



Burgan Bank A.Ş. Turkey (BBT)

**March 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

Political developments have remained on top of Turkey's agenda since the beginning of the year. A constitutional referendum was held on April 16, which transforms the parliamentary system of government into a presidential system. Amid political uncertainties and volatility in financial markets, economic growth slowed down to 2.9% in 2016. However, leading indicators signal a slightly better outlook in 2017 as government employs fiscal tools to boost private demand, exports tend to recover and financial volatility eases. We expect Turkish economy to expand by 3.5% in 2017, mostly driven by private consumption and public spending.

Headline inflation climbed to 11.9% as of April on the back of higher pass through from weaker TRL, acceleration in food inflation and low base. Inflation is expected to remain in double-digit levels in the upcoming months, and slightly decelerate to 9.5% by end-2017.

As a response to deteriorating inflation outlook, the CBT has tightened the policy stance as of January. The average weighted funding rate rose roughly 370bps to 11.9% as of May, helping the currency to gain some strength.

12m rolling C/A deficit remains broadly stable since the beginning of the year amid upward trend in exports versus continued contraction in tourism revenues and rising energy imports. C/A deficit is expected to widen towards 4.5% of GDP in 2017, from 3.8% in 2016.

Operating Environment

Turkish Banking Sector

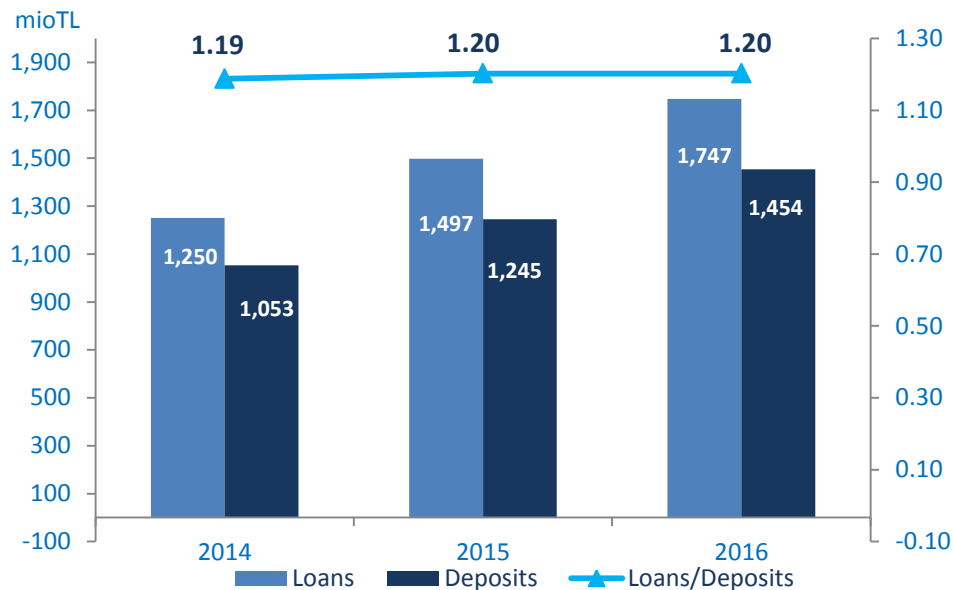
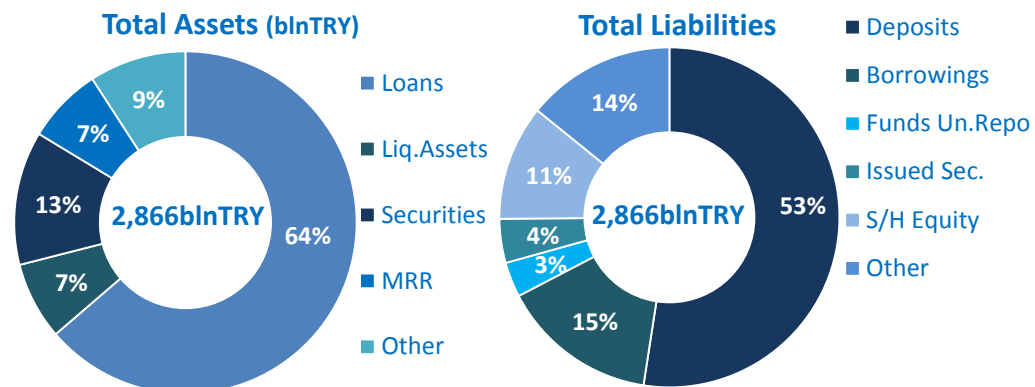
Number of Banks: 52

