Burgan Bank A.Ş. Turkey (BBT)

June 2019 Presentation
(BRSA Consolidated)

Burgan Bank Group

Kuwait – Turkey – Iraq – Algeria – Tunisia

Operating Environment
Macro Economic Outlook - Turkey

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

Key Indicators	2018	2019F(*)	2020F(*)
Nominal GDP (USD bn)	784	760	790
Population (mn, mid-year)	81.4	82.4	83.4
GDP per capita (USD)	9,632	9,300	9,500
Real GDP (% change)	2.6	0.0	2.5
CPI Inflation (year-end)	20.3	14.8	13.0
Cen. Gov. Budget Bal. / GDP	-2.0	-3.4	-3.0
Gov. Debt / GDP	30.4	31.5	32.5
Current Account Bal. / GDP	-3.4	-0.5	-1.5
Forex Reserves (USD bn)	91.9	100.0	110
Trade Balance (USD bn)	-55.1	-34.0	-40.0
Export (USD bn)	168.0	176.0	184.0
Imports (USD bn)	223.0	210.0	223.0

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

The Turkish economy contracted by 2.6% yoy in the first quarter of the year, and is predicted to shrink by roughly 1.5% yoy in the second quarter. Monetary easing cycle, supportive fiscal stance and credit expansion led by the state banks are expected to trigger a mild recovery in economic activity in the second half of the year.

Inflation has decelerated to 16.7% as of July, from the peak of 25.2% in October 2018, and is expected to ease further towards 14.8% by end-2019. The CBT cut the policy rate by 425bps to 19.75% in July, to be followed by another 275bps cut in the remainder of the year.

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$0.6bn surplus as of June, corresponding 0.1% of GDP vs a deficit of 3.4% in 2018 and 5.6% in 2017.

The central government budget deficit expanded rapidly since the beginning of the year, bringing 12m rolling deficit up to 2.5% of GDP as of July. Similarly, IMF-defined primary deficit, which excludes interest payments and one-off revenues, jumped to 2.8% of GDP.

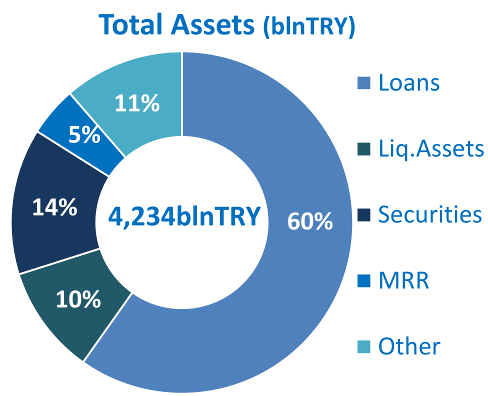
As a response to the slowing global economic activity and existing uncertainties on trade relations, major central banks have recently switched to a more accommodative policy stance, which in turn increased appetite for EM assets. Going forward, sound economic policies and structural reforms remain key for financial and economic stability in Turkey.

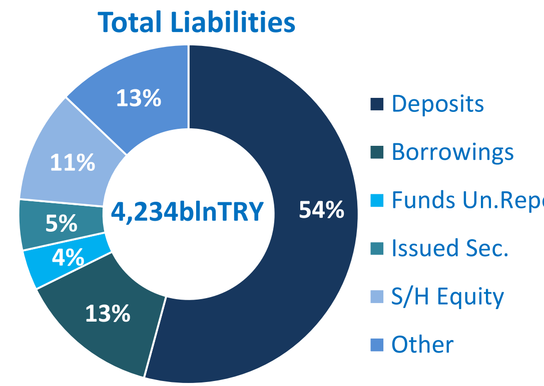
Operating Environment
Turkish Banking Sector

Number of Banks: 53 (Including 6 Participation Banks)

- Number of Depository Banks: 34

Growth (billionTRY)	H12018	2018	H12019	YoY	YTD
Total Assets	3,671	3,867	4,234	15.3%	9.5%
Total Deposits	1,899	2,036	2,273	19.7%	11.6%
Total Loans	2,341	2,386	2,532	8.2%	6.1%
Net Profit	29.0	53.5	24.8	-14.7%	-7.4%





Key B/S Ratios(%)	H12018	2018	H12019
ROA	1.7%	1.4%	1.2%
ROE	15.9%	14.7%	11.7%
NPL	3.0%	3.9%	4.4%
CAR	16.3%	17.3%	17.7%
NIM	3.9%	3.9%	3.6%
Coverage	72.7%	68.3%	67.6%
Loan/Deposit	123.3%	117.2%	111.4%
Total Assets/GDP	99.2%	104.5%	98.7%
Total Loans/GDP	63.3%	64.5%	59.0%
Total Deposits/GDP	51.3%	55.0%	53.0%

