



Burgan Bank A.Ş. Turkey (BBT)

**March 2019 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	2018	2019F(*)	2020F(*)
Nominal GDP (USD bn)	784.1	760.0	790.0
Population (mn, mid-year)	80.9	81.7	82.4
GDP per capita (USD)	9,632	9,300	9,500
Real GDP (% change)	2.6	0.0	3.0
CPI Inflation (year-end)	20.3	17.0	13.5
Gov. Debt (USD bn)	213	217	227
Gov. Debt / GDP	30.4	31.5	31.0
Current Account Bal. / GDP	-3.5	-2.0	-3.3
Forex Reserves (USD bn)	91.9	95.0	100.0
Trade Balance (USD bn)	-55	-47	-53
Export (USD bn)	168	173	184
Imports (USD bn)	223	220	237

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

Political agenda has been busy with local elections held on March 30. The political noise is likely to continue till end-June, as Istanbul election will be renewed on June 23.

The Turkish economy contracted by 3.0% yoy in the last quarter of last year. Leading indicators signal a gradual recovery in economic activity in the first quarter of this year from its trough in 4Q18. The credit expansion led by the state banks since March and expansionary fiscal policy have also supported the rebound in economic activity. The central government budget deficit expanded rapidly in the first four months of the year, bringing 12m rolling deficit up to 2.7% of GDP as of April.

External balances continue to improve as of 1Q19 thanks to the strong performance of exports and sharp decline in imports. Current account deficit narrowed as low as US\$13bn as of March, corresponding 1.7% of GDP.

Inflation has slightly decelerated to 19.5% in April, from the peak of 25.2% in October 2018.

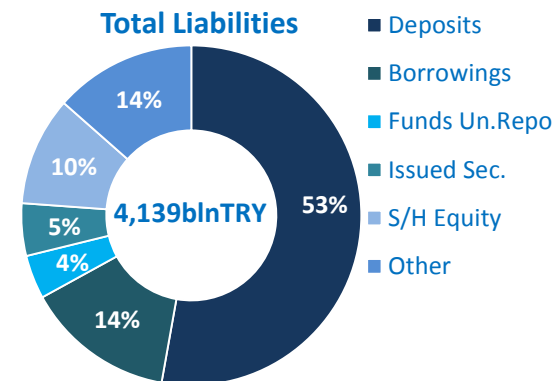
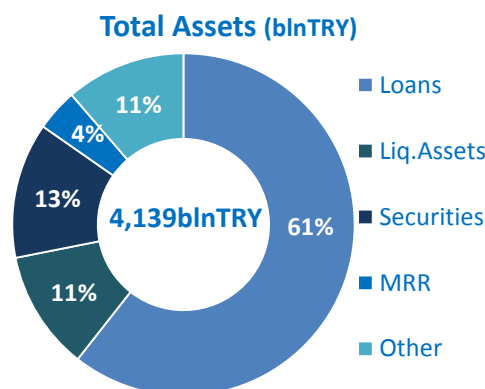
The volatility in financial markets have recently picked up due to increasing political uncertainties ahead of local elections and risks related to foreign policy. Economic policies and structural reforms defined under the New Economy Program remain key for financial and economic stability going forward.

Operating Environment Turkish Banking Sector

Number of Banks: 53 (Including 6 Participation Banks)

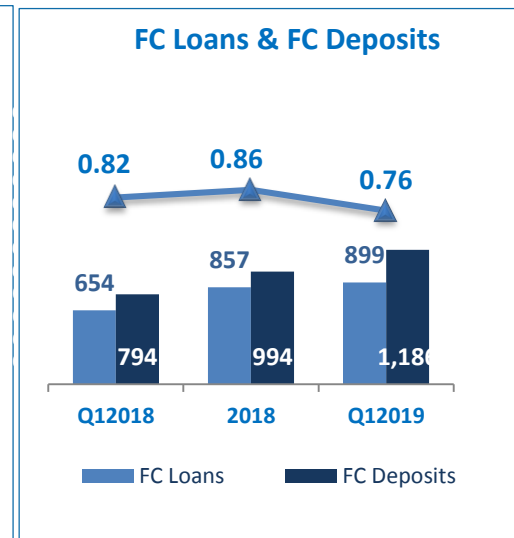
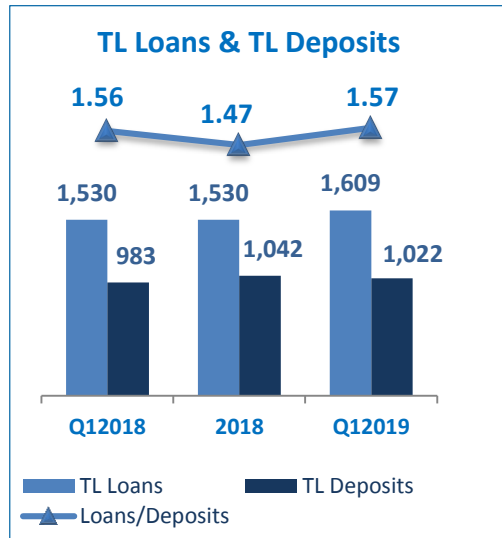
➤ Number of Depository Banks: 34