➤ Number of Depository Banks: 34

Growth (billionTRY)	Q12016	2016	Q12017	YoY
Total Assets	2.408	2.731	2.866	19,0%
Total Deposits	1.274	1.454	1.518	19,1%
Total Loans	1.524	1.747	1.844	21,0%
Net Profit	8,2	37,5	13,5	65,0%

Key B/S Ratios(%)	Q12016	2016	Q12017
ROA	1.4	1.5	1.9
ROE	12.4	14.3	17.7
NPL	3.3	3.2	3.2
CAR	15.5	15.6	16.1
NIM	3.5	3.6	3.9
Coverage	75.2	77.4	77.9
Loan/Deposit	119.6	120.2	121.5
Total Assets/GDP	123.2	105.4	110.6
Total Loans/GDP	78.0	67.5	71.2
Total Deposits/GDP	65.2	56.1	58.6

Source: BRSA

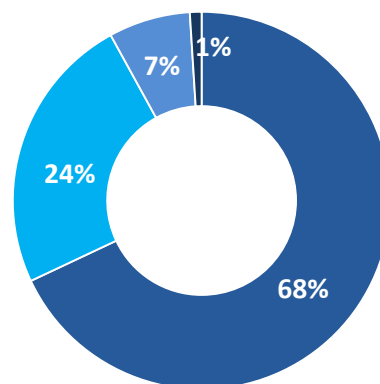


- One of the leading financial institutions with a growing presence in the MENA region as a subsidiary of KIPCO (Kuwait Projects Company)
- Listed on Kuwait Stock Exchange with a market cap of 2.2 bn \$
- Has a strong domestic franchise with 15.3% market share of assets in Kuwait
- International presence with its subsidiary/group banks in different regions:
 - Turkey – Burgan Bank A.S.
 - Algeria – Algeria Gulf Bank
 - Iraq – Bank of Baghdad
 - Tunisia – Tunis International Bank

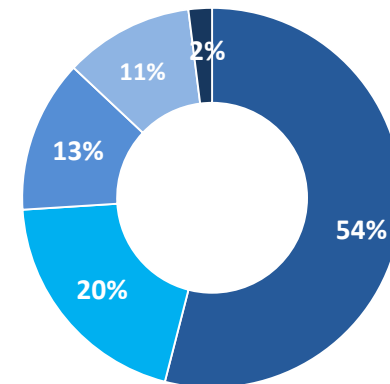
Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	Q12017
Core revenue Growth (YoY) ⁽¹⁾	5.2%
Net Profit Growth (YoY) ⁽²⁾	23.0%
Cost to Income Ratio	44.4%
Loans to Cust. Deposits	109.0%
Liquidity Ratio	28.4%
NPA Ratio	3.9%
NPA net of Collateral Ratio	1.1%
ROE ⁽²⁾	14.1%

Loans by Operations



Revenues by Operations



■ Kuwait ■ Turkey ■ Algeria ■ Iraq ■ Tunisia

- International operations contributing 32% in Loans and 46% in Revenues
- Burgan Bank, Turkey is ranked as the biggest contributor among Burgan Subsidiary Banks in loans share as well as revenue generation