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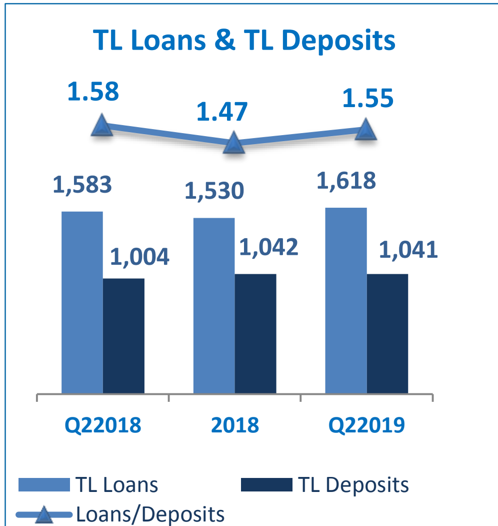
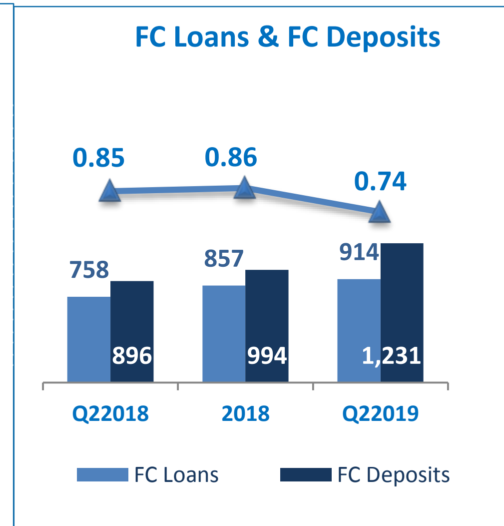




Source: BRSA

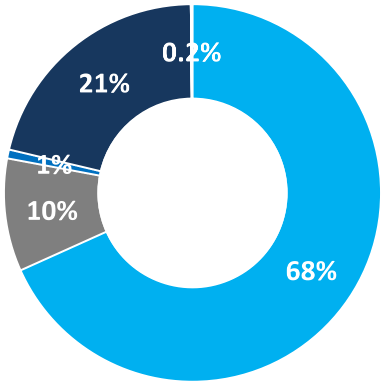
Burgan Bank K.P.S.C.
Sound and Consistent Financial Performance

- 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$ 3.023 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
  - Tunis – Tunis International Bank

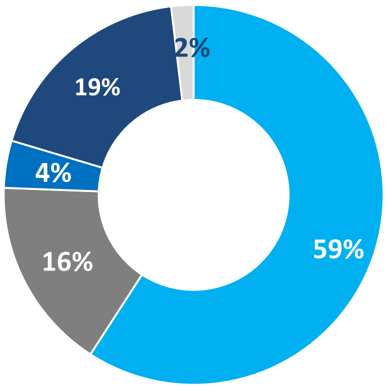
Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	*H1 2019*
Revenue | in US$ million	383.1
Net Profit | in US$ million [(2)]	129.3
Cost to Income Ratio	42.1%
Gross Loans to Cust. Deposits	109.0%
Liquidity Ratio	25.7%
NPA Ratio	2.3%
NPA net of Collateral Ratio	0.7%
ROE [(2)(3)]	10.7%

Loans by Operations



Revenues by Operations



- International operations contributing 32% in Loans and 41% 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 30/06/2019 in Boursa Kuwait,
(2) Net Income attributed to equity holders and after AT1 cost,
(3) Open equity methodology.

