



## **Burgan Bank A.Ş. Turkey (BBT)**

**March 2018 Presentation  
(BRSA Consolidated)**

# Operating Environment

## Macro Economic Outlook - Turkey

Ratings	Fitch	Moody's	S&P
Long Term FC Rating	BB+	Ba2	BB-
Outlook	Stable	Stable	Stable

Key Indicators	2016	2017	2018F(*)
Nominal GDP (USD bn)	862.7	851.0	850.0
Population (mn, mid-year)	79.3	80.3	80.9
GDP per capita (USD)	10,883	10,597	10,500
Real GDP (% change)	3.2	7.4	4.5
CPI Inflation (year-end)	8.5	11.9	11.75
Gov. Debt (USD bn)	210	233	235
Gov. Debt / GDP	28.3	28.3	29.0
Current Account Bal. / GDP	-3.8	-5.6	-6.1
Forex Reserves (USD bn)	106.1	107.7	110.0
Trade Balance (USD bn)	-56.1	-76.7	-87.0
Export (USD bn)	142.5	157.1	168.0
Imports (USD bn)	198.6	233.8	255.0

(\*) Source: Burgan Bank Macroeconomic Research

### Recent Developments

The Turkish economy posted 7.4% yoy in 2017, the highest growth rate of the last seven years, thanks to the incentives of the government to stimulate economic activity and employment as well as the recovery in economic activity in Europe. Economic growth remains strong in 1Q18, followed by an expected normalisation in 2Q18 and a slowdown in 2H18.

Current account deficit widened to 5.6% of GDP by end-2017, driven by higher gold and energy imports. Despite stronger exports and tourism revenues, external deficit is projected to widen further in 2018 as a result of the acceleration in imports.

Amid increasing current account deficit, rising concerns on high external debt of the private sector and deteriorating sentiment on EM, the Turkish Lira weakened further by 20% since the beginning of 2018.

Annual inflation accelerated to the highest level of the last 14 years in 2017 on the back of buoyant domestic demand, FX pass-through and elevated food inflation. It is projected to remain high at double-digit levels throughout 2018 mainly due to weaker TRL and higher oil prices.

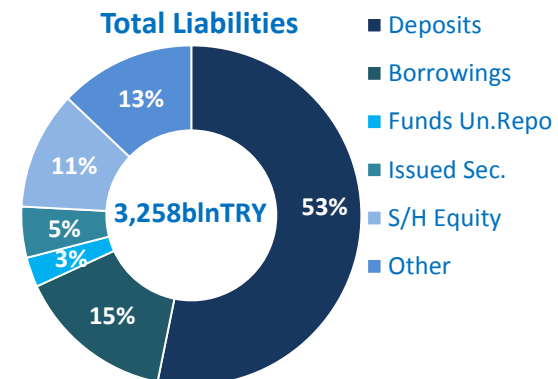
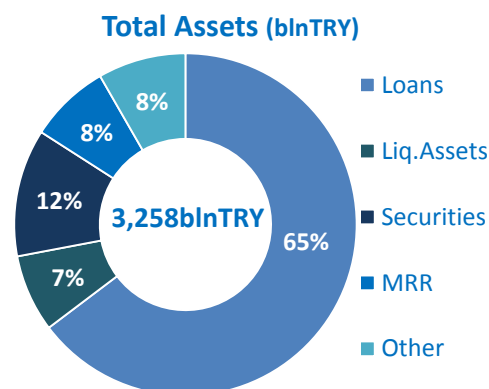
The CBT has been tightening the monetary policy stance since end-2016 in response to the currency depreciation and deterioration in inflation outlook. The Weighted Average Funding Rate of the CBT has risen more than 500bps to 13.5% as of April 2018.

# Operating Environment Turkish Banking Sector

Number of Banks: 52 ( Including 5 Participation Banks)

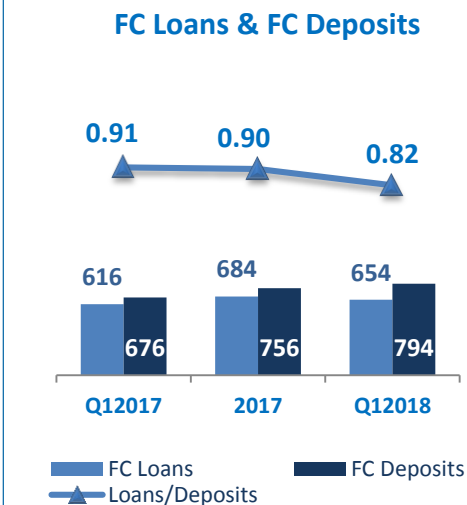
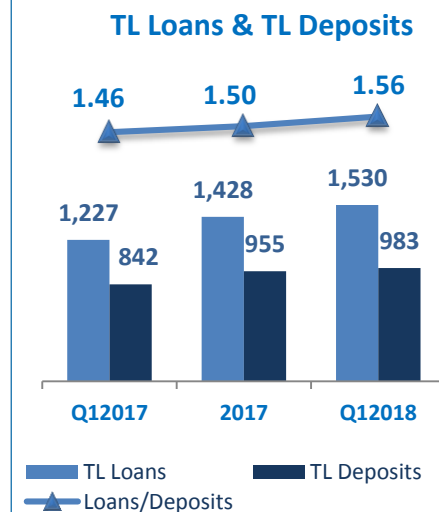
➤ Number of Depository Banks: 34

