



Burgan Bank A.Ş. Turkey (BBT)

**December 2018 Presentation
(BRSA Consolidated)**

Operating Environment

Macro Economic Outlook - Turkey

Ratings	Fitch	Moody's	S&P
Long Term FC Rating	BB	Ba3	B+
Outlook	Negative	Stable	Stable

Key Indicators	2017	2018	2019F(*)
Nominal GDP (USD bn)	851.5	851.5	815.0
Population (mn, mid-year)	80.3	80.9	81.7
GDP per capita (USD)	10,537	9,632	9,500
Real GDP (% change)	7.4	2.6	0.5
CPI Inflation (year-end)	11.9	20.3	16.0
Gov. Debt (USD bn)	233		
Gov. Debt / GDP	28.3	29.0	31.0
Current Account Bal. / GDP	-5.6	-3.5	-3.0
Forex Reserves (USD bn)	108	92	100
Trade Balance (USD bn)	-77	-55	-46
Export (USD bn)	157	168	173
Imports (USD bn)	234	223	219

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

The Turkish economy has been slowing notably since 3Q18 on the back of tighter financial conditions. Turkish economy has contracted by 3.0% yoy in 4Q18, reducing the annual growth rate down to 2.6% in 2018, from 7.4% a year ago. Both private consumption and investments have fallen significantly in 4Q18, deepest since 2009. On the other hand, net exports have partly compensated for the deep contractions in domestic demand. Leading indicators suggest economic activity will continue to shrink 1H19, to be followed by a mild recovery in 2H18.

In parallel to slower economic activity, external balances have been improving rapidly. Current account deficit has declined to 3.5% of GDP in by end-2018, from 5.6% in 2017. We expect the ratio to improve further to 3.0% of GDP in 2019, driven by lower imports and solid performance of tourism sector and exports.

Inflation has gradually decelerated to 19.7% as of February, after having hit 15-years high of 25% in October 2018. The relatively stable course of TRY, tax cuts and adjustments in administrated prices have contributed positively to the recent deceleration in inflation. Inflation is expected to decline to 16% by end-2019.

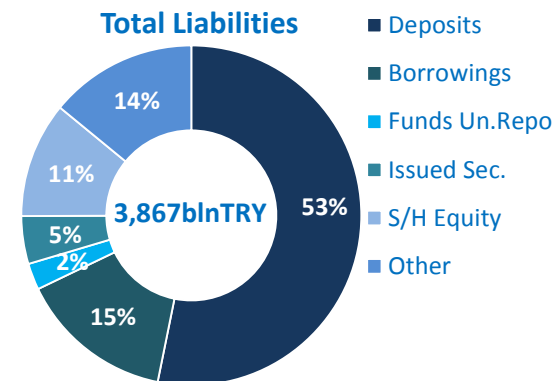
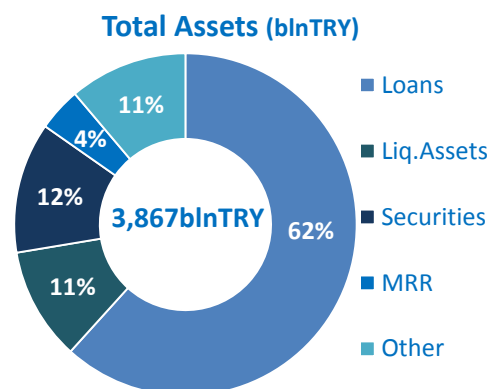
The policy rate stands at 24% since September 2018 as the CBT maintains tight policy stance. On the other hand, fiscal policy remains supportive of economic activity, ahead of local elections scheduled for March 31, 2019.

Operating Environment Turkish Banking Sector

Number of Banks: 52 (Including 5 Participation Banks)

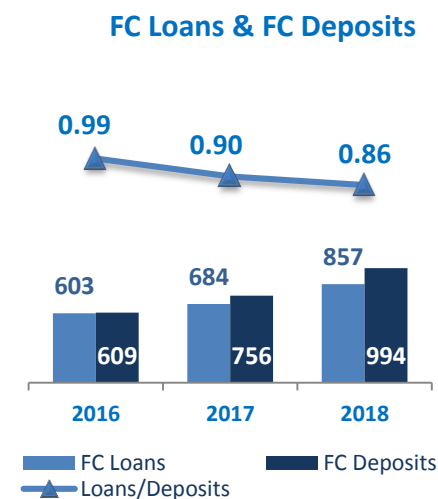
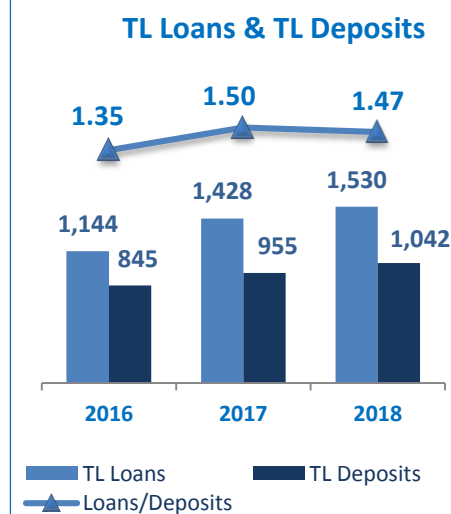
➤ Number of Depository Banks: 34