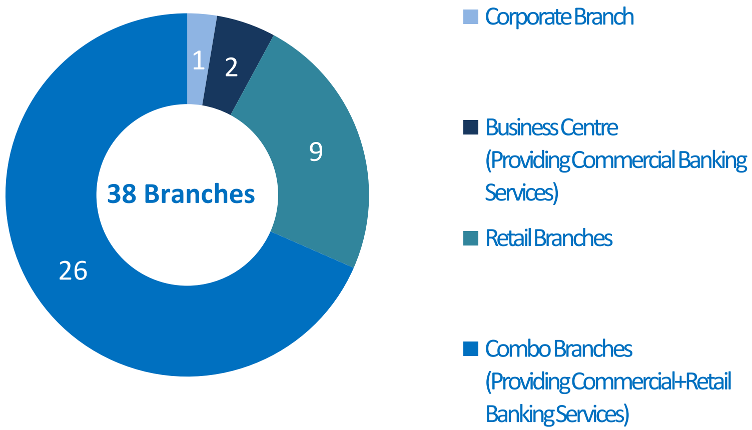
Burgan Bank A.Ş. At a Glance

- 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 (07.08.2019)**

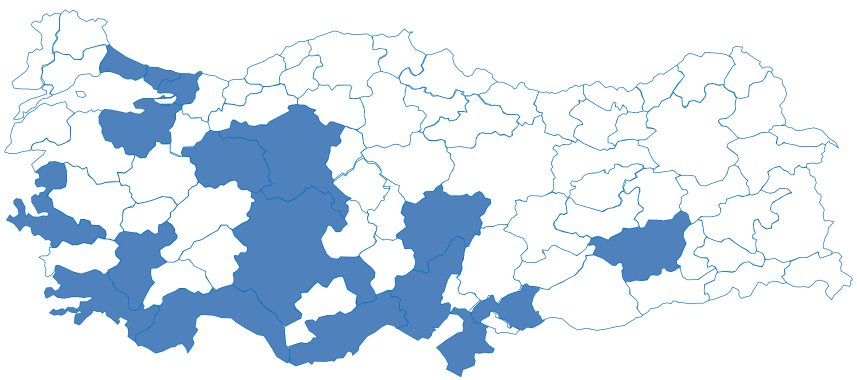
    Long Term Global Local Currency : **BB-**

    Outlook : **Negative**

Segment-wise Branch Distribution



- **38** Branches across **15** cities where **79%** of loans&deposits of the whole sector are held.



2019 Achievements

Growth	• YTD total asset size increased by **0.7**%. (banking sector ; **9.5**%) • YTD the loan book grew by **0.7**%. (banking sector ; **6.1**%)
Asset Quality	• NPL ratio increased to **5.6**% where sector ratio is 4.4% and foreign private bank npl ratio is 6.0 as of June 2019.
Funding	• Diversification of funding sources continued; • **USD 94**mn new funding generation from the international markets • Sound customer deposit base, deposits account for **48.5%** of total liabilities
Capital	• Well positioned Capital Base with a CAR of **18.5%** and Tier 1 Ratio of **9.7%** (all sub-debt from parent)
Profitability	• Net profit reached to 106.0 mio TL (4% yoy increase)
Others	• Continuous investment in People and Technology: Employee Value Proposition Project , digital banking.

BURGAN BANK

Performance Trends
Balance Sheet Growth

Balance Sheet (million TRY)

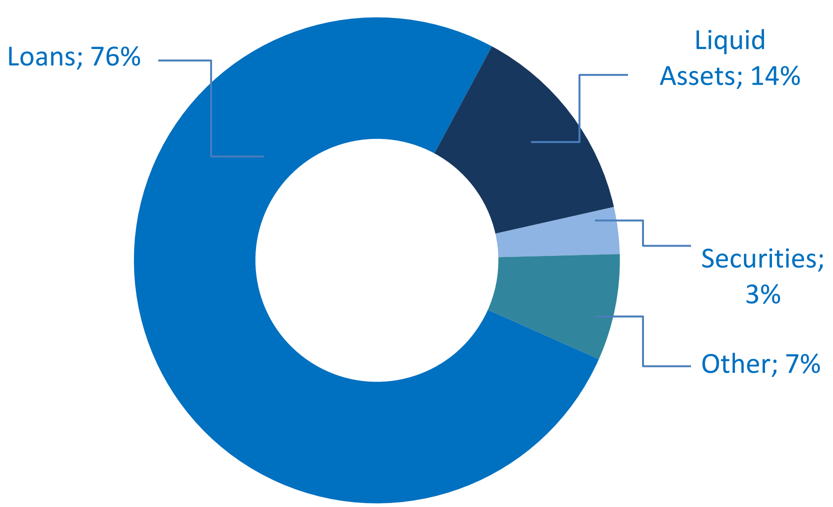
	Q22018	2018	Q22019	YoY	YTD
Total Assets	22,019.5	22,028.9	22,185.1	0.8%	0.7%
Loans[1]	17,025.2	16,789.2	16,900.8	-0.7%	0.7%
Securities	591.0	642.7	690.7	16.9%	7.5%
Deposits	10,281.8	9,915.3	10,753.6	4.6%	8.5%
Borrowings	7,036.4	6,860.6	6,314.9	-10.3%	-8.0%
Subordinated Loan(*)	1,380.8	1,599.5	1,743.0	26.2%	9.0%
Shareholders' Equity	1,832.3	1,876.0	1,943.3	6.1%	3.6%

