



Burgan Bank A.Ş. Turkey (BBT)

**June 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	2015	2016	2017F(*)
Nominal GDP (USD bn)	859	857	808
Population (mn, mid-year)	78.2	79.3	80.1
GDP per capita (USD)	11,014	10,807	9,900
Real GDP (% change)	6.1%	2.9%	3.5%
CPI Inflation (year-end)	8.8%	8.5%	9.5%
Gov. Debt (USD bn)	220	209	228
Gov. Debt / GDP	27.5%	28.3%	29.0%
Current Account Bal. / GDP	-3.8%	-3.8%	-4.5%
Forex Reserves (USD bn)	113	106	102
Trade Balance (USD bn)	-63	-56	-63
Export (USD bn)	144	143	147
Imports (USD bn)	207	199	210

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

The outlook remains for a pick-up in growth, thanks to the fiscal measures to revive domestic demand, production and employment as well as recovery in global economy. Turkish GDP posted a stronger than expected 5.0% yoy growth in the first quarter of 2017, driven by higher contributions from private consumption, public spending and net exports. The extended loan facility of the Credit Guarantee Fund had favourable implications on loan growth and economic activity. Hence, Turkish economy is projected to grow by around 4.5% in 2017.

Inflation has gradually decelerated in 2Q on the back of relatively stable exchange rate, decline in global oil prices and high base in food inflation. Headline inflation retreated to 9.7% as of July, after having hit 11.9% in April. However, both short-term and long-term inflation expectations remain elevated, diverting remarkably from the target of 5% and +/-2% uncertainty band.

The CBT maintains the tight monetary policy stance through using Late Liquidity Window (LLW) and Marginal Funding (MFR) rates. The CBT has gradually raised the average weighted funding rate since the beginning of the year (by roughly 375bp), and keep it stable at around 11.95% since May 2017.

12m rolling C/A deficit widened gradually since the beginning of the year mainly due to higher gold and energy imports. Otherwise, non-gold and energy C/A continues to improve amid stronger exports and signs of modest recovery in tourism revenues.

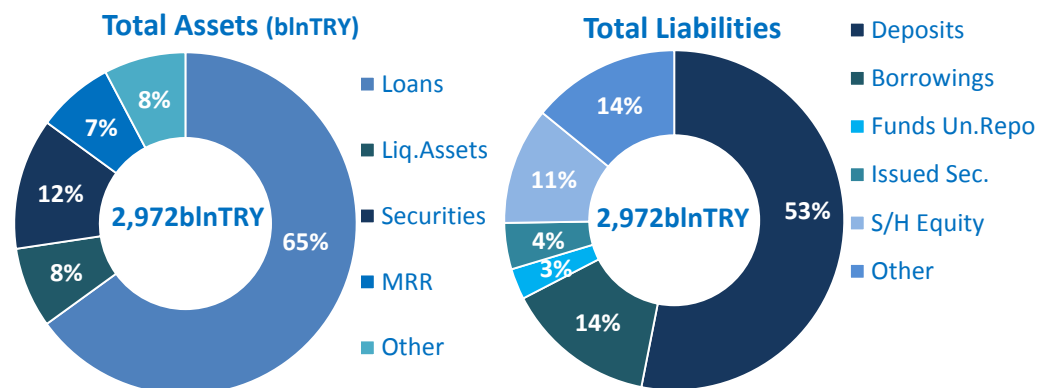
Operating Environment

Turkish Banking Sector

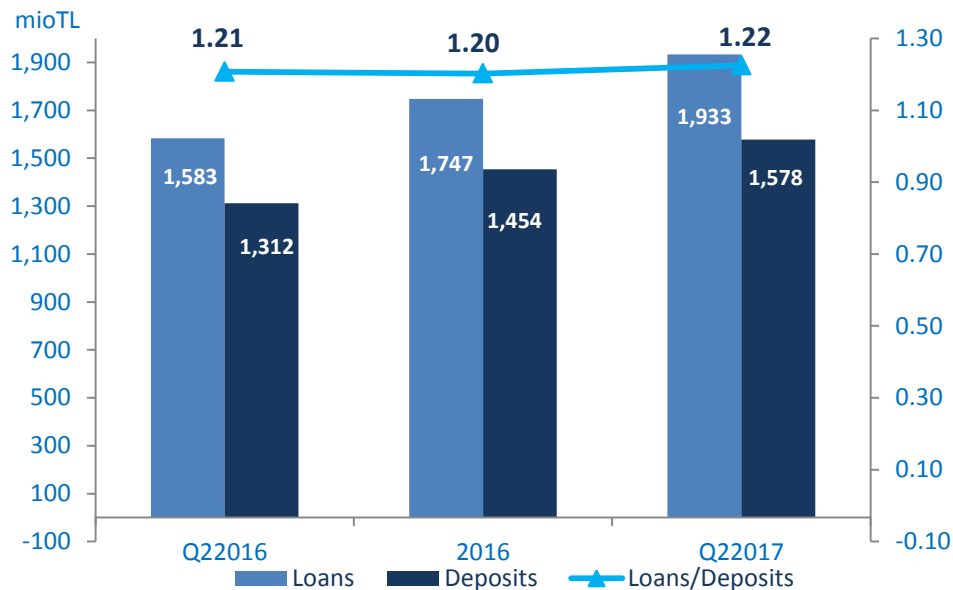
Number of Banks: 51 (Including 5 Participation Banks)