Growth (billionTRY)	2016	2017	2018	YTD
Total Assets	2,731	3,258	3,867	18.7%
Total Deposits	1,454	1,711	2,036	19.0%
Total Loans	1,747	2,111	2,386	13.0%
Net Profit	37.5	49.1	53.5	9.0%



Key B/S Ratios(%)	2016	2017	2018
ROA	1.5	1.6	1.4
ROE	14.3	16.0	14.7
NPL	3.2	3.0	3.9
CAR	15.6	16.9	17.3
NIM	3.6	3.8	3.9
Coverage	77.4	79.3	68.3
Loan/Deposit	120.2	123.4	117.2
Total Assets/GDP	104.7	104.9	113.9
Total Loans/GDP	67.0	68.0	70.3
Total Deposits/GDP	55.7	55.1	60.0

mioTL



Source: BRSA

Burgan Bank K.P.S.C.

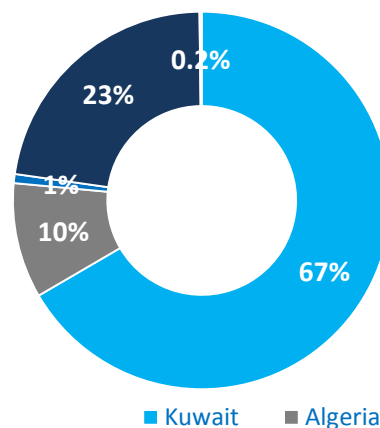
Sound and Consistent Financial Performance

- 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\$ 2.12 billion⁽¹⁾
- 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

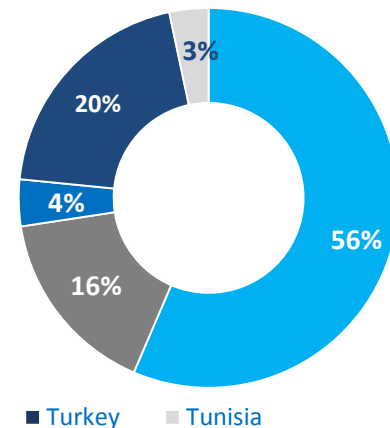
Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	FY 2018
Revenue Growth (YoY)	11.2%
Net Profit Growth (YoY) ⁽²⁾	27.0%
Cost to Income Ratio	42.1%
Loans to Cust. Deposits	113.1%
Liquidity Ratio	29.2%
NPA Ratio	2.3%
NPA net of Collateral Ratio	0.7%
ROTE ⁽²⁾	11.3%

Loans by Operations



Revenues by Operations



- International operations contributing 33% in Loans and 44% 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 31/12/2018

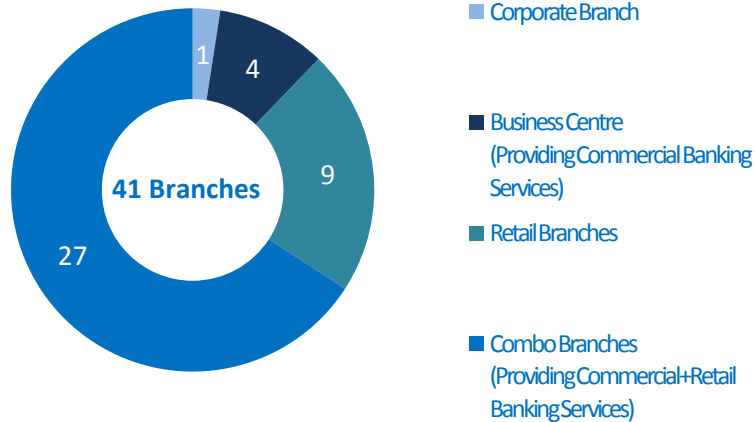
(2) Net Income attributed to equity holders and after AT1 cost

Note: Growth figures based on US\$.