Growth (billionTRY)	Q12017	2017	Q12018	YoY	YTD
Total Assets	2,866	3,258	3,375	17.8%	3.6%
Total Deposits	1,518	1,711	1,777	17.1%	3.9%
Total Loans	1,844	2,111	2,184	18.5%	3.4%
Net Profit	13.5	49.1	13.9	2.9%	13.4%



Key B/S Ratios(%)	Q12017	2017	Q12018
ROA	1.9	1.6	1.7
ROE	17.7	16.0	15.2
NPL	3.2	3.0	2.9
CAR	16.1	16.9	16.6
NIM	3.9	3.8	3.8
Coverage	77.9	79.3	75.1
Loan/Deposit	121.5	123.4	122.9
Total Assets/GDP	109.9	104.9	108.7
Total Loans/GDP	70.7	68.0	70.3
Total Deposits/GDP	58.2	55.1	57.2

mioTL



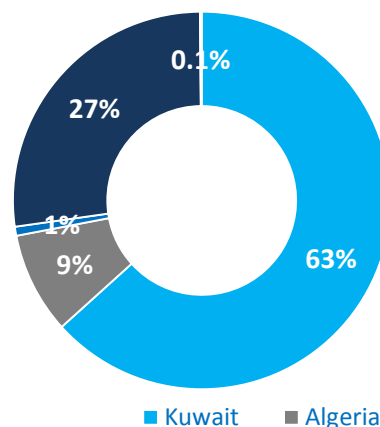
Source: BRSA

- 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 US\$ 2.0bn<sup>(1)</sup>
- Has a strong domestic franchise with 14.1% 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

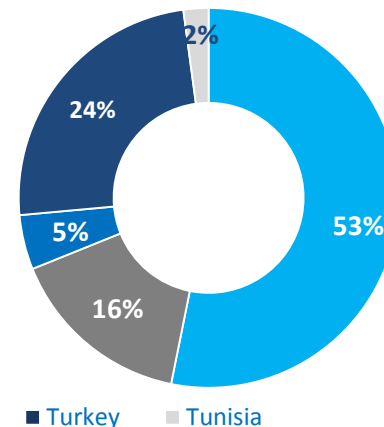
Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	Q1 2018
Revenue Growth (YoY)	10%
Net Profit Growth (YoY) <sup>(2)</sup>	5%
Cost to Income Ratio	46.2%
Loans to Cust. Deposits	110.2%
Liquidity Ratio	24.7%
NPA Ratio	2.7%
NPA net of Collateral Ratio	0.7%
ROTE <sup>(2)</sup>	12.4%

Loans by Operations



Revenues by Operations



- International operations contributing 37% in Loans and 47% 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 31/03/2018

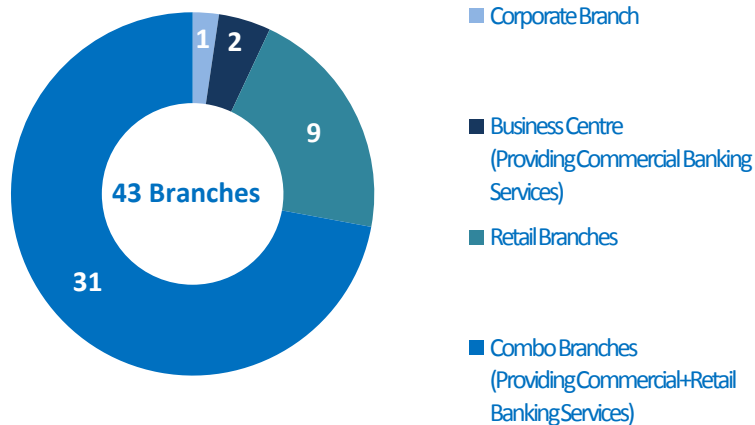
(2) Excluding precautionary provisions and after AT1 cost

Note: Growth figures based on US\$.

