



Burgan Bank A.Ş. Turkey (BBT)

**September 2016 Presentation
(BRSA Consolidated)**

Operating Environment

Macro Economic Outlook - Turkey

Ratings	Fitch	Moody's	S&P
Long Term FC Rating	BBB-	Ba1	BB
Outlook	Negative	Stable	Stable

Key Indicators	2015	2016F(*)	2017F(*)
Nominal GDP (USD bn)	859	845	800
Population (mn, mid-year)	76.9	77.7	78.6
GDP per capita (USD)	11,014	10,700	10,000
Real GDP (% change)	6.1%	2.5%	2.9%
CPI Inflation (year-end)	8.8%	7.8%	8.0%
Gov. Debt (USD bn)	220	215	225
Gov. Debt / GDP	27.5%	28.0%	29.0%
Current Account Bal. / GDP	-3.7%	-4.0%	-4.5%
Forex Reserves (USD bn)	113	120	120
Trade Balance (USD bn)	-63	-57	-63
Export (USD bn)	144	143	147
Imports (USD bn)	207	200	210

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

Following robust growth in 1H16, Turkish economy contracted by 1.8% yoy in 3Q on the back of increased political uncertainties and lower number of working days. We foresee a moderate rebound in 4Q. However, consensus estimates for both 2016 and 2017 GDP growth rates have been lowered lately amid unfavorable news flow on domestic and global political developments and higher volatility in financial markets. We expect 2017 GDP growth to be driven mainly by private demand and government expenditures. Both headline and core inflation have decelerated remarkably as of October, yet inflation is expected to pick up in late 2016 and 2017 due to pass-through of FX depreciation and tax adjustments. External rebalancing has stopped as of 3Q, and C/A deficit has been rising gradually as a result of lower tourism revenues and recent pick up in imports. Expansionary policy have resulted in some deterioration in fiscal balances as of September, and the trend is expected to persist throughout 2017. Moreover, Moody's downgraded Turkey's sovereign rating to non-investment grade status by late September, and Turkey continue to face of losing its Investment-grade rating by Fitch given the negative outlook assigned by mid-August.

Note that TURKSTAT has recently changed both the methodology and base year of GDP, resulting in 10-20% increase in nominal GDP and higher GDP growth rates for 2010-2015 period. After the revision, some key ratios – including C/A deficit-to-GDP and budget deficit-to-GDP – have improved.

Operating Environment

Turkish Banking Sector

Number of Banks: 53

➤ Number of Depository Banks: 34

Growth

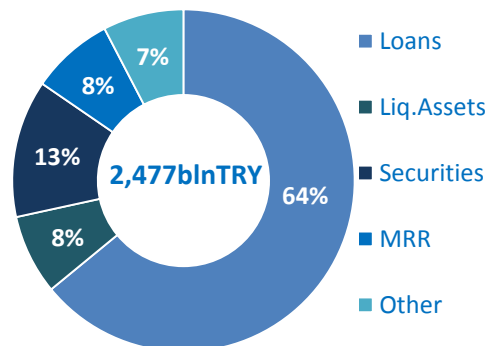
(billionTRY)	3Q2015	2015	3Q2016	YtD	YoY
Total Assets	2,396	2,357	2,534	7.5%	5.8%
Total Deposits	1,269	1,245	1,341	7.7%	5.6%
Total Loans	1,494	1,497	1,623	8.4%	8.6%
Net Profit	18.8	26.1	28.9	47.8%	54.1%

Key B/S Ratios(%)

