



Burgan Bank A.Ş. Turkey (BBT)

**December 2019 Presentation
(BRSA Consolidated)**

Operating Environment

Macro Economic Outlook - Turkey

Ratings	Fitch	Moody's	S&P
Long Term FC Rating	BB-	B1	B+
Outlook	Stable	Negative	Stable

Key Indicators	2019	2020F(*)	2021F(*)
Nominal GDP (USD bn)	754	800	825
Population (mn, mid-year)	82.6	83.4	84.4
GDP per capita (USD)	9,127	9,500	9,600
Real GDP (% change)	0.9	3.0	3.5
CPI Inflation (year-end)	11.8	9.8	9.5
Cen. Gov. Budget Bal./ GDP	-2.9	-3.5	-2.5
Gov. Debt / GDP	33.0	33.5	33.2
Current Account Bal. / GDP	0.2	-1.5	-2.5
Forex Reserves (USD bn)	106.3	110.0	120.0
Trade Balance (USD bn)	-31.1	-37.0	-49.0
Export (USD bn)	171.6	178.0	185.0
Imports (USD bn)	202.7	215.0	234.0

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

Monetary easing cycle, supportive fiscal stance and the recent credit expansion have triggered a gradual recovery in economic activity in the second half of 2019, to be followed by a moderate growth in 2020. Turkish GDP grew by 6% yoy in the 4th quarter of last year, resulting an annual GDP growth of 0.9% in 2019. Turkish economy is expected to grow by around 3% in 2020.

Inflation has slightly accelerated to 12.4% in February, after having decelerated to 11.8% by end-2019. The CBT foresees the annual inflation at 8.2% by end-2020 versus market consensus of 10%. In parallel to the downward trend in inflation, the CBT cut the policy rate by 1325bps to 10.75% since July 2019.

External balances improved markedly thanks to the sharp decline in imports and strong performance of exports and tourism sector. 12-m rolling current account balance has produced US\$1.7bn surplus as of end-2019, corresponding 0.2% of GDP versus a deficit of 3.5% in 2018 and 5.5% in 2017. Given the recent revival of imports, current account balance is expected to lead a moderate deficit of 1.5% in 2020.

The central government budget deficit expanded notably in 2019, bringing 12m rolling deficit up to 2.9% of GDP by year-end. Similarly, IMF-defined primary deficit, which excludes interest payments and one-off revenues, jumped to 3.0% of GDP.

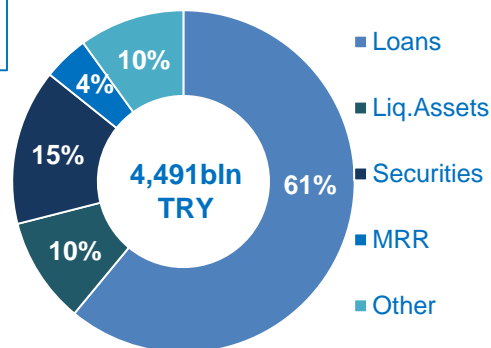
Operating Environment Turkish Banking Sector

Number of Banks: 53 (Including 6 Participation Banks)

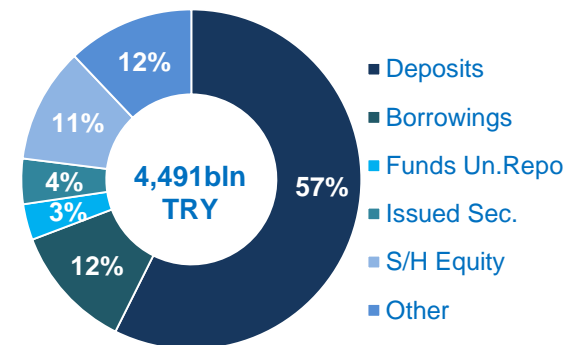
➤ Number of Depository Banks: 34

Growth (billionTRY)	2017	2018	2019	YTD
Total Assets	3,258	3,867	4,491	16.1%
Total Deposits	1,719	2,051	2,576	25.6%
Total Loans,net	2,154	2,452	2,739	11.7%
Net Profit	48.6	54.1	49.2	-9.0%

Total Assets (blnTRY)