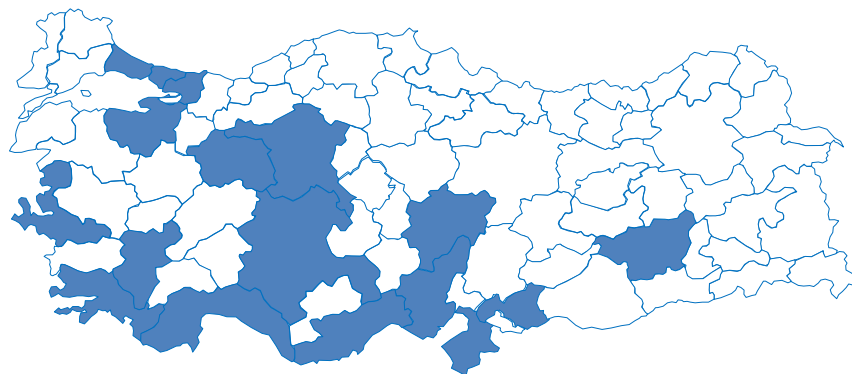
# Burgan Bank A.Ş. At a Glance

- 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 (26.01.2018)**  
Long Term Global Local Currency : **BBB-**  
Outlook : **Stable**

## 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 **21.2%** compared to Q12017 (banking sector - **17.8%**)
- The loan book grew by **25.3 %** compared to Q12017 (banking sector – **18.5%**)
- Deposit volumes are up by **3.8 %** compared to Q12017 and reached to 9,3 billion TL

## Asset Quality

- NPL ratio decreased to **2.9%** with the improvement of asset quality (banking sector - **2.9%**)

## Funding

- Diversification of funding sources continued;
  - **USD 46mn** new funding generation from the international markets
- Sound customer deposit base, deposits account for **48.1%** of total liabilities

## Capital

- Well positioned Capital Base with a CAR of **17.2%** and Tier 1 Ratio of **8.8%** (all sub-debt from parent)

## Profitability

- Net profit reached to 48.5 mio TL (133% yoy increase)

## Others

- Continuous investment in People and Technology: Management trainee program, digital banking, risk management systems
- Highest possible investment-grade credit rating in Turkey by Fitch, “BBB-” as of March 2018

# Performance Trends

## Sustainable Balance Sheet Growth

### Balance Sheet (million TRY)

	Q12017	2017	Q12018	YoY	YTD
<b>Total Assets</b>	15,938.3	18,754.7	19,310.8	21.2%	3.0%
<b>Loans<sup>1</sup></b>	12,450.0	15,258.6	15,595.4	25.3%	2.2%
<b>Securities</b>	735.9	453.4	482.7	-34.4%	6.5%
<b>Deposits</b>	8,952.0	8,872.5	9,295.0	3.8%	4.8%
<b>Borrowings</b>	3,549.6	6,082.8	6,323.6	78.2%	4.0%
<b>Subordinated Loan(*)</b>	1,092.7	1,140.6	1,194.6	9.3%	4.7%
<b>Shareholders' Equity</b>	1,121.7	1,512.5	1,403.6	25.1%	-7.2%

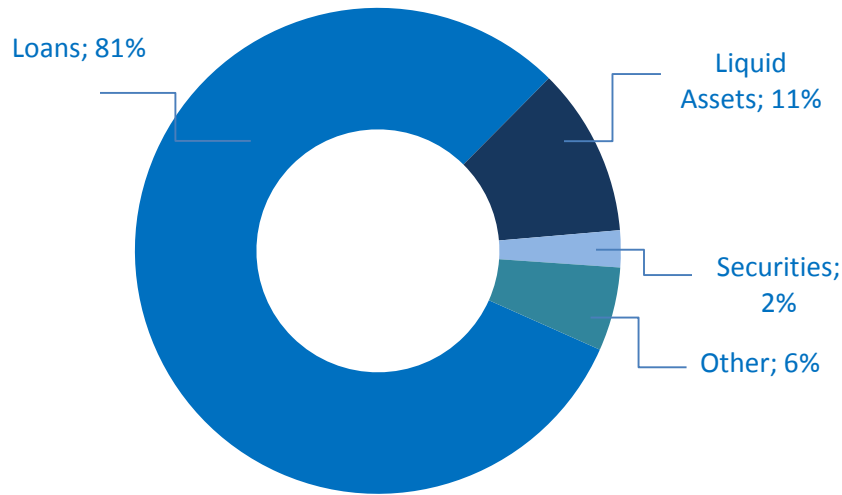
### Balance Sheet Ratios

	Q12017	2017	Q12018
<b>Loans / Assets</b>	78%	81%	81%
<b>Securities / Assets</b>	5%	2%	2%
<b>Loans / Deposits</b>	139%	172%	168%
<b>Loans / Deposits<sup>2</sup></b>	105%	121%	118%