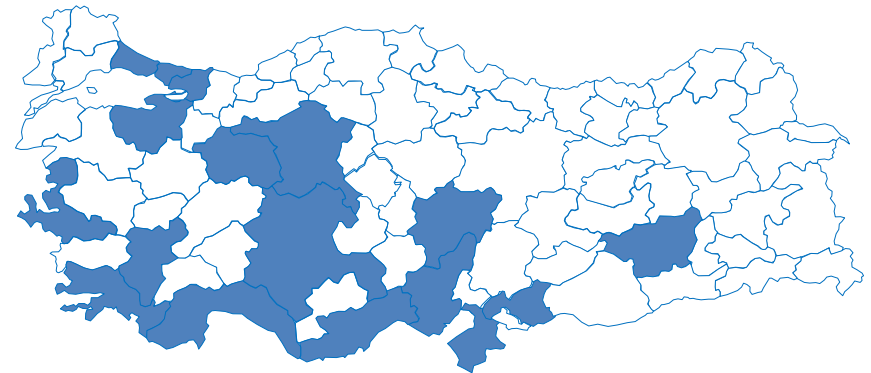
Burgan Bank A.Ş. At a Glance

- 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 (23.10.2018)**
Long Term Global Local Currency : **BB**
Outlook : **Negative**

Segment-wise Branch Distribution



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



2018 Achievements

Growth

- Total asset size increased by **17.5%** compared to Q42017 (banking sector - **18.7%**)
- The loan book grew by **10.0 %** compared to Q42017 (banking sector – **13.0%**)
- Deposit volumes are up by **11.8 %** compared to Q42017 and reached to 9,9 billion TL

Asset Quality

- NPL ratio increased to **5.0%** where sector ratio is 3.7% and foreign private bank npl ratio is 5.3 as of December 2018.

Funding

- Diversification of funding sources continued;
 - **USD 375mn** new funding generation from the international markets
- Sound customer deposit base, deposits account for **45.0%** of total liabilities

Capital

- Well positioned Capital Base with a CAR of **18.5%** and Tier 1 Ratio of **9.9%** (all sub-debt from parent)

Profitability

- Net profit reached to 161.8 mio TL (47% yoy increase)

Others

- Continuous investment in People and Technology: Employee Value Proposition Project , digital banking.

Performance Trends

Balance Sheet Growth

Balance Sheet (million TRY)

	2016	2017	2018	YoY
Total Assets	15,094.1	18,754.7	22,028.9	17.5%
Loans¹	12,041.3	15,258.6	16,789.2	10.0%
Securities	730.0	453.4	642.7	41.8%
Deposits	8,248.7	8,872.5	9,915.3	11.8%
Borrowings	3,446.1	6,082.8	6,860.6	12.8%
Subordinated Loan(*)	1,057.5	1,140.6	1,599.5	40.2%
Shareholders' Equity	1,092.6	1,512.5	1,876.0	24.0%

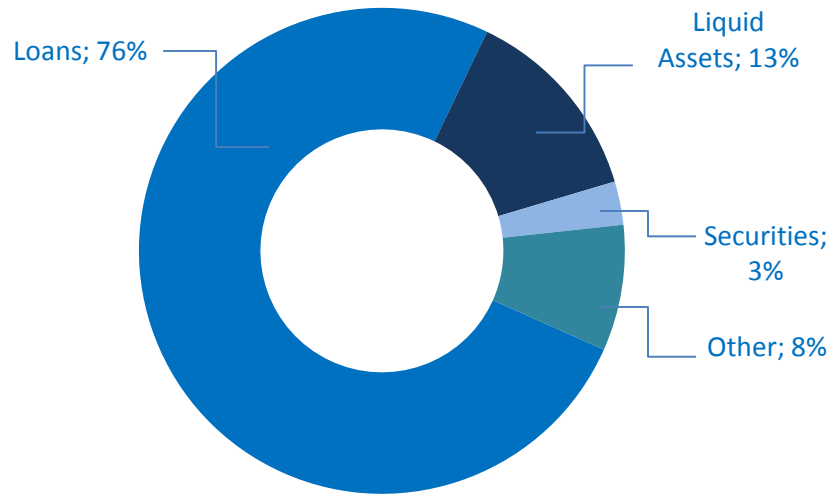
Balance Sheet Ratios

	2016	2017	2018
Loans / Assets	80%	81%	76%
Securities / Assets	5%	2%	3%
Loans / Deposits	146%	172%	169%
Loans / Deposits²	110%	121%	109%