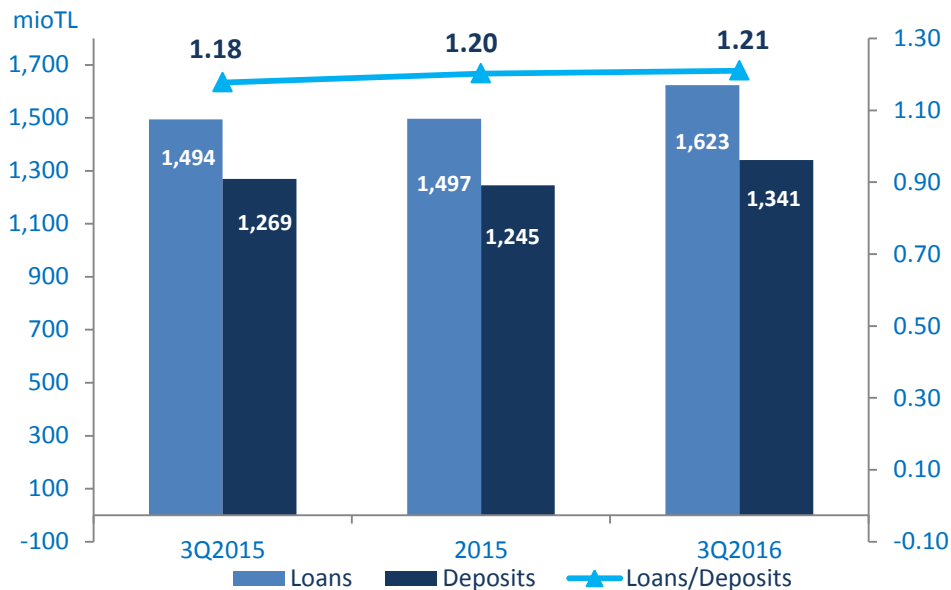
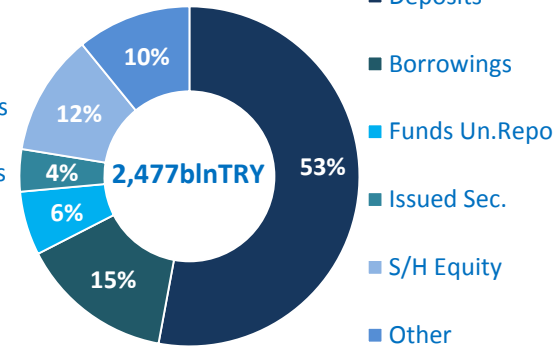
	3Q2015	2015	3Q2016
ROA	1.1	1.2	1.6
ROE	10.9	11.3	14.4
NPL	2.9	3.1	3.3
CAR	14.6	15.6	16.0
NIM	3.4	3.5	3.6
Coverage	73.5	74.6	76.4
Loan/Deposit	117.7	120.2	121.0
Total Assets/GDP	124.3	122.3	121.9
Total Loans/GDP	77.5	77.7	78.1
Total Deposits/GDP	65.8	64.6	64.5

Source: BRSA

Total Assets (blnTRY)



Total Liabilities

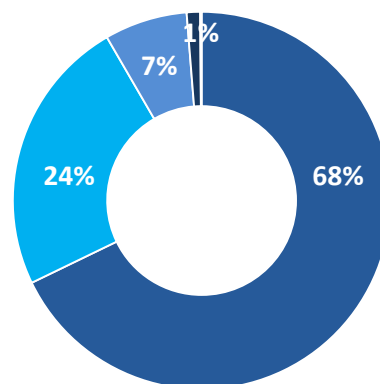


- One of the leading financial institutions with a growing presence in the MENA region as a subsidiary of KIPCO (Kuwait Projects Company)
- Listed on Kuwait Stock Exchange with a market cap of 2 bn \$
- Has a strong domestic franchise with 15.5% market share of assets in Kuwait
- International presence 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⁽¹⁾
 - Malta – Fimbank / LFC
 - Tunis – Tunis International Bank

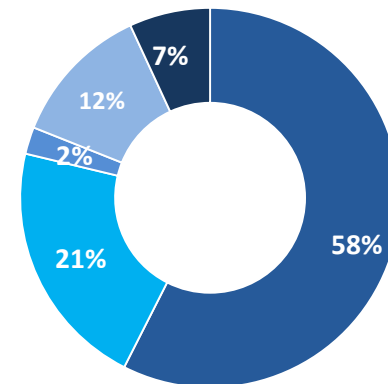
Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	3Q2016
Revenue Growth (YoY)	3.0%
Operating Profit Growth (YoY)	5.1%
Cost to Income Ratio	48.7%
Loans to Cust. Deposits	110.3%
Liquidity Ratio	28.2%
NPA Ratio	4.1%
NPA net of Collateral Ratio	1.2%
ROE	12.8%

Loans by Operations



Revenues by Operations



■ Kuwait ■ Turkey ■ Algeria ■ Iraq ■ Tunisia

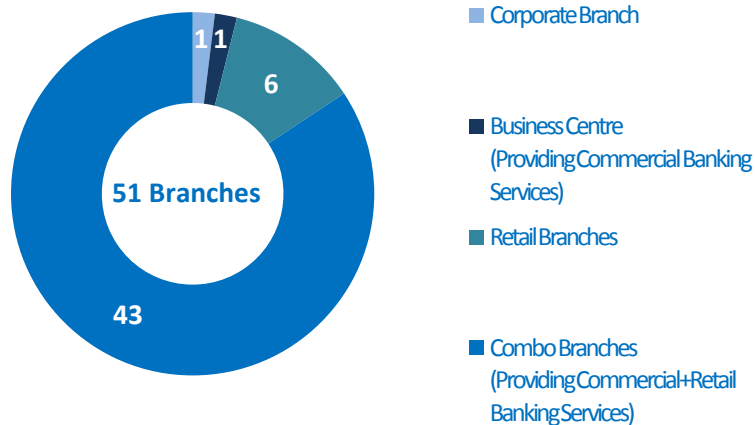
- International operations contributing 32% in Loans and 43% in Revenues
- Burgan Bank, Turkey is ranked as the biggest contributor among Burgan Subsidiary Banks in loans share as well as revenue generation

⁽¹⁾ 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 .

