



Burgan Bank A.Ş. Turkey (BBT)

**June 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	Negative	Stable

Key Indicators	2016	2017	2018F(*)
Nominal GDP (USD bn)	862.7	851.0	780.0
Population (mn, mid-year)	79.3	80.3	80.9
GDP per capita (USD)	10,883	10,597	9,500
Real GDP (% change)	3.2	7.4	3.5
CPI Inflation (year-end)	8.5	11.9	16.0
Gov. Debt (USD bn)	210	233	225
Gov. Debt / GDP	28.3	28.3	29.0
Current Account Bal. / GDP	-3.8	-5.6	-5.5
Forex Reserves (USD bn)	106.1	107.7	100.0
Trade Balance (USD bn)	-56.1	-76.7	-79.0
Export (USD bn)	142.5	157.1	166.0
Imports (USD bn)	198.6	233.8	245.0

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

After having recorded 7.4% growth in 1Q18, the Turkish economy has been slowing down since the beginning of 2Q on the back of tighter financial conditions. Growing concerns on Turkey's external vulnerabilities amid signs of overheating in economic activity, increasing tension in foreign policy and deteriorating sentiment on EM have triggered major fluctuations in financial markets. The Turkish Lira depreciated by 60% against the currency basket since the beginning of the year, and yields on TRL-denominated benchmark bonds rose by roughly 10pp to 22%.

Annual inflation accelerated to 15.9% as of July, the highest level of the last 15 years. It is projected to remain high in the remainder of the year as the FX pass-through persists.

The CBT has further tightened the monetary policy stance in 2018. The weighted funding rate rose by 650bps to 19.25% since the beginning of the year.

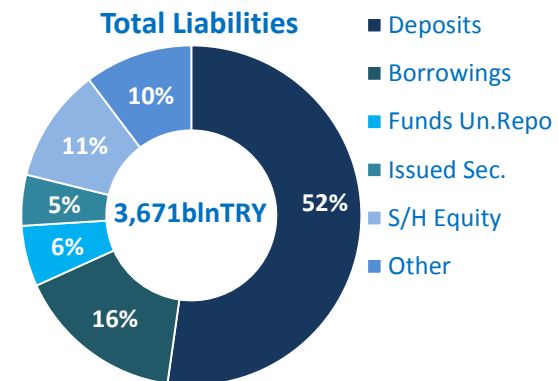
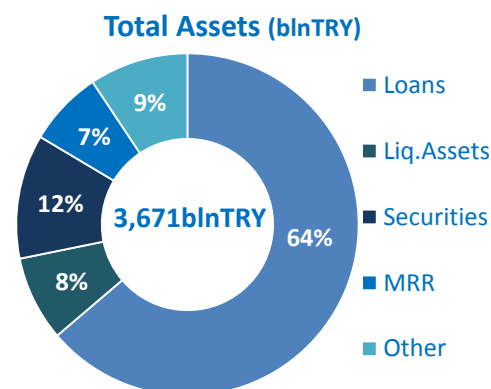
Current account deficit has widened further in 1H18, driving the 12m rolling deficit up to US\$58.2bn (around 7% of GDP) by May'18. In parallel to the slowing economic activity and strong tourism revenues, current account deficit is expected to improve towards 5.5% of GDP by end-2018.

Operating Environment Turkish Banking Sector

Number of Banks: 52 (Including 5 Participation Banks)

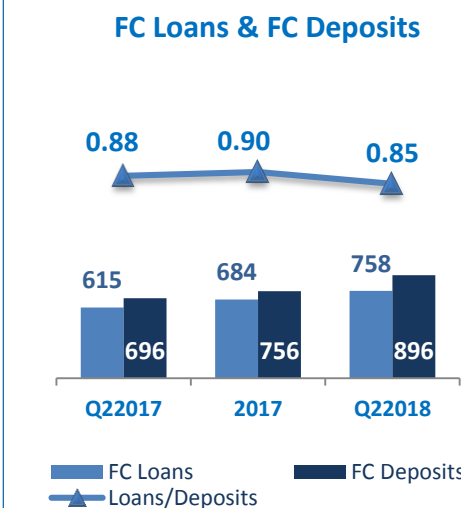
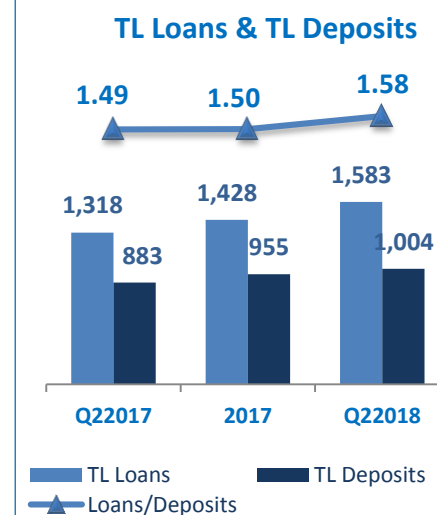
➤ Number of Depository Banks: 34

