



Burgan Bank A.Ş. Turkey (BBT)

**June 2016 Presentation
(BRSA Consolidated)**

Burgan Bank Group

Kuwait – Turkey – Iraq – Algeria – Tunisia - Malta

Operating Environment

Macro Economic Outlook - Turkey

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

Key Indicators	2014	2015F	2016F(*)
Nominal GDP (USD bln)	799.4	720.0	734.0
Population (mil)	77.7	78.7	79.8
GDP per capita (USD)	10,395	9,261	9,250
Real GDP (% change)	3.0%	4.0%	3.2%
CPI (Inflation)	8.2%	8.8%	8.3%
Gov. Debt (USD bln)	267	237	240
Gov. Debt / GDP	33.5%	32.9%	33.0%
Current Account Bal. / GDP	-5.8%	-4.5%	-4.5%
Forex Reserves (USD bln)	126	113	125
Trade Balance (USD bln)	-85	-63	-58
Export (USD bln)	158	144	142
Imports (USD bln)	242	207	200

(*) Source: Burgan Securities Macroeconomic Research

Recent Developments

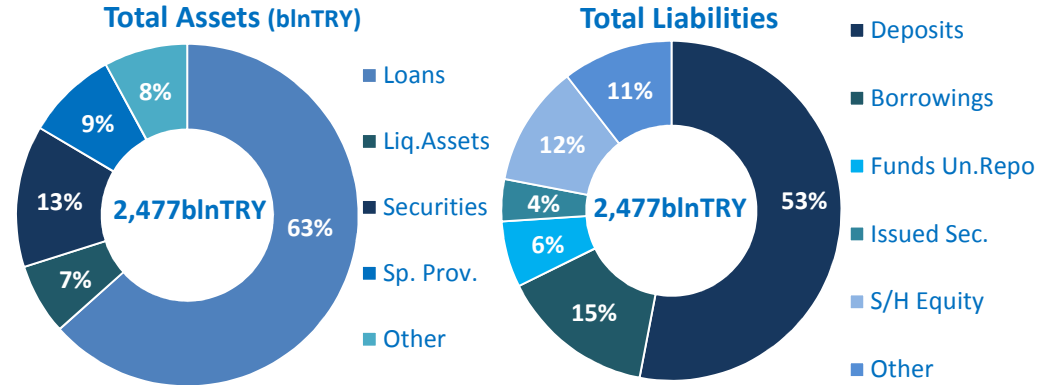
Following robust growth in 1Q16, leading indicators portend a slowdown in economic activity as of 2Q, which is expected to be more pronounced in 3Q. We still forecast 3.2% GDP growth for 2016, driven mainly by private demand, on the back of the latest fiscal stimulus and an accommodative monetary policy. Headline inflation hovers at around 8% as of August, while core inflation has been decelerating gradually towards 8.4%. C/A deficit receded to 4.0% of the GDP as of 2Q16, driven mainly by lower energy imports, while contraction in tourism sector has adverse implications for external balances. Exports tend to recover gradually, thanks to the upward trend in exports to the EU. Fiscal performance fares better than year-end targets as of July; yet, fiscal balances are expected to deteriorate slightly in the remainder of the year, driven by expansionary policies. All rating agencies have either downgraded the sovereign rating or outlook, or placed Turkey on watch for a downgrade in the aftermath of recent domestic developments. Hence, Turkey faces the risk of losing at least one of its investment grade ratings in the coming days: whether this does turn out to be the case will hinge largely on the performance of policy making institutions and business climate, as well as the country's growth prospects