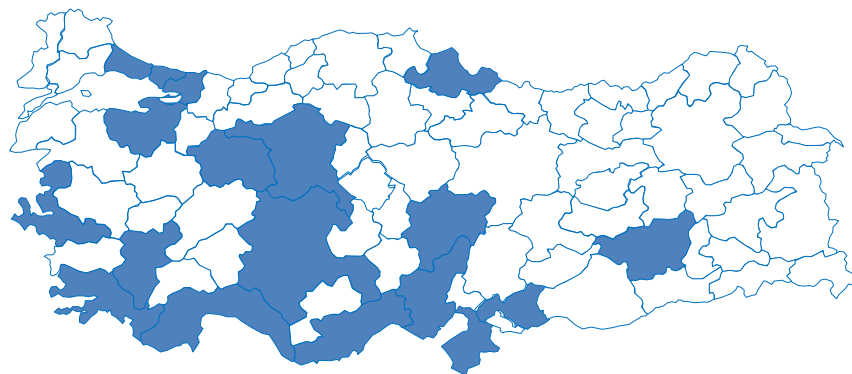
Burgan Bank A.Ş. At a Glance

- 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 (25.08.2016)**
Long Term Global Local Currency : **BBB**
Outlook : **Negative**
 - **Moody's (13.10.2016)**
Bank Deposits: **Ba3/NP**
Outlook : **Stable**

Segment-wise Branch Distribution



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



Burgan Bank A.Ş.

3Q2016 Achievements

Growth

- Total asset size increased by **9.7%** compared to the YE2015 above the system growth of 7.5%
- The loan book grew by **12.2 %** compared to the YE2015 which is well above the system growth of 8.4%

Asset Quality

- The asset quality of the bank is improving with NPL ratio of **2.4%**, better than banking sector average of **3.3%**

Funding

- Funding sources are continued to be well diversified through;
 - **USD 168.2 mn** new loan generation from the international markets since the beginning of the year
 - **USD 60 mio** long-term funding from **IFC**
 - Syndicated loan amounting **USD 150 mio** was signed in August 2016.
- Sound customer deposit base, with deposits accounting for around **53%** of total liabilities

Capital

- Well positioned Capital Base with a CAR of **16.65%** and Tier 1 Ratio of **8.30%**

Profitability

- **TL 40.4 mio** profit realized with the contribution of an increase in net interest income
- The quarterly profit reached to **TL 20,3 mio** which is **%55** higher than the previous year's average profit.

Others

- Continuous investments into people, technology in several areas (especially for new business channels and risk management areas)

Performance Trends

Sustainable Balance Sheet Growth

Balance Sheet (million TRY)

	3Q2015	2015	3Q2016	YtD	Y/Y
Total Assets	11,561.9	11,573.1	12,694.1	9.7%	9.8%
Loans¹	9,271.2	9,195.2	10,318.3	12.2%	11.3%
Securities	528.7	679.5	563.1	-17.1%	6.5%
Deposits	6,133.3	6,611.5	6,680.0	1.0%	8.9%
Borrowings	2,979.6	2,522.2	3,005.6	19.2%	0.9%
Subordinated Loan(*)	454.9	438.9	901.4	105.4%	98.2%
Shareholders' Equity	998.2	1,012.5	1,043.1	3.0%	4.5%