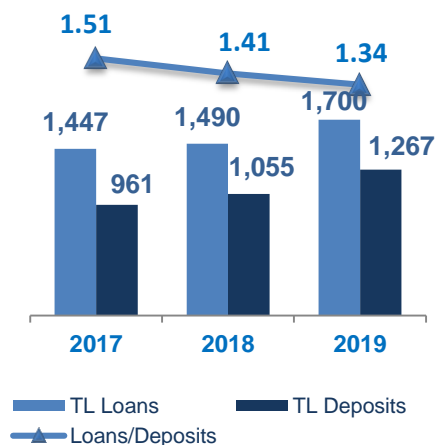
Total Liabilities



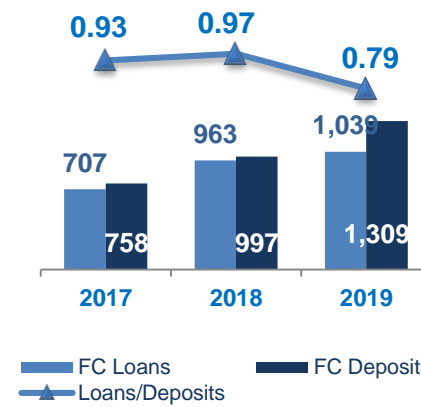
Key B/S Ratios(%)	2017	2018	2019
ROA	1.6%	1.5%	1.2%
ROE	14.8%	13.8%	10.9%
NPL	2.9%	3.8%	5.2%
CAR	16.8%	17.3%	18.4%
NIM	4.2%	4.4%	4.4%
Coverage	79.3%	68.3%	65.1%
Loan/Deposit	124.5%	120.0%	106.0%
Total Assets/GDP	104.9%	103.8%	106.3%
Total Loans/GDP	69.3%	65.8%	64.8%
Total Deposits/GDP	55.3%	55.1%	61.0%

mioTL

TL Loans & TL Deposits



FC Loans & FC Deposits



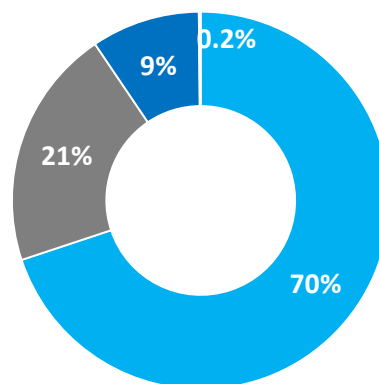
Source: BRSA

- One of the leading financial institutions with a strong presence in the MENA region as a subsidiary of KIPCO (Kuwait Projects Company)
- Listed on Kuwait Stock Exchange with a market cap of US\$ 2.633 billion⁽¹⁾
- Has a strong domestic franchise with 14.6% market share of assets amongst Kuwait Conventional Banks
- International presence with its subsidiary/group banks in different regions:
 - Turkey – Burgan Bank A.S.
 - Algeria – Algeria Gulf Bank
 - Iraq – Bank of Baghdad⁽²⁾
 - Tunis – Tunis International Bank

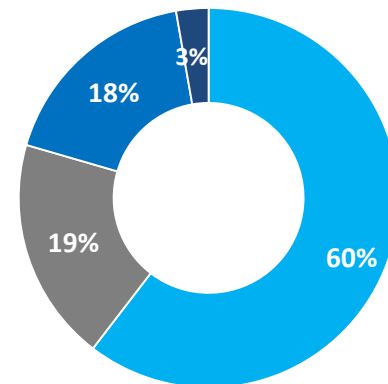
Ratings ⁽³⁾	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	FY 2019
Revenue in US\$ million	818.8
Net Profit in US\$ million ⁽⁴⁾	242.1
Cost to Income Ratio	41.2%
Gross Loans to Cust. Deposits	112.7%
Liquidity Ratio	22.7%
NPA Ratio	2.1%
NPA net of Collateral Ratio	0.4%
ROE ⁽⁴⁾⁽⁵⁾	9.8%

Loans by Operations⁽²⁾



Revenues by Operations



■ Kuwait ■ Turkey ■ Algeria ■ Tunisia

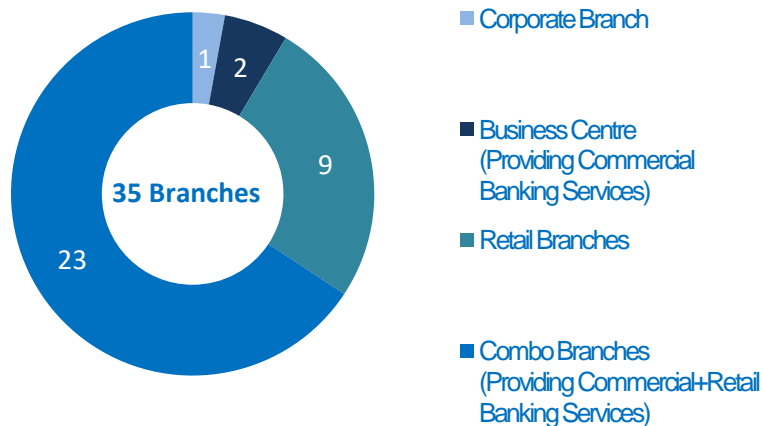
- International operations contributing 30% in Loans and 40% in Revenues
- Burgan Bank, Turkey is ranked as the biggest contributor among Burgan Subsidiary Banks in loans share as well as revenue generation