Operating Environment Turkish Banking Sector

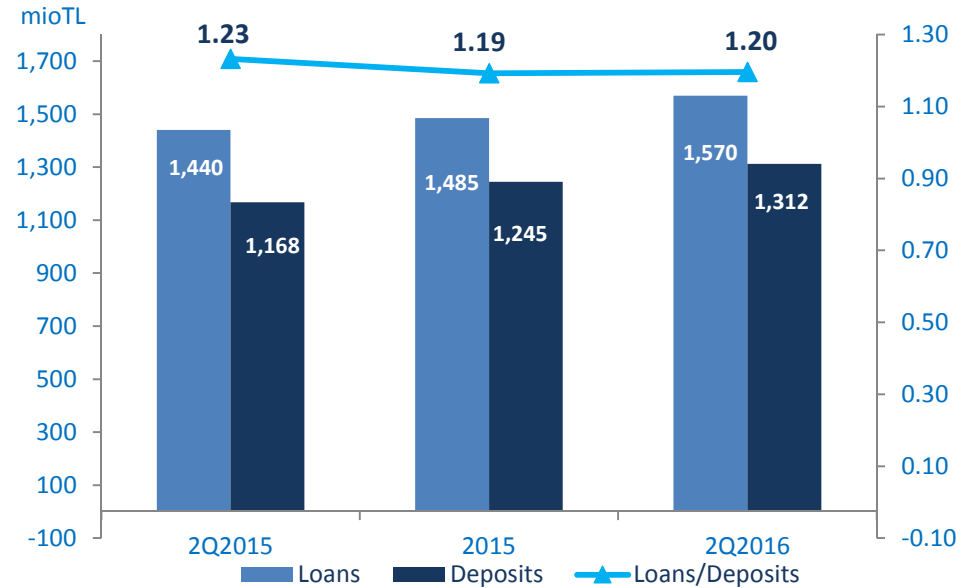
Number of Banks: 53

➤ Number of Depository Banks: 34

Growth (billionTRY)	2Q2015	2015	2Q2016	YtD	YoY
Total Assets	2,223	2,357	2,477	5.1%	11.4%
Total Deposits	1,168	1,245	1,312	5.4%	12.3%
Total Loans	1,440	1,485	1,570	4.9%	9.0%
Net Profit	13.6	26.0	19.0	46.4%	39.9%



Key B/S Ratios(%)	2Q2015	2015	2Q2016
ROA	1.3	1.2	1.6
ROE	11.9	11.3	14.4
NPL	2.9	3.1	3.3
CAR	15.4	15.6	15.8
NIM	3.5	3.5	3.5
Coverage	74.5	74.6	76.2
Loan/Deposit	123.3	119.3	120.7
Total Assets/GDP	120.0	122.3	122.1
Total Loans/GDP	76.1	77.7	78.0
Total Deposits/GDP	63.1	64.6	64.7



Source: BRSA

Burgan Bank K.P.S.C.

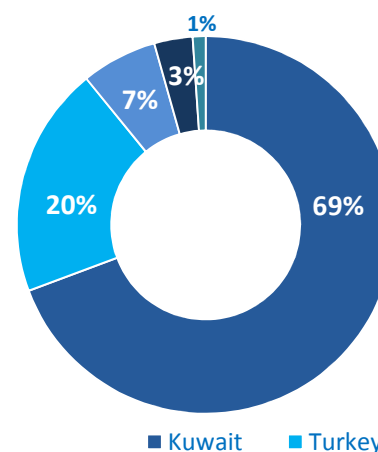
Sound and Consistent Financial Performance

- 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 2.7 bn \$
- Has a strong domestic franchise with 15% market share of assets in Kuwait
- International presence with its subsidiary/group banks in different regions:
 - Turkey – Burgan Bank A.S.
 - Algeria – Gulf Bank Algeria
 - Iraq – Bank of Baghdad
 - Jordan – Jordan Kuwait Bank⁽¹⁾
 - Malta – Fimbank / LFC
 - Tunis – Tunis International Bank

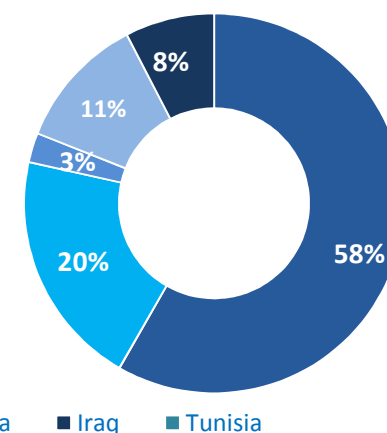
Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	2Q2016
Revenue Growth (YoY)	3.8%
Operating Profit Growth (YoY)	6.1%
Cost to Income Ratio	47.5%
Loans to Cust. Deposits	106.3%
Liquidity Ratio	27.9%
NPA Ratio	3.5%
NPA net of Collateral Ratio	1.0%
ROE	14.0%

Loan+Deposit by Operations



Revenues by Operations



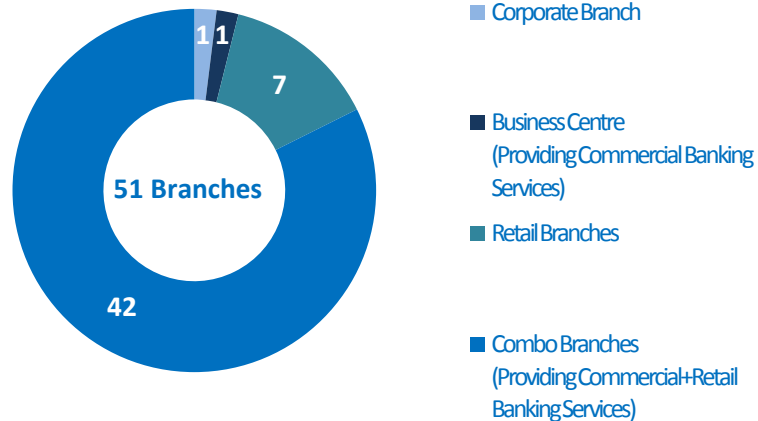
- International operations contributing 31% in Loans + Deposits and 42% in Revenues
- Burgan Bank, Turkey is ranked as the biggest contributor among Burgan Subsidiary Banks in Loans + Deposit share as well as revenue generation

⁽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 SAK to support growth in its core markets without raising additional capital .