➤ Number of Depository Banks: 33

Growth (billionTRY)	Q22016	2016	Q22017	YoY	YTD
Total Assets	2.477	2.731	2.972	20,0%	8,8%
Total Deposits	1.312	1.454	1.578	20,3%	8,6%
Total Loans	1.583	1.747	1.933	22,1%	10,6%
Net Profit	19,0	37,5	25,4	33,2%	-32,4%



Key B/S Ratios(%)	Q22016	2016	Q22017
ROA	1.6	1.5	1.8
ROE	14.4	14.3	16.6
NPL	3.3	3.2	3.1
CAR	15.8	15.6	16.9
NIM	3.5	3.6	3.8
Coverage	76.2	77.4	78.0
Loan/Deposit	120.7	120.2	122.5
Total Assets/GDP	119.2	105.4	100.4
Total Loans/GDP	76.2	67.5	65.3
Total Deposits/GDP	63.1	56.1	53.3



Source: BRSA

Burgan Bank K.P.S.C.

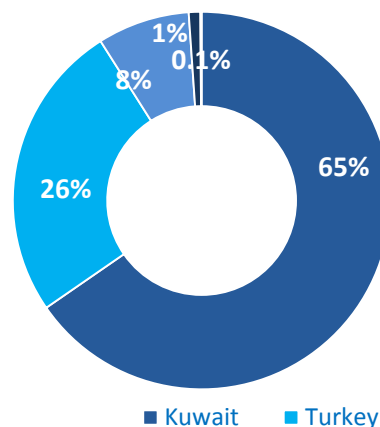
Sound and Consistent Financial Performance

- 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\$ 2.3bn⁽¹⁾
- Has a strong domestic franchise with 15.2% 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

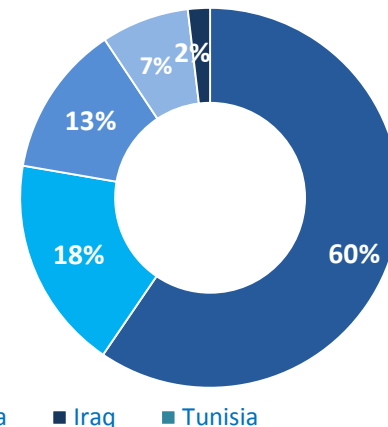
Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	H1'2017
Core revenue Growth (YoY) ⁽²⁾	3.2%
Net Profit Growth (YoY) ⁽³⁾	17.2%
Cost to Income Ratio	43.7%
Loans to Cust. Deposits	112.7%
Liquidity Ratio	27.0%
NPA Ratio	3.6%
NPA net of Collateral Ratio	1.1%
ROTE ⁽³⁾	15.1%

Loans by Operations



Revenues by Operations



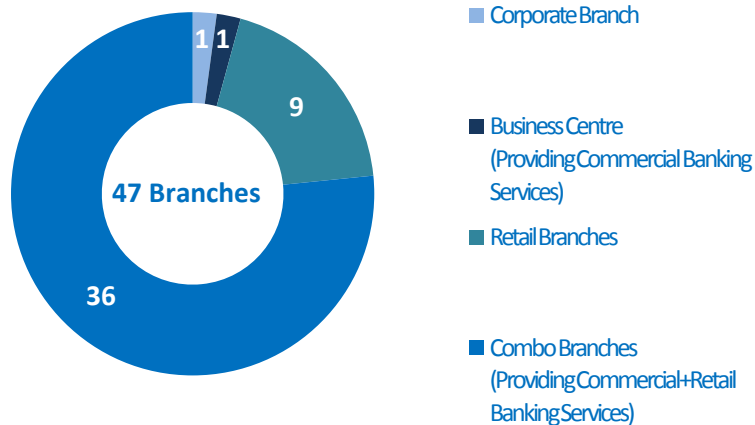
- International operations contributing 35% in Loans and 40% in Revenues
- Burgan Bank, Turkey is ranked as the biggest contributor among Burgan Subsidiary Banks in loans share as well as revenue generation