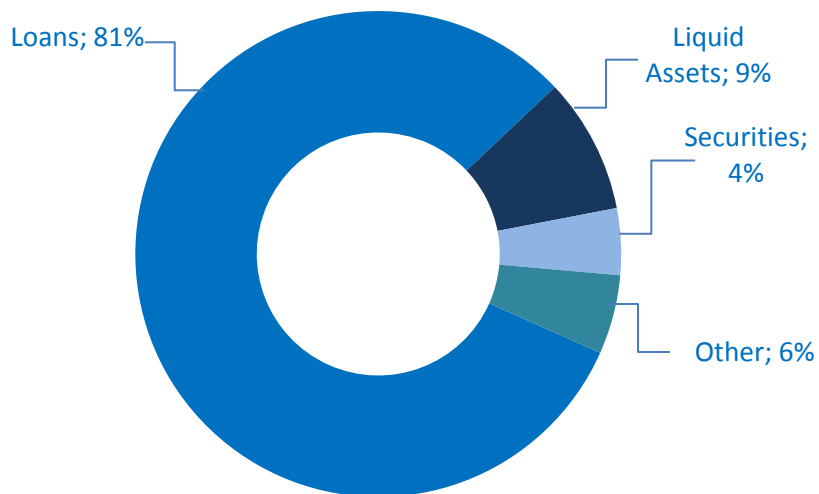
Balance Sheet Ratios

	3Q2015	2015	3Q2016
Loans / Assets	80%	79%	81%
Securities / Assets	5%	6%	4%
Loans / Deposits	151%	139%	154%
Loans / Deposits²	119%	111%	115%

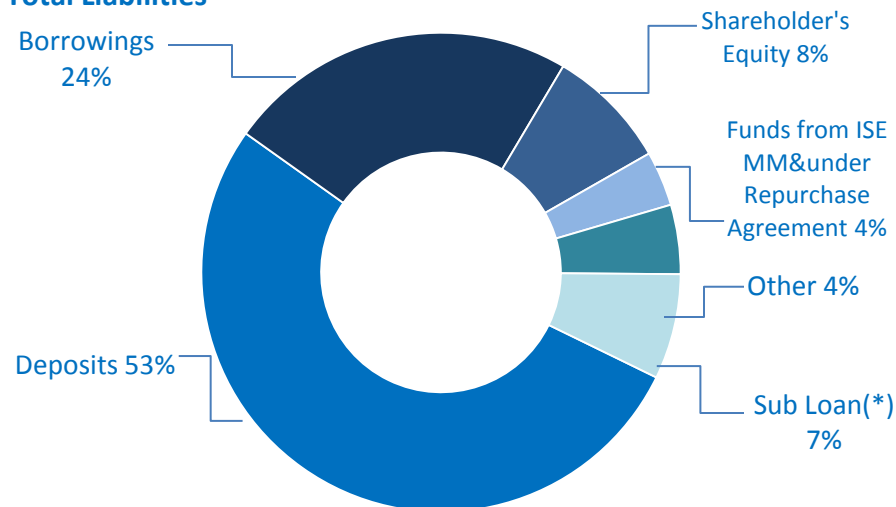
(1) Factoring and Leasing Receivables Included