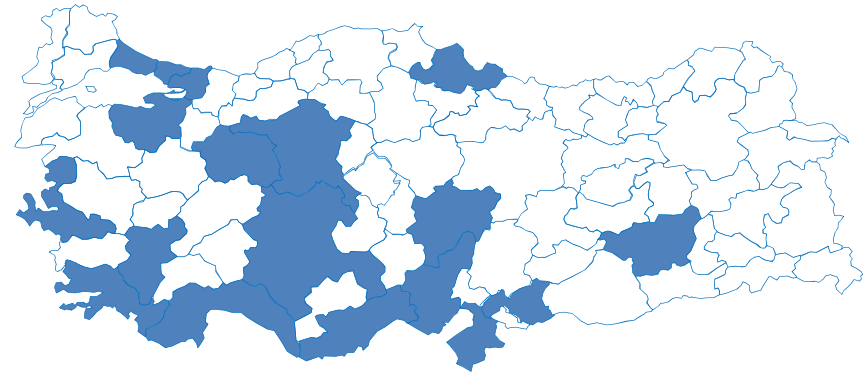
Burgan Bank A.Ş. At a Glance

- 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 (25.08.2016)**
Long Term Global Local Currency : **BBB**
Outlook : **Negative**
 - **Moody's (03.08.2016)**
Long Term : **Ba3**
Outlook : **Rating Under Review**

Segment-wise Branch Distribution



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



Burgan Bank A.Ş.

2Q2016 Achievements

Growth

- Total asset size increased by **25.4%** above the system growth of 11.4%
- The loan book grew by **20.3%** y-o-y which is well above the system growth of 9%
- Customer deposit volumes are up **29.6%** y-o-y. Banking sector growth is 12.3%

Asset Quality

- The asset quality of the bank is improving with NPL ratio of **2%**, better than banking sector average of **3.3%**

Funding

- Funding sources are continued to be well diversified through;
 - **USD 139.8 mn** new loan generation from the international markets since the beginning of the year
 - **USD 60 mio** long-term funding from IFC
- Sound customer deposit base, with deposits accounting for around **55%** of total liabilities

Capital

- Well positioned Capital Base with a CAR of **16.37%** and Tier 1 Ratio of **8.24%**

Profitability

- **TL 20.1 mio** profit realized with the contribution of an increase in net interest income

Others

- Continuous investments into people, technology in several areas (especially for new business channels and risk management areas)
- Syndicated loan amounting **USD 150 mio** was signed in August 2016.

Performance Trends

Sustainable Balance Sheet Growth

Balance Sheet (million TRY)

	2Q2015	2015	2Q2016	YtD	Y/Y
Total Assets	10,435.4	11,573.1	13,087.5	13.1%	25.4%
Loans¹	8,589.1	9,195.2	10,331.9	12.4%	20.3%
Securities	272.5	679.5	559.0	-17.7%	105.1%
Deposits	5,551.2	6,611.5	7,192.3	8.8%	29.6%
Borrowings	2,649.6	2,522.2	2,911.7	15.4%	9.9%
Subordinated Loan	403.7	438.9	866.7	97.4%	114.70%
Shareholders' Equity	986.3	1,012.5	1,028.6	1.6%	4.3%

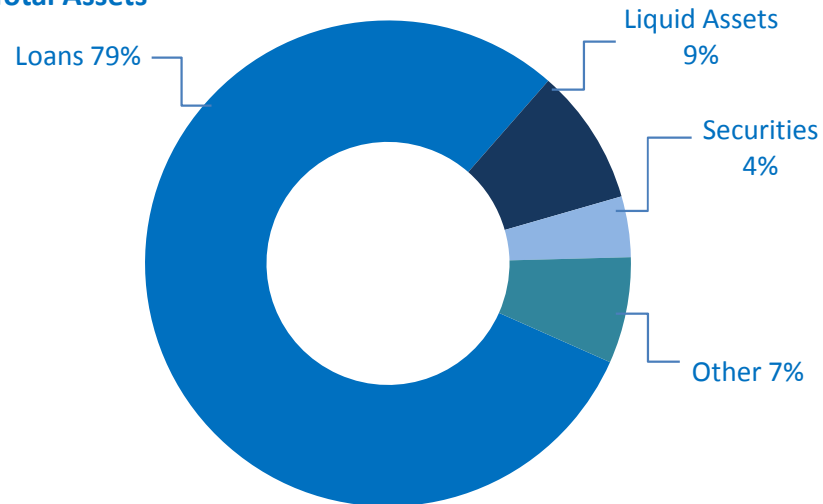
Balance Sheet Ratios

	2Q2015	2015	2Q2016
Loans / Assets	82%	79%	79%
Securities / Assets	3%	6%	4%
Loans / Deposits	155%	139%	144%
Loans / Deposits²	130%	117%	123%