Growth (billionTRY)	Q12018	2018	Q12019	YoY	YTD
Total Assets	3,375	3,867	4,139	22.6%	7.0%
Total Deposits	1,777	2,036	2,208	24.2%	8.4%
Total Loans	2,184	2,386	2,508	14.8%	5.1%
Net Profit	13.9	53.5	12.4	-11.2%	-7.7%



Key B/S Ratios(%)	Q12018	2018	Q12019
ROA	1.7%	1.4%	1.2%
ROE	15.2%	14.7%	11.7%
NPL	2.9%	3.9%	4.1%
CAR	16.6%	17.3%	16.4%
NIM	3.8%	3.9%	3.5%
Coverage	75.1%	68.3%	68.8%
Loan/Deposit	122.9%	117.2%	113.6%
Total Assets/GDP	108.7%	104.5%	111.9%
Total Loans/GDP	70.3%	64.5%	67.8%
Total Deposits/GDP	57.2%	55.0%	59.7%

mioTL



Source: BRSA

Burgan Bank K.P.S.C.

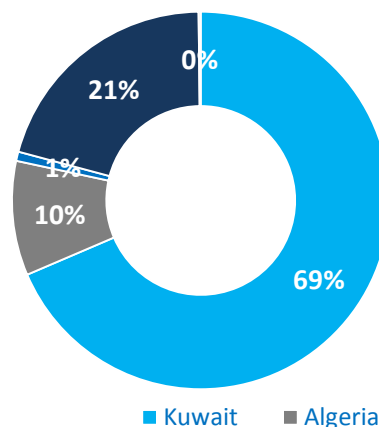
Sound and Consistent Financial Performance

- 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\$ 3.081 billion⁽¹⁾
- Has a strong domestic franchise with 14.8% 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

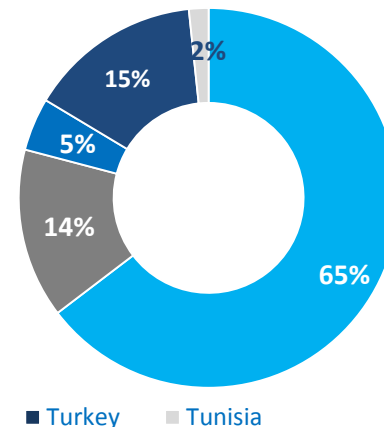
Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	Q1 2019
Revenue in US\$ million	165.7
Net Profit in US\$ million ⁽²⁾	54.4
Cost to Income Ratio	41.9%
Gross Loans to Cust. Deposits	115.0%
Liquidity Ratio	26.9%
NPA Ratio	2.5%
NPA net of Collateral Ratio	0.8%
ROTE ⁽²⁾	9.5%

Loans by Operations



Revenues by Operations



- International operations contributing 31% in Loans and 35% 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 31/03/2019

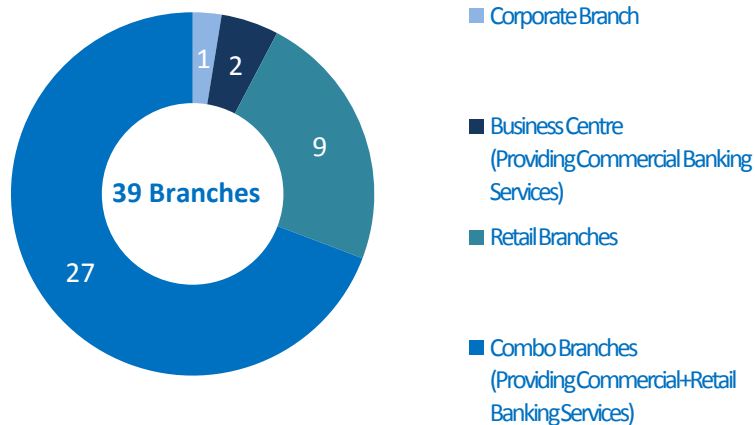
(2) Net Income attributed to equity holders and after AT1 cost

Note: Growth figures based on US\$.