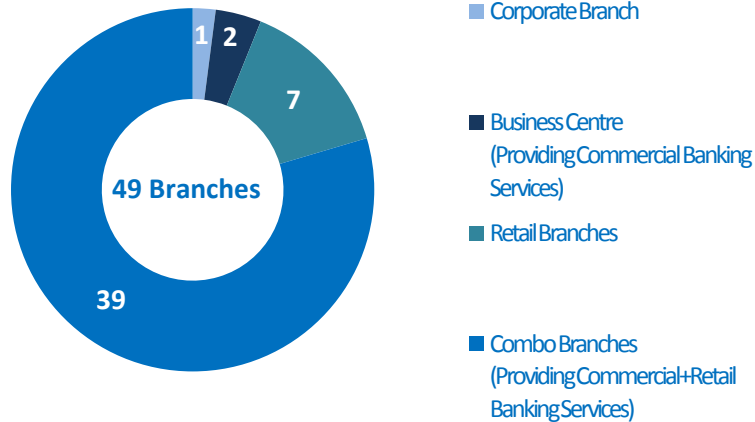
(1) After adjusting for FX depreciation

(2) Excluding one offs, precautionary provisions and after AT1 cost

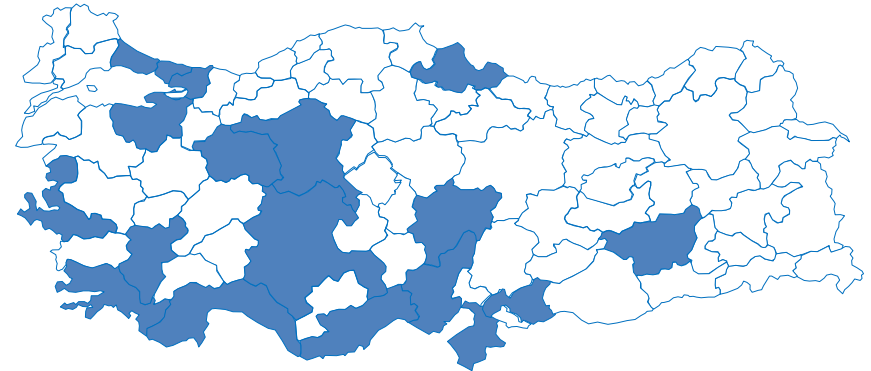
Burgan Bank A.Ş. At a Glance

- Incorporated in 1989 as Tekfen Yatırım Bankası AŞ
- Became a Burgan Group member as of December 2012. Burgan Bank 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 (09.02.2017)**
Long Term Global Local Currency : **BBB-**
Outlook : **Stable**
 - **Moody's (07.04.2017)**
Bank Deposits: **Ba3/NP**
Outlook : **Stable**

Segment-wise Branch Distribution



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



Q1 2017 Achievements

Growth

- Total asset size increased by **30.4%** compared to the Q12016 above the system growth of 19.0%
- The loan book grew by **30.0 %** compared to the Q12016 which is well above the system growth of 21%
- Deposit volumes are up **33.2 %** compared to the Q12016 and reached to 8,9 billion TL.

Asset Quality

- The asset quality of the bank is improving with NPL ratio of **2.3%**, better than banking sector average of **3.2%**

Funding

- Funding sources are continued to be well diversified through;
 - **USD 15mn** new loan generation from the international markets since the beginning of the year
- Sound customer deposit base, with deposits accounting for around **56%** of total liabilities

Capital

- Well positioned Capital Base with a CAR of **15.3%** and Tier 1 Ratio of **7.1%** (all sub-debt from parent)

Profitability

- The Bank produced 20.9 mio TL profit in Q12017 and increased its profitability 3 times by the end of Q12016.

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)

	Q12016	2016	Q12017	Y/Y
Total Assets	12,218.4	15,094.1	15,938.3	30.4%
Loans¹	9,574.0	12,041.3	12,450.0	30.0%
Securities	509.8	721.1	724.3	42.1%
Deposits	6,720.9	8,248.7	8,952.0	33.2%
Borrowings	2,648.3	3,446.1	3,549.6	34.0%
Subordinated Loan(*)	848.8	1,057.5	1,092.7	28.7%
Shareholders' Equity	1,017.7	1,092.6	1,121.7	10.2%

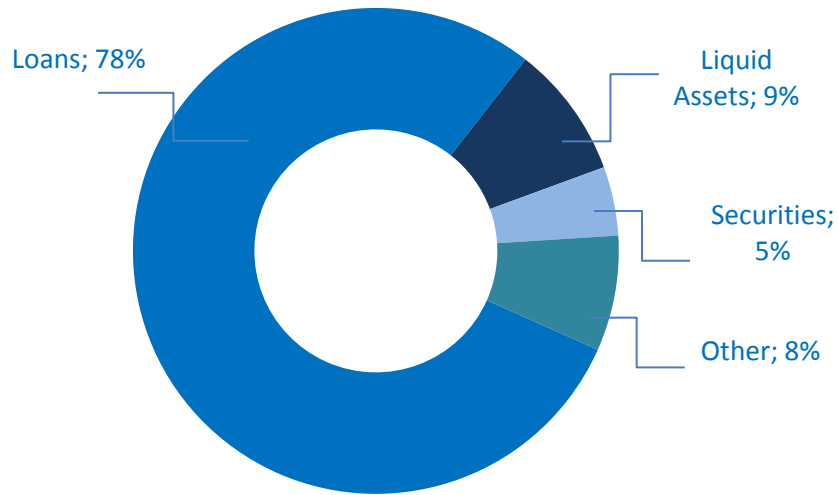
Balance Sheet Ratios

	Q12016	2016	Q12017
Loans / Assets	78%	80%	78%
Securities / Assets	4%	5%	5%
Loans / Deposits	142%	146%	139%
Loans / Deposits²	109%	110%	105%