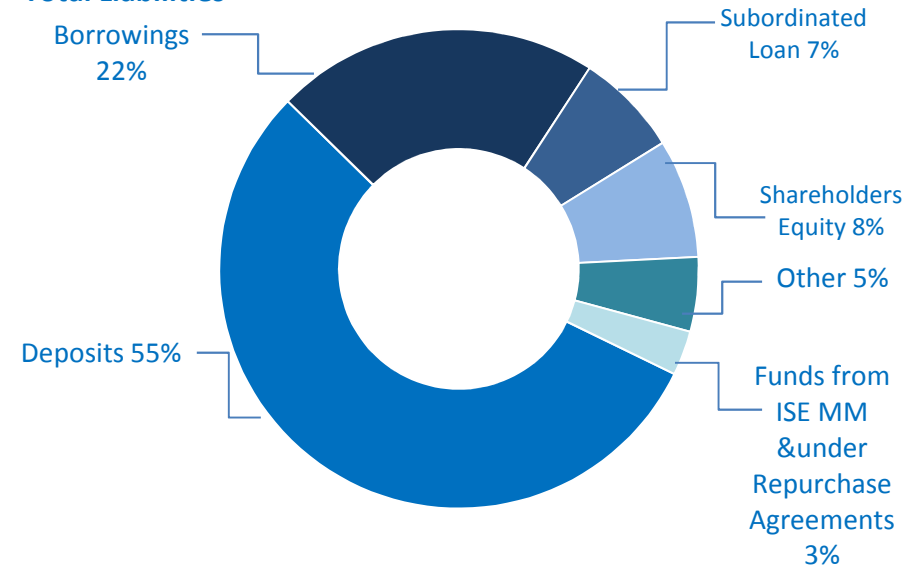
(1) Factoring and Leasing Receivables Included

