



## **Burgan Bank A.Ş. Turkey (BBT)**

**March 2016 Presentation  
(BRSA Consolidated)**

# Operating Environment

## Macro Economic Outlook - Turkey

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

Key Indicators	2014	2015F	2016F(*)
Nominal GDP (USD bln)	799.4	720.0	740.0
Population (mil)	76.9	77.7	78.6
GDP per capita (USD)	10,390	9,235	9,400
Real GDP (% change)	2.9%	4.0%	3.5%
CPI (Inflation)	8.2%	8.4%	8.0%
Gov. Debt (USD bln)	267	235	235
Gov. Debt / GDP	33.5%	32.6%	32.5%
Current Account Bal. / GDP	-5.8%	-4.5%	-4.7%
Forex Reserves (USD bln)	126	113	108
Trade Balance (USD bln)	-85	-63	-65
Export (USD bln)	158	144	145
Imports (USD bln)	242	207	210

(\*) Source: Burgan Securities Macroeconomic Research

### Recent Developments

Strong readings on the production side suggest a robust GDP growth in 1Q16, though a tad lower than 4Q15 print. On the other hand, leading indicators portend a mild slowdown as of 2Q16, reinforcing our 3.5% GDP growth forecast for 2016. We expect 2016 GDP to be driven mainly by private demand, on the back of the latest fiscal stimulus and an accommodative monetary policy. Inflation decelerated significantly to 3yr low of 6.6% as of April, thanks to historically low food inflation, while core inflation remains elevated above 9%. C/A deficit receded to as low as 4.1% of the GDP as of 1Q16, driven by lower energy imports. However, exports remain subdued on the back of mounting geopolitical risks, despite a gradual recovery in exports to the EU. Fiscal performance remains solid as of April, thanks to lower interest payments and higher non-tax revenues. Fiscal balances are expected to deteriorate slightly in 2H16, driven by election promises and compensation of the minimum wage hike. Low debt ratios continue to serve as a key factor to uphold Turkey's investment grade status.

# Operating Environment Turkish Banking Sector

Number of Banks: 53

➤ Number of Depository Banks: 34

## Growth (billionTRY)

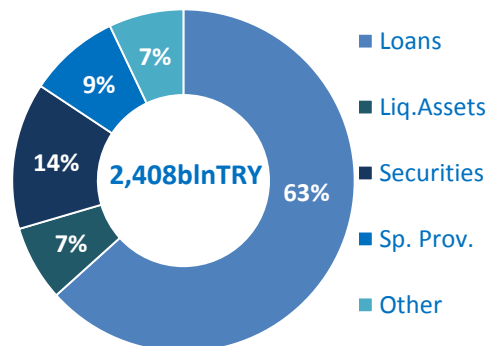
	1Q2015	2015	1Q2016	YtD	YoY
Total Assets	2,128	2,357	<b>2,408</b>	2.2%	13.2%
Total Deposits	1,116	1,245	<b>1,274</b>	2.3%	14.2%
Total Loans	1,323	1,485	<b>1,512</b>	1.0%	14.3%
Net Profit	6.7	26.0	<b>8.2</b>	26.0%	22.2%

## Key B/S Ratios(%)

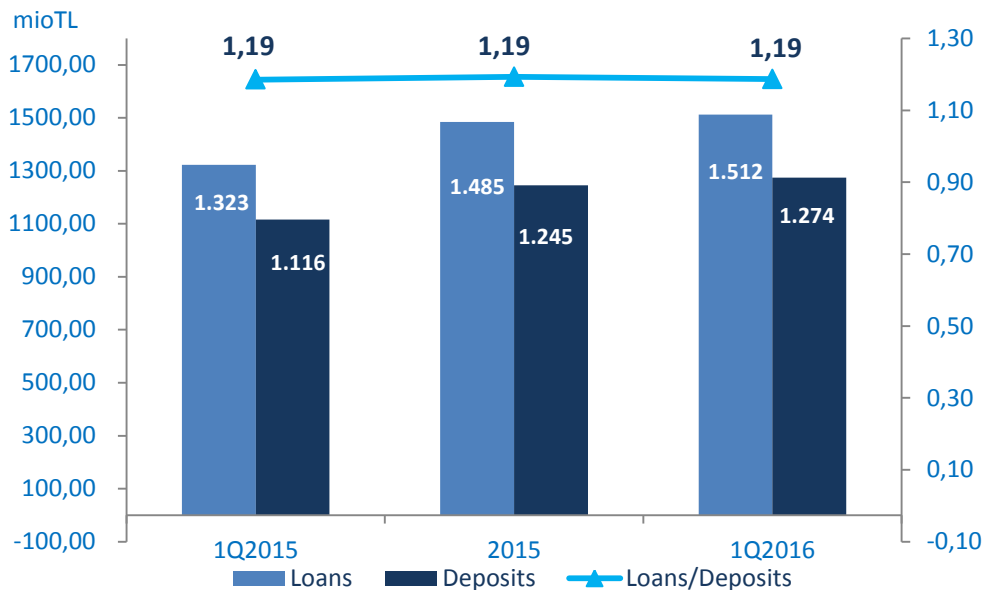
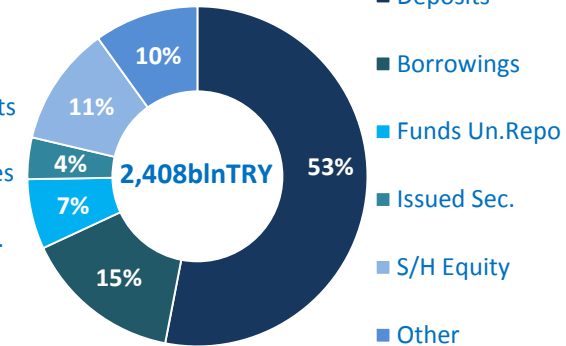
	1Q2015	2015	1Q2016
ROA	1.3	1.2	1.4
ROE	11.6	11.3	12.4
NPL	2.8	3.1	3.3
CAR	15.5	15.6	15.5
NIM	3.3	3.5	3.5
Coverage	73.0	74.6	75.2
Loan/Deposit	118.5	119.3	118.7
Total Assets/GDP	120.1	122.3	123.2
Total Loans/GDP	75.2	77.7	78.0
Total Deposits/GDP	62.9	64.6	65.2