(1) Closing market capitalization on 31/12/2019 in Boursa Kuwait,
 (2) Burgan Bank Group decided to sell its entire equity interest of 51.8% in Bank of Baghdad and classifies the exposure as “assets held for sale” on 31 Dec 2019.
 (3) Ratings as of 31st Dec 2019; In March 2020, S&P downgraded Sovereign ratings of Kuwait by one notch to AA- & Moody's has put its rating under view for a potential downgrade
 (4) Net Income attributed to equity holders and after AT1 cost
 (5) Open equity methodology

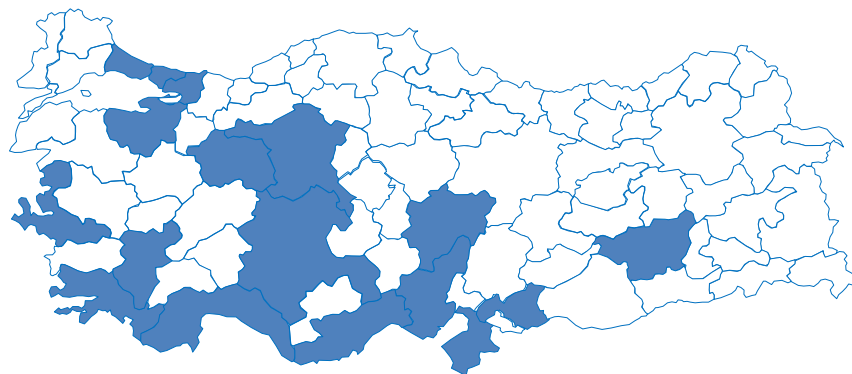
Burgan Bank A.Ş. At a Glance

- 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 (12.11.2019)**
Long Term Global Foreign Currency : **B+**
Outlook : **Stable**

Segment-wise Branch Distribution



- 35 Branches across 14 cities where 78% of loans&deposits of the whole sector are held.



2019 Achievements

Growth

- YTD total asset size decreased by 2.2%. (banking sector ; increased by 16.1%)
- YTD the loan book decreased by 5.2%. (banking sector ; increased by 11.7%)

Asset Quality

- NPL ratio increased in line with the sector to 7.1% as of December 2019. Banking sector NPL ratio increased to 5.2% and foreign private deposit banks' NPL ratio increased to 7.0% at the same period.

Funding

- Diversification of funding sources continued;
 - **USD 149mn** new funding generation from the international markets
- Sound customer deposit base, deposits account for 52.9% of total liabilities

Capital

- Well positioned Capital Base with a CAR of **18.95%** and Tier 1 Ratio of **10.34%** (all sub-debt from parent)

Profitability

- Net profit reached to 138.6 mio TL

Others

- Continuous investment in Human Capital and Technology;
 - New internet and mobile banking application have been launched
 - Employee Value Proposition Project has been launched
 - Success in digital channel customer acquisition

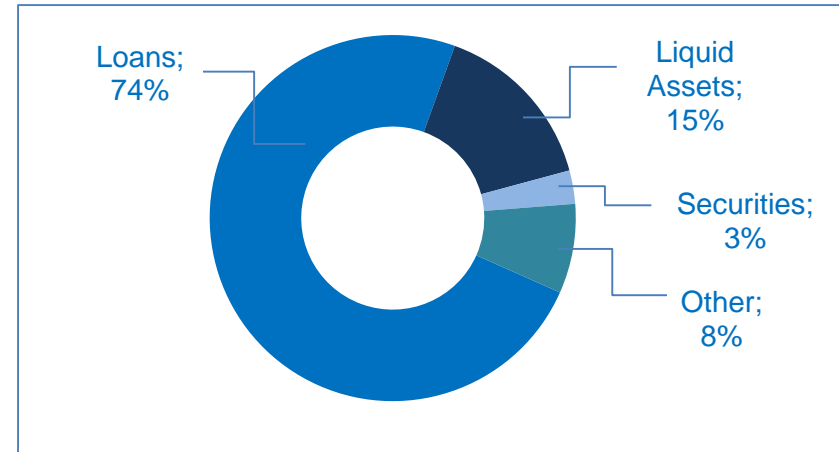
Performance Trends

Balance Sheet Growth

Balance Sheet (million TRY)

	2017	2018	2019	YTD
Total Assets	18,755	22,029	21,547	-2.2%
Loans(*)	15,259	16,789	15,911	-5.2%
Securities	453	643	636	-1.1%
Deposits	8,872	9,915	11,406	15.0%
Borrowings	6,083	6,861	5,050	-26.4%
Subordinated Loan(***)	1,141	1,599	1,798	12.4%
Shareholders' Equity	1,512	1,876	1,919	2.3%