Growth (billionTRY)	Q22017	2017	Q22018	YoY	YTD
Total Assets	2,972	3,258	3,671	23.5%	12.7%
Total Deposits	1,578	1,711	1,899	20.3%	11.0%
Total Loans	1,933	2,111	2,341	21.1%	10.9%
Net Profit	25.4	49.1	29.0	14.5%	18.3%



Key B/S Ratios(%)	Q22017	2017	Q22018
ROA	1.8	1.6	1.7
ROE	16.6	16.0	15.9
NPL	3.1	3.0	3.0
CAR	16.9	16.9	16.3
NIM	3.8	3.8	3.9
Coverage	78.0	79.3	72.7
Loan/Deposit	122.5	123.4	123.3
Total Assets/GDP	98.2	104.9	113.1
Total Loans/GDP	63.8	68.0	72.1
Total Deposits/GDP	52.1	55.1	58.5

mioTL



Source: BRSA

Burgan Bank K.P.S.C.

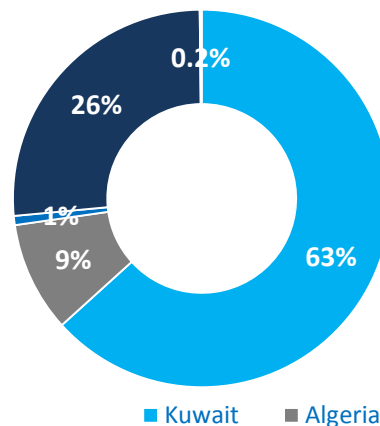
Sound and Consistent Financial Performance

- 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\$ 1.97bn⁽¹⁾
- Has a strong domestic franchise with 14.0% 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

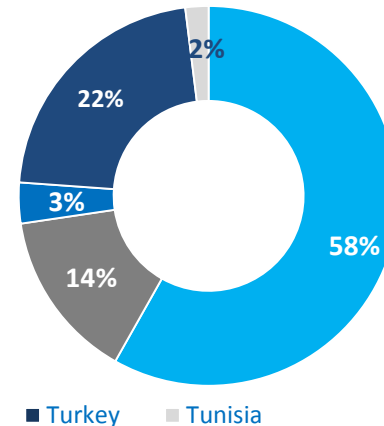
Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	H1 2018
Revenue Growth (YoY)	14.6%
Net Profit Growth (YoY) ⁽²⁾	34.5%
Cost to Income Ratio	39.5%
Loans to Cust. Deposits	108.8%
Liquidity Ratio	25.1%
NPA Ratio	2.3%
NPA net of Collateral Ratio	0.6%
ROTE ⁽²⁾	18.1%

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 30/06/2018

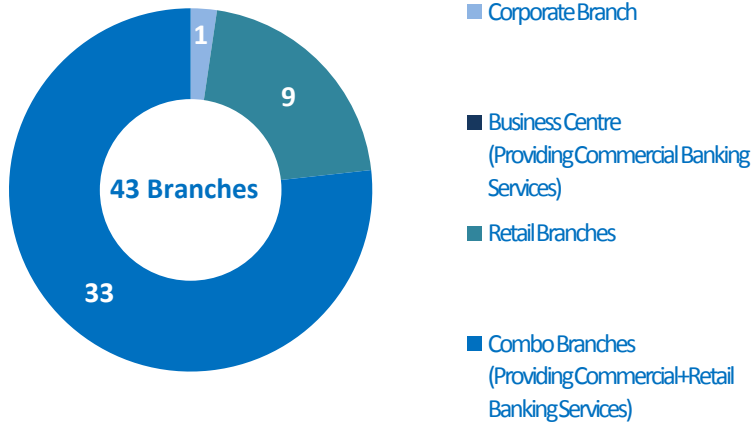
(2) Excluding precautionary provisions and after AT1 cost

Note: Growth figures based on US\$.