Balance Sheet Ratios

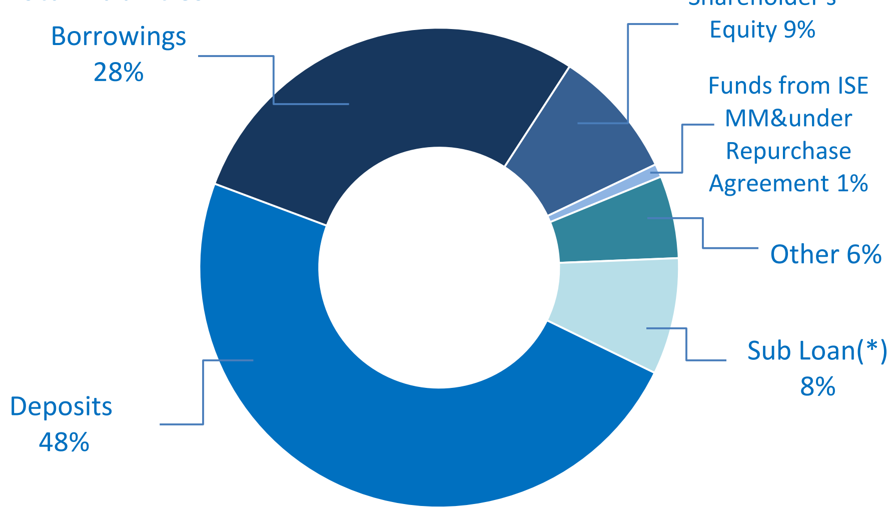
	Q22018	2018	Q22019
Loans / Assets	77%	76%	76%
Securities / Assets	3%	3%	3%
Loans / Deposits	166%	169%	157%
Loans / Deposits[2]	118%	109%	100%

(1) Factoring and Leasing Receivables Included
(2) Burgan Group borrowings included

Total Assets



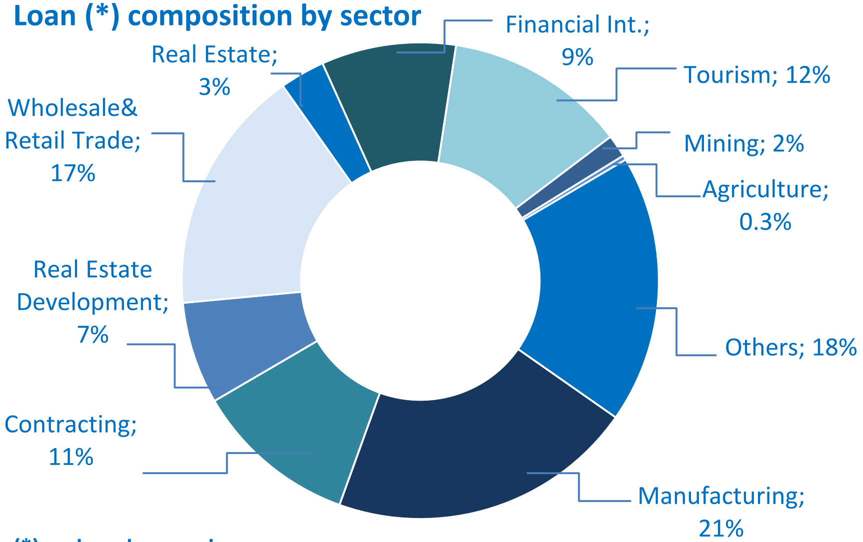
Total Liabilities



(*) Burgan Group funding

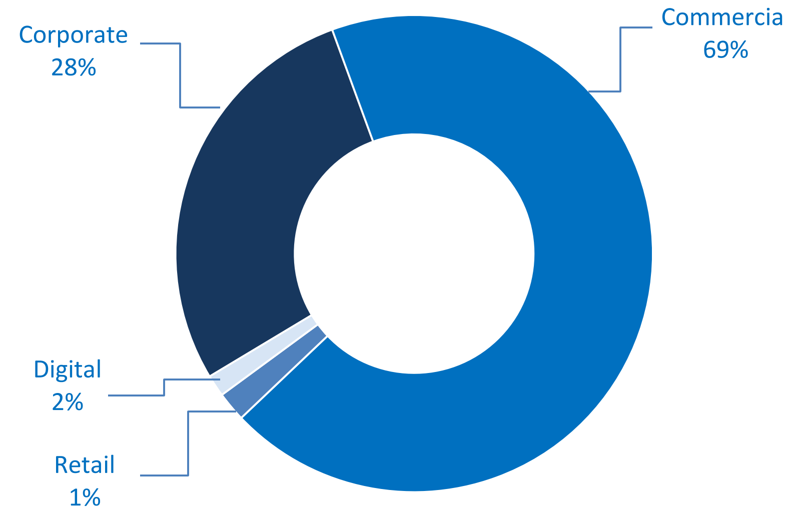
Loan Growth
Commercial and Corporate Loans – the biggest contributor