(2) Burgan Group borrowings included

Total Assets



Total Liabilities

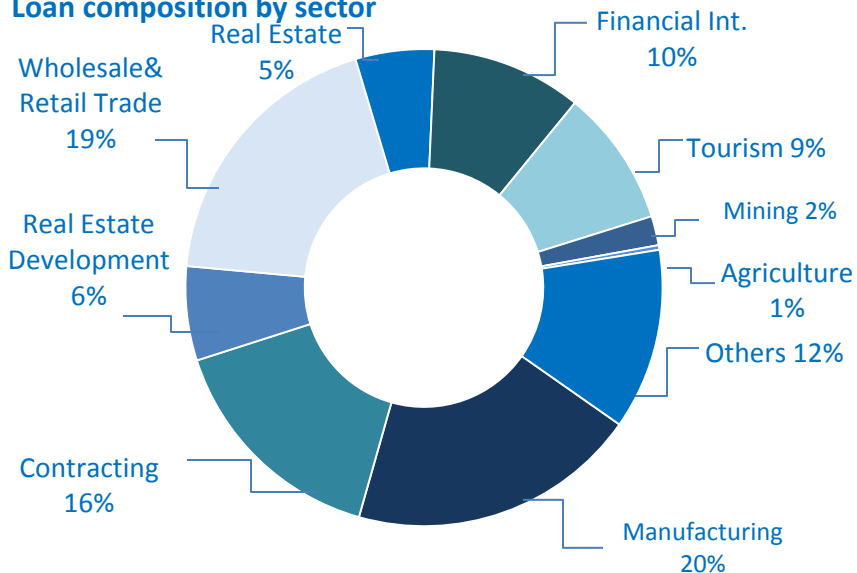


(*) Burgan Group funding

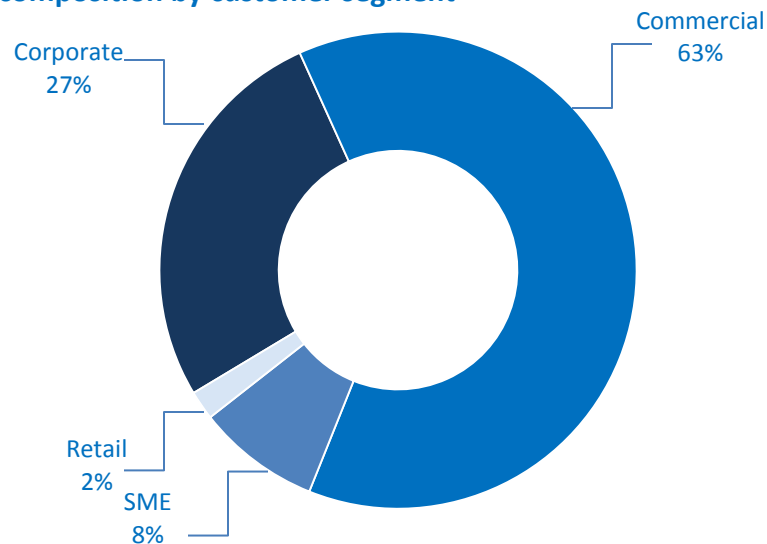
Loan Growth Above The Market Average

Commercial and Corporate Loans – the biggest contributor

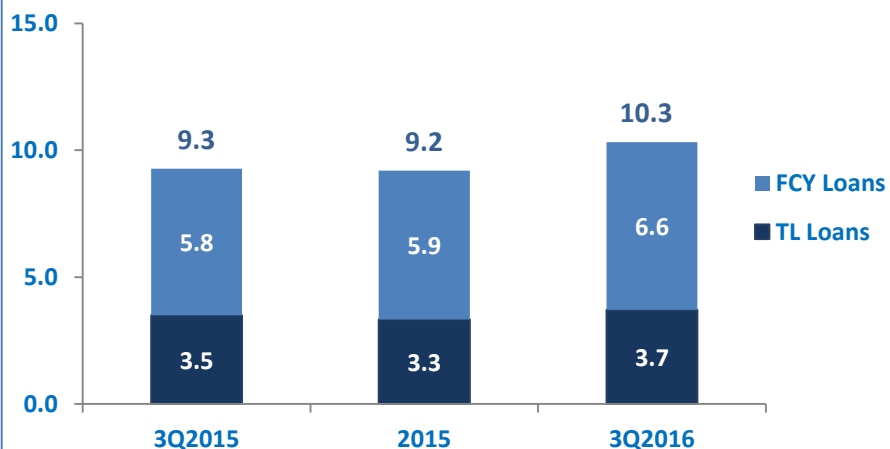
Loan composition by sector



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

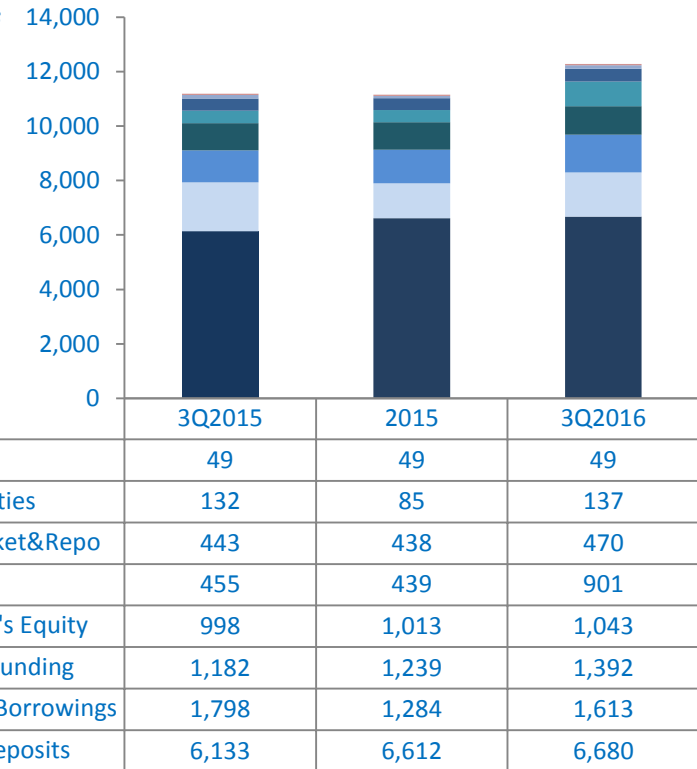
Funding structure (million TRY)

	3Q2015	2015	3Q2016	YtD	YoY
Customer Deposits	6,133	6,612	6,680	1.0%	8.9%
Borrowings	2,980	2,522	3,006	19.2%	0.9%
Intergroup Funding	1,182	1,239	1,392	12.4%	17.8%
EIB	109	81	63	-22.7%	-42.3%
Syndication	375	358	453	26.6%	20.9%
Oth. Bank Borrowings	1,197	738	1,009	36.7%	-15.7%
Eximbank	117	106	89	-16.6%	-24.2%
Sub Debt(*)	455	439	901	105.4%	98.2%
Money Market&Repo	443	438	470	7.3%	6.1%
Bond Issue	49	49	49	0.0%	-0.1%
Other Liabilities	132	85	137	60.9%	3.4%
Shareholder's Equity	998	1,013	1,043	3.0%	4.5%

- Syndicated loan of USD124mio, raised at the end of June/2015 was paid back at the beginning of July/2016. The subject facility was renewed with an increase and new syndicated loan, being USD 150 mio was raised in August 2016.
- Loan Agreement for long term financing signed with IFC for **60 mioUSD**.