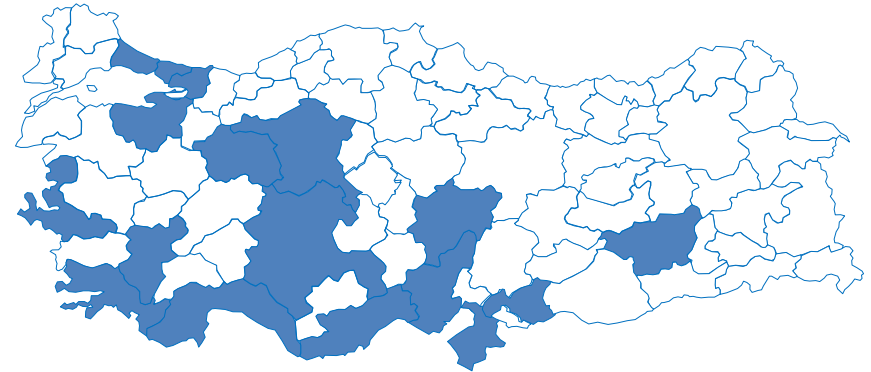
Burgan Bank A.Ş. At a Glance

- 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 (20.07.2018)**
Long Term Global Local Currency : **BB**
Outlook : **Negative**

Segment-wise Branch Distribution



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



2018 Achievements

Growth

- Total asset size increased by **31.8%** compared to Q22017 (banking sector - **23.5%**)
- The loan book grew by **26.6 %** compared to Q22017 (banking sector – **21.1%**)
- Deposit volumes are up by **12.2 %** compared to Q22017 and reached to 10,3 billion TL

Asset Quality

- NPL ratio increased to **3.4%**

Funding

- Diversification of funding sources continued;
 - **USD 239mn** new funding generation from the international markets
- Sound customer deposit base, deposits account for **46.7%** of total liabilities

Capital

- Well positioned Capital Base with a CAR of **18.6%** and Tier 1 Ratio of **10.0%** (all sub-debt from parent)

Profitability

- Net profit reached to 102.1 mio TL (126% yoy increase)

Others

- Continuous investment in People and Technology: Management trainee program, digital banking, risk management systems

Performance Trends

Sustainable Balance Sheet Growth

Balance Sheet (million TRY)

	Q22017	2017	Q22018	YoY	YTD
Total Assets	16,703.1	18,754.7	22,019.5	31.8%	17.4%
Loans¹	13,445.6	15,258.6	17,025.2	26.6%	11.6%
Securities	543.5	453.4	591.0	8.7%	30.4%
Deposits	9,166.5	8,872.5	10,281.8	12.2%	15.9%
Borrowings	4,284.4	6,082.8	7,036.4	64.2%	15.7%
Subordinated Loan(*)	1,056.7	1,140.6	1,380.8	30.7%	21.1%
Shareholders' Equity	1,139.8	1,512.5	1,832.3	60.8%	21.1%

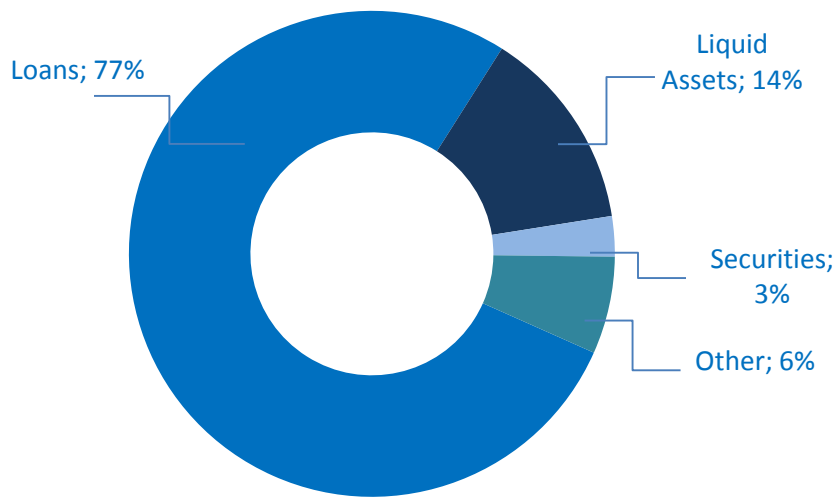
Balance Sheet Ratios

	Q22017	2017	Q22018
Loans / Assets	80%	81%	77%
Securities / Assets	3%	2%	3%
Loans / Deposits	147%	172%	166%
Loans / Deposits²	109%	121%	118%

