	54	-19.9%
Shareholder's Equity	1,013	1,093	1,512	38.4%

## Breakdown of Funding (million TRY)



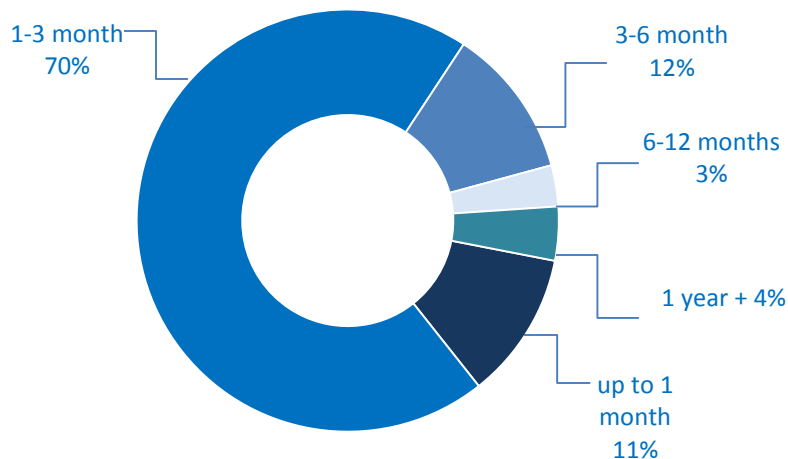
- Commitment of Burgan Bank K.P.S.C. continues with a balance of **999mioUSD** in intergroup funding including sub-debt.
- Third party funding sources continued to increase through strong cooperation with Correspondent Banks.