(1) Factoring and Leasing Receivables Included

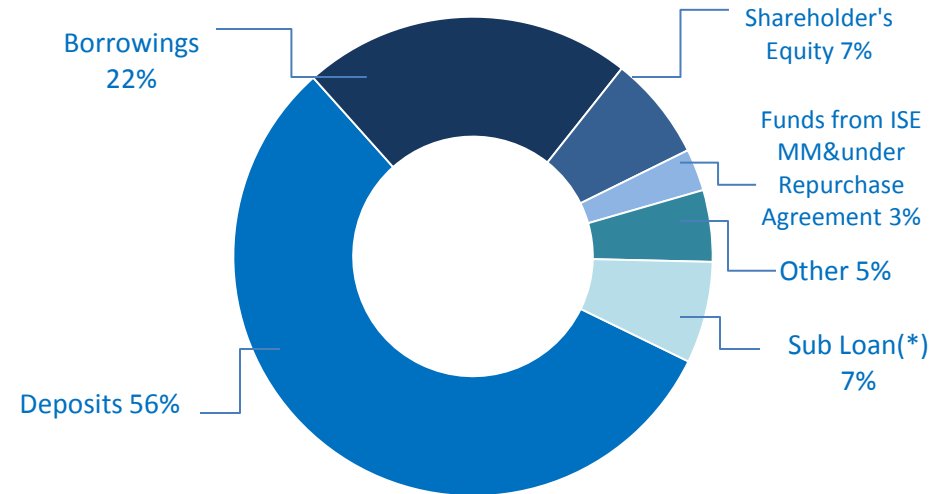
(2) Burgan Group borrowings included

Total Assets



(*) Burgan Group funding

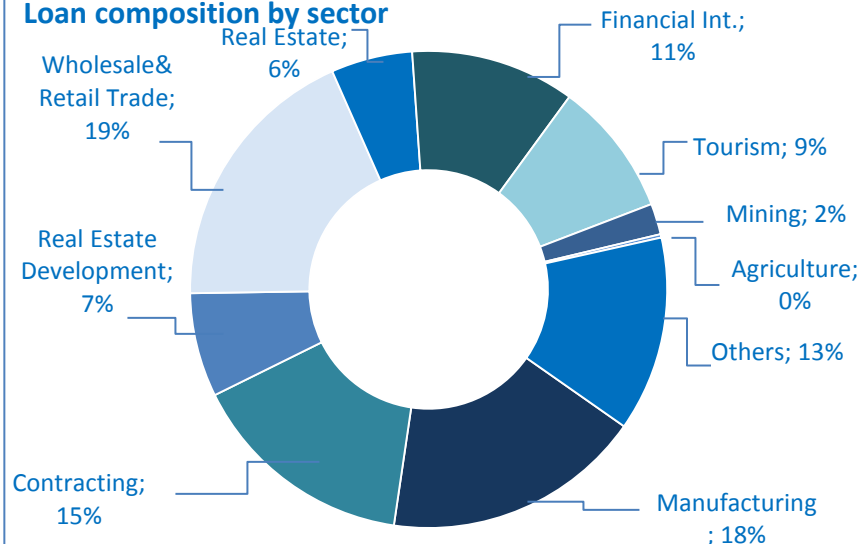
Total Liabilities



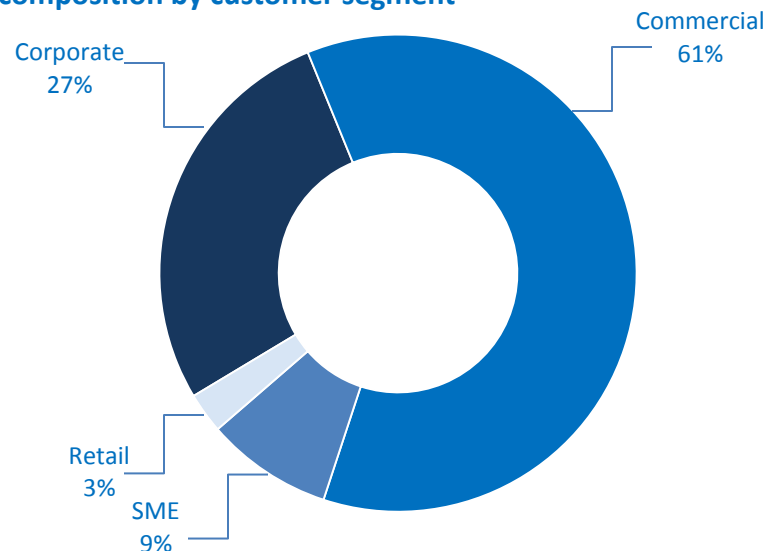
Loan Growth Above The Market Average

Commercial and Corporate Loans – the biggest contributor

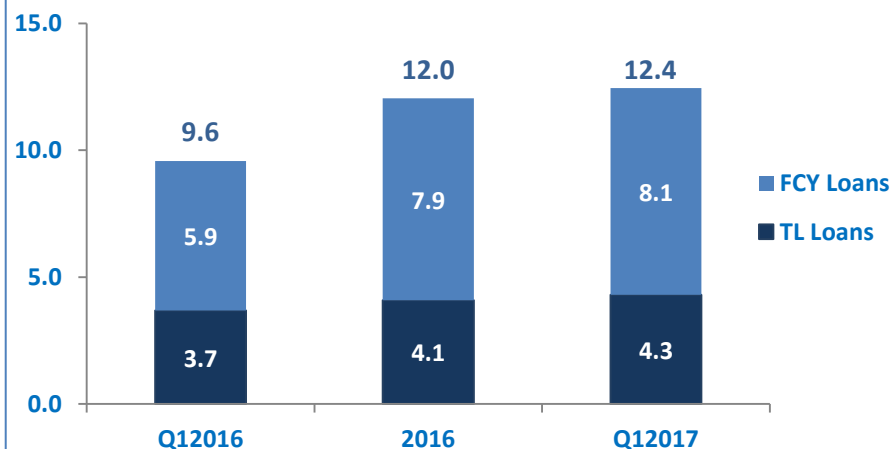
Loan composition by sector



Loan composition by customer segment



Loan Growth(billion TRY)



Definition of customer segment

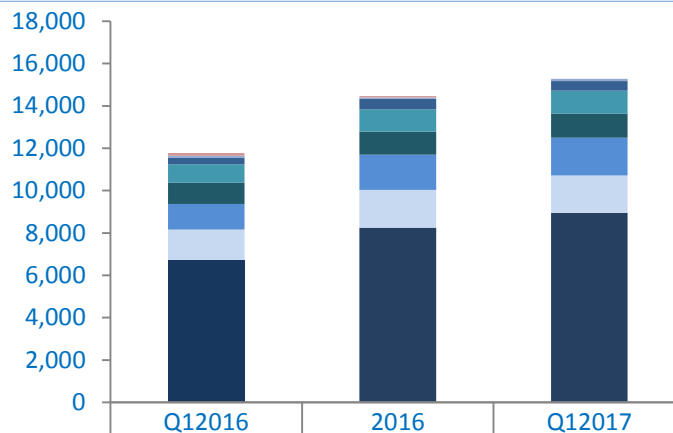
- Corporate:** Companies with turnover exceeding TRY 100 mln
- Commercial:** Companies with turnover between TRY 25 mln to TRY 100 mln
- SME:** Companies with turnover below TRY 25 mln.
- Retail:** Individual customers

Rising Funding Availabilities Well Diversified

Funding structure (million TRY)

	Q12016	2016	Q12017	YoY
Customer Deposits	6,721	8,249	8,952	33.2%
Borrowings	2,648	3,446	3,550	34.0%
Intergroup Funding	1,206	1,661	1,783	47.8%
EIB	81	46	48	-41.2%
Syndication	352	519	539	53.0%
Oth. Bank Borrowings	910	1,147	1,095	20.4%
Eximbank	99	73	85	-14.4%
Sub Debt(*)	849	1,057	1,093	28.7%
Money Market&Repo	325	496	452	39.3%
Bond Issue	123	49	0	-100.0%
Other Liabilities	84	67	106	27.1%
Shareholder's Equity	1,018	1,093	1,122	10.2%

Breakdown of Funding (million TRY)