(1) Factoring and Leasing Receivables Included

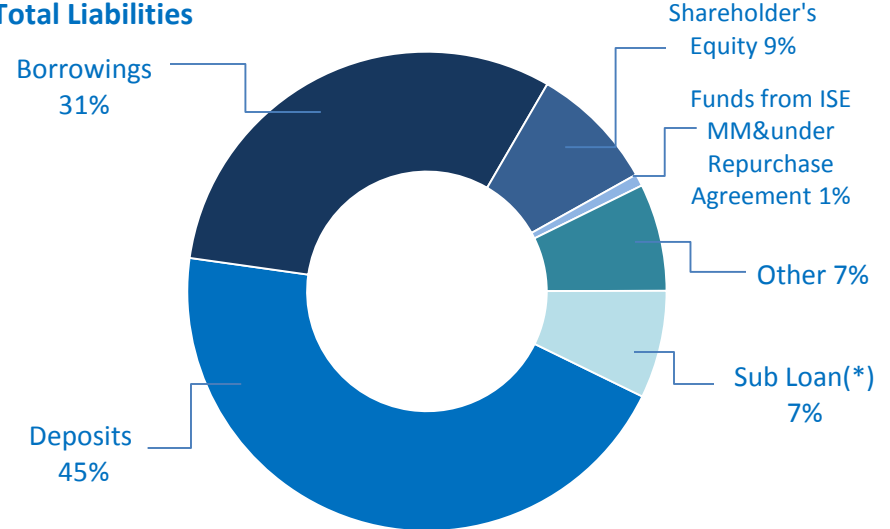
(2) Burgan Group borrowings included

Total Assets



(*) Burgan Group funding

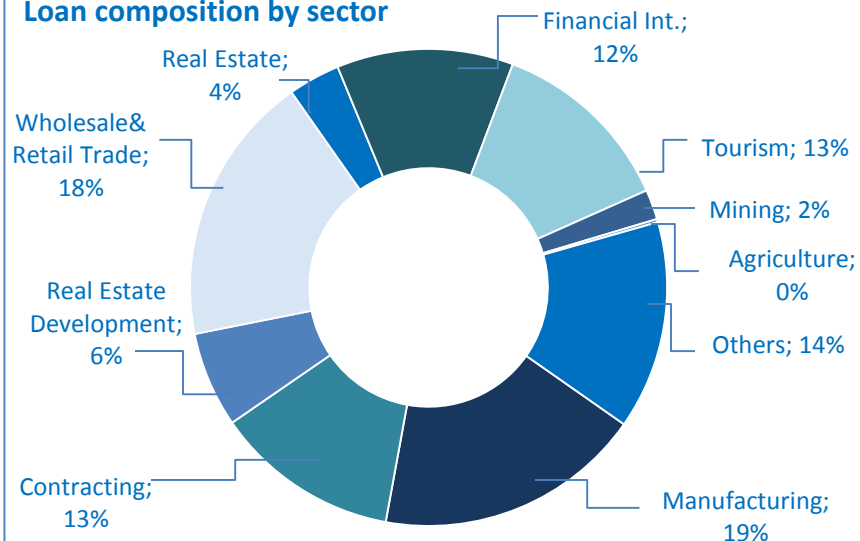
Total Liabilities



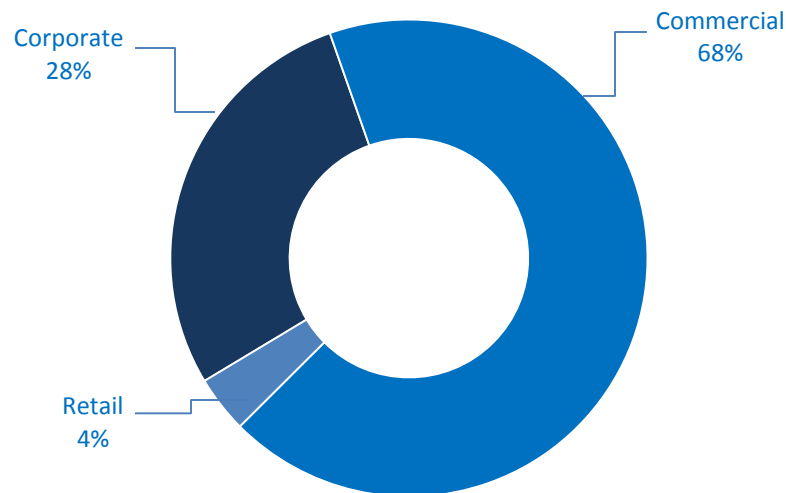
Loan Growth

Commercial and Corporate Loans – the biggest contributor

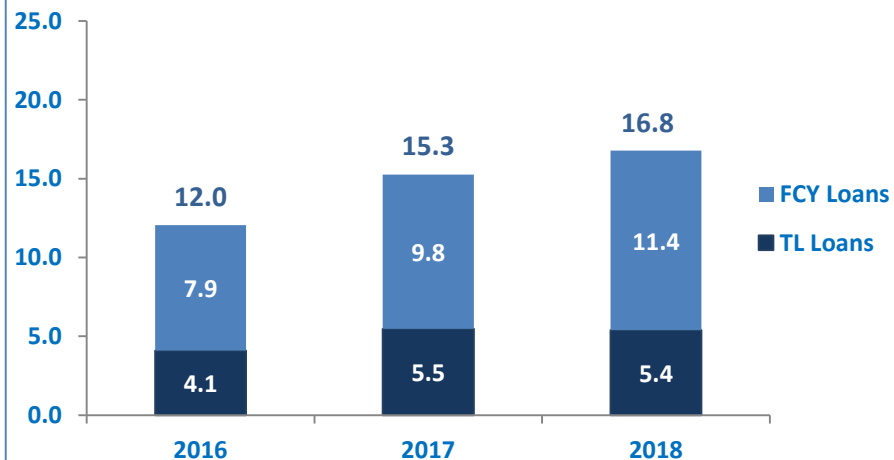
Loan composition by sector



Loan composition by customer segment



Loan Growth(billion TRY)



➤ Standart Loan balance including leasing receivables has increased by 10% compared to 2017 and reached to TL 16,614 mn.

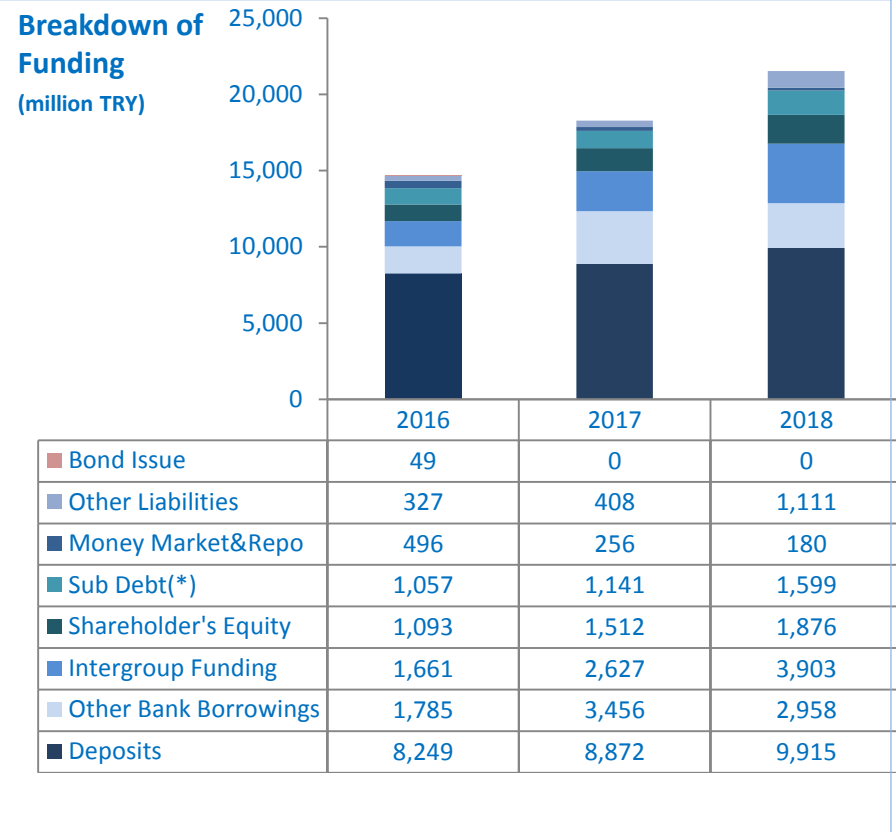
	Growth	Fx adjusted Growth
Corporate	21%	-5%
Commercial	2%	-18%
Retail	13%	13%
Total	10%	-11%

Solid Funding Base with strong support from Parent

Funding structure (million TRY)

	2016	2017	2018	YoY
Deposits	8,249	8,872	9,915	11.8%
Borrowings	3,446	6,083	6,861	12.8%
Intergroup Funding	1,661	2,627	3,903	48.6%
Syndication	519	782	-	-100.0%
Oth. Bank Borrowings	1,193	2,559	2,885	12.7%
Eximbank	73	115	72	-37.0%
Sub Debt(*)	1,057	1,141	1,599	40.2%
Money Market&Repo	496	256	180	-29.7%
Bond Issue	49	-	-	-100.0%
Other Liabilities	327	408	1,111	172.4%
Shareholder's Equity	1,093	1,512	1,876	24.0%

Breakdown of Funding (million TRY)