(2) Sub debt and Borrowings included

Total Assets



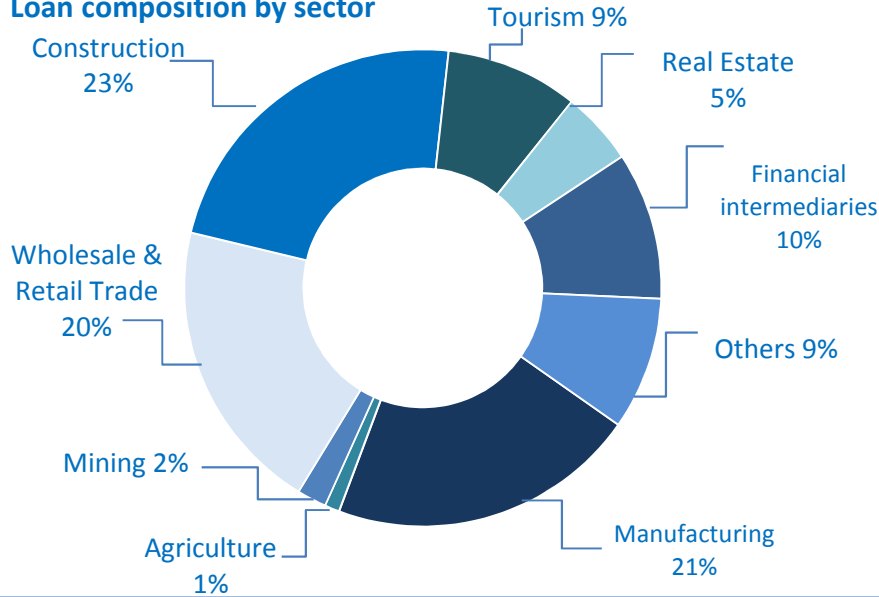
Total Liabilities



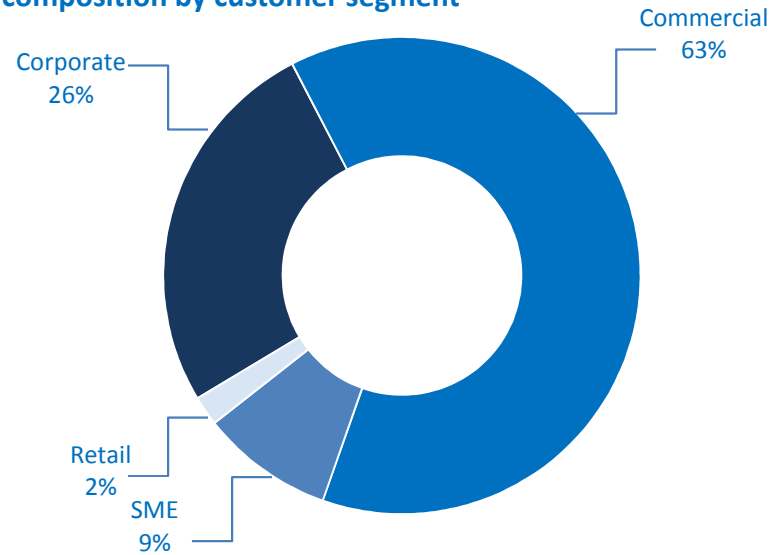
Loan Growth Above The Market Average

Commercial and Corporate Loans – the biggest contributor

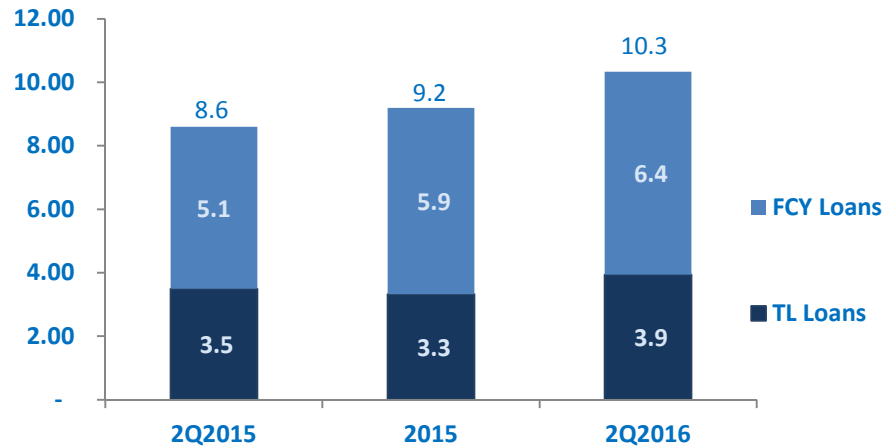
Loan composition by sector



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

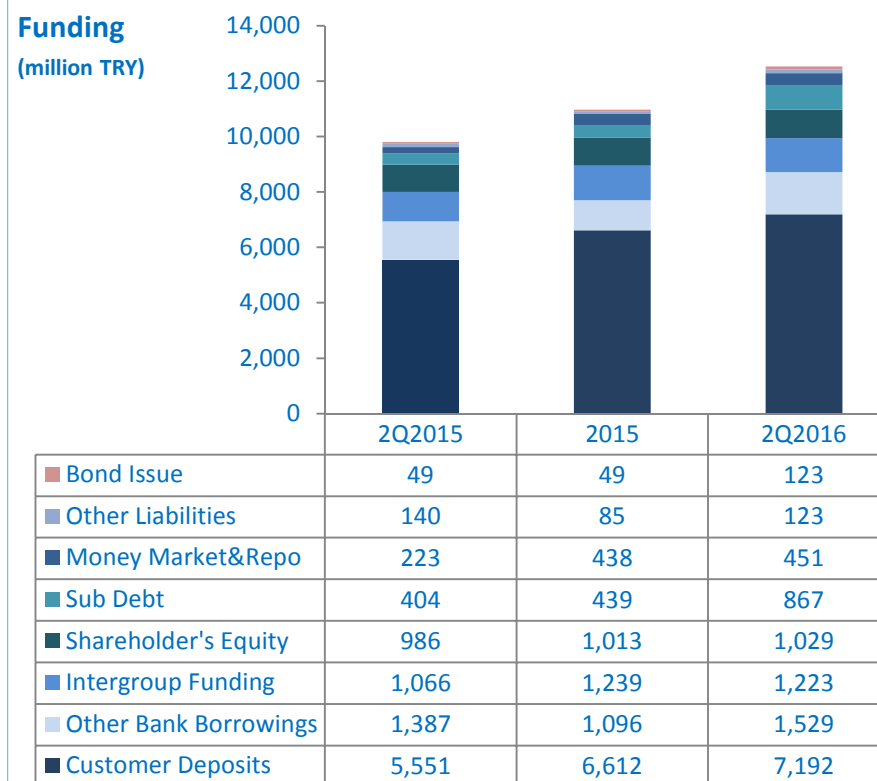
Rising Funding Availabilities Well Diversified

Funding structure (million TRY)

	2Q2015	2015	2Q2016	YtD	YoY
Customer Deposits	5,551	6,612	7,192	8.8%	29.6%
Borrowings	2,650	2,522	2,912	15.5%	9.9%
Intergroup Funding	1,066	1,239	1,223	-1.3%	14.7%
EIB	96	81	60	-25.9%	-37.5%
Other Bank Borrowings	1,387	1,096	1,529	39.5%	10.2%
Eximbank	101	107	100	-6.5%	-1.0%
Sub Debt	404	439	867	97.5%	114.6%
Money Market&Repo	223	438	451	3.0%	102.2%
Bond Issue	49	49	123	151.0%	151.0%
Other Liabilities	140	85	123	44.7%	-12.1%
Shareholder's Equity	986	1,013	1,029	1.6%	4.4%

- 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.