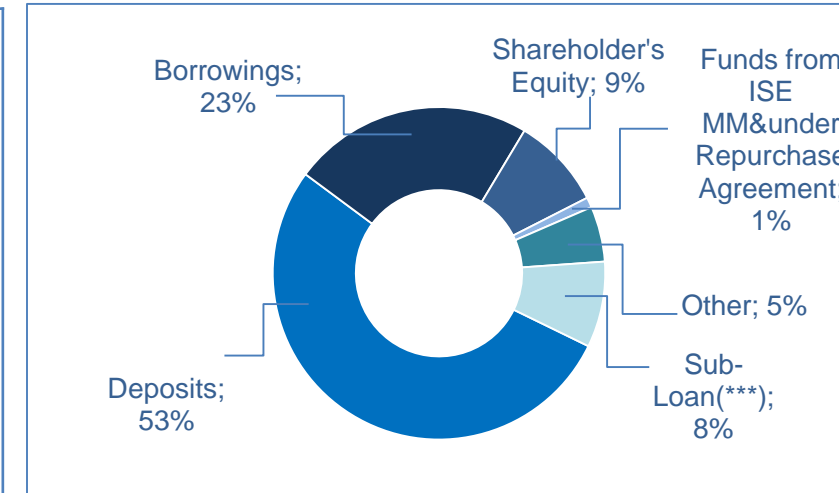
Total Assets – 31.12.2019



Balance Sheet Ratios

	2017	2018	2019
Loans / Assets	81%	76%	71%
Securities / Assets	2%	3%	3%
Loans / Deposits	172%	169%	140%
Loans / Deposits (Bank only)	149%	140%	113%
Loans / Deposits(**)	111%	109%	96%
ROE-with opening equity	10%	11%	7%

Total Liabilities – 31.12.2019



(*)Factoring and Leasing Receivables Included

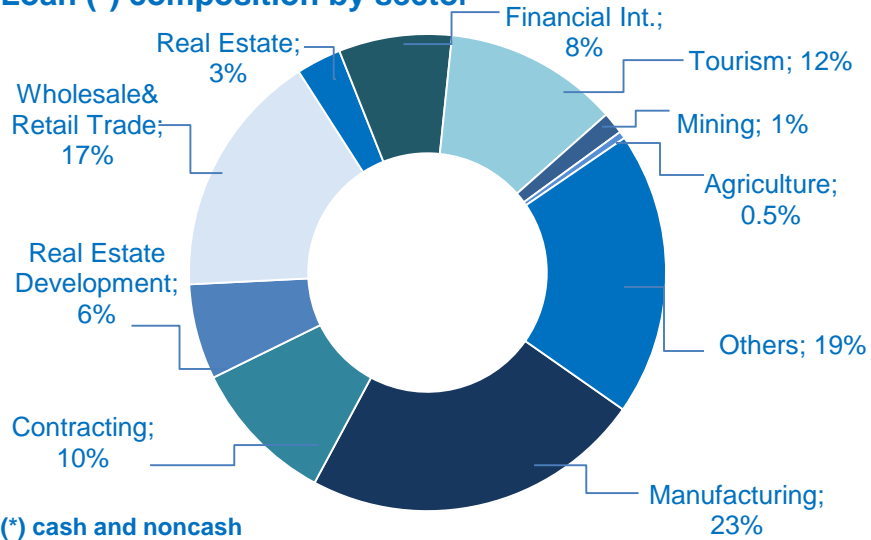
(**)Burgan Group borrowings and sub-loan included