(1) Factoring and Leasing Receivables Included

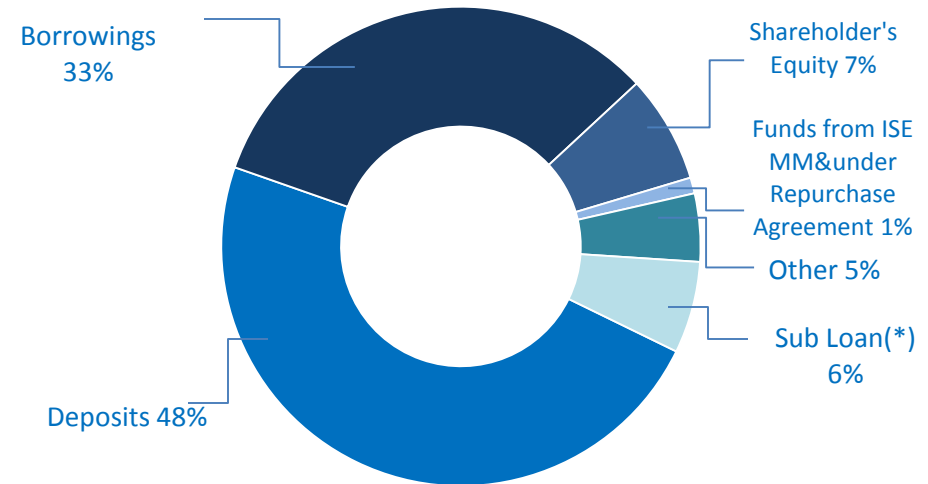
(2) Burgan Group borrowings included

### Total Assets



(\*) Burgan Group funding

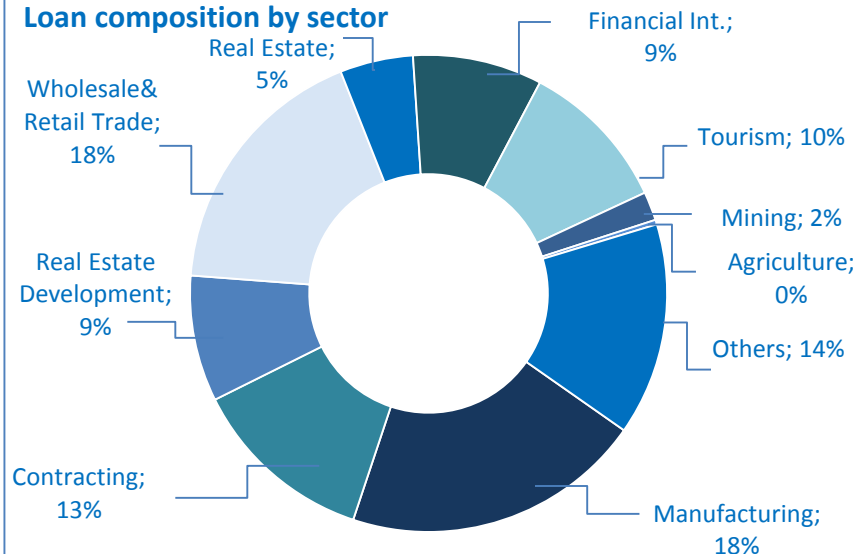
### Total Liabilities



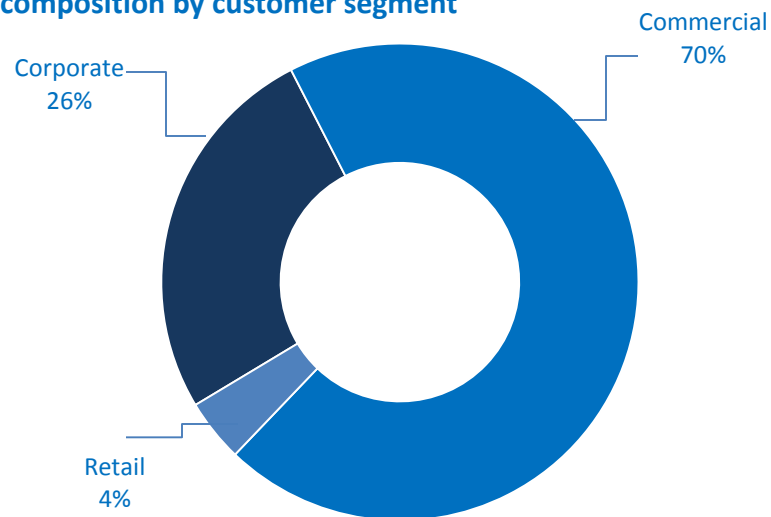
# Loan Growth Above The Market Average

## Commercial and Corporate Loans – the biggest contributor

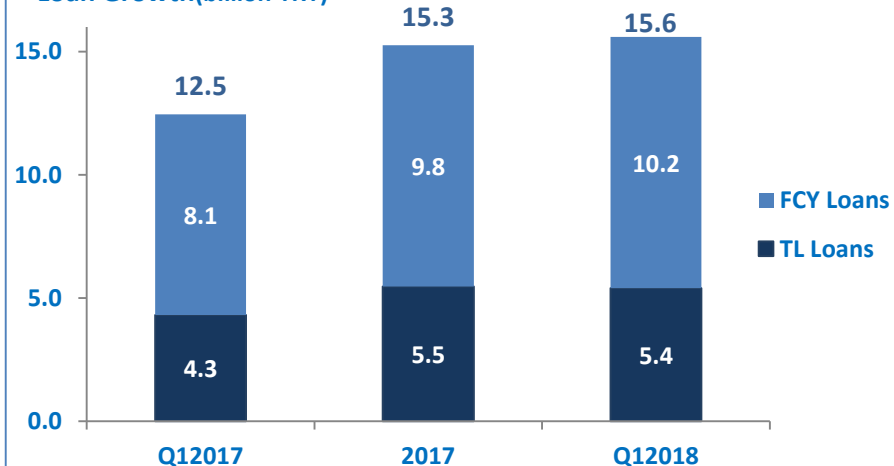
Loan composition by sector



Loan composition by customer segment



Loan Growth (billion TRY)



➤ Loan balance including leasing receivables has increased by 25 % compared to Q12017 and reached to TL 15,595 mn.