Breakdown of Funding (million TRY)

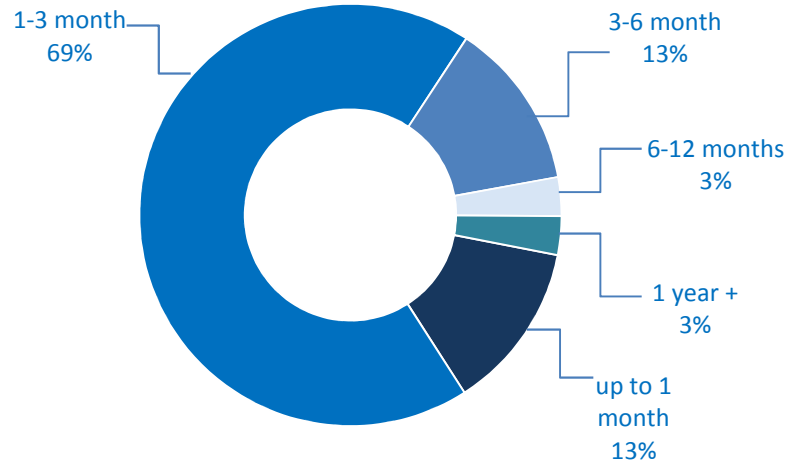


- Commitment of Burgan Bank K.P.S.C. continues with a balance of 424mioUSD in intergroup funding
- Third party funding sources continued to increase through strong cooperation with Correspondent Banks.