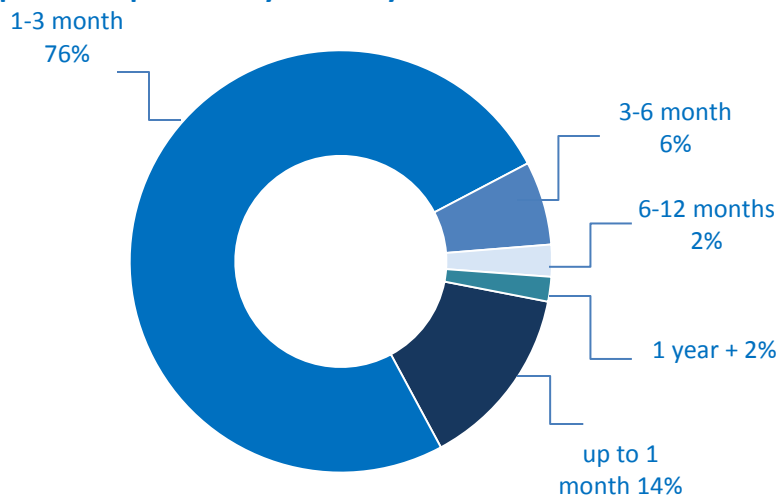
- Commitment of Burgan Bank K.P.S.C. continues with a balance of **791mioUSD** in intergroup funding including sub-debt.
- Third party funding sources continued to increase through strong cooperation with Correspondent Banks.