Loan (*) composition by sector

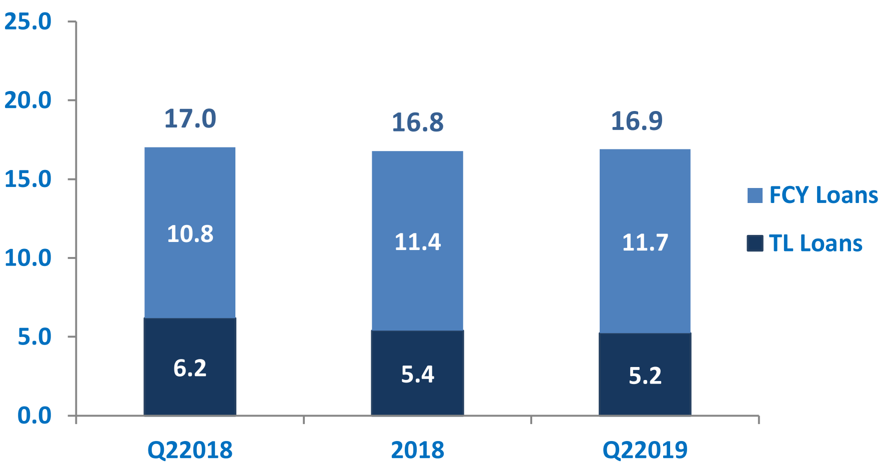


(*) cash and noncash

Loan composition by customer segment



Loan Growth(billion TRY)



- **YTD Loan balance including leasing receivables has increased by 0.7% and reached to TL 16,901 mn.**

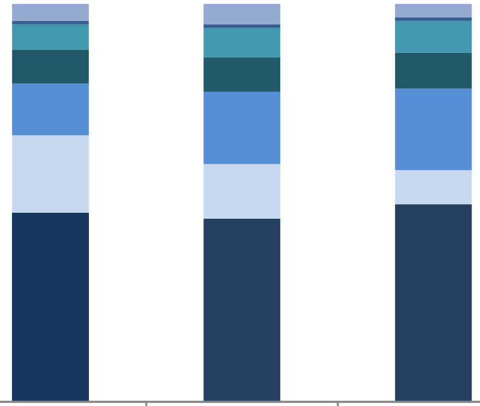
	Growth	Fx adjusted Growth
Corporate & Commercial	1%	**-5%**
Retail & Digital	-6%	**-6%**
Total	**1%**	**-5%**

Solid Funding Base with strong support from Parent

Funding structure (million TRY)

	Q22018	2018	Q22019	YoY	YTD
Deposits	10,282	9,915	10,754	4.6%	8.5%
Borrowings	7,036	6,861	6,315	-10.3%	-8.0%
Intergroup Funding	2,815	3,903	4,441	57.8%	13.8%
Syndication	934	-	-	-100.0%	0.0%
Oth. Bank Borrowings	3,176	2,885	1,824	-42.6%	-36.8%
Eximbank	112	72	50	-55.3%	-31.0%
Sub Debt(*)	1,381	1,599	1,743	26.2%	9.0%
Money Market&Repo	197	180	197	-0.1%	9.2%
Other Liabilities	916	1,111	729	-20.5%	-34.4%
Shareholder's Equity	1,832	1,876	1,943	6.1%	3.6%