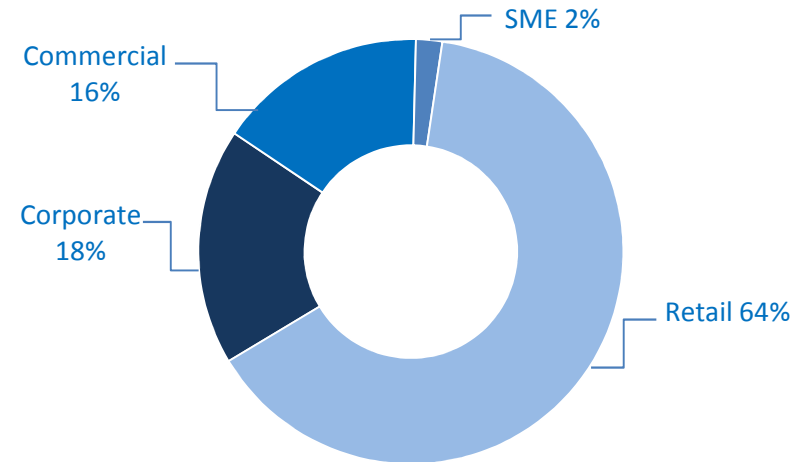
Deposits are the Main Funding Source

FX Deposits – the biggest share

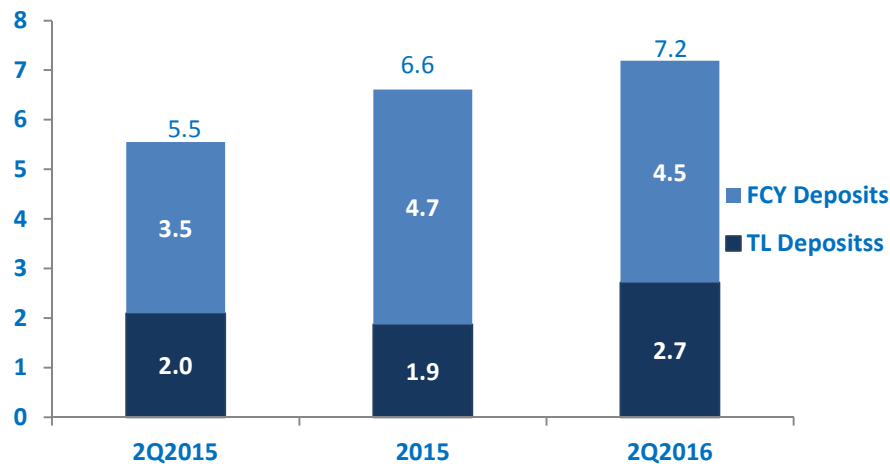
Deposit composition by maturity



Deposit composition by customer segment



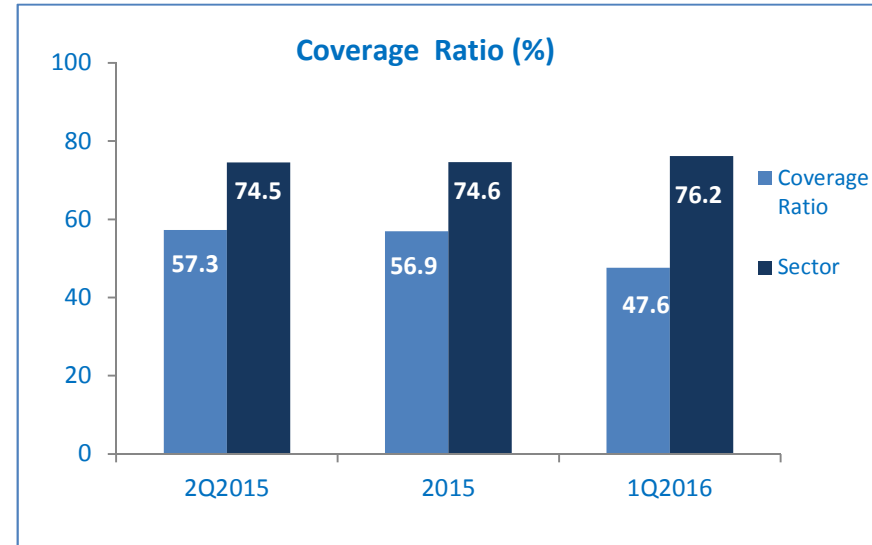
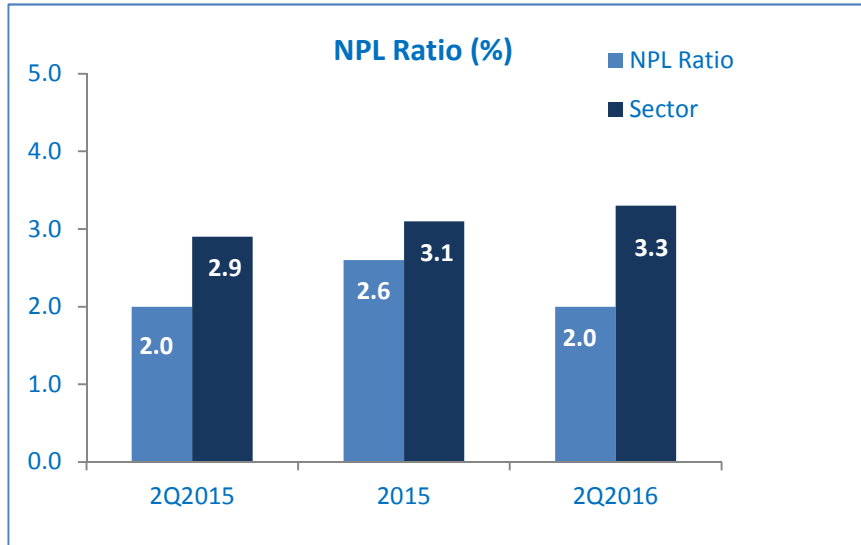
Deposit Growth(billion TRY)



- As of 1Q2016 **29.6%** deposit growth is achieved year-on-year whilst the sector average was 12.3%.
- **FCY Deposits** expanded by **29.5%** as of 2Q2016 year-on-year.
- **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 **23.1%** out of Total Deposits.

Improved Asset Quality

NPL ratio – below the market average



	2Q2015	2015	2Q2016
Gross Loans (million TRY)	8,690	9,332	10,432
NPL's (million TRY)	177	241	210
NPL Ratio	2.0%	2.6%	2.0%
NPL, net of collateral	119	177	138
NPL coverage, net of collateral	90.0%	77.2%	72.4%

- Asset quality remains strong with NPL ratio of **2%** below the sector average of **3.3%**
- 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