(*) Burgan group

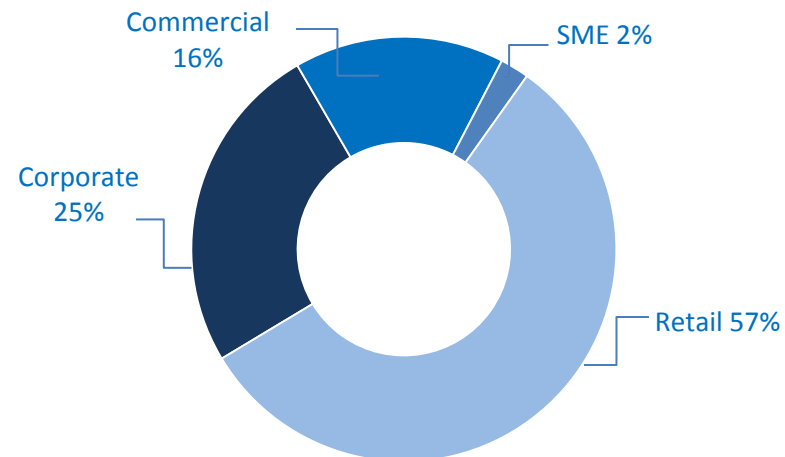
Deposits are the Main Funding Source

FX Deposits – the biggest share

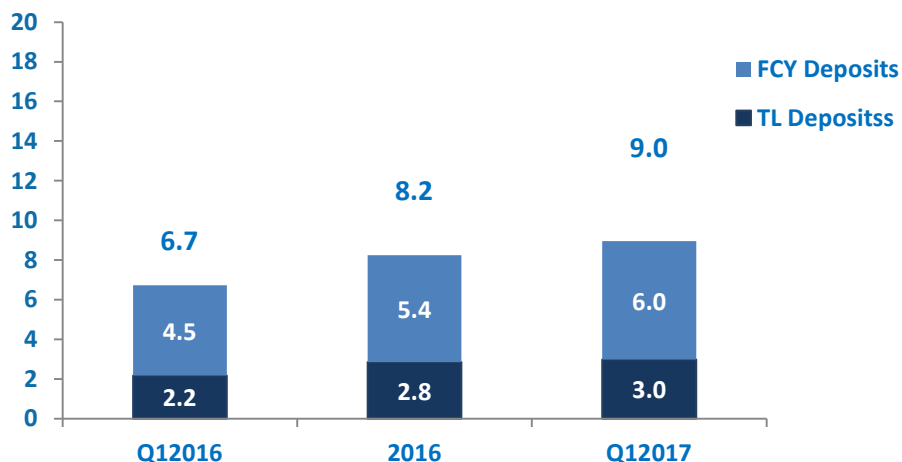
Deposit composition by maturity



Deposit composition by customer segment



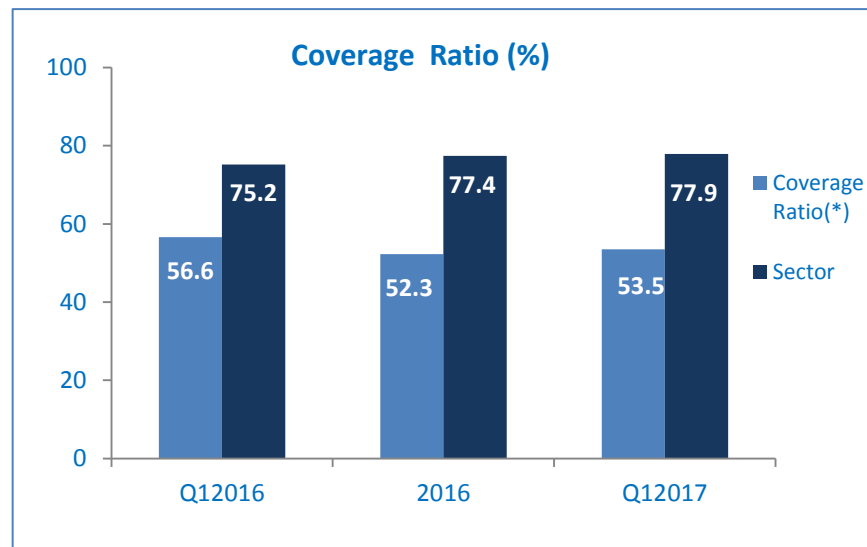
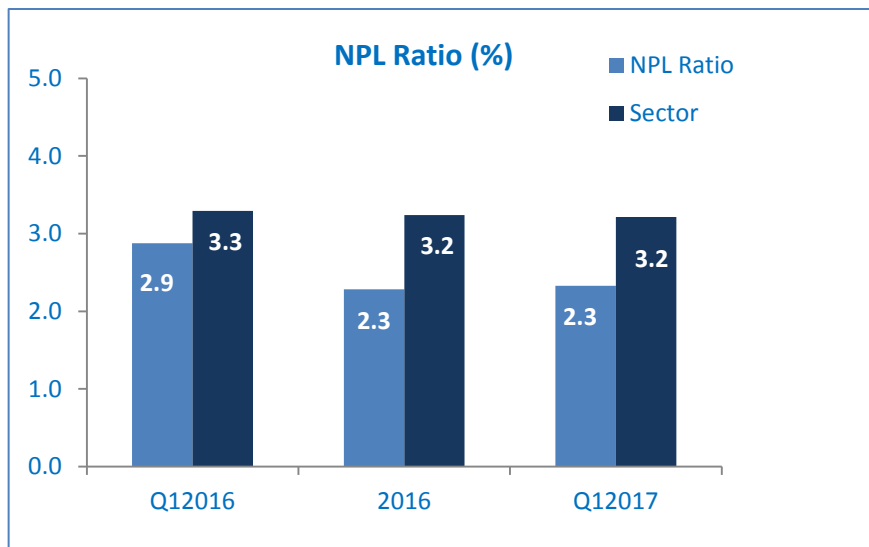
Deposit Growth(billion TRY)



- **Total Deposits** increased by **33.2 %** compared to the Q12016 whilst the sector average was 19%.
- **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 **25%** out of Total Deposits.

Improved Asset Quality

NPL ratio – below the market average



	Q12016	2016	Q12017
Gross Loans (million TRY)	9,733	12,187	12,607
NPL's(million TRY)	280	278	293
NPL Ratio	2.9%	2.3%	2.3%
NPL, net of collateral	218	208	223
NPL coverage, net of collateral(*)	72.7%	70.0%	70.4%

- Asset quality remains strong with NPL ratio of **2.3%** below the sector average of **3.2%**
- 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