	Growth
Corporate	19%
Commercial	25%
Retail	94%
Total	25%

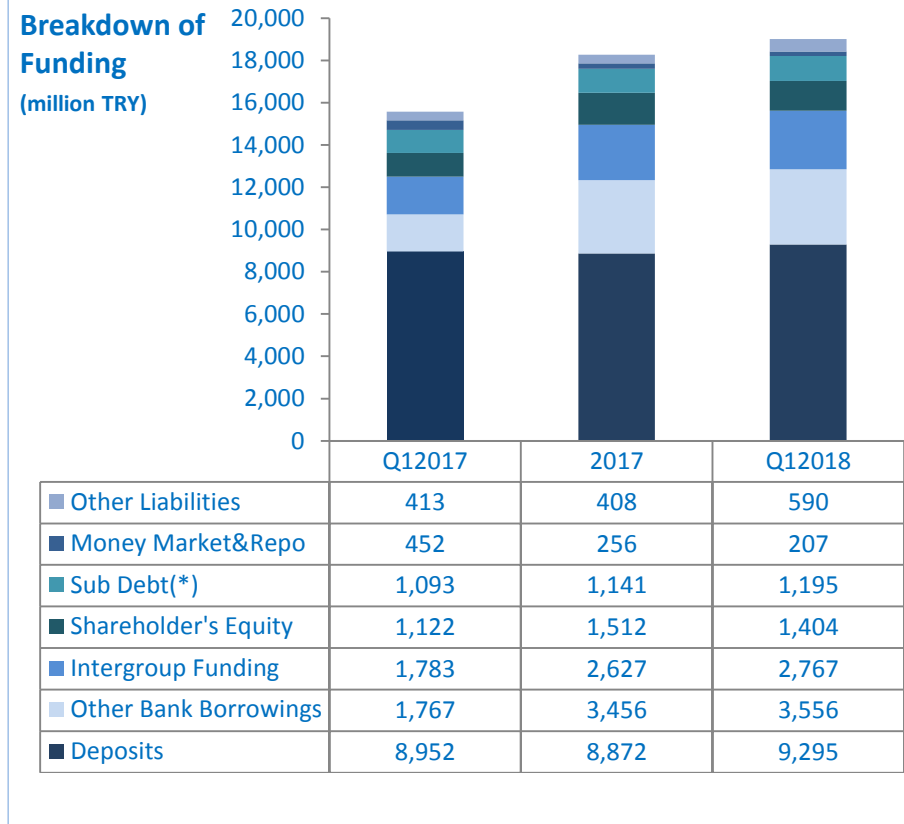


# Rising Funding Availabilities Well Diversified

## Funding structure (million TRY)

	Q12017	2017	Q12018	YoY	YTD
Deposits	8,952	8,872	9,295	3.8%	4.8%
Borrowings	3,550	6,083	6,324	78.2%	4.0%
Intergroup Funding	1,783	2,627	2,767	55.2%	5.4%
Syndication	539	782	829	53.8%	6.1%
Oth. Bank Borrowings	1,143	2,559	2,618	129.0%	2.3%
Eximbank	85	115	110	29.4%	-4.5%
Sub Debt(*)	1,093	1,141	1,195	9.3%	4.7%
Money Market&Repo	452	256	207	-54.2%	-19.2%
Other Liabilities	413	408	590	42.9%	44.8%
Shareholder's Equity	1,122	1,512	1,404	25.1%	-7.2%