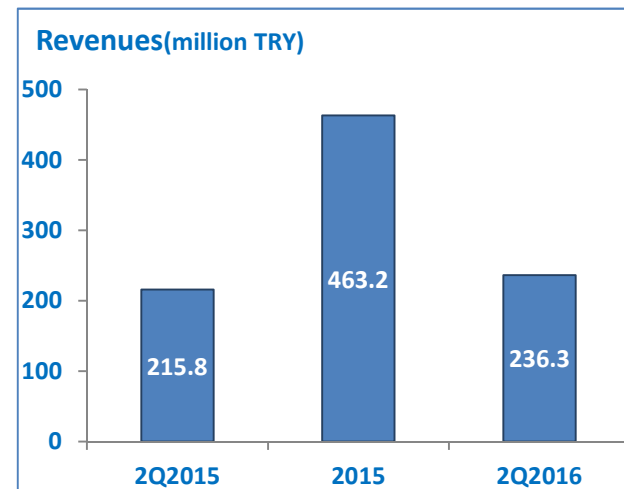
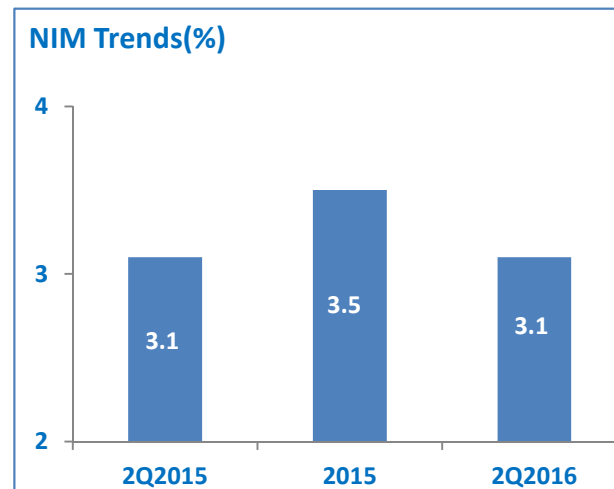
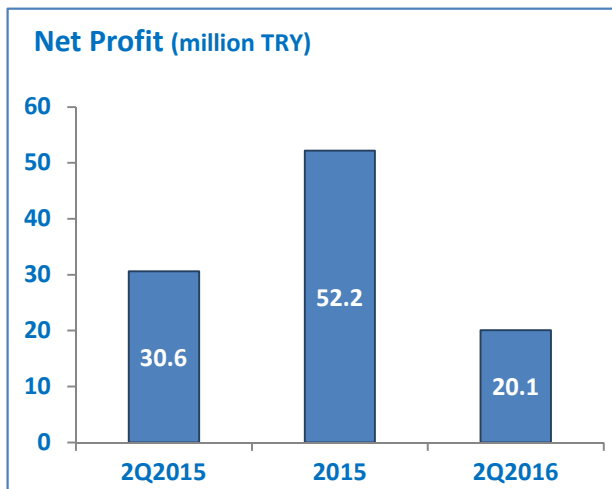
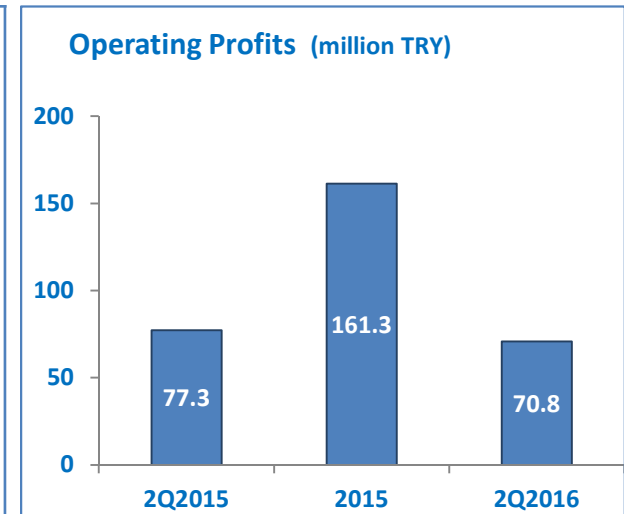
	2Q2015	2015	2Q2016
Shareholder's Equity (million TRY)	986	1,013	1,029
CAR Ratio (%)	15.06	14.5	16.37
Tier 1 Ratio (%)	10.7	9.4	8.24

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

Progress in Earnings

(million TRY)	2Q2015	2015	2Q2016	Ytd(*)	Y/Y
Total Interest Income	423.9	924.7	600.8	29.8%	41.7%
Total Interest Expense	252.8	559.6	401.6	43.5%	58.9%
Net Interest Income	171.1	365.1	199.2	9.1%	16.4%
Total Revenues	215.8	463.2	236.3	2%	9.5%
Total Operating Expenses	138.5	301.9	165.5	9.6%	19.5%
Operating Income	77.3	161.3	70.8	-12.2%	-8.4%
Provision	38.3	92.4	41.7	-9.7%	8.9%
Net Profit	30.6	52.2	20.1	-23.0%	-34.3%

(*) Calculation is based on annualized figures



- The bank's cost to income ratio is **70%** as of 1Q2016

Burgan Bank A.Ş.

Outlook for 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.

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

Contact Details

Treasury, Capital Markets and Financial Institutions Group

Mr. Mutlu Akpara
Executive Vice President
+90 212 371 36 70
makpara@burgan.com.tr

Financial Institutions

Ms. Şehnaz Günay, Head of FI
+90 212 371 37 40
sgunay@burgan.com.tr

Ms. Inci Yılmaz, Unit Manager
+90 212 371 37 41
iyilmaz@burgan.com.tr

Ms. Ezgi Yıldırım, Manager
+90 212 371 37 42
eyildirim@burgan.com.tr

Treasury & Capital Markets

Mr. Arda Türerer, Head of Trading & ALM
+90 212 371 36 42
aturerer@burgan.com.tr

Ms. Aslı Koçer, Head of Treasury Sales
+90 212 371 36 81
akocer@burgan.com.tr

Mr. Bilge Gönen, Head of FX Desk
+90 212 371 36 76
bgonen@burgan.com.tr

Maslak Mahallesi, Eski Büyükdere Caddesi No:13
34485 Sarıyer İstanbul – Turkey
Swift: TEKFTRIS
Reuters: BRGN
www.burgan.com.tr

Thank you