(1) Closing Price on 30/06/2017
 (2) Excluding one offs
 (3) Excluding one offs, precautionary provisions and after AT1 cost

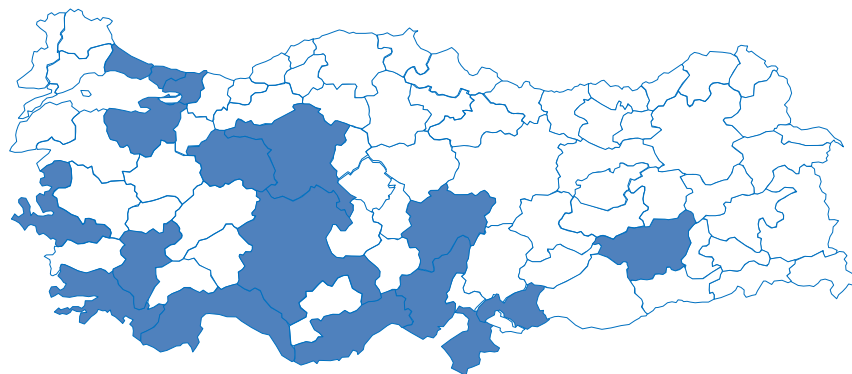
Burgan Bank A.Ş. At a Glance

- 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 Portfolio Management**
 - **Burgan Wealth Limited Dubai**
- Rated by :
 - **Fitch Ratings (09.02.2017)**
Long Term Global Local Currency : **BBB-**
Outlook : **Stable**

Segment-wise Branch Distribution



- **47** Branches across **16** cities where **80%** of loans&deposits of the whole sector are held.



Q2 2017 Achievements

Growth

- Total asset size increased by **10.7%** compared to the 2016 above the system growth of 8.8%
- The loan book grew by **11.7 %** compared to the 2016 which is well above the system growth of 10.6%
- Deposit volumes are up **11.1 %** compared to the 2016 and reached to 9,2 billion TL.

Asset Quality

- The asset quality of the bank is improving with NPL ratio of **2.2%**, better than banking sector average of **3.1%**

Funding

- Funding sources are continued to be well diversified through;
 - **USD 138mn** new loan generation from the international markets since the beginning of the year
- Sound customer deposit base, with deposits accounting for around **55%** of total liabilities

Capital

- Well positioned Capital Base with a CAR of **15.1%** and Tier 1 Ratio of **7.2%** (all sub-debt from parent)

Profitability

- The Bank produced 45.1 mio TL profit in Q22017 and increased its profitability 2 times by the end of Q22016.

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)

	Q22016	2016	Q22017	Y/Y	YTD
Total Assets	13,087.5	15,094.1	16,703.1	27.6%	10.7%
Loans¹	10,331.9	12,041.3	13,445.6	30.1%	11.7%
Securities	559.0	721.1	532.0	-4.8%	-26.2%
Deposits	7,192.3	8,248.7	9,166.5	27.4%	11.1%
Borrowings	2,911.7	3,446.1	4,284.4	47.1%	24.3%
Subordinated Loan(*)	866.7	1,057.5	1,056.7	21.9%	-0.1%
Shareholders' Equity	1,028.6	1,092.6	1,139.8	10.8%	4.3%

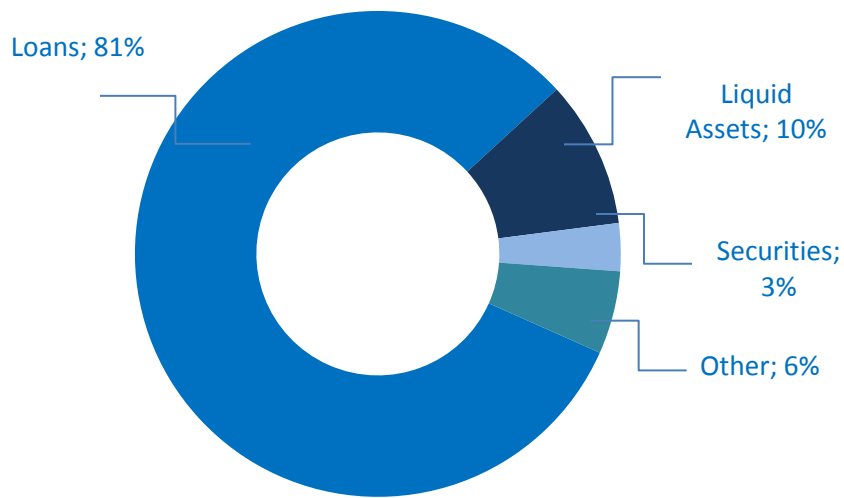
Balance Sheet Ratios

	Q22016	2016	Q22017
Loans / Assets	79%	80%	80%
Securities / Assets	4%	5%	3%
Loans / Deposits	144%	146%	147%
Loans / Deposits²	111%	110%	109%