(\*) Burgan group

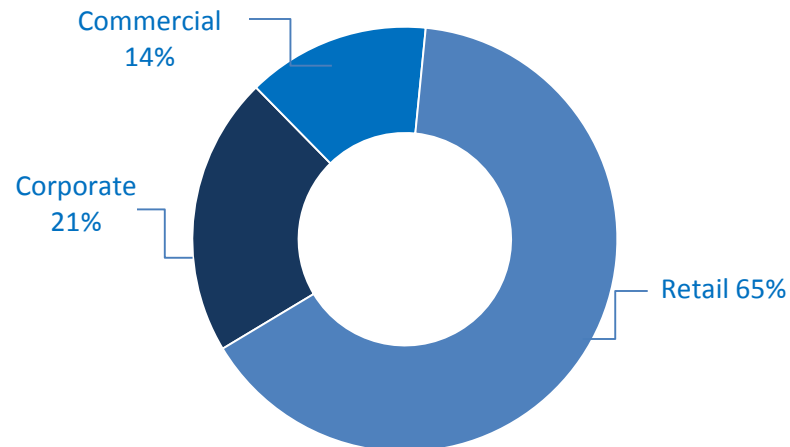
# Deposits are the Main Funding Source

## FX Deposits – the biggest share

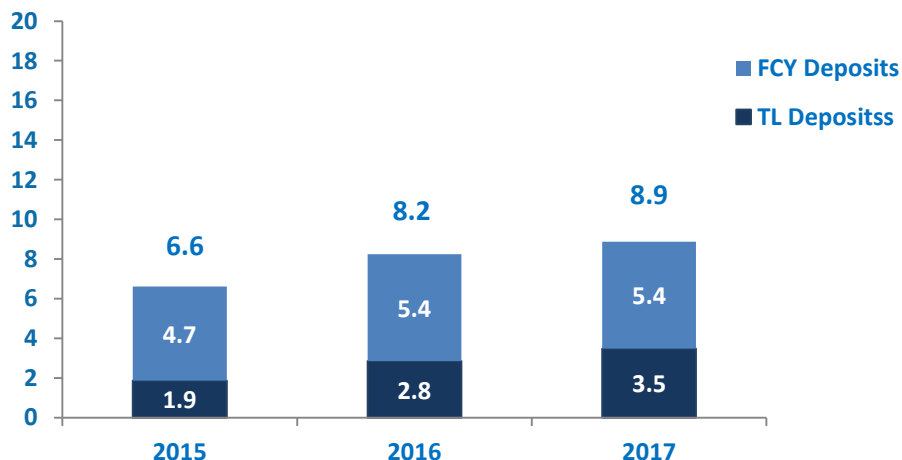
Deposit composition by maturity



Deposit composition by customer segment



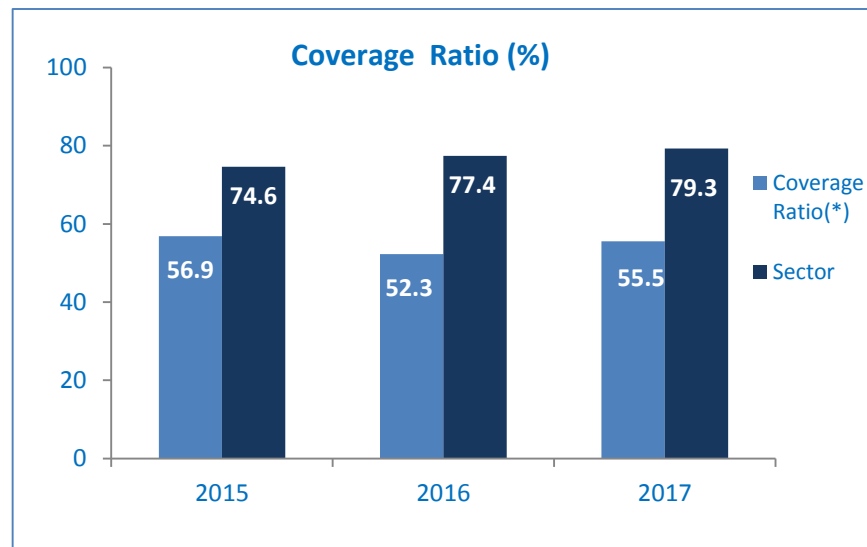
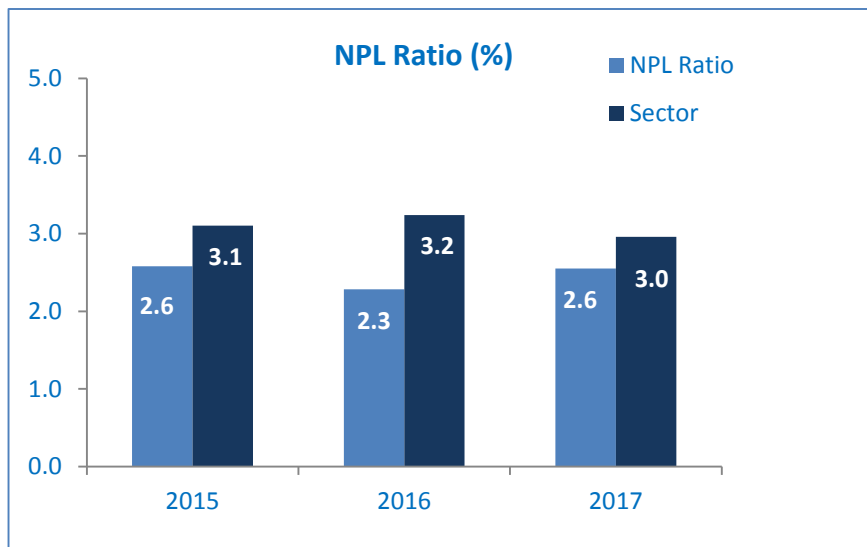
Deposit Growth(billion TRY)



- **Total Deposits** increased by **7.6 %** whilst the sector average was 18%.
- **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 **25.6%** out of Total Deposits.

# Improved Asset Quality

## NPL ratio – below the market average



	2015	2016	Q32017
Gross Loans (million TRY)	9,332	12,187	15,478
NPL's(million TRY)	241	278	395
NPL Ratio	2.6%	2.3%	2.6%
NPL, net of collateral	177	208	270
NPL coverage, net of collateral(*)	77.2%	70.0%	81.2%

- Asset quality remains strong with NPL ratio of **2.6%** below the sector average of **3.0%**
- Provisioning is in line with BRSA rules and regulations.
- Coverage ratio is below sector average due to the collateral structure of the Loan portfolio.