(1) Factoring and Leasing Receivables Included

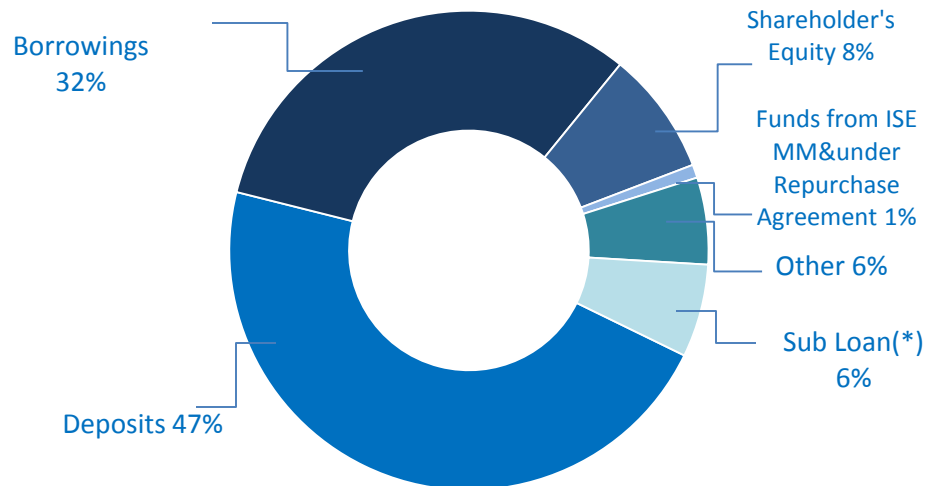
(2) Burgan Group borrowings included

Total Assets



(*) Burgan Group funding

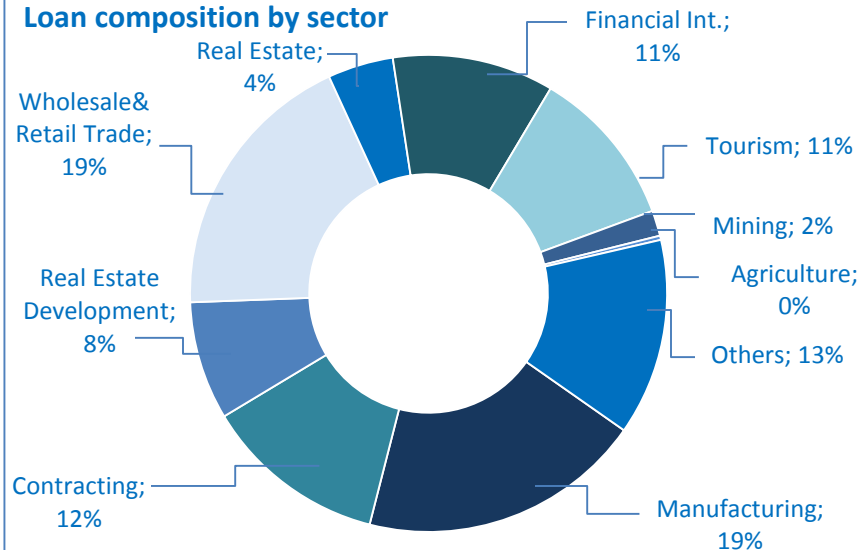
Total Liabilities



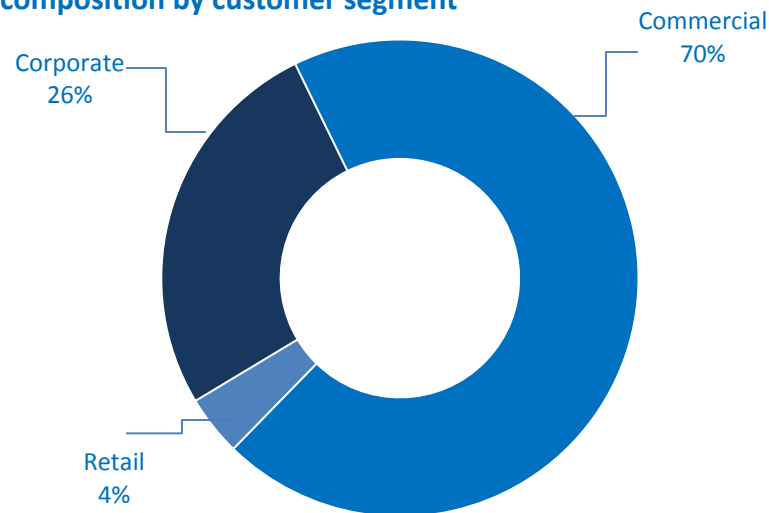
Loan Growth Above The Market Average

Commercial and Corporate Loans – the biggest contributor

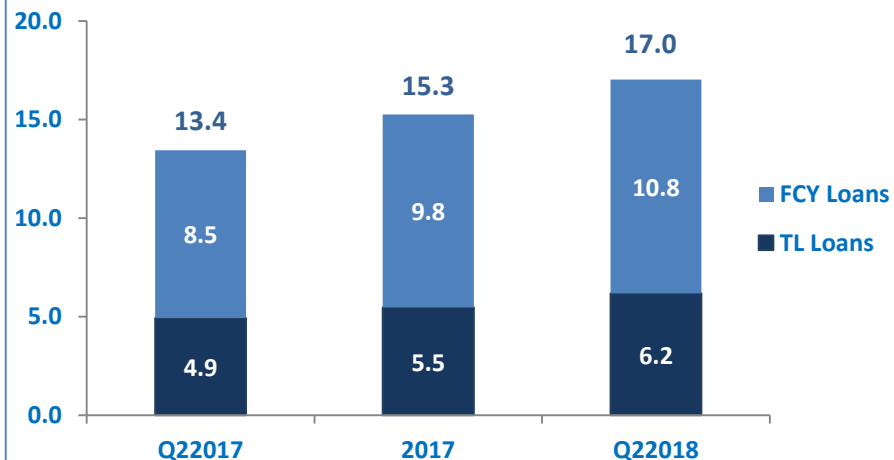
Loan composition by sector



Loan composition by customer segment



Loan Growth (billion TRY)



➤ Loan balance including leasing receivables has increased by 27 % compared to Q2 2017 and reached to TL 17,025 mn.