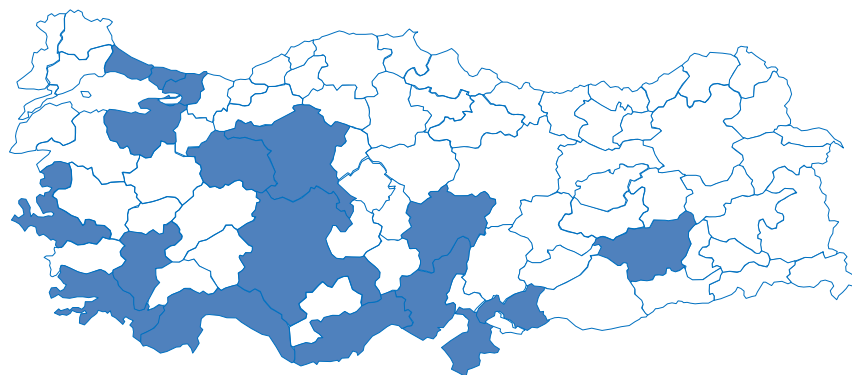
Burgan Bank A.Ş. At a Glance

- 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 (23.10.2018)**
Long Term Global Local Currency : **BB**
Outlook : **Negative**

Segment-wise Branch Distribution



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



2019 Achievements

Growth

- Total asset size increased by **12.2%** compared to Q12018 (banking sector - **22.6%**)
- The loan book grew by 6.3 % compared to Q12018 (banking sector – **14.8%**)

Asset Quality

- NPL ratio increased to **5.2%** where sector ratio is 4.1% and foreign private bank npl ratio is 5.6 as of March 2019.

Funding

- Diversification of funding sources continued;
 - **USD 44mn** new funding generation from the international markets
- Sound customer deposit base, deposits account for **41.9%** of total liabilities

Capital

- Well positioned Capital Base with a CAR of **18.9%** and Tier 1 Ratio of **9.8%** (all sub-debt from parent)

Profitability

- Net profit reached to 35.1 mio TL (-28% yoy decrease)

Others

- Continuous investment in People and Technology: Employee Value Proposition Project , digital banking.

Performance Trends

Balance Sheet Growth

Balance Sheet (million TRY)

	Q12018	2018	Q12019	YoY	YTD
Total Assets	19,310.8	22,028.9	21,672.4	12.2%	-1.6%
Loans¹	15,595.4	16,789.2	16,584.6	6.3%	-1.2%
Securities	482.7	642.7	687.7	42.5%	7.0%
Deposits	9,295.0	9,915.3	9,082.9	-2.3%	-8.4%
Borrowings	6,323.6	6,860.6	7,271.2	15.0%	6.0%
Subordinated Loan(*)	1,194.6	1,599.5	1,705.1	42.7%	6.6%
Shareholders' Equity	1,403.6	1,876.0	1,935.7	37.9%	3.2%

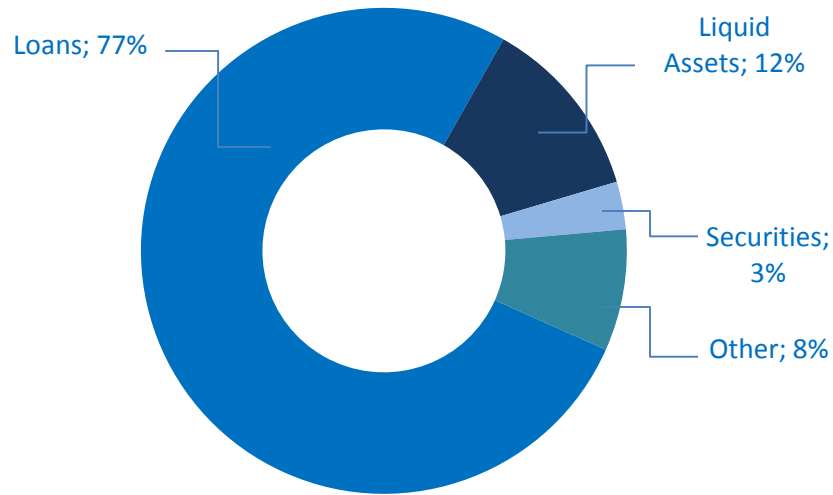
Balance Sheet Ratios

	Q12018	2018	Q12019
Loans / Assets	81%	76%	77%
Securities / Assets	2%	3%	3%
Loans / Deposits	168%	169%	183%
Loans / Deposits²	118%	109%	111%