(***)Burgan Group funding

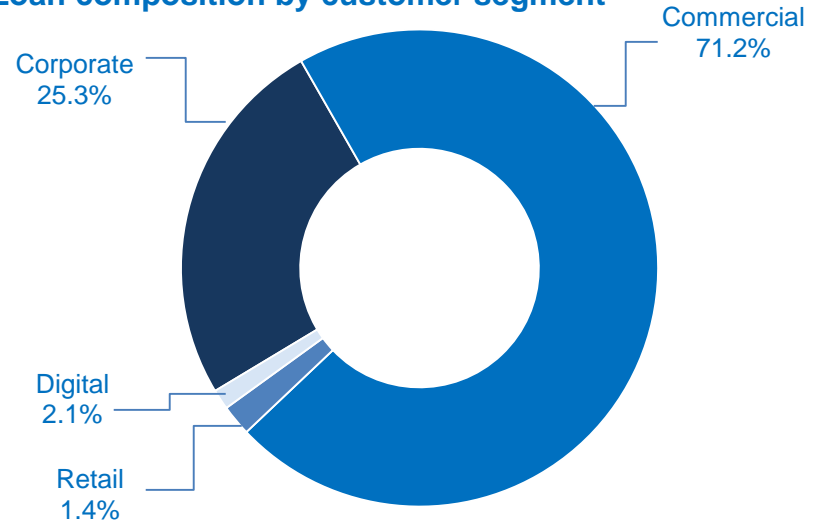
Loan Growth

Commercial and Corporate Loans – the biggest contributor

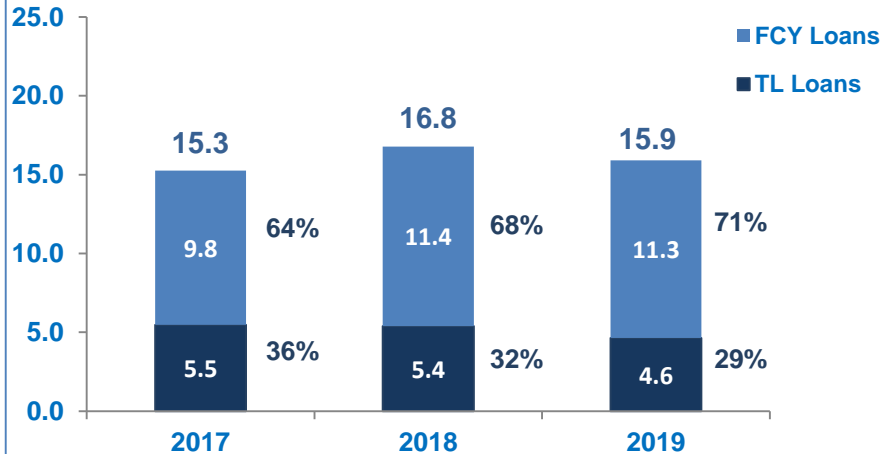
Loan (*) composition by sector



Loan composition by customer segment



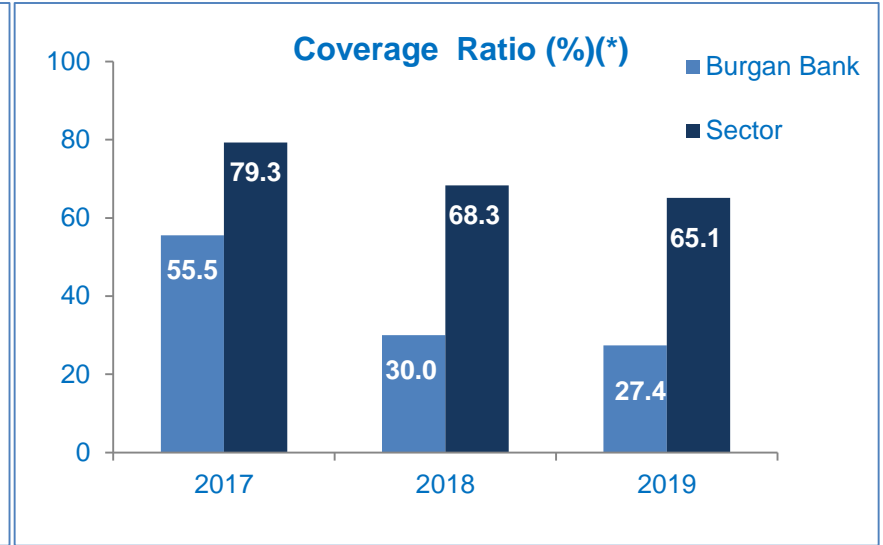
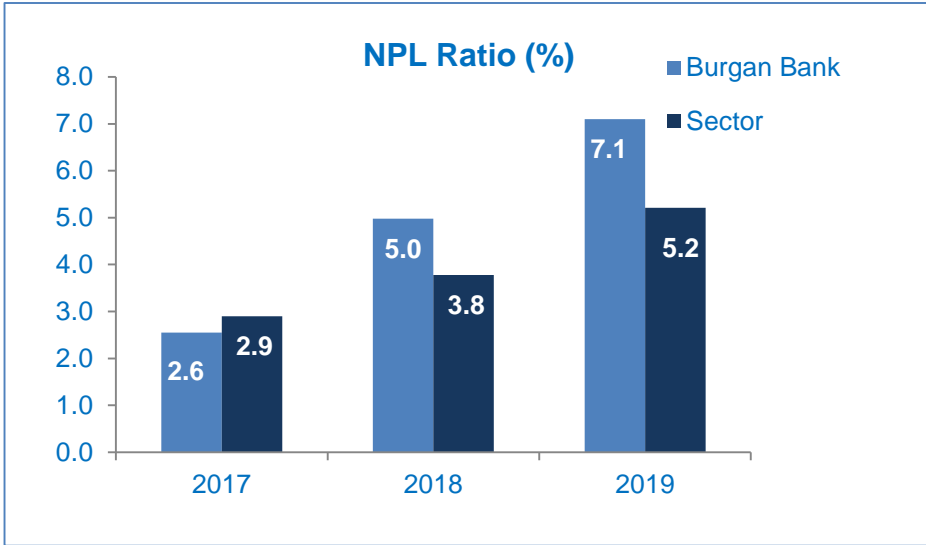
Loan Growth (billion TRY)