## Breakdown of Funding (million TRY)



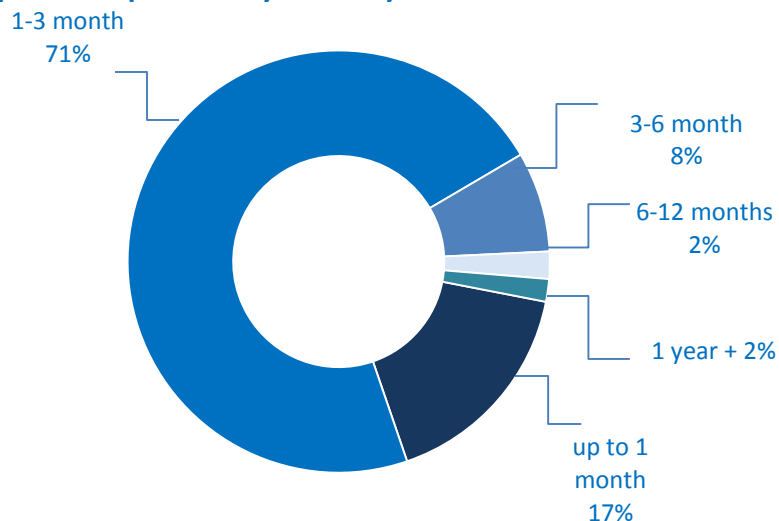
- Commitment of Burgan Bank K.P.S.C. continues with a balance of **1,003mioUSD** in intergroup funding including sub-debt.
- Third party funding sources continued to increase through strong cooperation with Correspondent Banks.