(1) Factoring and Leasing Receivables Included

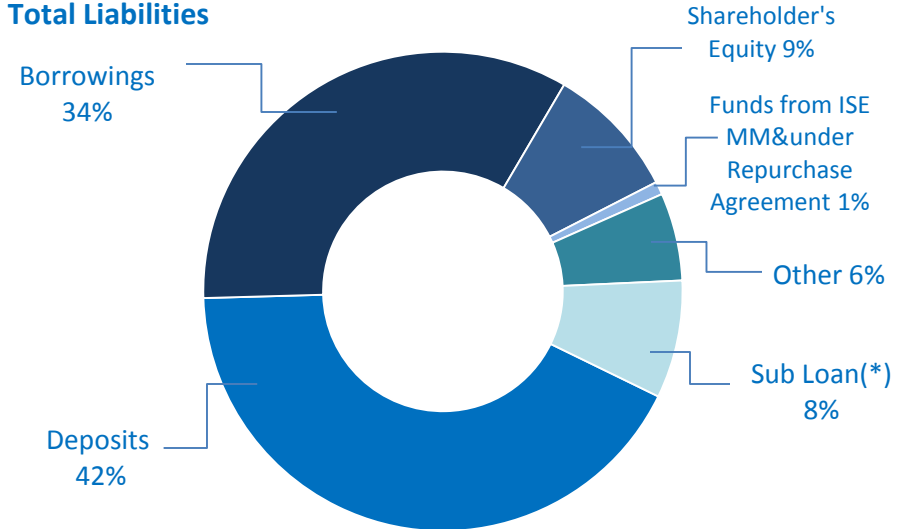
(2) Burgan Group borrowings included

Total Assets



(*) Burgan Group funding

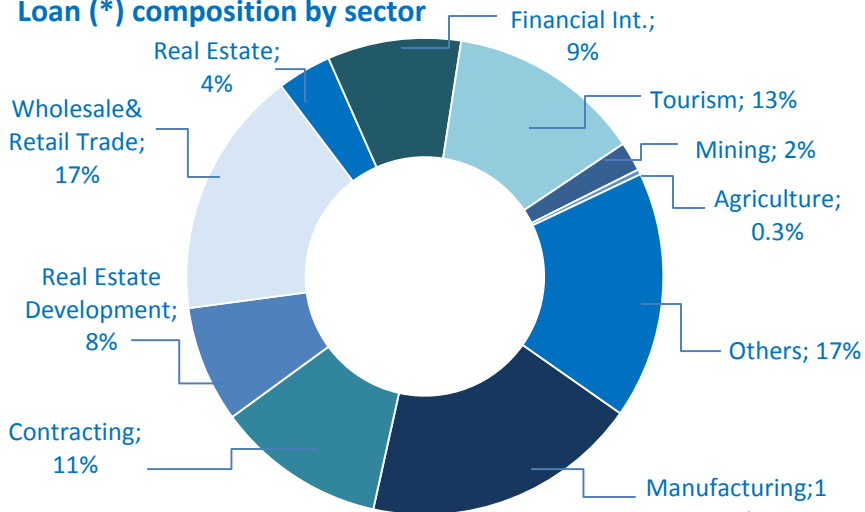
Total Liabilities



Loan Growth

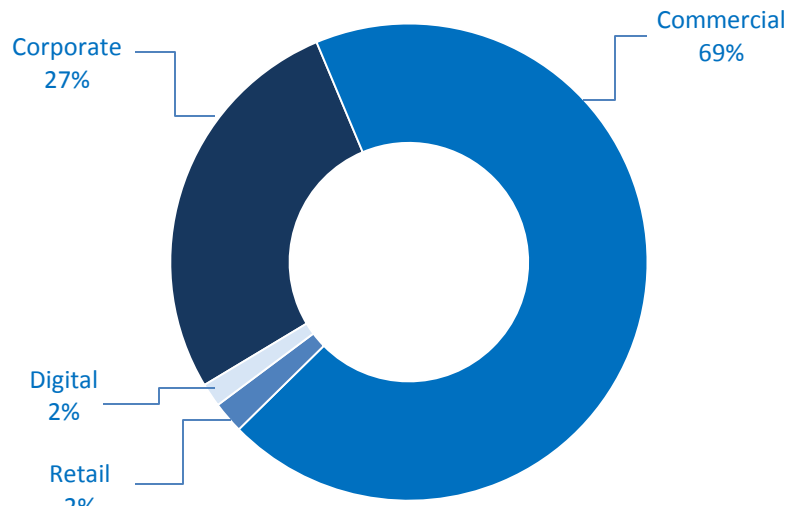
Commercial and Corporate Loans – the biggest contributor