Source: BRSA

## Total Assets (blnTRY)



## Total Liabilities

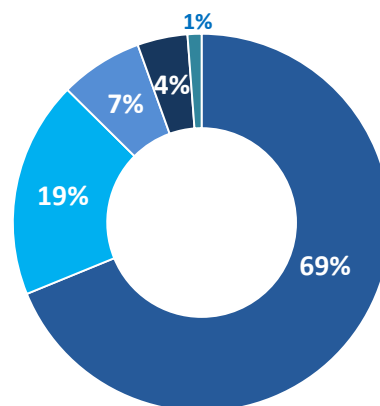


- One of the leading financial institutions with a growing presence in the MENA region as a subsidiary of KIPCO (Kuwait Projects Company)
- Listed on Kuwait Stock Exchange with a market cap of 2.7 bn \$
- Has a strong domestic franchise with 15% market share of assets in Kuwait
- International presence 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<sup>(1)</sup>
  - Malta – Fimbank / LFC
  - Tunis – Tunis International Bank
- Diversification of funding continued: \$350m club loan raised

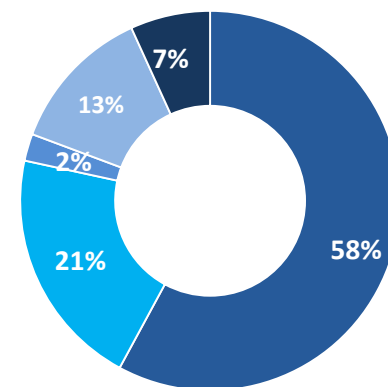
Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	2015
Revenue Growth (YoY)	13.3%
Operating Profit Growth (YoY)	16.5%
Cost to Income Ratio	43.5%
Loans to Cust. Deposits	103.5%
Liquidity Ratio	28.6%
NPA Ratio	3.8%
NPA net of Collateral Ratio	1.4%
ROE	14.2%

Loan+Deposit by Operations



Revenues by Operations



■ Kuwait ■ Turkey ■ Algeria ■ Iraq ■ Tunisia

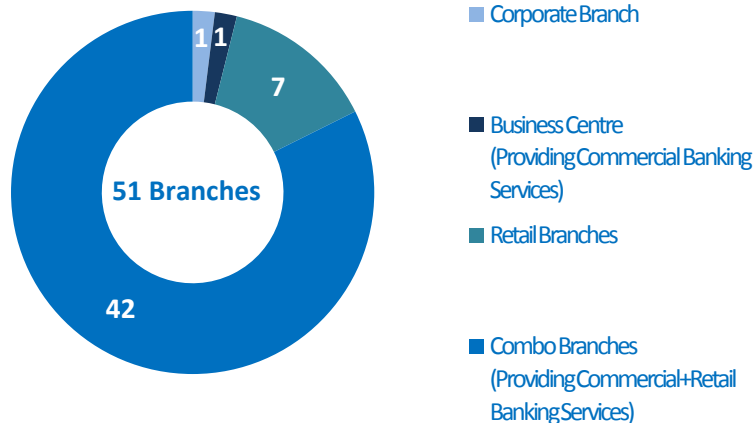
- International operations contributing 31% in Total Assets and 42% in Revenues
- Burgan Bank, Turkey is ranked as the biggest contributor among Burgan Subsidiary Banks in Loans + Deposit share as well as revenue generation

<sup>(1)</sup> 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. The sale resulted in over KD75m increase in CET1 capital and +KD500m reduction in RWAs.