(1) Factoring and Leasing Receivables Included

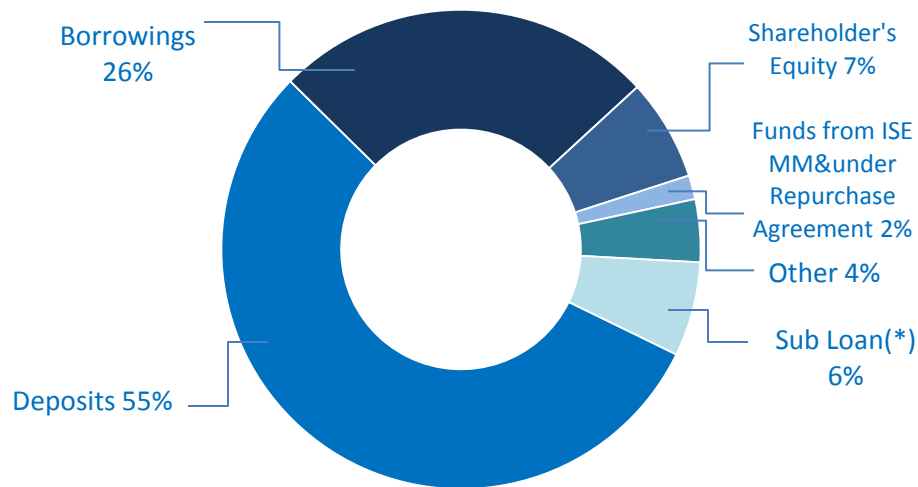
(2) Burgan Group borrowings included

Total Assets



(*) Burgan Group funding

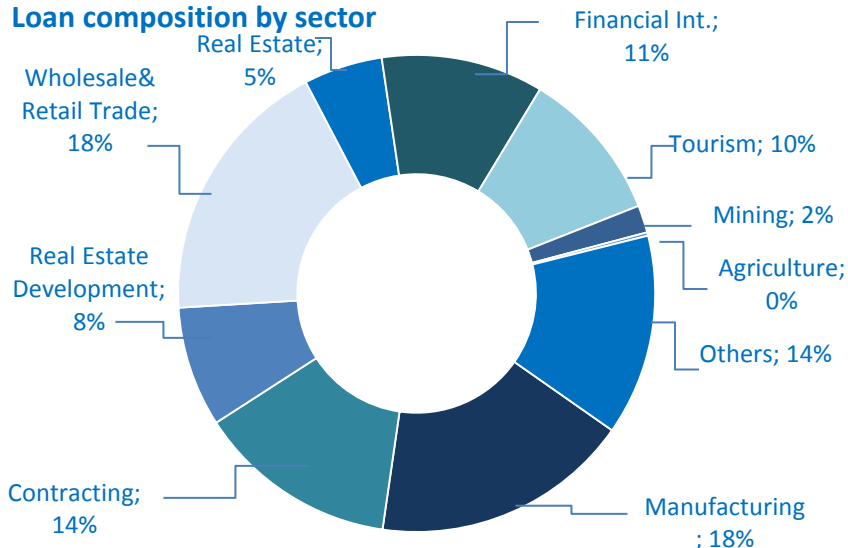
Total Liabilities



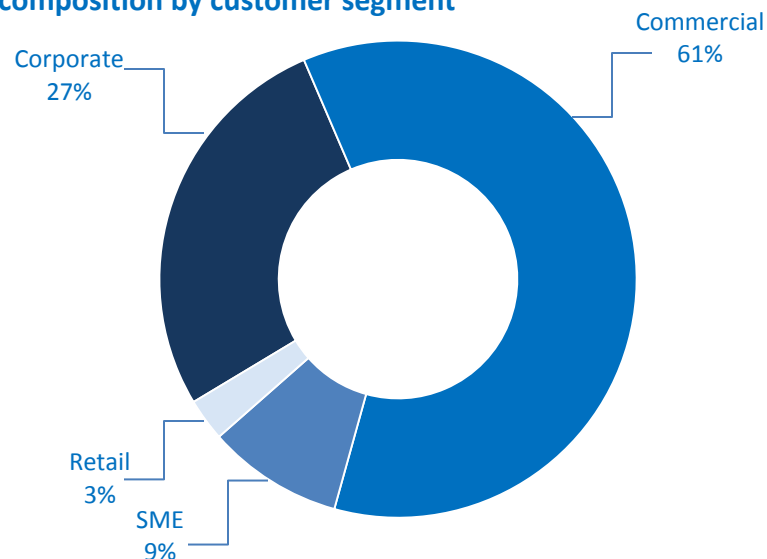
Loan Growth Above The Market Average

Commercial and Corporate Loans – the biggest contributor

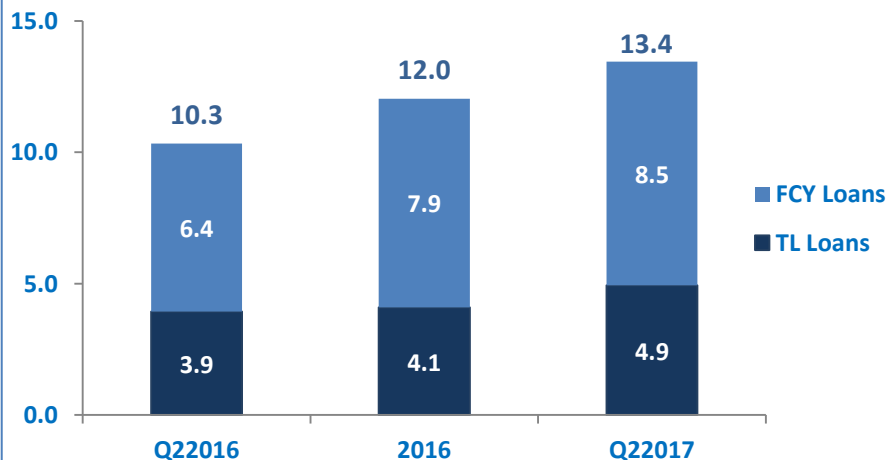
Loan composition by sector



Loan composition by customer segment



Loan Growth(billion TRY)



Definition of customer segment

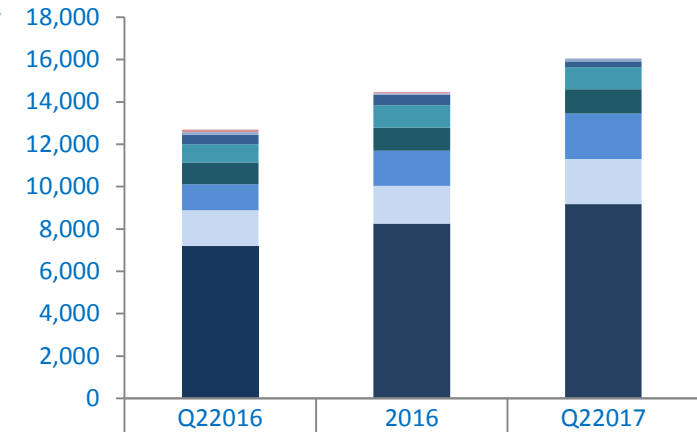
- Corporate:** Companies with turnover exceeding TRY 100 mln
- Commercial:** Companies with turnover between TRY 25 mln to TRY 100 mln
- SME:** Companies with turnover below TRY 25 mln.
- Retail:** Individual customers

Rising Funding Availabilities Well Diversified