Performing Loans (Billion TRY)	2017	2018	2019	YTD
Sector	2,141	2,461	2,731	11.0%
State Deposit Banks	683	844	1,006	19.2%
Private Local Deposit Banks	727	764	801	4.9%
Foreign Deposit Banks	496	537	568	5.8%
Dev. & Inv. Banks	133	196	214	9.2%
Participation Banks	102	120	142	18.4%
Burgan Bank	15	17	16	-6.0%

Asset Quality

NPL ratio



	2017	2018	2019
Gross Loans (million TRY)	15,478	17,485	16,807
NPL's (million TRY)	395	871	1,193
NPL Ratio	2.6%	5.0%	7.1%
NPL coverage (*)	55.5%	30.0%	27.4%
Total coverage (**)	82.8%	79.9%	75.1%

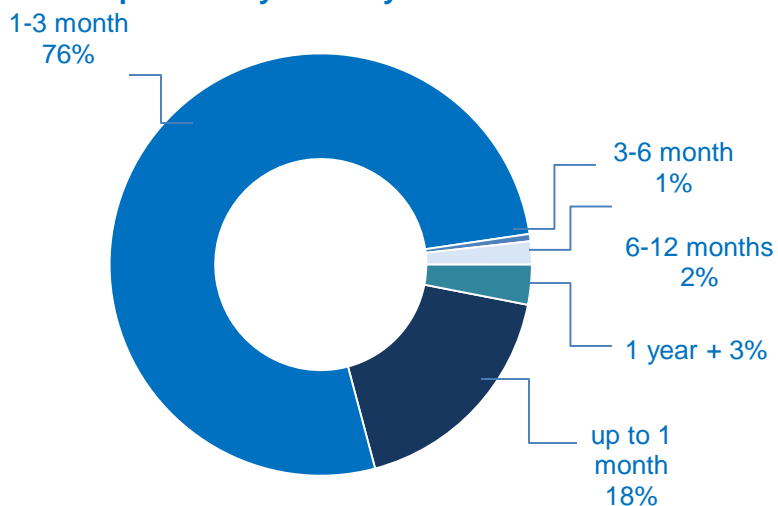
- Asset quality remains sound with NPL ratio of **7.1%**.
- Provisioning is in line with BRSA rules and regulations.
- Coverage ratio is below sector average due to the collateral structure of the Loan portfolio.
- In December 2019, the Bank has sold a portion of its non-performing loans (TL 68 mn) to an asset management company.
- BBT has written off NPLs amounting to TL 110 mn in 2019.

(*) Including stage3 provisions

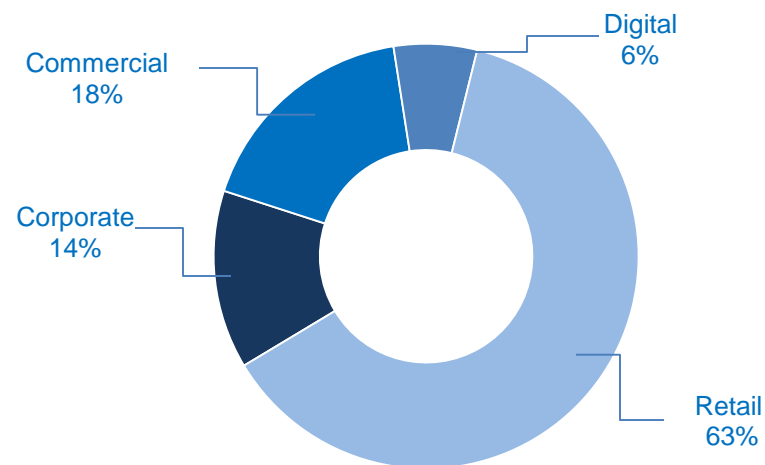
(**) Including stage1 and stage2 provisions