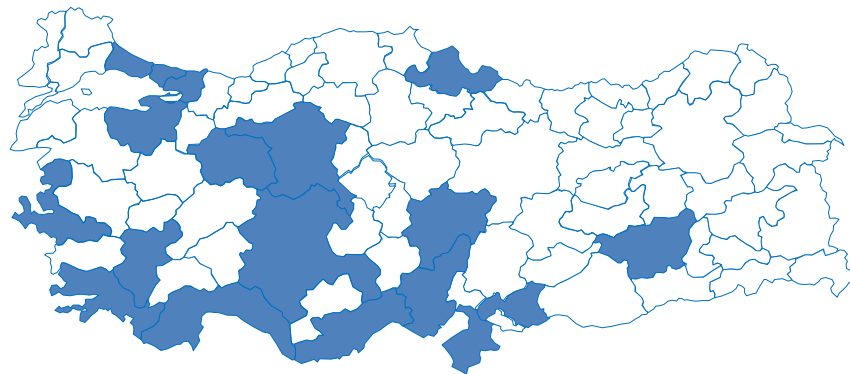
# Burgan Bank A.Ş. At a Glance

- 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.
- Rated by **Moody's**
  - Long Term Global Local Currency : **Ba3**
  - Outlook: **Stable**
- Enables better service and strengthens client relationships through its subsidiaries:
  - **Burgan Leasing**
  - **Burgan Securities**
  - **Burgan Portfolio Management**

## Segment-wise Branch Distribution



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



# Burgan Bank A.Ş.

## 1Q2016 Achievements

### Growth

- Total asset size increased by **23.6%** above the system growth of 13%
- The loan book grew by **22%** y-o-y which is well above the system growth of 14.3%
- Customer deposit volumes are up **23.3%** y-o-y. Banking sector growth is 14.2%

### Asset Quality

- The asset quality of the bank is improving with NPL ratio of **2.9%**, better than banking sector average of **3.3%**

### Funding

- Funding sources are continued to be well diversified through;
  - **US 76.9 mn** new loan generation from the international markets since the beginning of the year
  - **US 60 mn** 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 **17.1%** and Tier 1 Ratio of **8.6%**

### Profitability

- **TL 6.2 mio** profit realized with the increase in operating profit and net interest income, 5.2% and 21.6% respectively.

### Others

- Continuous investments in to people, technology in several areas (especially for new business channels and risk management areas)
- BRSA improved general assessment note of the Bank

# Performance Trends

## Sustainable Balance Sheet Growth

### Balance Sheet (million TRY)

	1Q2015	2015	1Q2016	YtD	Y/Y
<b>Total Assets</b>	9,881.5	11,573.1	12,218.4	5.6%	23.6%
<b>Loans<sup>1</sup></b>	7,845.2	9,195.1	9,574.0	4.1%	22.0%
<b>Securities</b>	379.4	679.5	509.8	-24.6%	35.0%
<b>Deposits</b>	5,450.5	6,611.5	6,720.9	1.7%	23.3%
<b>Borrowings</b>	2,282.9	2,522.2	2,648.3	5.0%	16.0%
<b>Subordinated Loan</b>	393.0	438.9	848.8	93.4%	116.0%
<b>Shareholders' Equity</b>	969.8	1,012.5	1,017.7	0.5%	4.9%

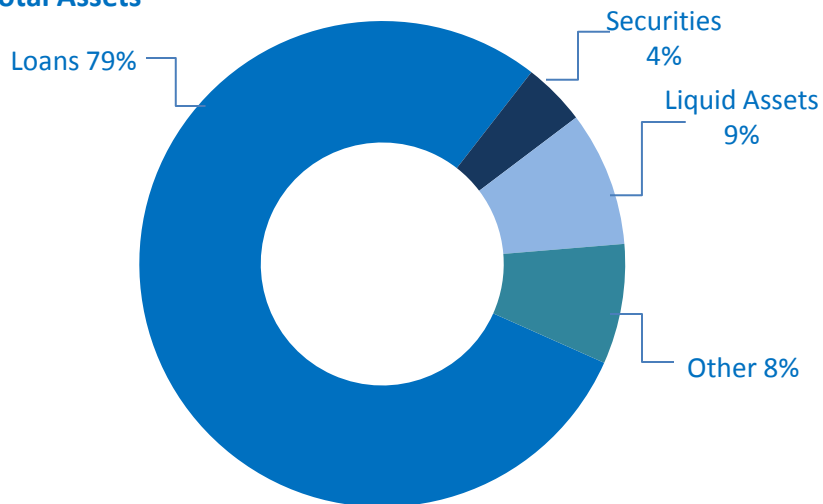
### Balance Sheet Ratios

	1Q2015	2015	1Q2016
<b>Loans / Assets</b>	79%	79%	78%
<b>Securities / Assets</b>	4%	6%	4%
<b>Loans / Deposits</b>	144%	139%	142%
<b>Loans / Deposits<sup>2</sup></b>	121%	117%	121%