Breakdown of Funding

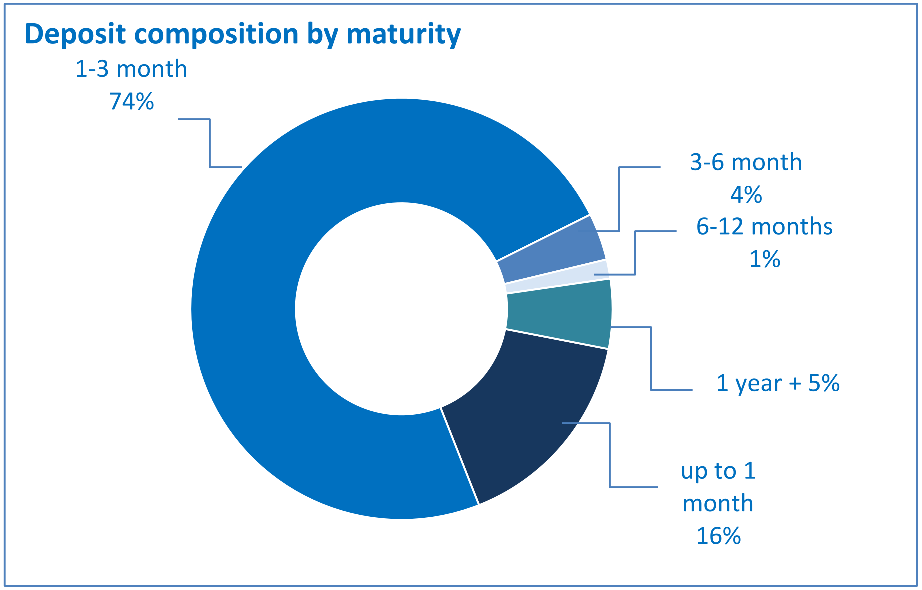


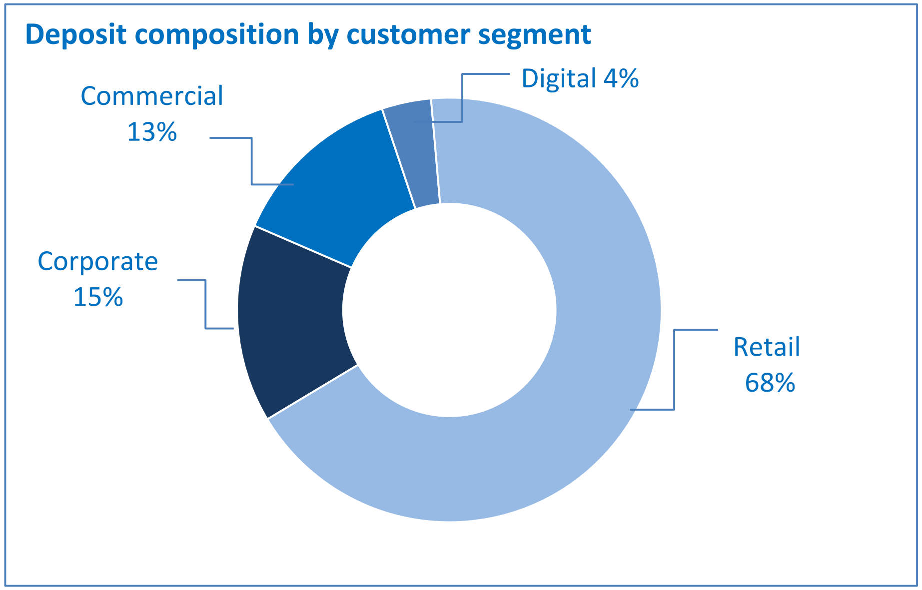
	Q22018	2018	Q22019
Bond Issue	0%	0%	0%
Other Liabilities	4%	5%	3%
Money Market&Repo	1%	1%	1%
Sub Debt(*)	6%	7%	8%
Shareholder's Equity	8%	9%	9%
Intergroup Funding	13%	18%	20%
Other Bank Borrowings	20%	14%	9%
Deposits	48%	46%	50%

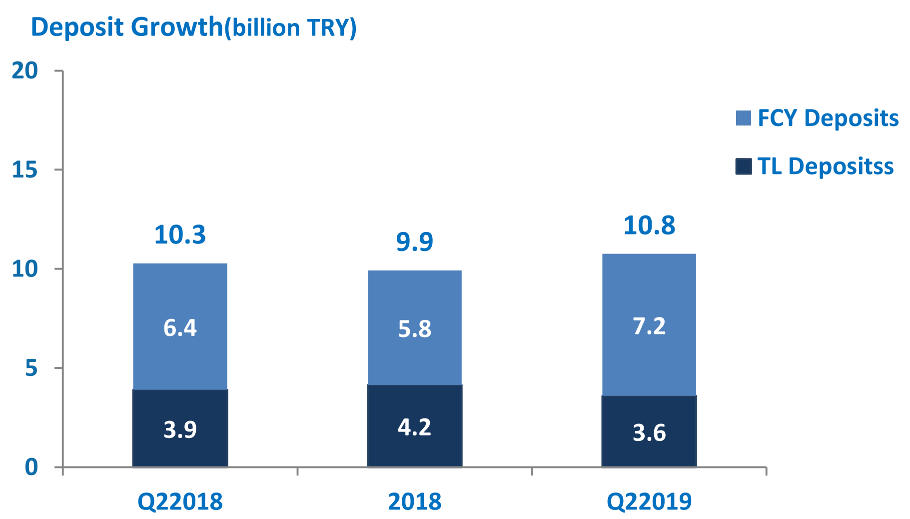
- Burgan Bank K.P.S.C. continues with a balance of **1,075 mio USD** in intergroup funding including sub-debt.
- Third party funding sources continued to increase through strong cooperation with Correspondent Banks.