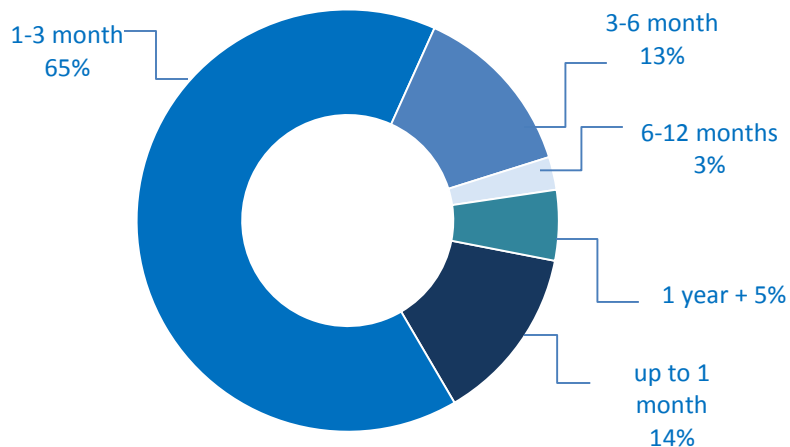


- Commitment of Burgan Bank K.P.S.C. continues with a balance of **1,042mioUSD** in intergroup funding including sub-debt.
- Third party funding sources continued to increase through strong cooperation with Correspondent Banks.