(\*) Excluding general provisions

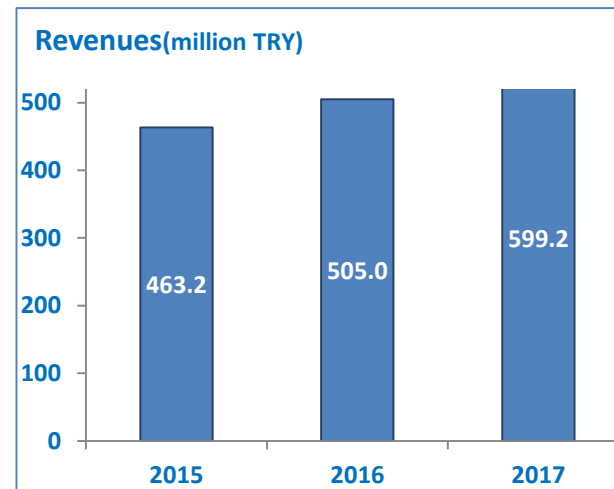
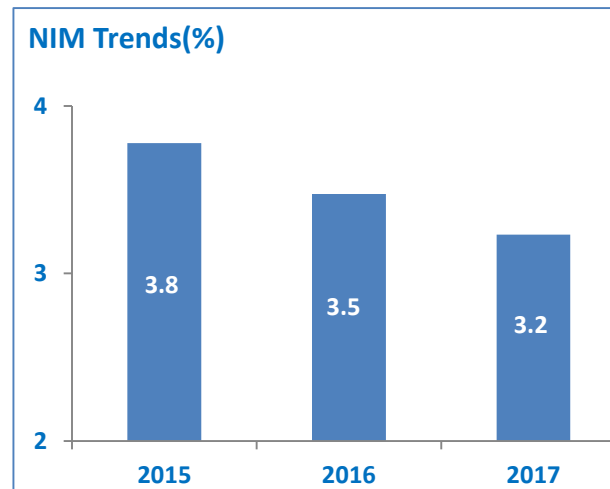
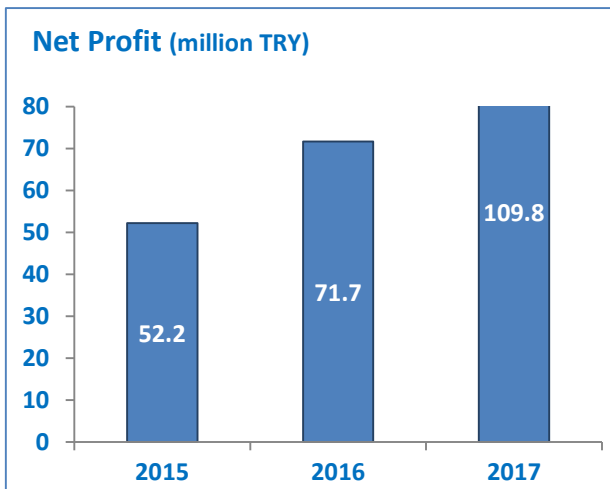
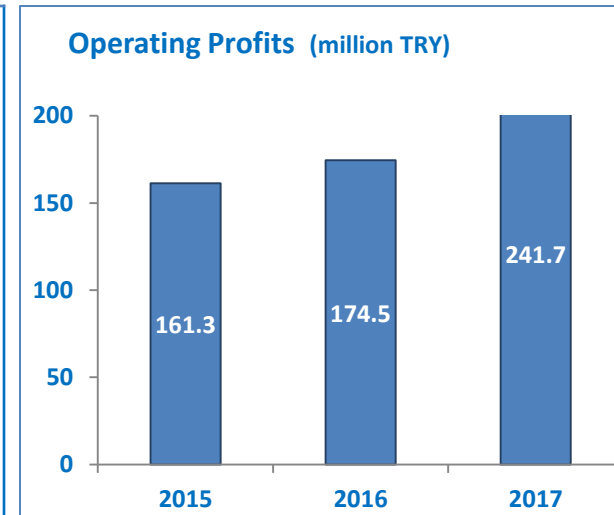
## Strong Capitalization to Support Future Growth

	2015	2016	2017
Shareholder's Equity (million TRY)	1,013	1,093	1,512
Capital Base Inc. Sub-Debt (million TRY)	1,463	2,148	2,645
CAR Ratio (%)	14.5	15.8	17.3
Tier 1 Ratio (%)	9.4	7.4	9.2

- TL 285 mn cash increase in December 2017
- 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)	2015	2016	2017	Y/Y
Total Interest Income	924.7	1,246.5	1,573.4	26.2%
Total Interest Expense	559.6	826.3	1,061.5	28.5%
Net Interest Income	365.1	420.2	511.9	21.8%
Total Revenues	463.2	505.0	599.2	18.7%
Total Operating Expenses	301.9	330.5	357.4	8.2%
Operating Income	161.3	174.5	241.7	38.6%
Provision	92.4	76.7	93.5	21.9%
Net Profit	52.2	71.7	109.8	53.3%



➤ The bank's cost to income ratio decreased to **59.7%** as of December 2017 from 65.5% as of December 2016.

## Growth

- Continue above sector growth while;
  - Focusing on collateralized loans
  - Decreasing concentration and increasing spreads
  - Focusing on new alternative channels & digital banking in retail banking

## Profitability

- Focus on NIM
- Aim to keep cost of credit at 2017 level
- Focus on efficiency – improvement in Cost / Income ratio
- Increase cross sale (insurance, treasury sales etc. ) to optimize RWA consumption

## Human Capital

- Invest in human capital through management trainee programmes
- Employer branding project
- Emphasis on corporate culture and values
- Investment in management trainee program

## Funding

- Continue to diversify funding base
- Enhance the funding lines with counter parties
- Tap both local and international wholesale markets with bond issuances

# Contact Details

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**Thank you**