(*) Burgan group

Deposits are the Main Funding Source

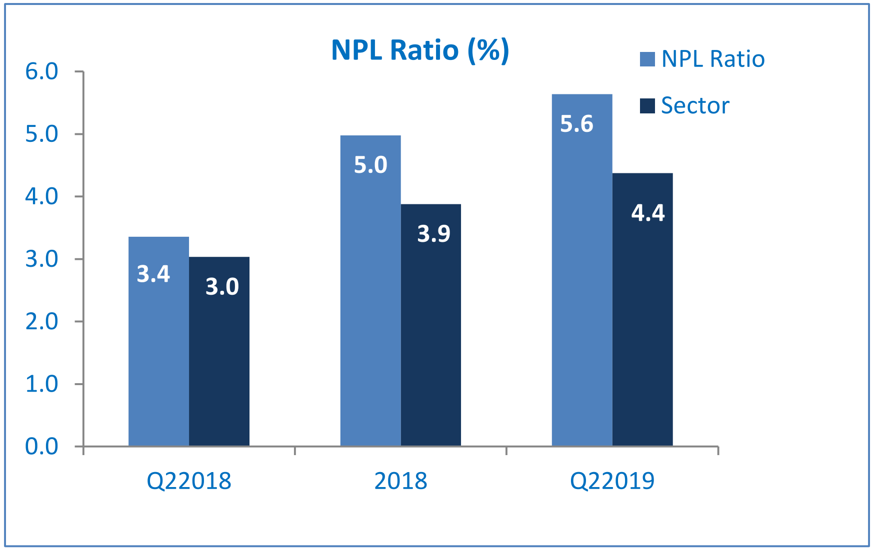


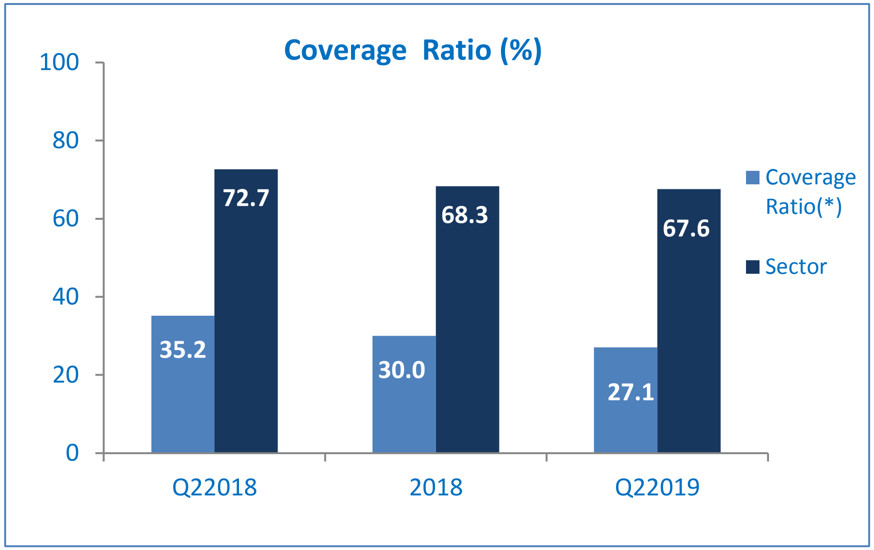




- **YTD total Deposits** increased by **8.5** %(fx adjusted 1.4%) compared to 2018 whilst the sector average was 11.6%(fx adjusted 6.7%).
- **Retail deposits** continue to be the major contributor in the deposit composition.
- **Digital banking deposits** contribution has been reached to 4%.
- The Total of Top 20 deposits receives a share of **20%** (2018-21%) out of Total Deposits.

Asset Quality
NPL ratio





	Q22018	2018	Q22019
Gross Loans (million TRY)	17,678	17,485	17,708
NPL's (million TRY)	594	871	998
NPL Ratio	3.4	5.0%	5.6
NPL coverage (*)	35.2%	30.0%	27.1%

- Asset quality remains sound with NPL ratio of **5.6%.**
- 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 March 2019, the Bank has sold a portion of its non-performing loans (TL 60 mn) to an asset management company.