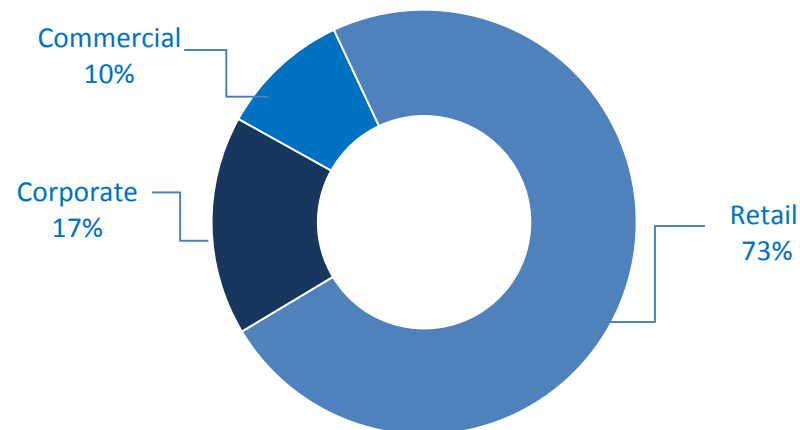
(*) Burgan group

Deposits are the Main Funding Source

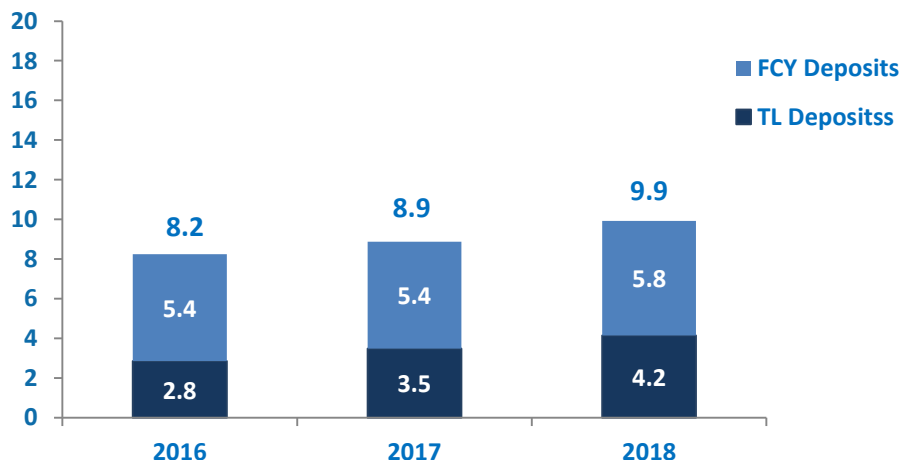
Deposit composition by maturity



Deposit composition by customer segment



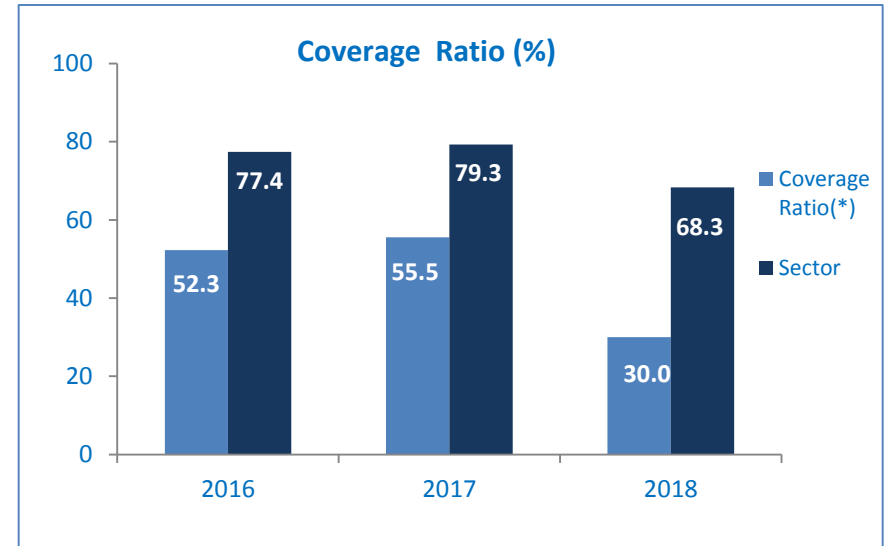
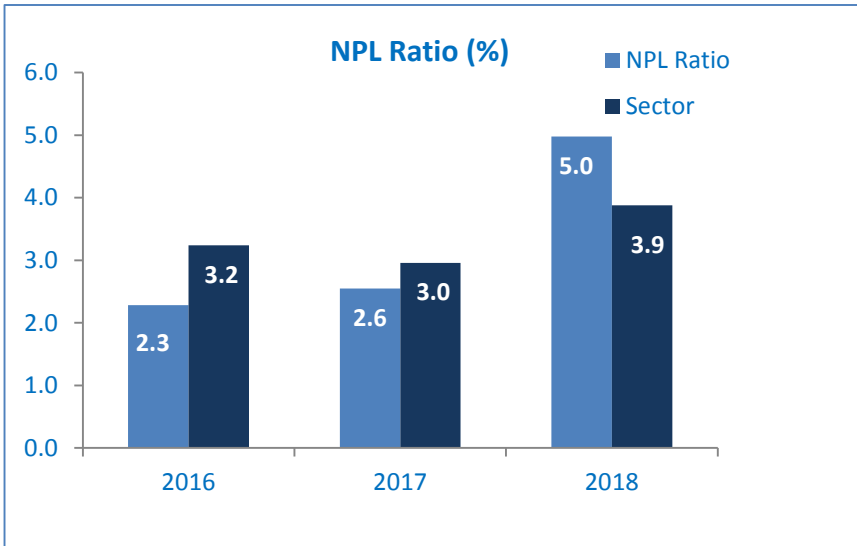
Deposit Growth(billion TRY)



- **Total Deposits** increased by **11.8%** (fx adjusted -8.2%) compared to Q42017 whilst the sector average was 18.9%(fx adjusted 2.5%).
- **Retail deposits** continue to be the major contributor in the deposit composition. Share of retail deposit increase to 65% from 73%.
- The Total of Top 20 deposits receives a share of **21%** (2017-26%)out of Total Deposits.

Asset Quality

NPL ratio



	2016	2017	2018
Gross Loans (million TRY)	12,187	15,478	17,485
NPL's (million TRY)	278	395	871
NPL Ratio	2.3%	2.6%	5.0%
NPL coverage (*)	52.3%	55.5%	30.0%

- Asset quality remains sound with NPL ratio of **5.0%**.
- Provisioning is in line with BRSA rules and regulations.
- Coverage ratio is below sector average due to the collateral structure of the Loan portfolio.
- In December 2018, the Bank has sold a portion of its non-performing loans (TL 250 mn) to an asset management company.