Deposits are the Main Funding Source

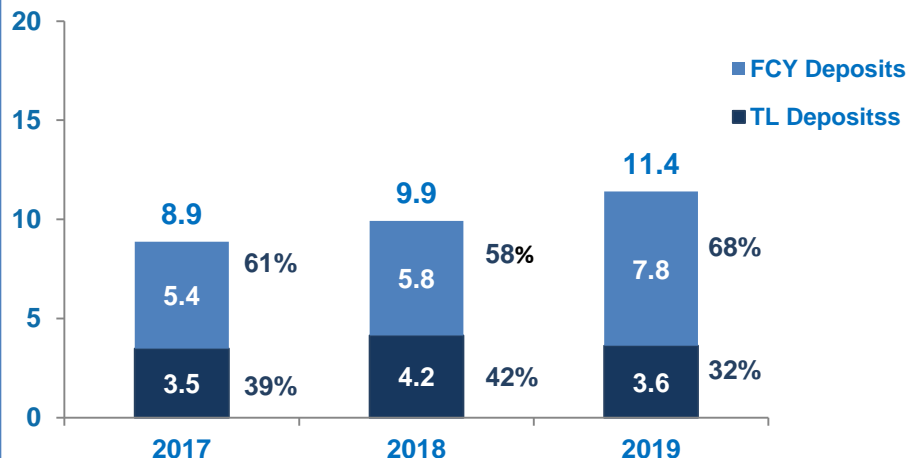
Deposit composition by maturity



Deposit composition by customer segment



Deposit Growth(billion TRY)



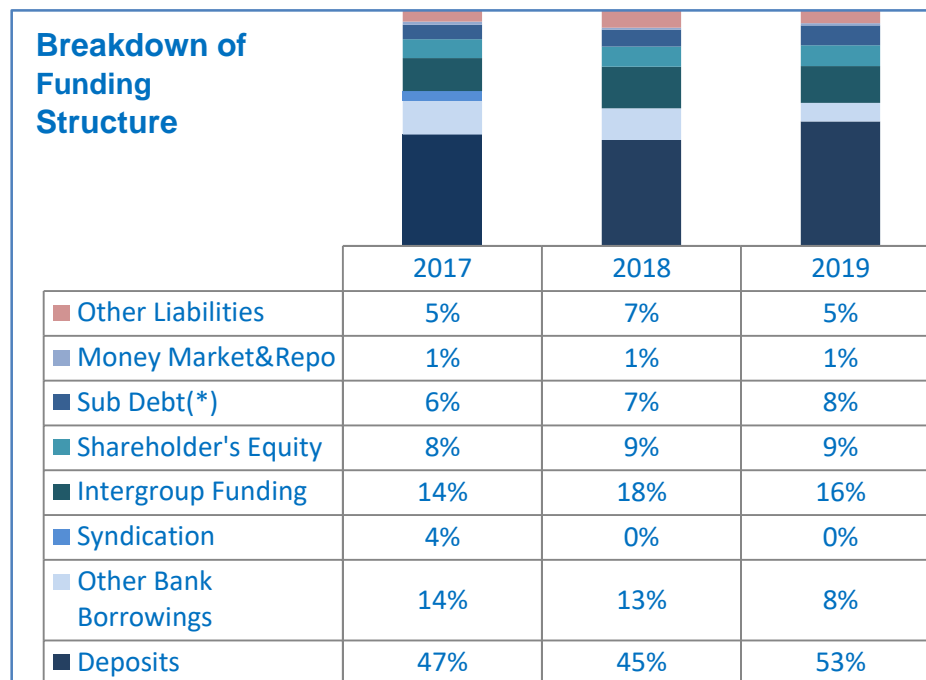
- **Retail deposits** continue to be the major contributor in the deposit composition.
- **YTD total Deposits** increased by **15.0%**(fx adjusted 4.1%) compared to 2018 whilst the sector average was 25.6%(fx adjusted 11.7%).
- **Digital banking deposits** contribution has been reached to 6%.
- The Total of Top 20 deposits receives a share of **19%** (2018-21%, 2017-26%) out of Total Deposits.

Solid Funding Base with strong support from Parent

Funding structure (million TRY)

	2017	2018	2019	YTD
Deposits	8,872	9,915	11,406	15.0%
Borrowings	6,083	6,861	5,050	-26.4%
Intergroup Funding	2,627	3,903	3,374	-13.5%
Other Bank Borrowings	2,559	2,886	1,628	-43.6%
Syndication	782	-	-	0%
Eximbank	115	72	48	-33.8%
Sub Debt(*)	1,141	1,599	1,798	12.4%
Money Market&Repo	256	180	212	17.4%
Other Liabilities	891	1,598	1,162	-27.2%
Shareholder's Equity	1,512	1,876	1,919	2.3%