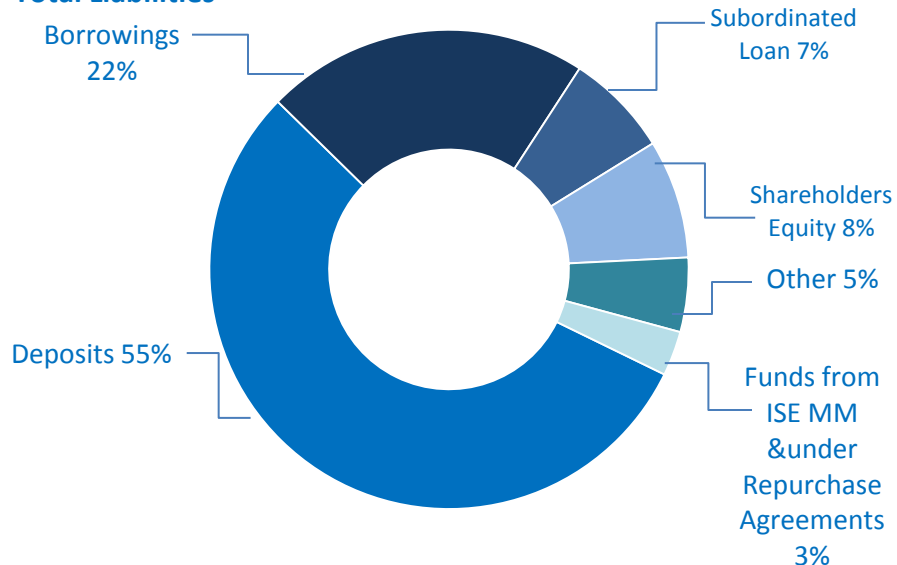
(1) Factoring and Leasing Receivables Included