(\*) Burgan group

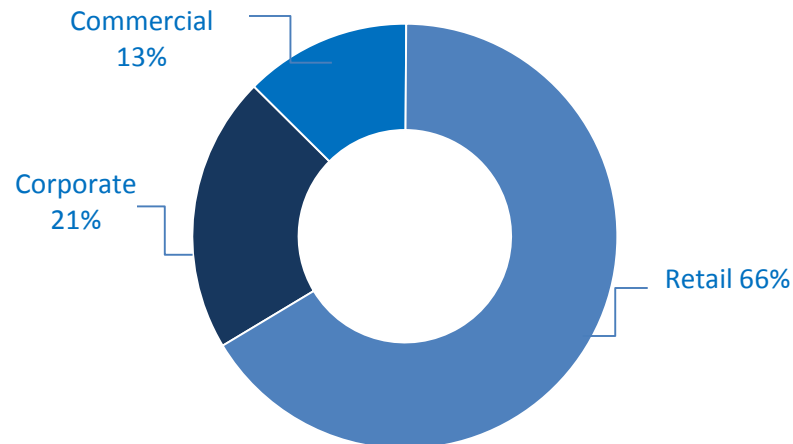
# Deposits are the Main Funding Source

## FX Deposits – the biggest share

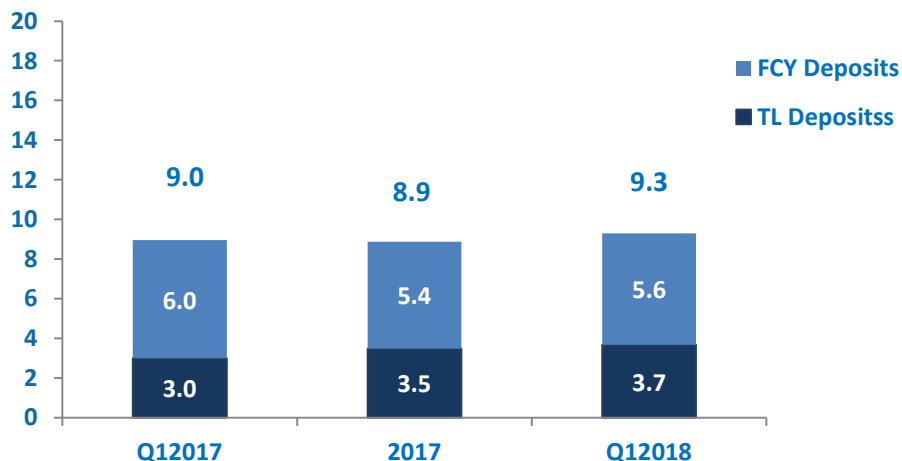
Deposit composition by maturity



Deposit composition by customer segment



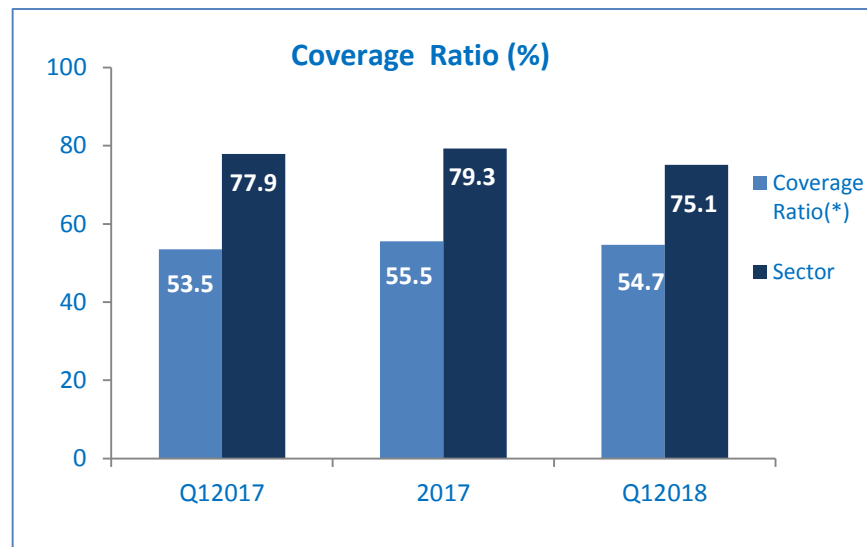
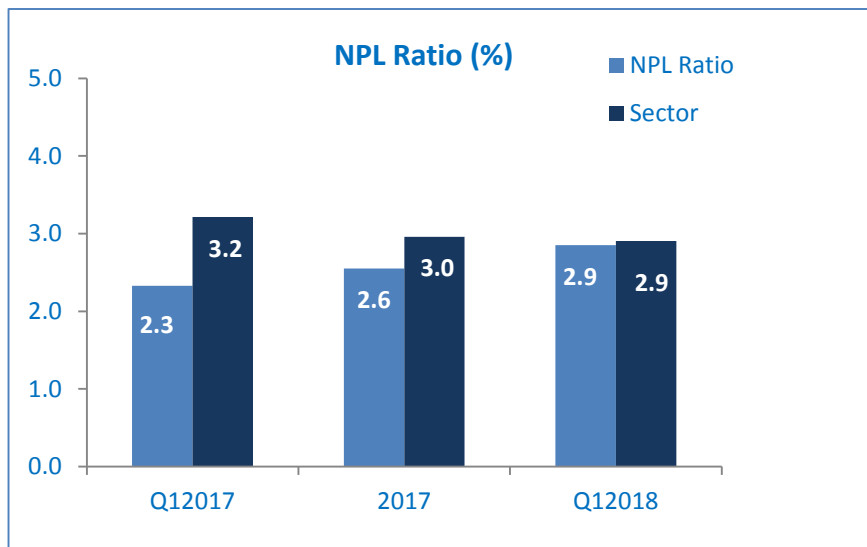
Deposit Growth(billion TRY)



- **Total Deposits** increased by **3.8 %** compared to Q12017 whilst the sector average was 17%.
- **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 **19.7%** out of Total Deposits.

# Improved Asset Quality

## NPL ratio – below the market average



	Q12017	2017	Q12018
Gross Loans (million TRY)	9,332	15,478	16,252
NPL's(million TRY)	241	395	463
NPL Ratio	2.6%	2.6%	2.9%
NPL coverage	53.5%	55.5%	54.7%

- Asset quality remains strong with NPL ratio of **2.9%** at the same level as the sector average of **2.9%**
- 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