(*) Burgan group

Breakdown of Funding (million TRY)

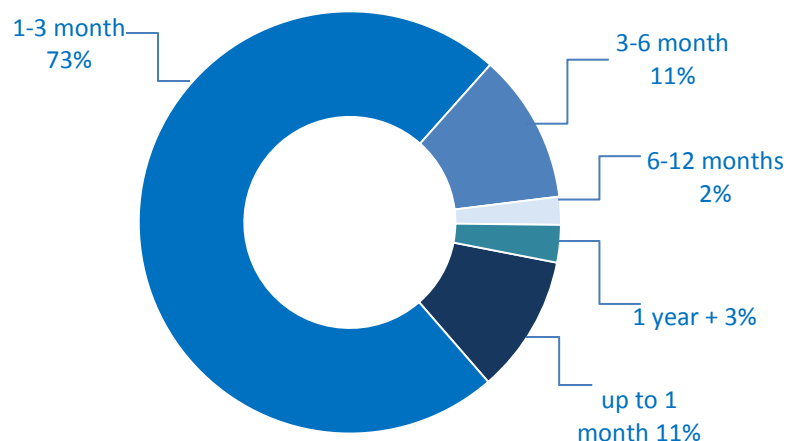


- Commitment of Burgan Bank K.P.S.C. continues with a balance of **764mioUSD** in intergroup funding
- Third party funding sources continued to increase through strong cooperation with Correspondent Banks.