Loan (*) composition by sector

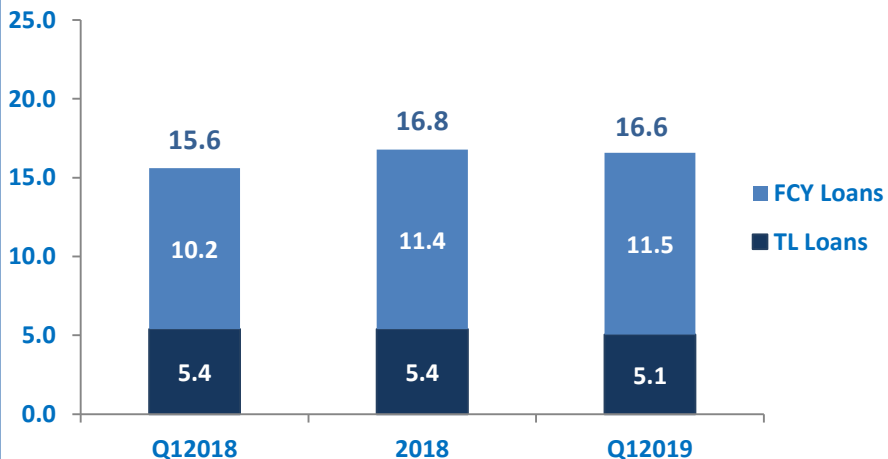


(*) cash and noncash

Loan composition by customer segment



Loan Growth (billion TRY)



➤ Loan balance including leasing receivables has increased by 6% compared to Q12018 and reached to TL 16,585 mn.

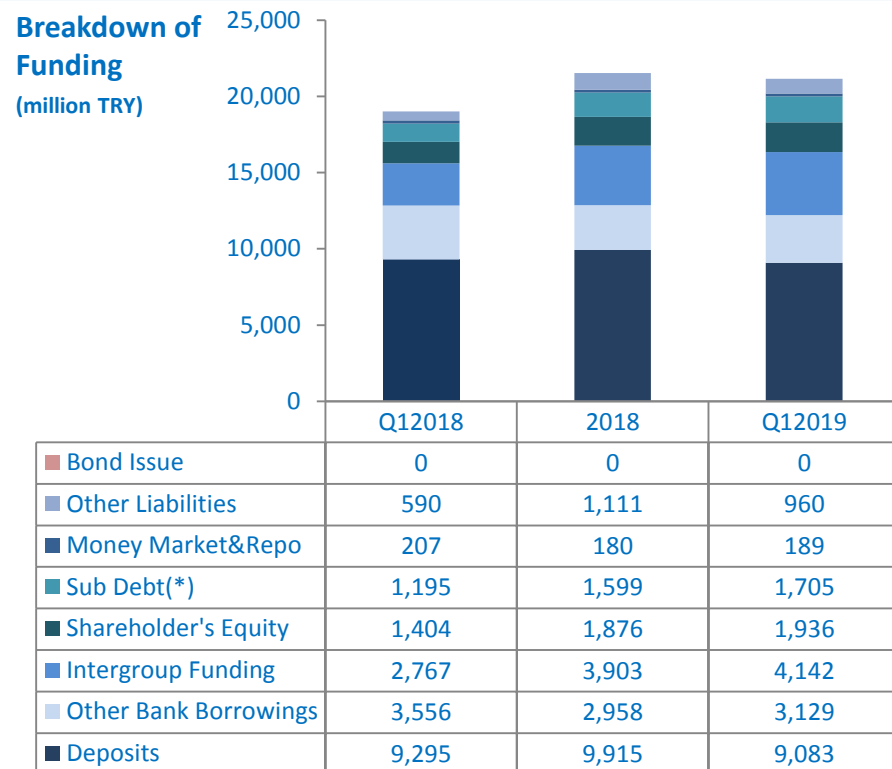
	Growth	Fx adjusted Growth
Corporate & Commercial	7%	-5%
Retail & Digital	-6%	-3%
Total	6%	-5%

Solid Funding Base with strong support from Parent

Funding structure (million TRY)

	Q12018	2018	Q12019	YoY	YTD
Deposits	9,295	9,915	9,083	-2.3%	-8.4%
Borrowings	6,324	6,861	7,271	15.0%	6.0%
Intergroup Funding	2,767	3,903	4,142	49.7%	6.1%
Syndication	829	-	-	-100.0%	0.0%
Oth. Bank Borrowings	2,618	2,885	3,059	16.9%	6.0%
Eximbank	110	72	69	-36.8%	-4.2%
Sub Debt(*)	1,195	1,599	1,705	42.7%	6.6%
Money Market&Repo	207	180	189	-8.5%	5.0%
Other Liabilities	590	1,111	960	-62.6%	-13.6%
Shareholder's Equity	1,404	1,876	1,936	37.9%	3.2%