(2) Sub debt and Borrowings included

### Total Assets



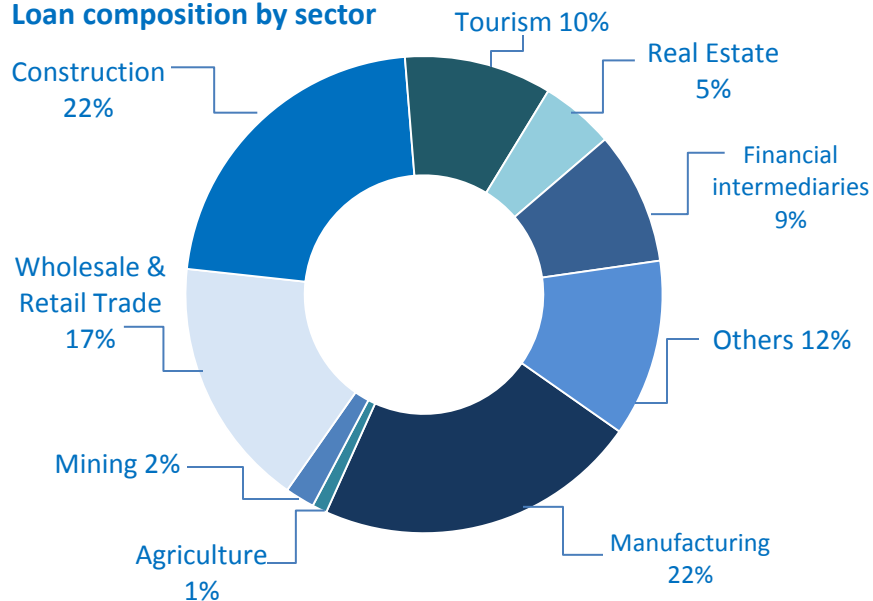
### Total Liabilities



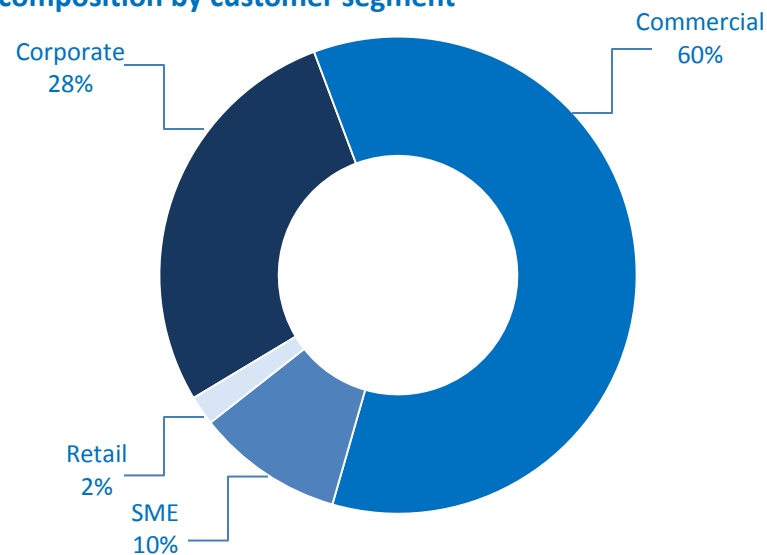
# Loan Growth Above The Market Average

## Commercial and Corporate Loans – the biggest contributor

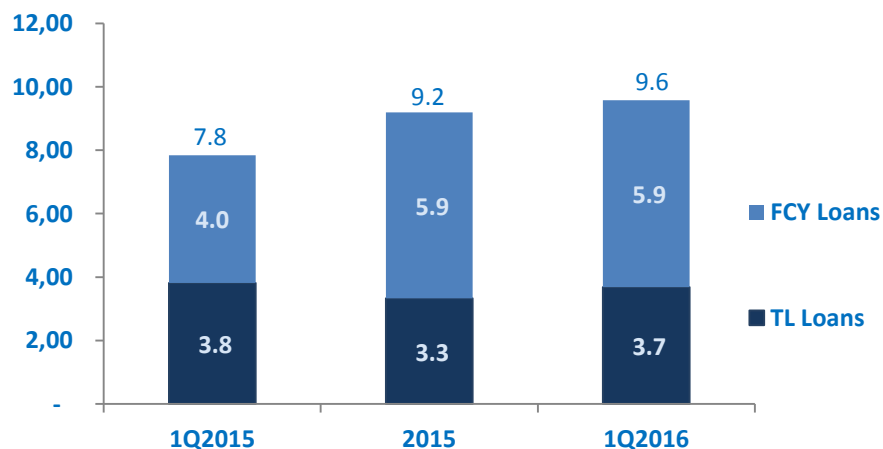
Loan composition by sector



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



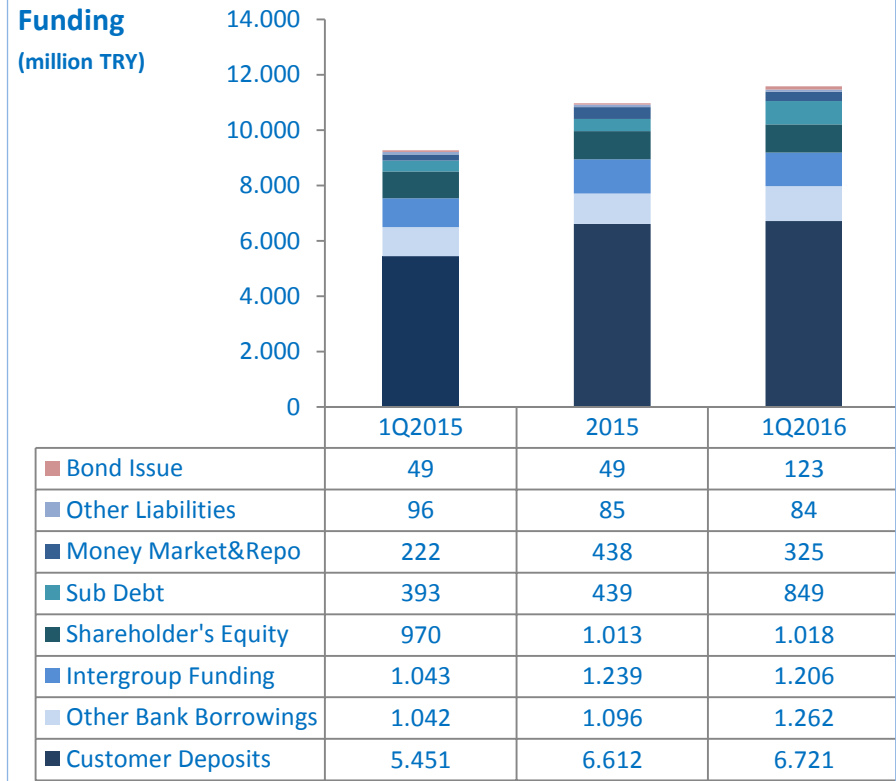
# Rising Funding Availabilities Well Diversified