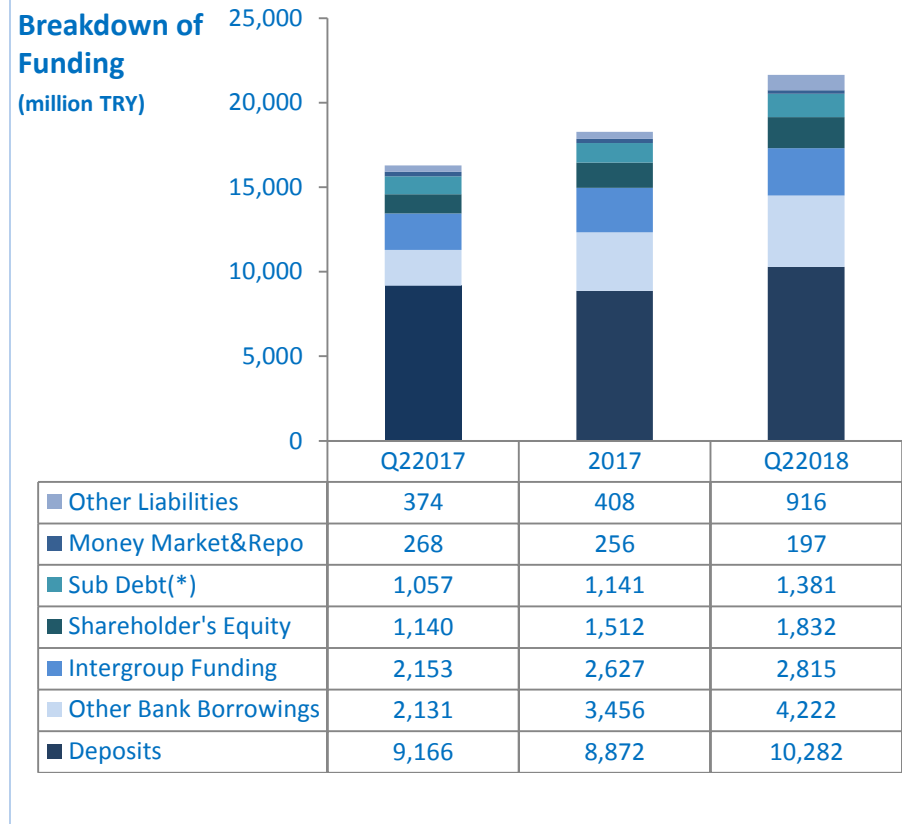
	Growth
Corporate	22%
Commercial	26%
Retail	78%
Total	27%

Rising Funding Availabilities Well Diversified

Funding structure (million TRY)

	Q22017	2017	Q22018	YoY	YTD
Deposits	9,166	8,872	10,282	12.2%	15.9%
Borrowings	4,284	6,083	7,036	64.2%	15.7%
Intergroup Funding	2,153	2,627	2,815	30.7%	7.2%
Syndication	536	782	934	74.3%	19.5%
Oth. Bank Borrowings	1,517	2,559	3,176	109.3%	24.1%
Eximbank	78	115	112	43.3%	-2.7%
Sub Debt(*)	1,057	1,141	1,381	30.7%	21.1%
Money Market&Repo	268	256	197	-26.5%	-23.1%
Other Liabilities	374	408	916	144.9%	124.7%
Shareholder's Equity	1,140	1,512	1,832	60.8%	21.1%