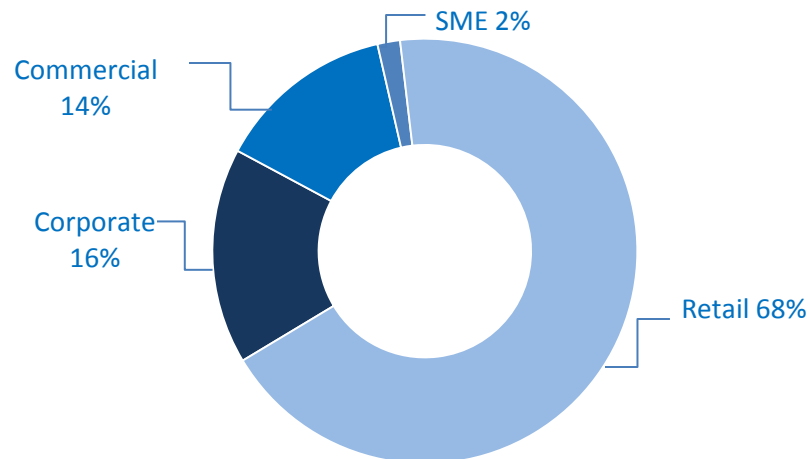
Deposits are the Main Funding Source

FX Deposits – the biggest share

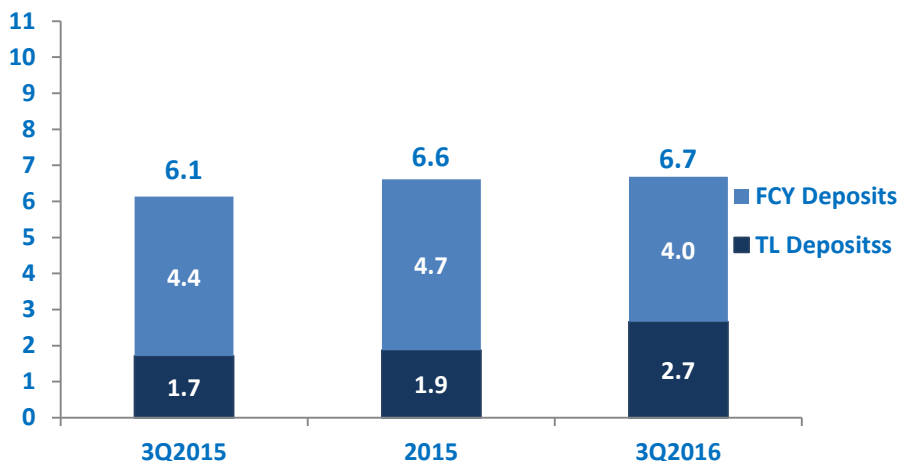
Deposit composition by maturity



Deposit composition by customer segment



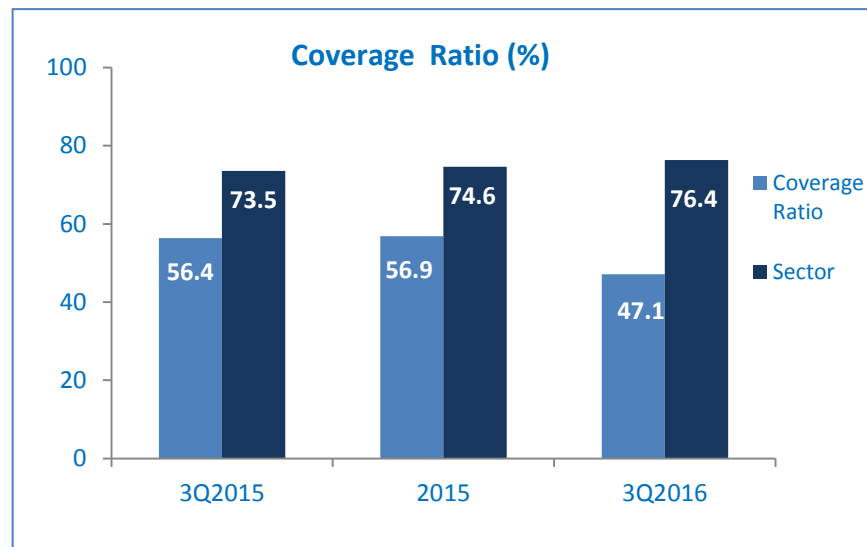
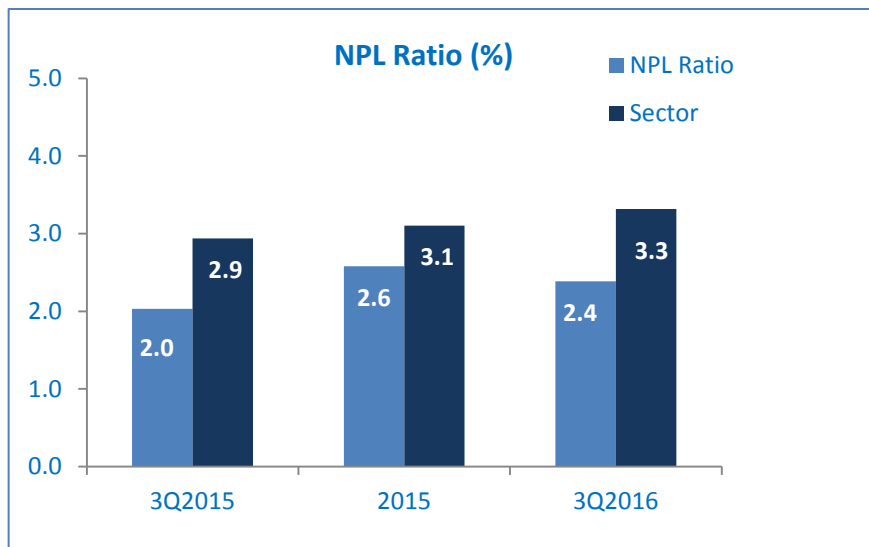
Deposit Growth(billion TRY)



- **Total Deposits** increased by **8.9%** compared to 3Q2015 whilst the sector average was 5.6%.
- **TL Deposits** expanded by **55.8%** as of 3Q2015.
- **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 **21.8%** out of Total Deposits.

Improved Asset Quality

NPL ratio – below the market average



	3Q2015	2015	3Q2016
Gross Loans (million TRY)	9,388	9,332	10,436
NPL's(million TRY)	207	241	249
NPL Ratio	2.2%	2.6%	2.4%
NPL, net of collateral	159	177	179
NPL coverage, net of collateral	73.2%	77.2%	65.7%

- Asset quality remains strong with NPL ratio of **2.4%** 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