## Funding structure (million TRY)

	1Q2015	2015	1Q2016	YtD	YoY
Customer Deposits	5,451	6,612	6,721	1.6%	23.3%
Borrowings	2,283	2,522	2,648	5.0%	16.0%
Intergroup Funding	1,043	1,239	1,206	-2.7%	15.6%
EIB	109	81	81	0.0%	-25.7%
Other Bank Borrowings	1,042	1,096	1,262	15.1%	21.1%
Eximbank	89	107	99	-7.5%	11.2%
Sub Debt	393	439	849	93.4%	116.0%
Money Market&Repo	222	438	325	-25.8%	46.4%
Bond Issue	49	49	123	151.0%	151.0%
Other Liabilities	96	85	84	-1.2%	-12.5%
Shareholder's Equity	970	1,013	1,018	0.5%	4.9%

- Syndication loan agreement of 77mioUSD and 42mioEUR (124mioUSD) was signed by the end of June/2015 with participation of 12 banks from 6 countries
- Loan Agreement for long term financing signed with IFC for 60 mioUSD.

## Breakdown of Funding (million TRY)

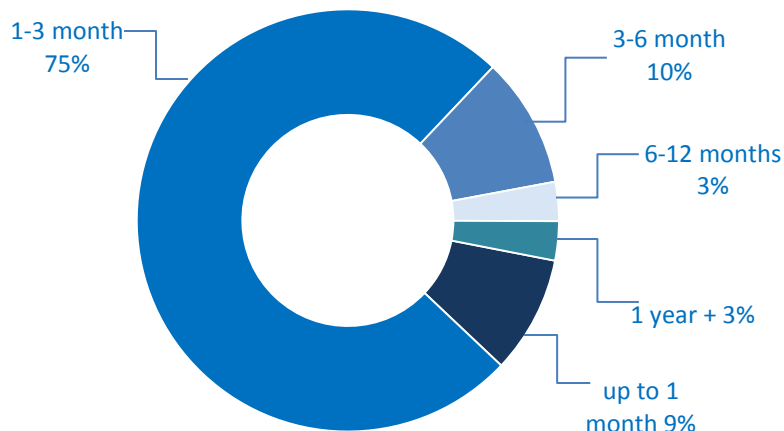


- Commitment of Burgan Bank K.P.S.C. continues with a balance of 424mioUSD in intergroup funding
- Third party funding sources continued to increase through strong cooperation with Correspondent Banks.

