



Burgan Bank A.Ş. Turkey (BBT)

**September 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	2016	2017	2018F(*)
Nominal GDP (USD bn)	856.8	845.0	900.0
Population (mn, mid-year)	79.3	80.1	80.9
GDP per capita (USD)	10,883	10,500	11,100
Real GDP (% change)	3.2	5.5	4.0
CPI Inflation (year-end)	8.5	9.5	8.0
Gov. Debt (USD bn)	225	235	250
Gov. Debt / GDP	28.1	28.5	29.0
Current Account Bal. / GDP	-3.8	-4.6	-4.7
Forex Reserves (USD bn)	106.0	110.0	115.0
Trade Balance (USD bn)	-56.1	-69.0	-76.0
Export (USD bn)	142.5	156.0	164.0
Imports (USD bn)	198.6	225.0	240.0

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

The Turkish economy has expanded by 5.1% in 1H17 on the back of extensive fiscal measures, including a massive Credit Guarantee facility, and supportive global backdrop. GDP growth is expected to accelerate towards 7.5% in 3Q17 and to normalize towards 4% in 4Q17, resulting in 5.5% GDP growth in 2017. We project the GDP growth to slightly slowdown to 4% in 2018.

Net exports also contributed positively to the GDP growth in 1H17 thanks to strong export performance and recovery in tourism revenues. However, 12m rolling C/A deficit has still widened in 2017 as gold and energy imports surge significantly.

Annual inflation gradually climbed to 8-yr high of 11.9% in April and continue to hover around 11% as of September, owing to FX-pass through, higher food inflation, and revival in domestic demand. Annual inflation is expected to slightly decelerate to 9.5-10% range by end-2017, thanks to high base effect. However, both short-term and long-term inflation expectations remain elevated, diverting further from the target of 5% and +/-2% uncertainty band. We expect annual inflation to decelerate gradually towards 8.0% on the back of slower FX pass-through and slower food inflation.

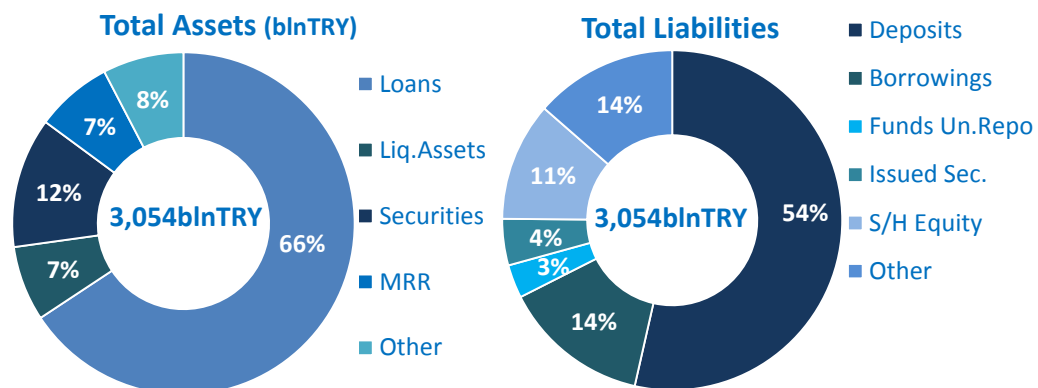
The CBT maintains the tight monetary policy stance through using Late Liquidity Window (LLW) and Marginal Funding (MFR) rates. The CBT has gradually raised the average weighted funding rate since the beginning of the year (by roughly 375bp), and keep it stable at around 11.95% since May 2017.