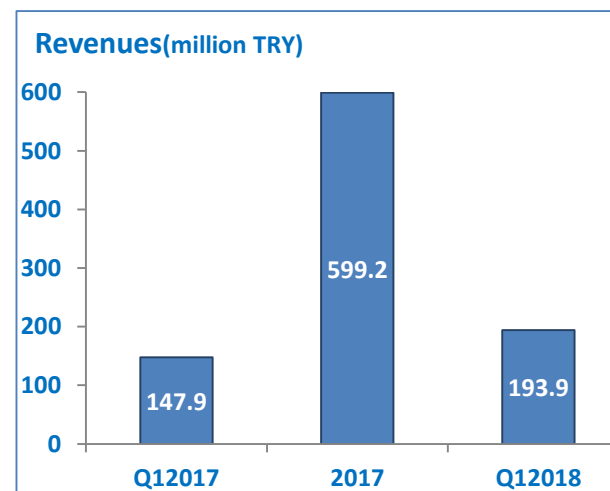
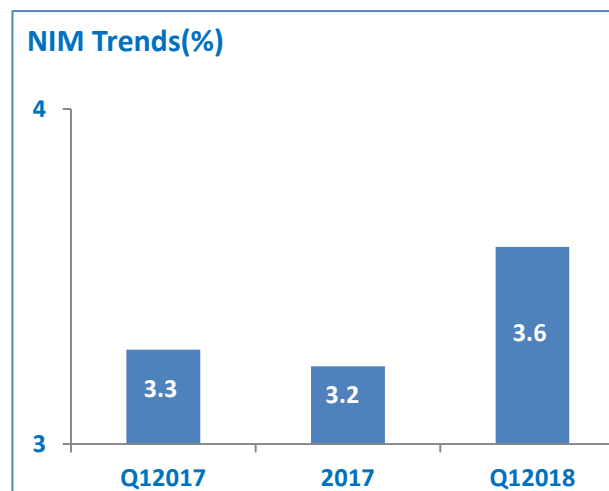
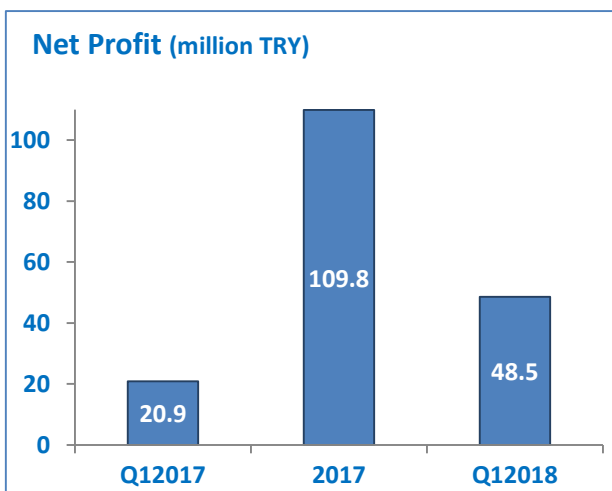
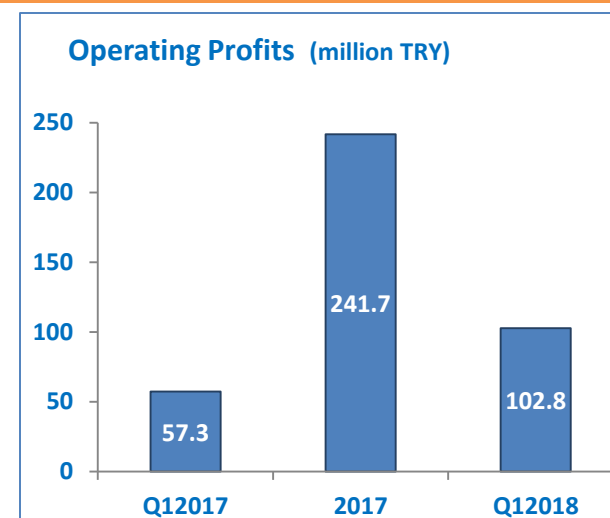
## Strong Capitalization to Support Future Growth

	Q12017	2017	Q12018
Shareholder's Equity (million TRY)	1,122	1,512	1,404
Capital Base Inc. Sub-Debt (million TRY)	2,214	2,645	2,790
CAR Ratio (%)	15.3	17.3	17.2
Tier 1 Ratio (%)	7.1	9.2	8.8

- 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)	Q12017	2017	Q12018	YoY	YTD
Total Interest Income	361.2	1,573.4	493.5	36.6%	25.5%
Total Interest Expense	240.5	1,061.5	329.3	37.0%	24.1%
Net Interest Income	120.7	511.9	164.1	36.0%	28.2%
Total Revenues	147.9	599.2	193.9	31.1%	29.4%
Total Operating Expenses	90.6	357.4	91.5	0.5%	1.9%
Operating Income	57.3	241.7	102.8	79.6%	70.1%
Provision	28.5	93.5	38.8	36.2%	65.9%
Net Profit	20.9	109.8	48.5	132.7%	76.8%



➤ The bank's cost to income ratio decreased to **47.0%** as of March 2018 from 61.3% as of March 2017.

## Growth

- Continue above sector growth while;
  - 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 2018 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
- Tap both local and international wholesale markets with bond issuances

# Contact Details

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**Thank you**