Funding structure (million TRY)

	Q22016	2016	Q22017	YoY	YTD
Deposits	7,192	8,249	9,166	27.4%	11.1%
Borrowings	2,912	3,446	4,284	47.1%	24.3%
Intergroup Funding	1,223	1,661	2,153	76.0%	29.6%
Syndication	328	519	536	63.4%	3.3%
Oth. Bank Borrowings	1,261	1,193	1,517	24.6%	30.4%
Eximbank	100	73	78	-21.6%	6.5%
Sub Debt(*)	867	1,057	1,057	21.9%	-0.1%
Money Market&Repo	451	496	268	-40.6%	-46.0%
Bond Issue	123	49	-	-100.0%	-100.0%
Other Liabilities	123	67	131	6.5%	94.7%
Shareholder's Equity	1,029	1,093	1,140	10.8%	4.3%

Breakdown of Funding (million TRY)



■ Bond Issue	123	49	0
■ Other Liabilities	123	67	131
■ Money Market&Repo	451	496	268
■ Sub Debt(*)	867	1,057	1,057
■ Shareholder's Equity	1,029	1,093	1,140
■ Intergroup Funding	1,223	1,661	2,153
■ Other Bank Borrowings	1,689	1,785	2,131
■ Deposits	7,192	8,249	9,166