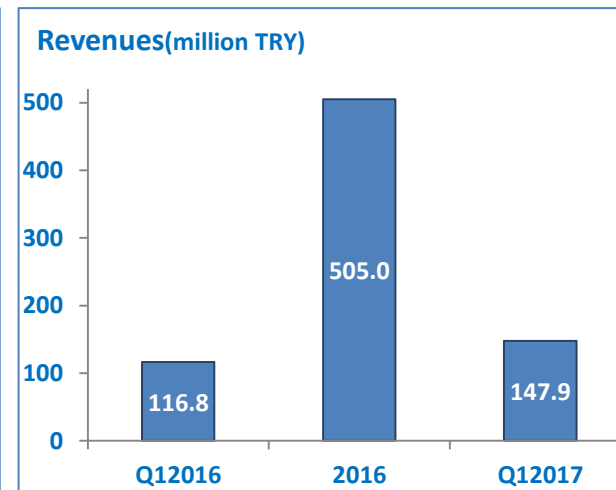
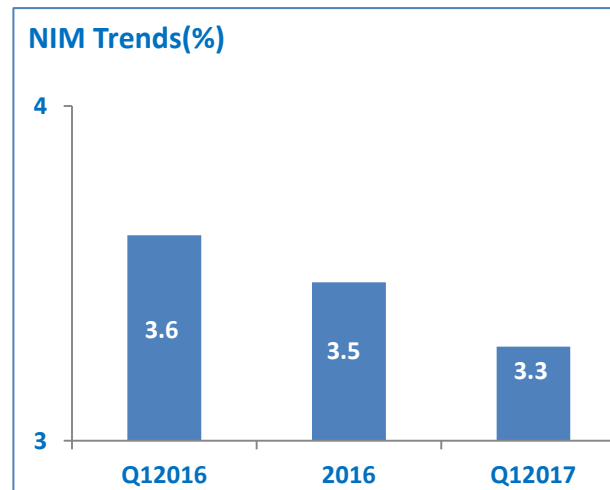
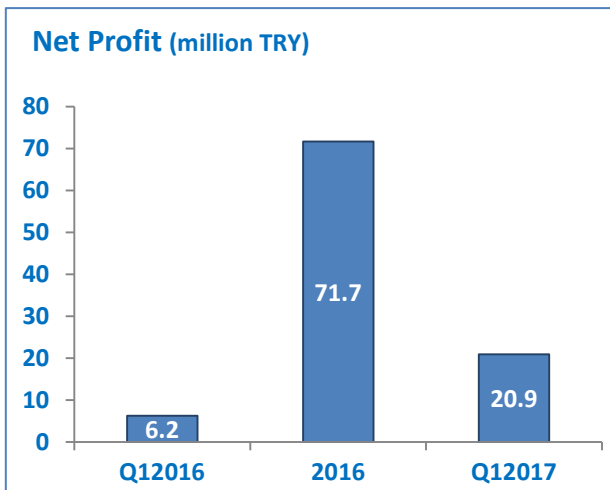
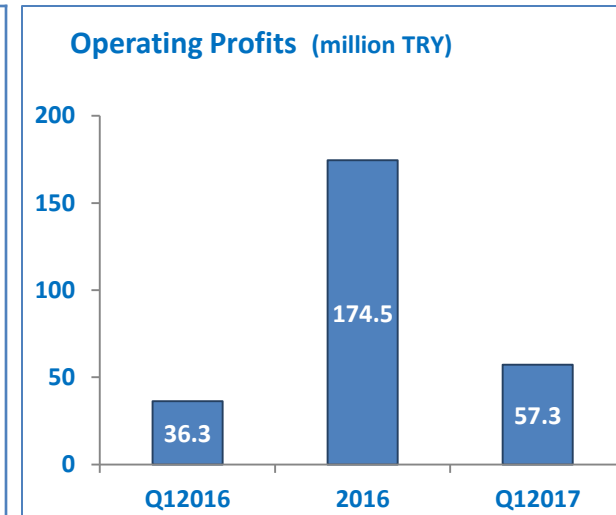
Strong Capitalization to Support Future Growth

	Q12016	2016	Q12017
Shareholder's Equity (million TRY)	1,018	1,093	1,122
Capital Base Inc. Sub-Debt (million TRY)	1,882	2,148	2,214
CAR Ratio (%)	17.1	15.8	15.3
Tier 1 Ratio (%)	8.6	7.4	7.1

- 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)	Q12016	2016	Q12017	Y/Y
Total Interest Income	290.8	1,246.5	361.2	24.2%
Total Interest Expense	190.6	826.3	240.5	26.2%
Net Interest Income	100.2	420.2	120.7	20.4%
Total Revenues	116.8	505.0	147.9	26.6%
Total Operating Expenses	80.6	330.5	90.6	12.5%
Operating Income	36.3	174.5	57.3	57.9%
Provision	26.5	76.7	28.5	7.6%
Net Profit	6.2	71.7	20.9	234.8%



➤ The bank's cost to income ratio is **61.3%** as of March 2017.

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

Contact Details

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Thank you