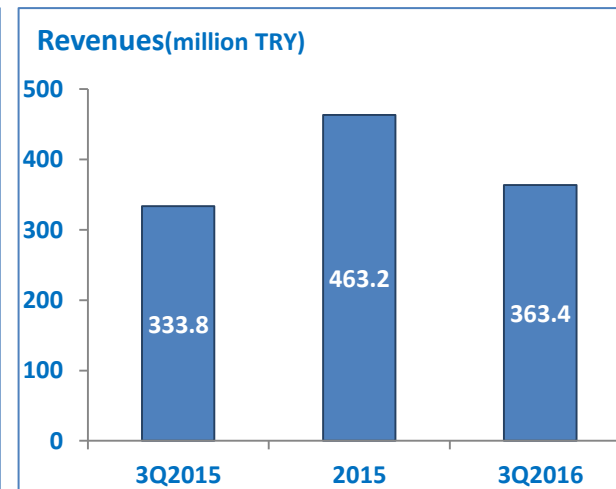
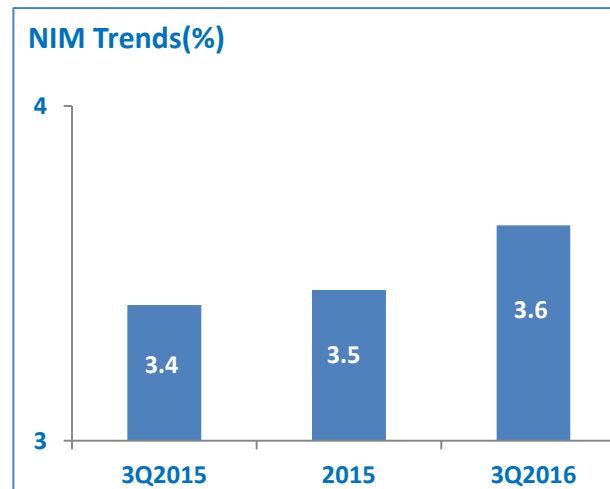
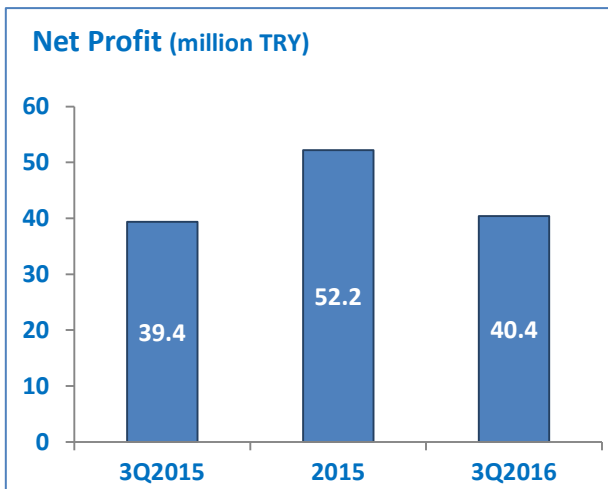
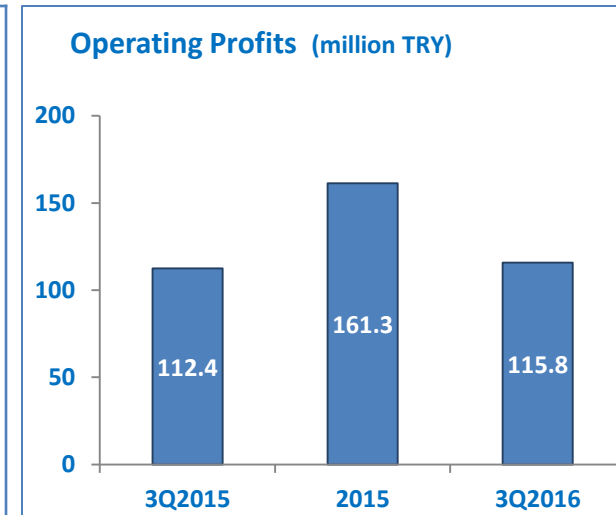
	3Q2015	2015	3Q2016
Shareholder's Equity (million TRY)	998	1,013	1,043
CAR Ratio (%)	14.5	14.5	16.7
Tier 1 Ratio (%)	9.4	9.4	8.3

- CAR and Tier 1 ratios consistently well above minimum requirements of 12% and 6.0%, respectively.
- Shareholder supported the Bank by providing long term financing, to be converted into the capital whenever it is needed.

Progress in Earnings

(million TRY)	3Q2015	2015	3Q2016	Ytd(*)	Y/Y
Total Interest Income	665.4	924.7	910.7	31.3%	36.9%
Total Interest Expense	400.9	559.6	601.8	43.4%	50.1%
Net Interest Income	264.6	365.1	308.9	12.8%	16.7%
Total Revenues	333.8	463.2	363.4	4.6%	8.9%
Total Operating Expenses	221.3	301.9	247.7	9.4%	11.9%
Operating Income	112.4	161.3	115.8	-4.3%	2.9%
Provision	60.5	92.4	60.6	-12.5%	0.2%
Net Profit	39.4	52.2	40.4	3.2%	2.6%

(*) Calculation is based on annualized figures



➤ The bank's cost to income ratio is **68.1%** as of 3Q2016

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

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Thank you