Operating Environment Turkish Banking Sector

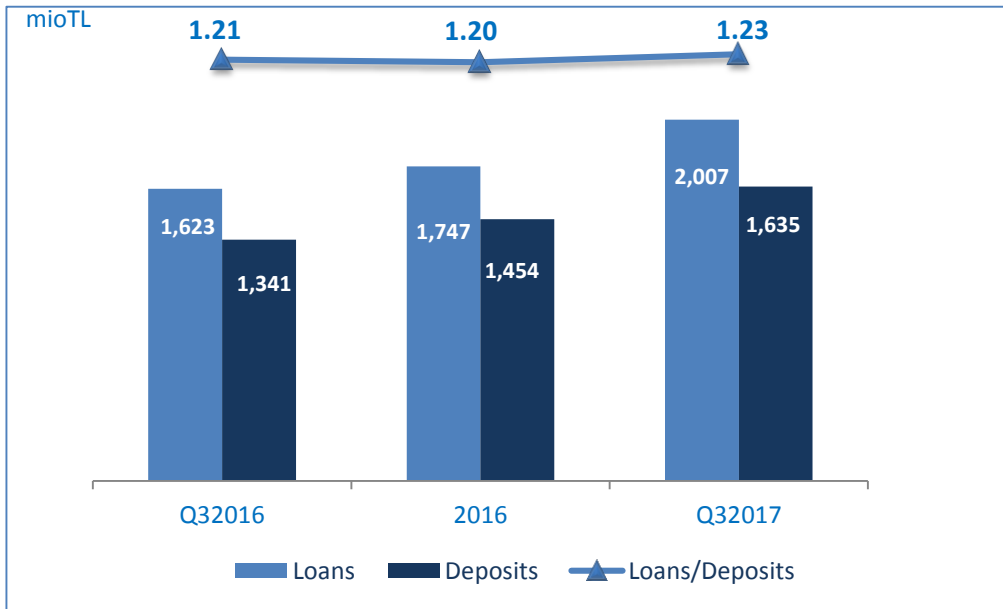
Number of Banks: 51 (Including 5 Participation Banks)

➤ Number of Depository Banks: 33

Growth (billionTRY)	Q32016	2016	Q32017	YoY	YTD
Total Assets	2.534	2.731	3.054	20,5%	11,8%
Total Deposits	1.341	1.454	1.635	22,0%	12,5%
Total Loans	1.623	1.747	2.007	23,7%	14,8%
Net Profit	28,9	37,5	37,2	28,6%	-0,9%



Key B/S Ratios(%)	Q32016	2016	Q32017
ROA	1.6	1.5	1.7
ROE	14.6	14.3	16.2
NPL	3.3	3.2	3.0
CAR	16.0	15.6	17.2
NIM	3.6	3.6	3.7
Coverage	76.4	77.4	79.5
Loan/Deposit	121.0	120.2	122.7
Total Assets/GDP	102.1	104.7	100.9
Total Loans/GDP	65.4	67.0	66.3
Total Deposits/GDP	54.0	55.7	54.0



Source: BRSA

Burgan Bank K.P.S.C.

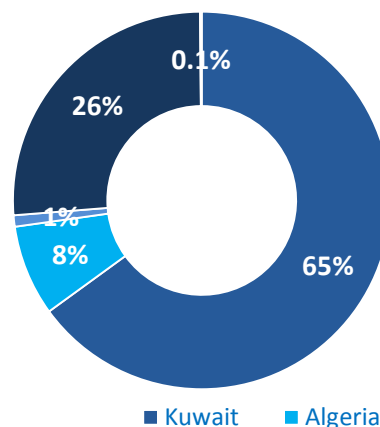
Sound and Consistent Financial Performance

- 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\$ 2.5bn⁽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

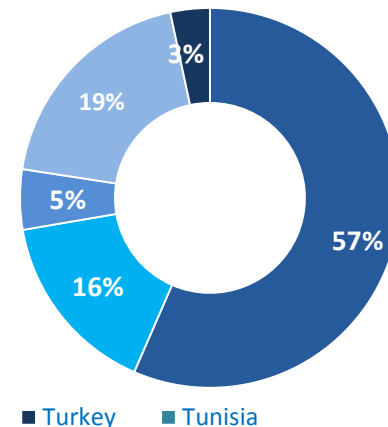
Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	9m'2017
Core Revenue Growth (YoY) ⁽²⁾	6%
Net Profit Growth (YoY) ⁽³⁾	16%
Cost to Income Ratio ⁽²⁾	44.7%
Loans to Cust. Deposits	113.3%
Liquidity Ratio	23.5%
NPA Ratio	3.5%
NPA net of Collateral Ratio	1.1%
ROTE ⁽³⁾	13.8%