Breakdown of Funding (million TRY)



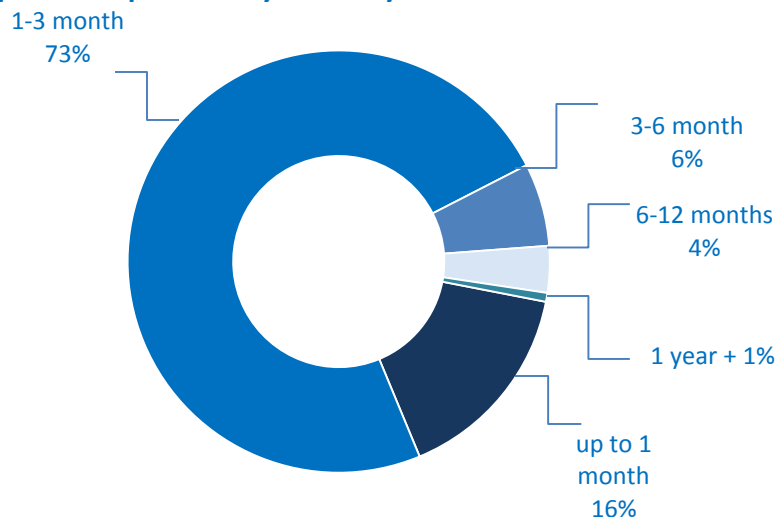
- Commitment of Burgan Bank K.P.S.C. continues with a balance of **920mioUSD** in intergroup funding including sub-debt.
- Third party funding sources continued to increase through strong cooperation with Correspondent Banks.