Breakdown of Funding (million TRY)

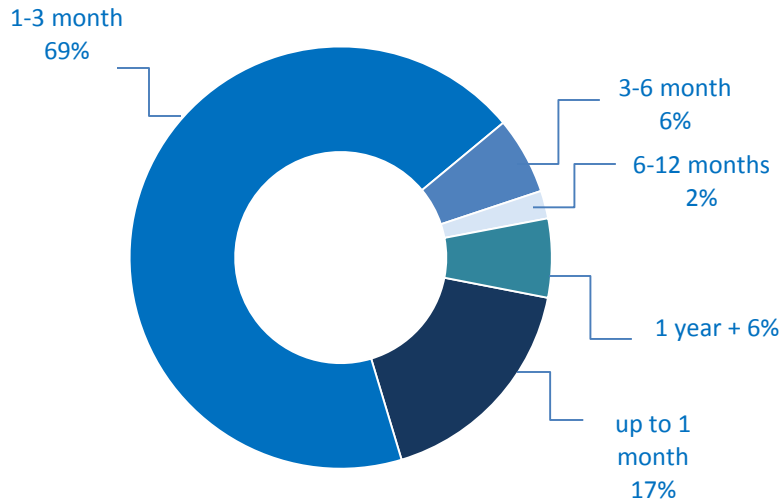


- Commitment of Burgan Bank K.P.S.C. continues with a balance of **1,039 mio USD** in intergroup funding including sub-debt.
- Third party funding sources continued to increase through strong cooperation with Correspondent Banks.