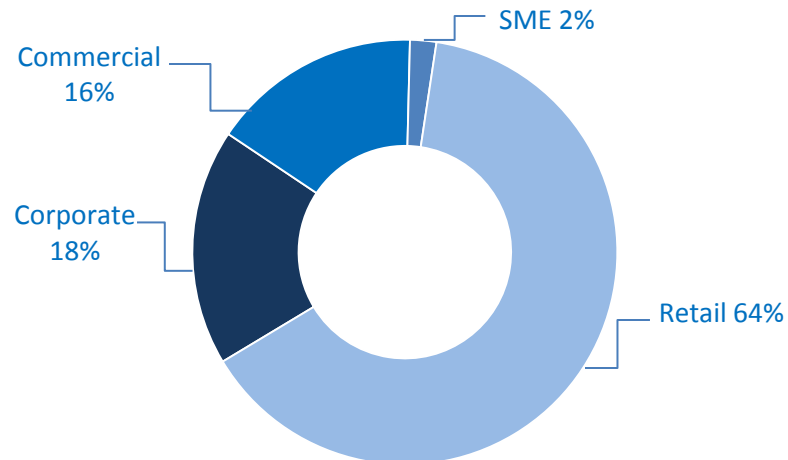
# Deposits are the Main Funding Source

## FX Deposits – the biggest share

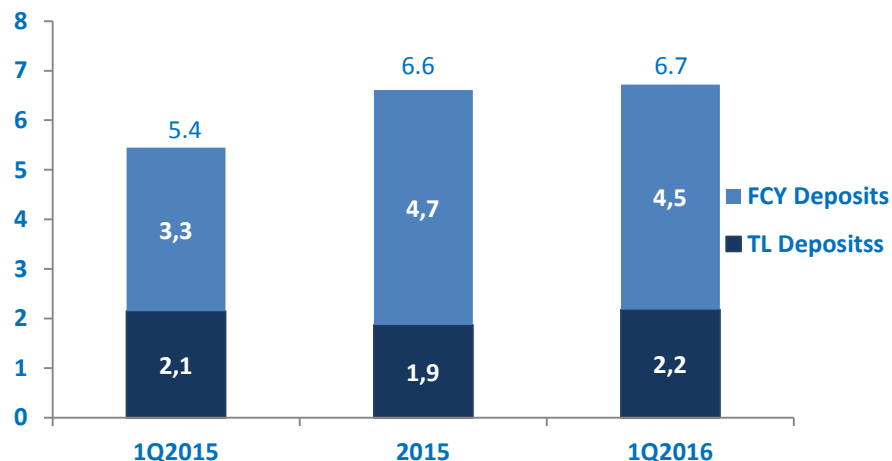
Deposit composition by maturity



Deposit composition by customer segment



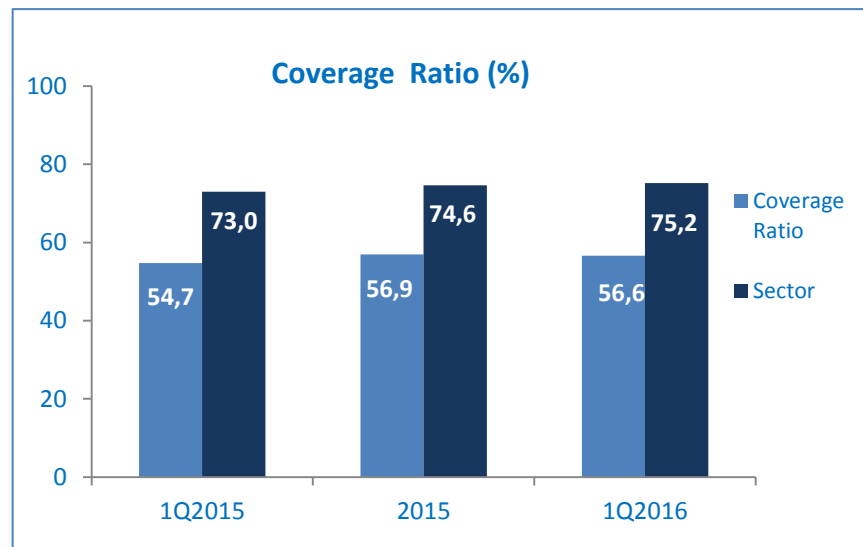
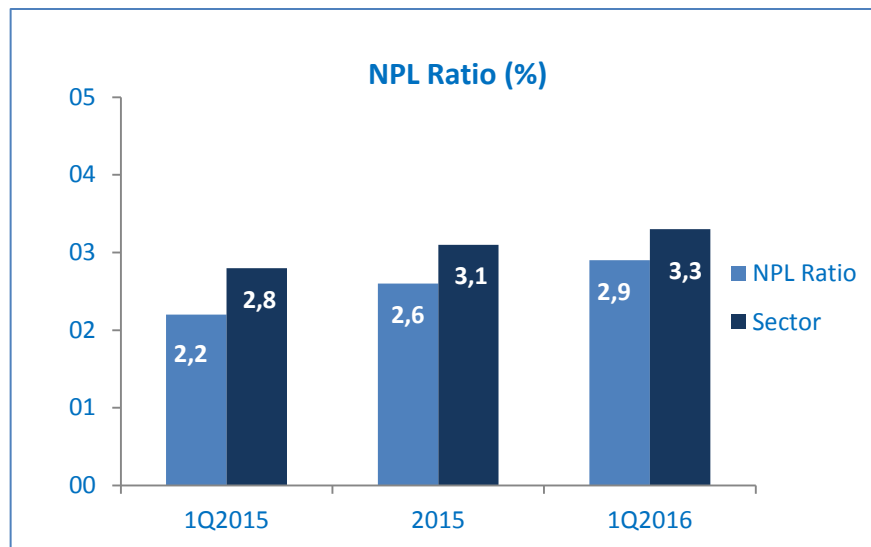
Deposit Growth(billion TRY)



- As of 1Q2016 **23.3%** deposit growth is achieved year-on-year whilst the sector average was 14.2%.
- **FCY Deposits** expanded by **37.5%** as of 1Q2016 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 **19.5%** out of Total Deposits.

# Improved Asset Quality

## NPL ratio – below the market average



	1Q2015	2015	1Q2016
Gross Loans (million TRY)	7,939	9,332	9,733
NPL's(million TRY)	172	241	280
NPL Ratio	2.2%	2.6%	2.9%
NPL, net of collateral	124	177	218
NPL coverage, net of collateral	80.7%	77.2%	72.7%

- Asset quality remains strong with NPL ratio of **2.9%** 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