(*) Excluding general provisions

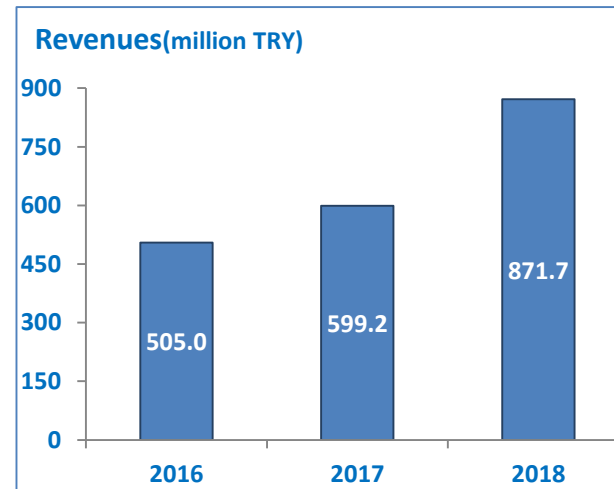
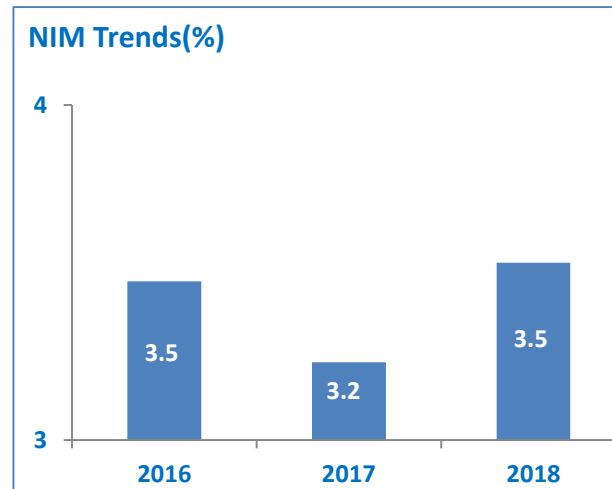
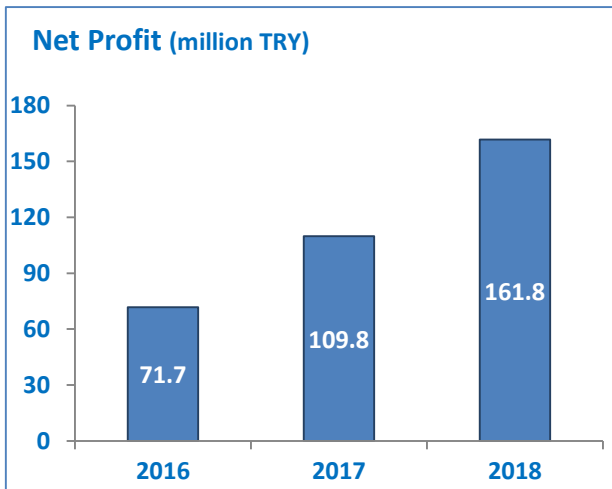
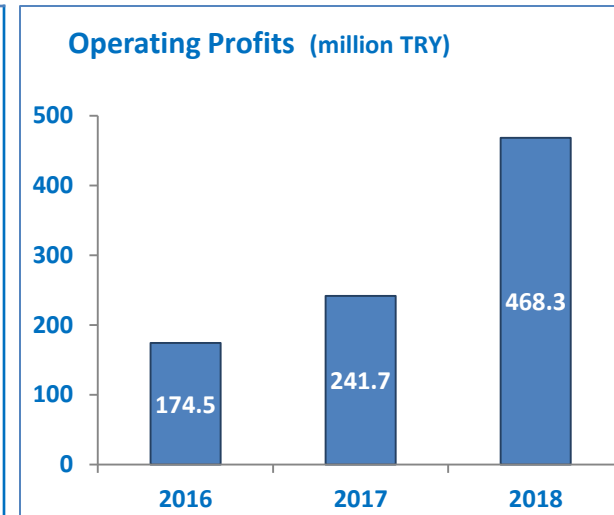
Strong Capitalization

	2016	2017	2018
Shareholder's Equity (million TRY)	1,093	1,512	1,876
Capital Base Inc. Sub-Debt (million TRY)	2,148	2,645	3,516
CAR Ratio (%)	15.8	17.3	18.5
Tier 1 Ratio (%)	7.4	9.2	9.9

- CAR and Tier 1 ratios consistently well above minimum requirements of 12% and 7.875%, 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)	2016	2017	2018	YTD
Total Interest Income	1,246.5	1,573.4	2,547.7	61.9%
Total Interest Expense	826.3	1,061.5	1,817.9	71.3%
Net Interest Income	420.2	511.9	729.8	42.6%
Total Revenues	505.0	599.2	871.7	45.5%
Total Operating Expenses	330.5	357.4	403.5	12.9%
Operating Income	174.5	241.7	468.3	93.7%
Provision	76.7	93.5	259.2	177.2%
Net Profit	71.7	109.8	161.8	47.3%



➤ The bank's cost to income ratio decreased to **46.3%** as of December 2018 from 59.7% as of December 2017.

Growth

- Continue lending activity on selective base;
 - Focusing on collateralized loans
 - Decreasing concentration and increasing spreads
 - Retail loans and deposits will increase through new alternative channels & digital banking

Profitability

- Focus on NIM
- Aim to keep cost of credit at current level
- Focus on efficiency
- Increase cross sale (insurance, treasury sales etc.) to optimize RWA consumption

Human Capital

- Invest in human capital through EVP programme
- Emphasis on corporate culture and values
- Investment in management trainee program

Funding

- Continue efforts to diversify funding base
- Enhance the funding lines with counter parties
- Decreased concentration risk by launching digital channels(e-deposit)

Contact Details

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Thank you