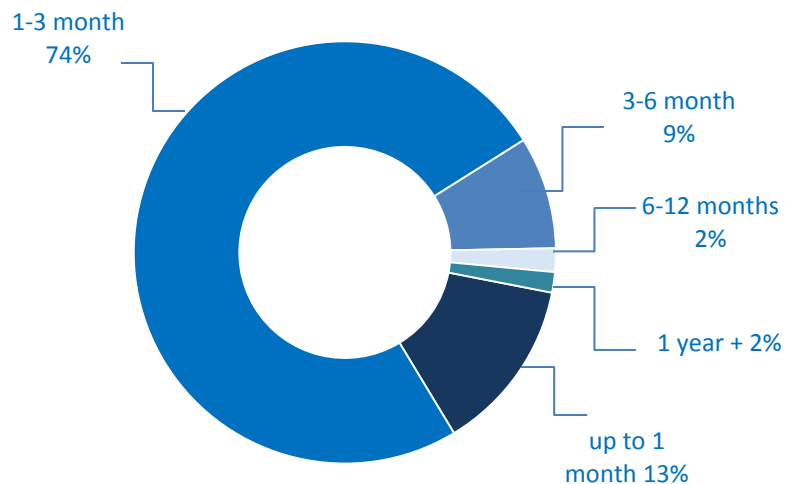
- Commitment of Burgan Bank K.P.S.C. continues with a balance of **913mioUSD** in intergroup funding including sub-debt.
- Third party funding sources continued to increase through strong cooperation with Correspondent Banks.