Breakdown of Funding Structure

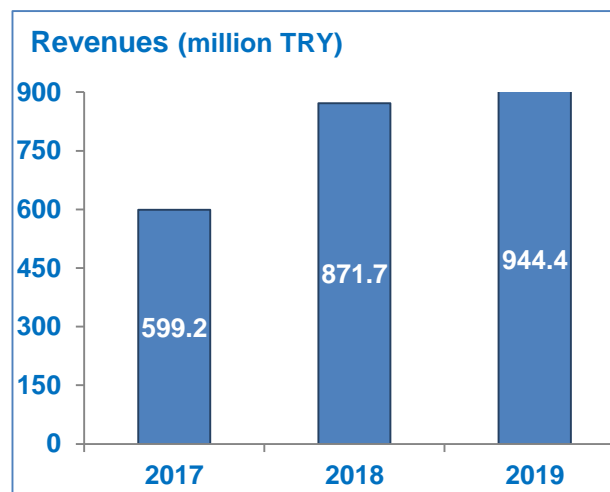
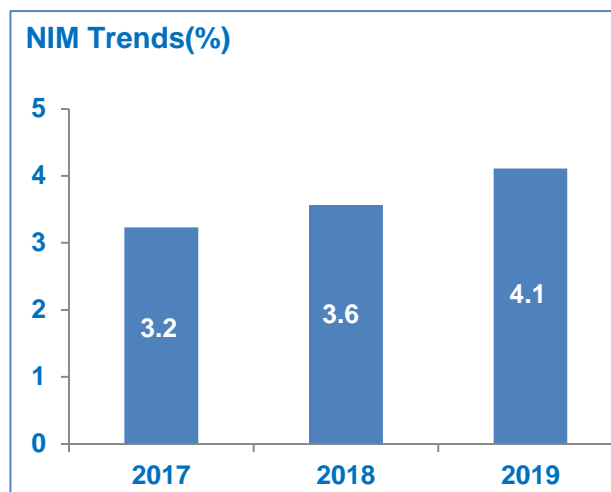
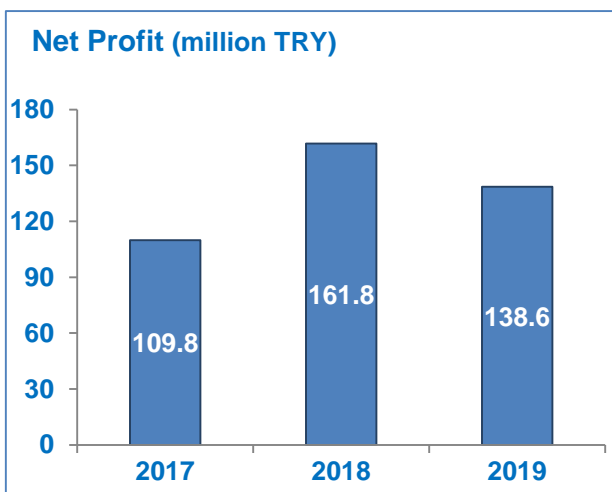
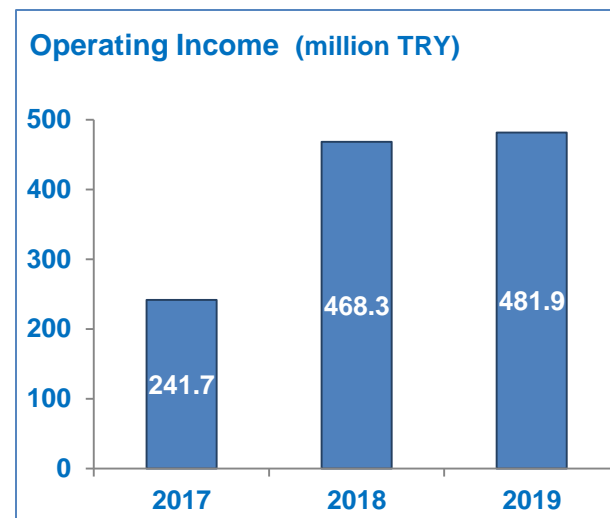


- Burgan Bank K.P.S.C. continues to support with a balance of **871 mio USD** in intergroup funding including sub-debt.

(*) Burgan group

Progress in Earnings

(million TRY)	2017	2018	2019	YTD
Total Interest Income	1,573	2,548	2,413	-5.3%
Total Interest Expense	1,061	1,818	1,600	-12.0%
Net Interest Income	512	730	813	11.3%
Total Revenues	599	872	944	8.3%
Total Operating Expenses	357	403	462	14.6%
Operating Income	242	468	482	2.9%
Provision	94	259	308	18.7%
Net Profit	110	162	139	-14.3%



➤ The bank's cost to income ratio increased to **49.0%** as of December 2019 from **46.2%** as of December 2018.

Strong Capitalization

	2017	2018	2019
Shareholder's Equity (million TRY)	1,512	1,876	1,919
Capital Base Inc. Sub-Debt (million TRY)	2,645	3,516	3,622
CAR Ratio (%)	17.3	18.5	18.9
Tier 1 Ratio (%)	8.2	9.9	10.3

- CAR and Tier 1 ratios consistently well above minimum requirements of 12% and 8.5%, respectively.
- Shareholder supported the Bank and injected TRY 300 million equity in 2018.

Outlook for 2019

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
- 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 programme

Funding

- Continue efforts to diversify funding base
- Enhance the funding lines with counter parties
- Focus on digital banking for a well-diversified customer base

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Thank you