(*) Excluding state1 and stage2 provisions

Strong Capitalization

	Q22018	2018	Q22019
Shareholder's Equity (million TRY)	1,832	1,876	1,943
Capital Base Inc. Sub-Debt (million TRY)	3,396	3,516	3,735
CAR Ratio (%)	18.6	18.5	18.5
Tier 1 Ratio (%)	10.0	9.9	9.7

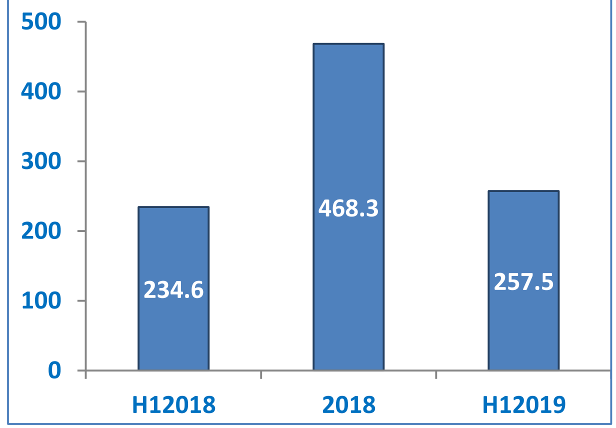
➢CAR and Tier 1 ratios consistently well above minimum requirements of 12% and 8.5%, respectively.

➢ Shareholder supported the Bank by providing long term subordinated loans, to be converted into the capital whenever it is needed.

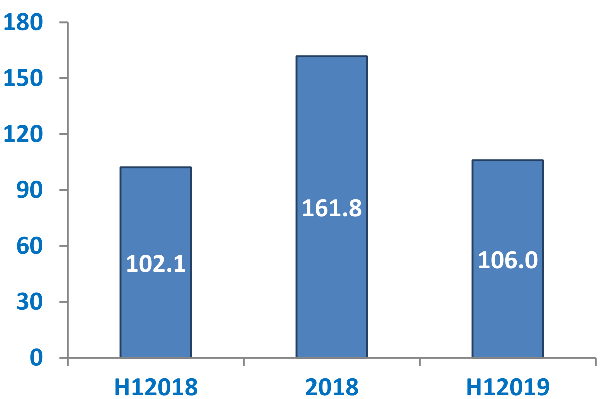
Progress in Earnings

(million TRY)	H12018	2018	H12019	YoY	YTD
Total Interest Income	1,061.5	2,547.7	1,315.7	23.9%	3.3%
Total Interest Expense	716.7	1,817.9	892.4	24.5%	-1.8%
Net Interest Income	344.8	729.8	423.3	22.8%	16.0%
Total Revenues	427.6	871.7	492.9	15.3%	13.1%
Total Operating Expenses	193.1	403.5	235.4	21.9%	16.7%
Operating Income	234.6	468.3	257.5	9.8%	10.0%
Provision	102.4	259.2	125.0	22.1%	-3.5%
Net Profit	102.1	161.8	106.0	3.8%	31.0%

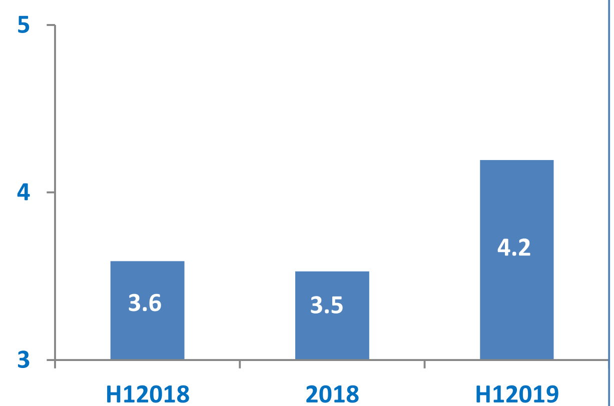
Operating Income (million TRY)



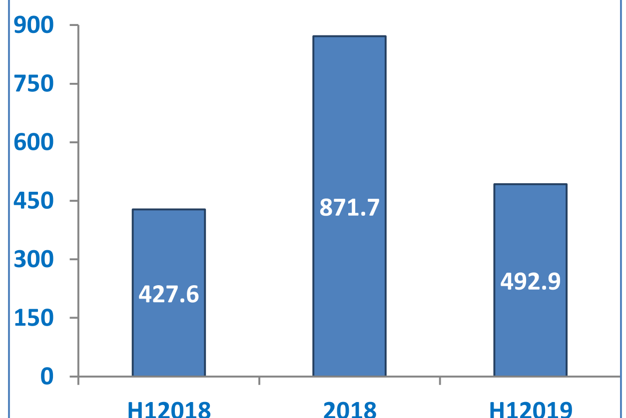
Net Profit (million TRY)



NIM Trends(%)



Revenues (million TRY)



- The bank's cost to income ratio increased to **47.8%** as of June 2019 from 45.2% as of June 2018.

BURGAN BANK

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 though 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)

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Thank you