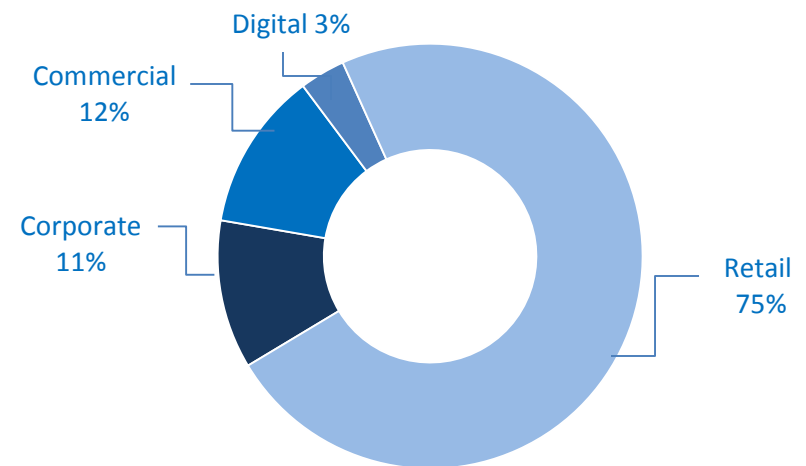
(*) Burgan group

Deposits are the Main Funding Source

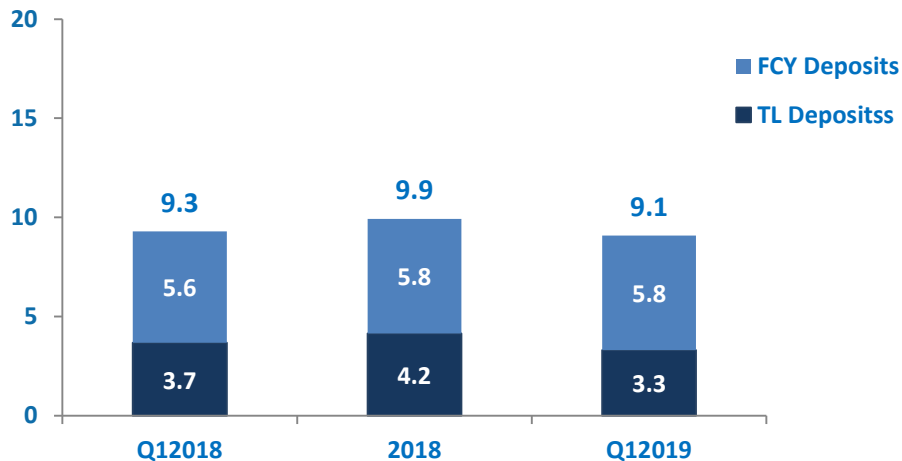
Deposit composition by maturity



Deposit composition by customer segment



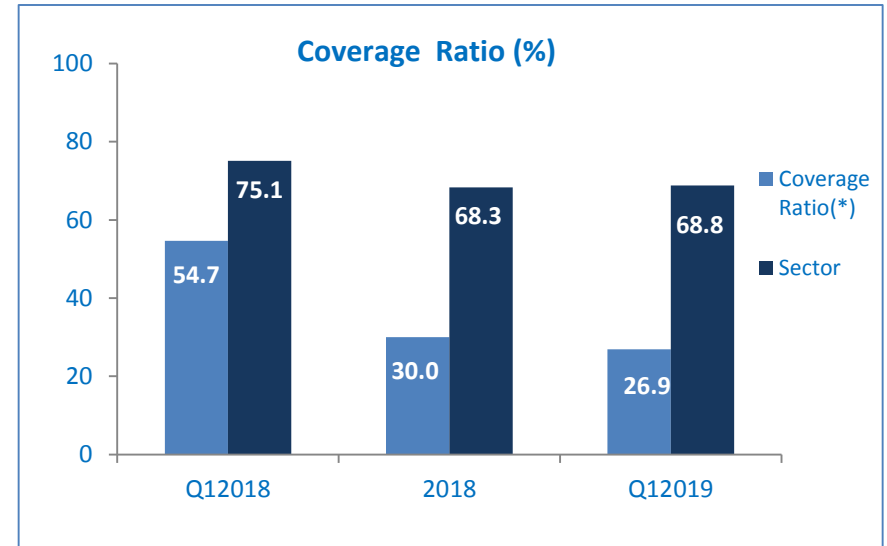
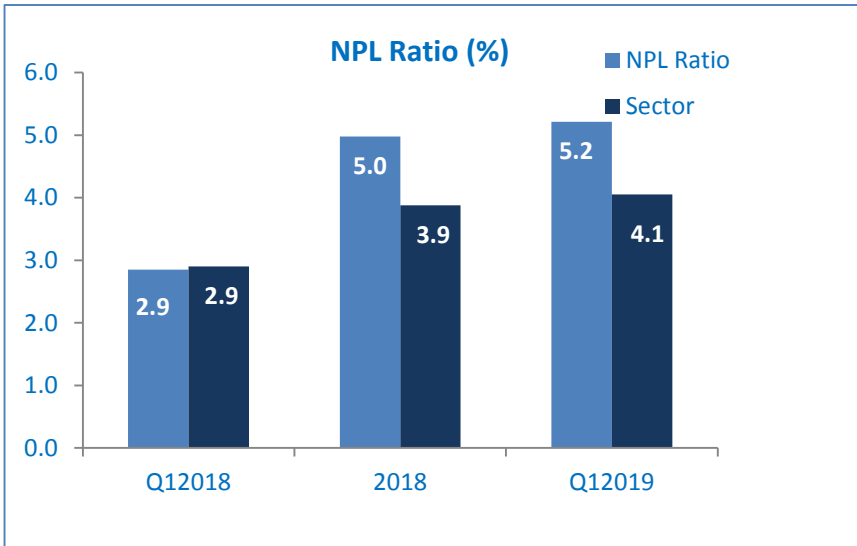
Deposit Growth(billion TRY)



- **Total Deposits** decreased by **8.4 %**(fx adjusted -12.3%) compared to 2018 whilst the sector average was 15.6%(fx adjusted 11.7%).
- **Retail deposits** continue to be the major contributor in the deposit composition.
- The Total of Top 20 deposits receives a share of **17%** (2018-21%) out of Total Deposits.

Asset Quality

NPL ratio



	Q12018	2018	Q12019
Gross Loans (million TRY)	16,252	17,485	17,322
NPL's (million TRY)	463	871	903
NPL Ratio	2.9%	5.0%	5.2%
NPL coverage (*)	54.7%	30.0%	26.9%

- Asset quality remains sound with NPL ratio of **5.2%**.
- Provisioning is in line with BRSA rules and regulations.
- Coverage ratio is below sector average due to the collateral structure of the Loan portfolio.
- In March 2019, the Bank has sold a portion of its non-performing loans (TL 60 mn) to an asset management company.