(*) Burgan group

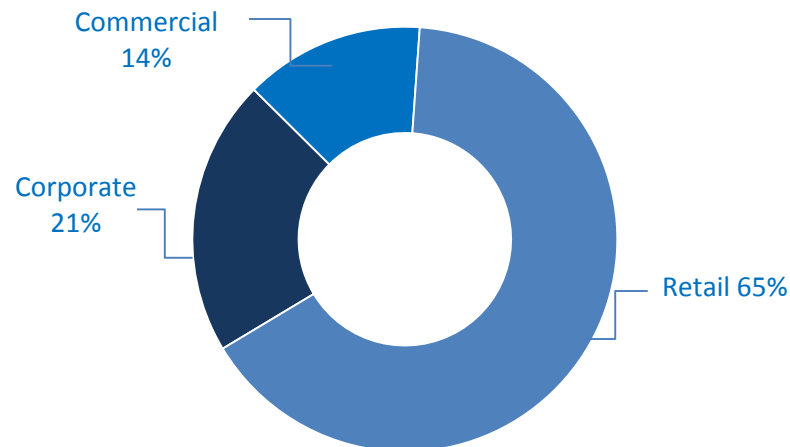
Deposits are the Main Funding Source

FX Deposits – the biggest share

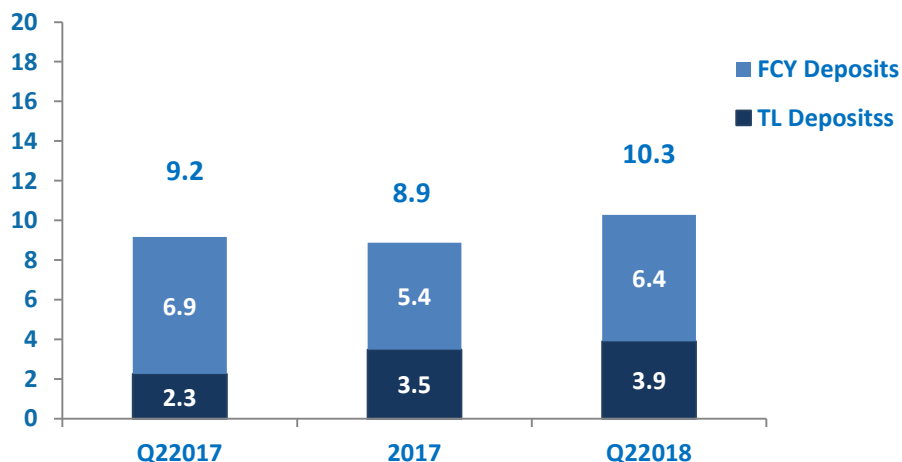
Deposit composition by maturity



Deposit composition by customer segment



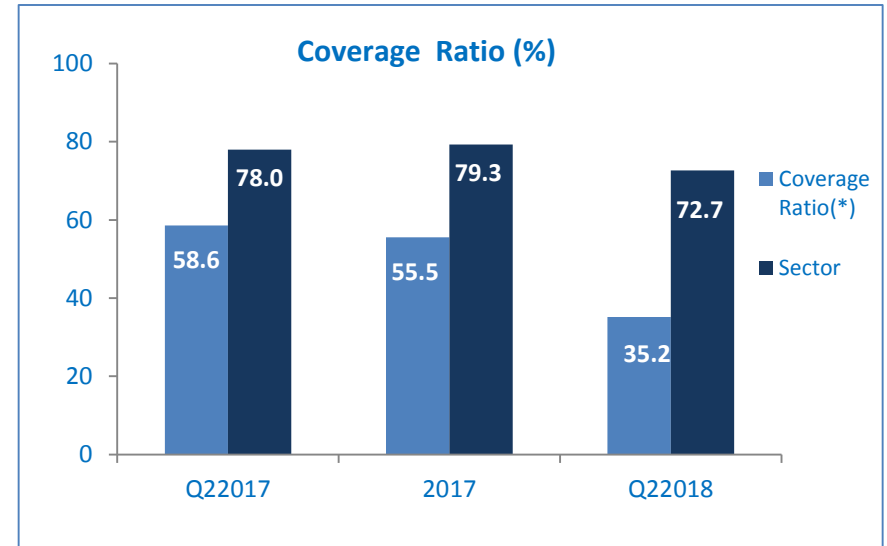
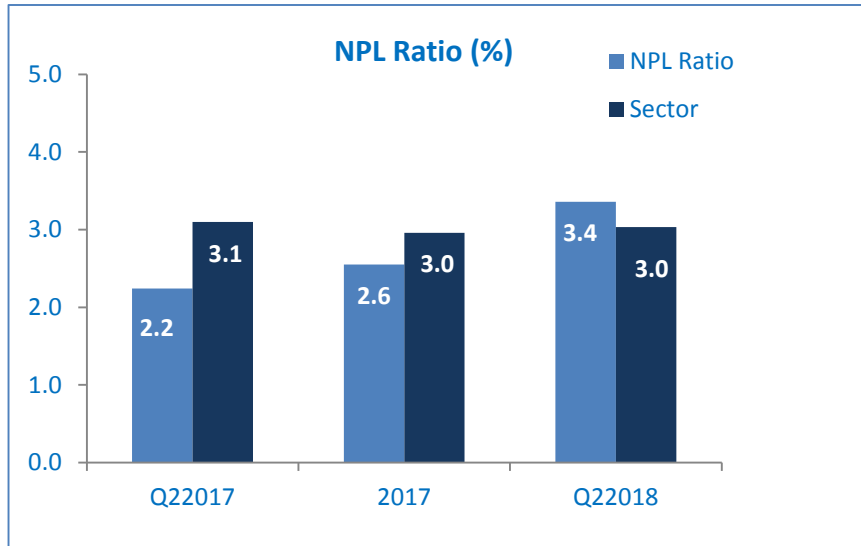
Deposit Growth(billion TRY)



- **Total Deposits** increased by **12.2 %** compared to Q22017 whilst the sector average was 21%.
- **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 **24.2%** out of Total Deposits.

Improved Asset Quality

NPL ratio



	Q22017	2017	Q22018
Gross Loans (million TRY)	13,624	15,478	17,678
NPL's(million TRY)	305	395	594
NPL Ratio	2.2%	2.6%	3.4%
NPL coverage	58.6%	55.5%	35.2%

- Asset quality remains sound with NPL ratio of **3.4%**.
- 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