(*) Burgan group

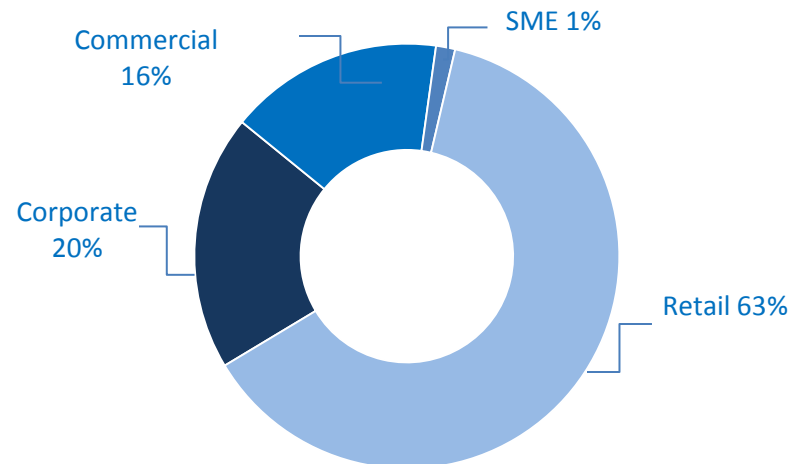
Deposits are the Main Funding Source

FX Deposits – the biggest share

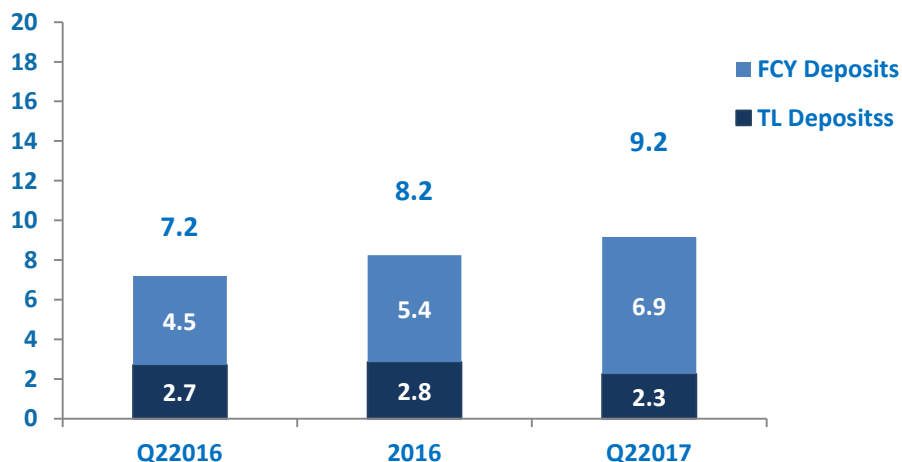
Deposit composition by maturity



Deposit composition by customer segment



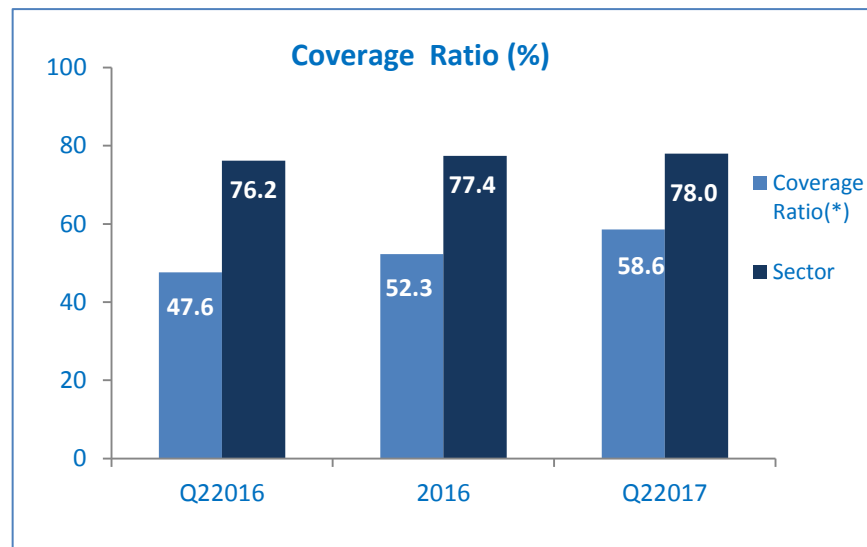
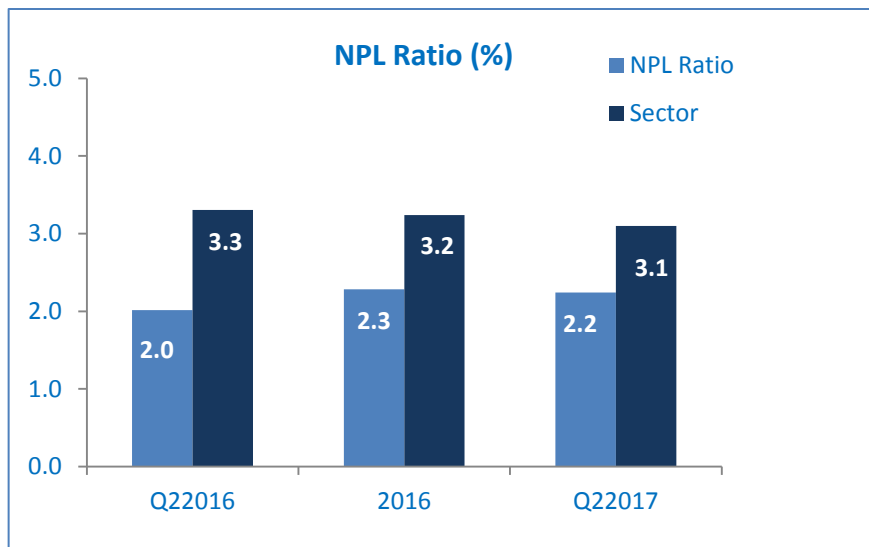
Deposit Growth(billion TRY)



- **Total Deposits** increased by **27.4 %** compared to the Q22016 whilst the sector average was 20%.
- **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 **21%** out of Total Deposits.

Improved Asset Quality

NPL ratio – below the market average



	Q22016	2016	Q22017
Gross Loans (million TRY)	10,432	12,187	13,624
NPL's(million TRY)	210	278	305
NPL Ratio	2.0%	2.3%	2.2%
NPL, net of collateral	138	208	231
NPL coverage, net of collateral(*)	72.4%	70.0%	77.5%

- Asset quality remains strong with NPL ratio of **2.2%** below the sector average of **3.1%**
- Provisioning is in line with BRSA rules and regulations.
- Coverage ratio is below sector average due to the collateral structure of the Loan portfolio.