(*) Excluding general provisions

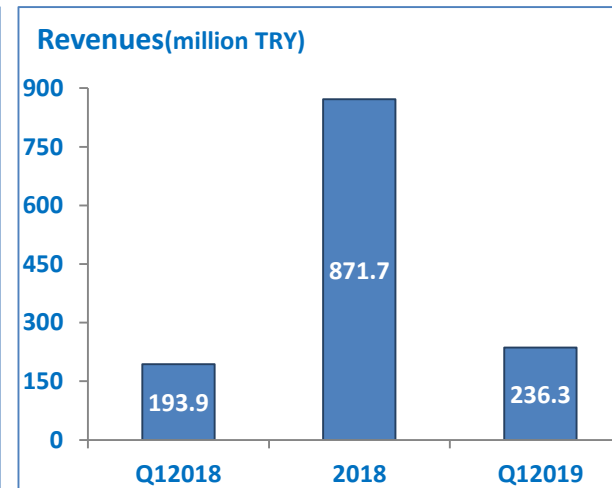
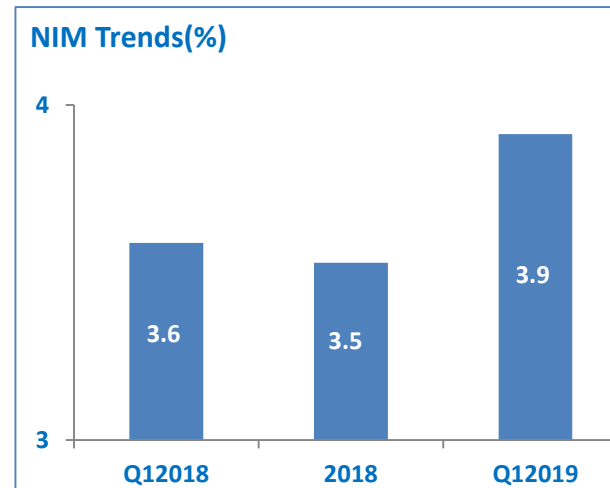
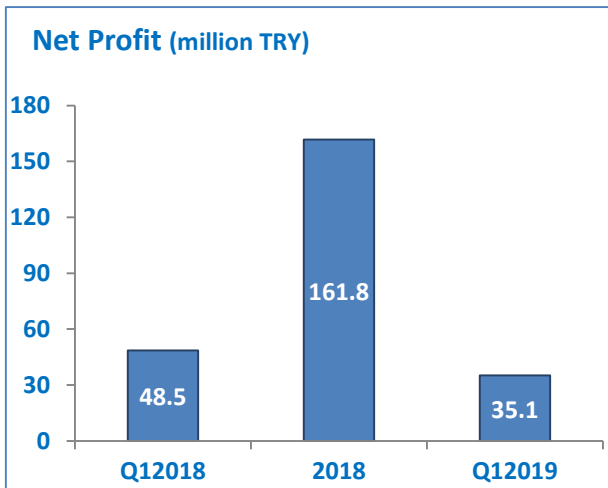
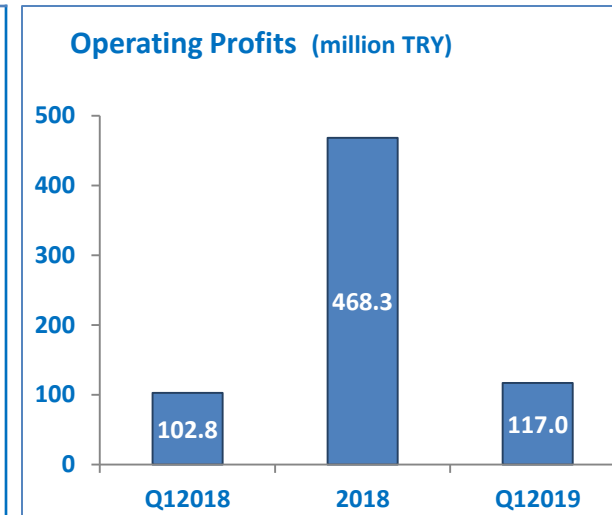
Strong Capitalization

	Q12018	2018	Q12019
Shareholder's Equity (million TRY)	1,404	1,876	1,936
Capital Base Inc. Sub-Debt (million TRY)	2,790	3,516	3,609
CAR Ratio (%)	17.2	18.5	18.9
Tier 1 Ratio (%)	8.8	9.9	9.8

- 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)	Q12018	2018	Q12019	YoY	YTD
Total Interest Income	493.5	2,547.7	661.3	34.0%	3.8%
Total Interest Expense	329.3	1,817.9	466.7	41.7%	2.7%
Net Interest Income	164.1	729.8	194.6	18.6%	6.7%
Total Revenues	193.9	871.7	236.3	21.9%	8.4%
Total Operating Expenses	91.1	403.5	119.3	31.0%	18.2%
Operating Income	102.8	468.3	117.0	13.8%	0.0%
Provision	38.8	259.2	72.9	87.9%	12.5%
Net Profit	48.5	161.8	35.1	-27.7%	-13.2%



➤ The bank's cost to income ratio increased to **50.5%** as of March 2019 from 47.0% as of March 2018.

Growth

- Continue lending activity on selective base;
 - Focusing on collateralized loans
 - Decreasing concentration and increasing spreads
 - Retail loans and deposits will increase through 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)

Contact Details

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