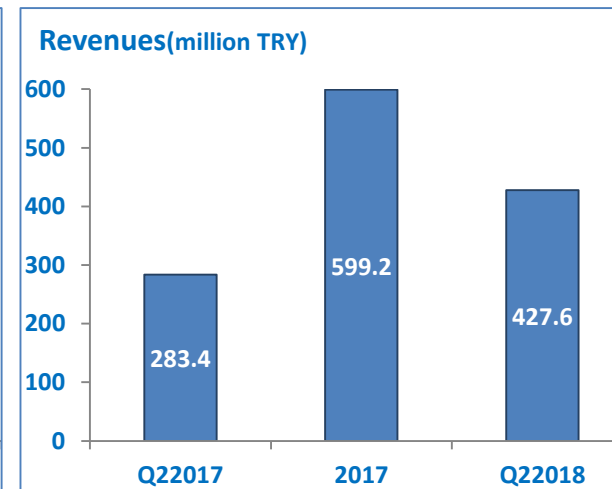
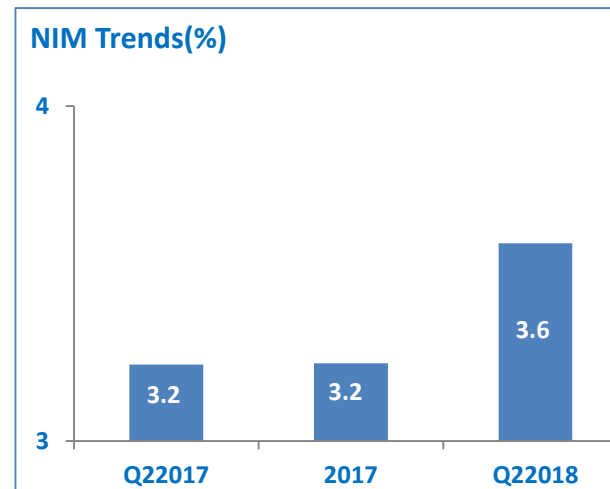
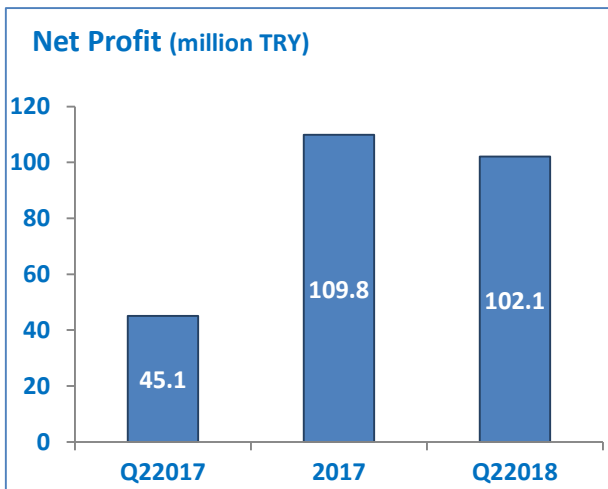
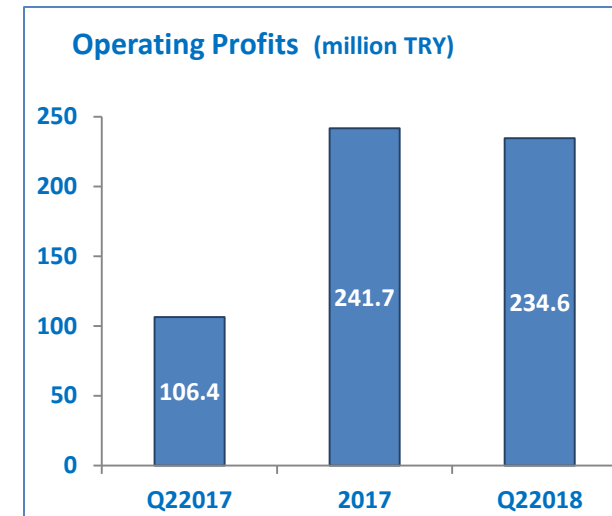
Strong Capitalization to Support Future Growth

	Q22017	2017	Q22018
Shareholder's Equity (million TRY)	1,140	1,512	1,832
Capital Base Inc. Sub-Debt (million TRY)	2,207	2,645	3,396
CAR Ratio (%)	15.1	17.3	18.6
Tier 1 Ratio (%)	7.2	9.2	10.0

- 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)	Q22017	2017	Q22018	YoY	YTD
Total Interest Income	741.5	1,573.4	1,061.5	43.2%	34.9%
Total Interest Expense	500.1	1,061.5	716.7	43.3%	35.0%
Net Interest Income	241.4	511.9	344.8	42.9%	34.7%
Total Revenues	283.4	599.2	427.6	50.9%	42.7%
Total Operating Expenses	177.0	357.4	193.1	9.1%	8.0%
Operating Income	106.4	241.7	234.6	120.5%	94.1%
Provision	46.6	93.5	102.4	119.9%	119.1%
Net Profit	45.1	109.8	102.1	126.4%	85.8%



➤ The bank's cost to income ratio decreased to **45.1%** as of June 2018 from 62.5% as of June 2017.

Growth

- Continue lending activity on selective base;
 - 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 current 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
- Decreased concentration risk by launching digital channels(e-deposit)

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Thank you