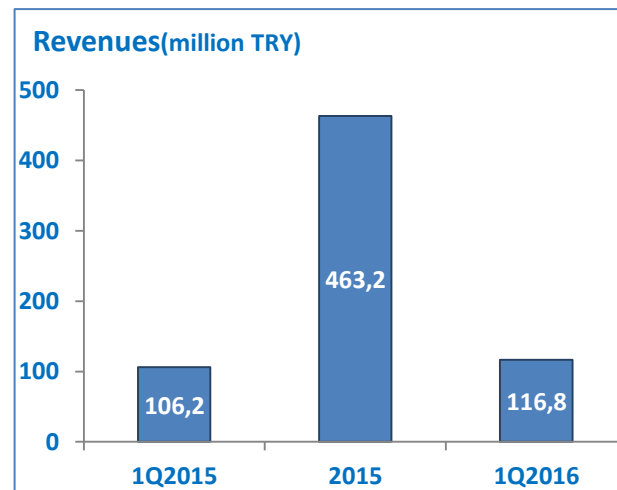
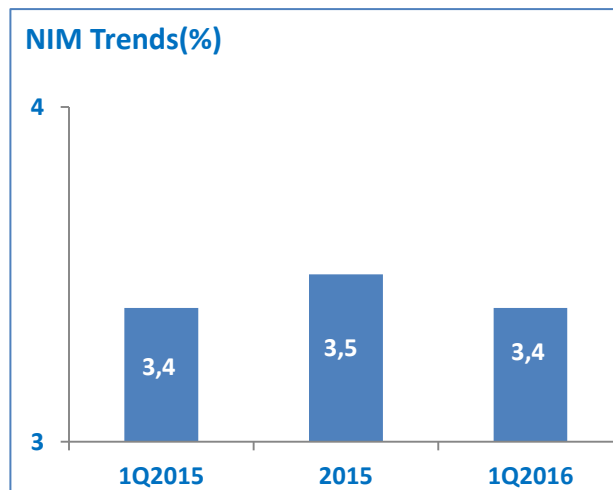
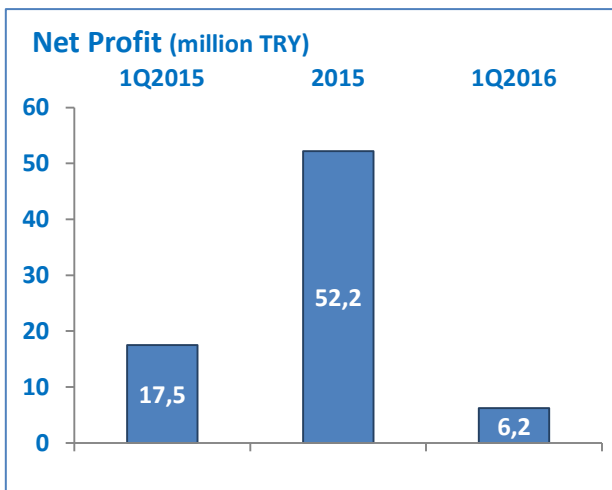
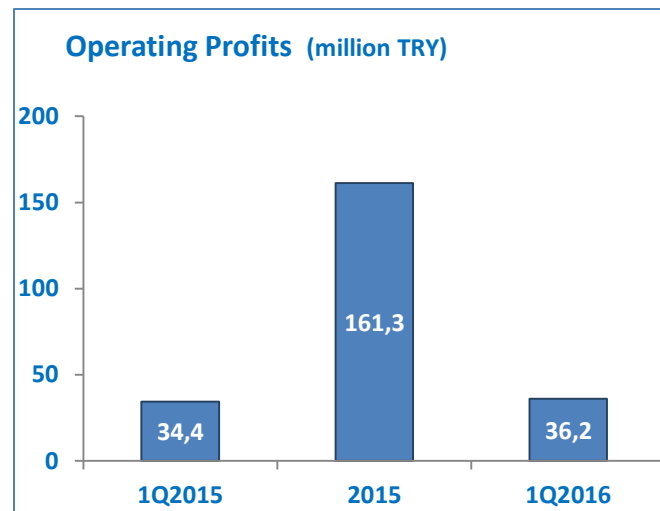
	1Q2015	2015	1Q2016
Shareholder's Equity (million TRY)	970	1,013	<b>1,018</b>
CAR Ratio (%)	15.5	14.5	<b>17.1</b>
Tier 1 Ratio (%)	10.7	9.4	<b>8.6</b>

- CAR and Tier 1 ratios consistently well above minimum requirements of 12% and 6.0%, respectively.
- Shareholder supported the capital base by providing **150 mioUSD** of subordinated loan for the second time.

# Progress in Earnings

(million TRY)	1Q2015	2015	1Q2016	Ytd(*)	Y/Y
Total Interest Income	205.4	924.7	290.8	25.8%	41.6%
Total Interest Expense	123.0	559.6	190.6	36.2%	55.0%
Net Interest Income	82.4	365.1	100.2	9.8%	21.6%
Total Revenues	106.2	463.2	116.8	0.9%	10.0%
Total Operating Expenses	71.8	301.9	80.6	6.8%	12.3%
Operating Income	34.4	161.3	36.2	-10.2%	5.2%
Provision	13.6	92.4	26.5	14.7%	94.9%
Net Profit	17.5	52.2	6.2	-52.5%	-64.6%

(\*) Calculation is based on annualized figures



➤ The bank's cost to income ratio is **69.0%** as of 1Q2016

### 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

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**Thank you**