(*) Excluding general provisions

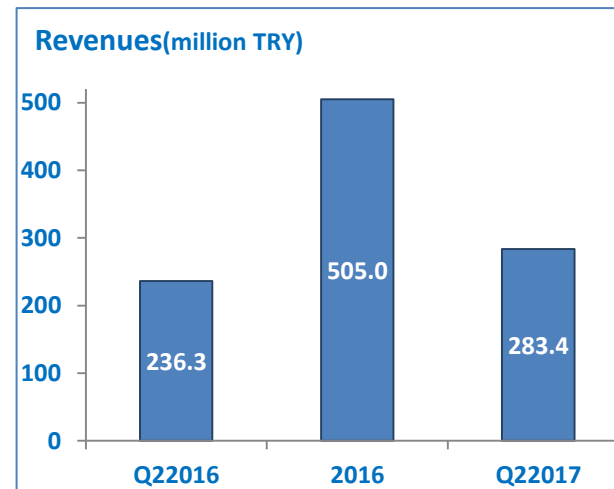
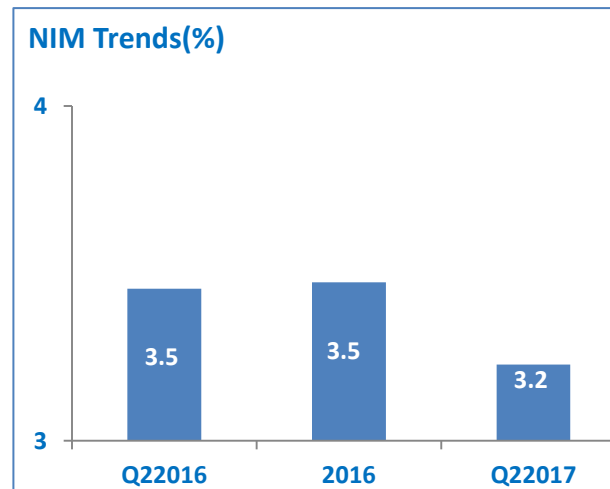
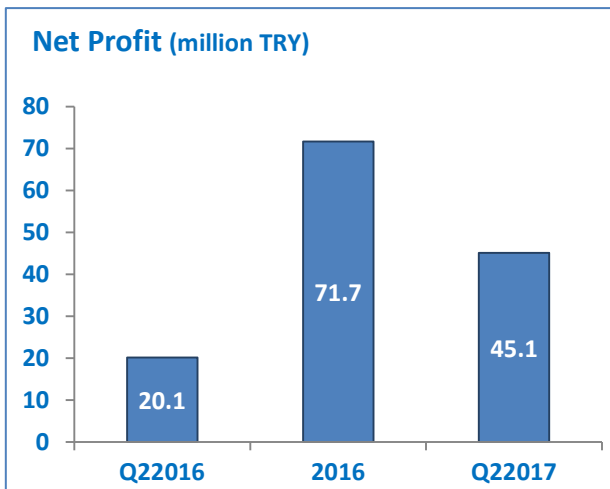
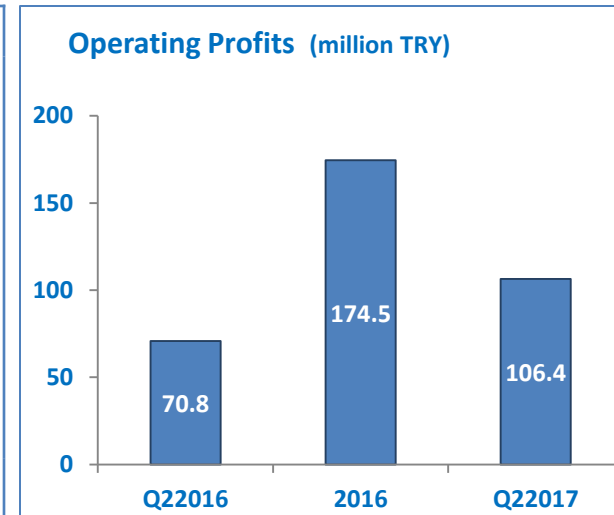
Strong Capitalization to Support Future Growth

	Q22016	2016	Q22017
Shareholder's Equity (million TRY)	1,029	1,093	1,140
Capital Base Inc. Sub-Debt (million TRY)	1,921	2,148	2,207
CAR Ratio (%)	16.4	15.8	15.1
Tier 1 Ratio (%)	8.2	7.4	7.2

- 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)	Q22016	2016	Q22017	Y/Y	YTD
Total Interest Income	600.8	1,246.5	741.5	23.4%	19.0%
Total Interest Expense	401.6	826.3	500.1	24.5%	21.1%
Net Interest Income	199.2	420.2	241.4	21.2%	14.9%
Total Revenues	236.3	505.0	283.4	19.9%	12.2%
Total Operating Expenses	165.5	330.5	177.0	6.9%	7.1%
Operating Income	70.8	174.5	106.4	50.3%	21.9%
Provision	41.7	76.7	46.6	11.7%	21.4%
Net Profit	20.1	71.7	45.1	124.1%	25.8



➤ The bank's cost to income ratio decreased to **62.5%** as of June 2017 from 70%.

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 both international and domestic bond issuance

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Thank you