Loans by Operations



Revenues by Operations



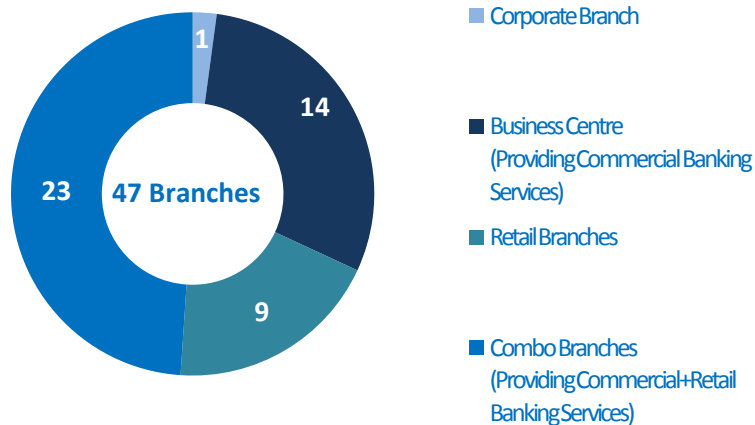
- International operations contributing 35% in Loans and 43% in Revenues
- Burgan Bank, Turkey is ranked as the biggest contributor among Burgan Subsidiary Banks in loans share as well as revenue generation

(1) Closing Price on 30/09/2017
 (2) Excluding one offs
 (3) Excluding one offs, precautionary provisions and after AT1 cost

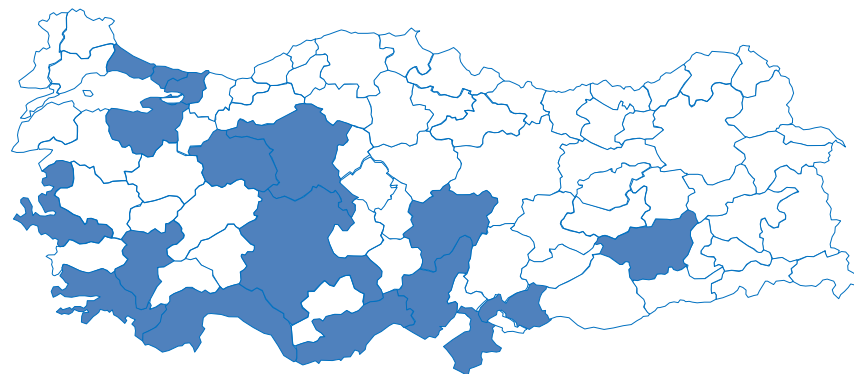
Burgan Bank A.Ş. At a Glance

- Incorporated in 1989 as Tekfen Yatırım Bankası AŞ
- Became a Burgan Group member as of December 2012. Burgan Bank 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 Portfolio Management (The firm closed in October 2017)**
 - **Burgan Wealth Limited Dubai**
- Rated by :
 - **Fitch Ratings (09.02.2017)**
Long Term Global Local Currency : **BBB-**
Outlook : **Stable**

Segment-wise Branch Distribution



- **47** Branches across **16** cities where **80%** of loans&deposits of the whole sector are held.



Q3 2017 Achievements

Growth

- Total asset size increased by **14.5%** compared to the 2016 above the system growth of 11.8%
- The loan book grew by **18.3 %** compared to the 2016 which is well above the system growth of 14.8%
- Deposit volumes are up **7.3 %** compared to the 2016 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 **3.1%**

Funding

- Funding sources are continued to be well diversified through;
 - **USD 376mn**(USD 135 mn from parent) new loan generation from the international markets since the beginning of the year
- Sound customer deposit base, with deposits accounting for around **51.2%** of total liabilities

Capital

- Well positioned Capital Base with a CAR of **15.5%** and Tier 1 Ratio of **7.5%** (all sub-debt from parent)

Profitability

- The Bank produced 65.6 mio TL profit in Q32017 and increased its profitability **1.6 times by the end of Q32016.**

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)

	Q32016	2016	Q32017	Y/Y	YTD
Total Assets	12,694.1	15,094.1	17,283.4	36.2%	14.5%
Loans¹	10,318.3	12,041.3	14,247.1	38.1%	18.3%
Securities	563.1	721.1	448.8	-20.3%	-37.8%
Deposits	6,680.0	8,248.7	8,852.5	32.5%	7.3%
Borrowings	3,005.6	3,446.1	5,184.5	72.5%	50.4%
Subordinated Loan(*)	901.4	1,057.5	1,074.1	19.2%	1.6%
Shareholders' Equity	1,043.1	1,092.6	1,166.0	11.8%	6.7%

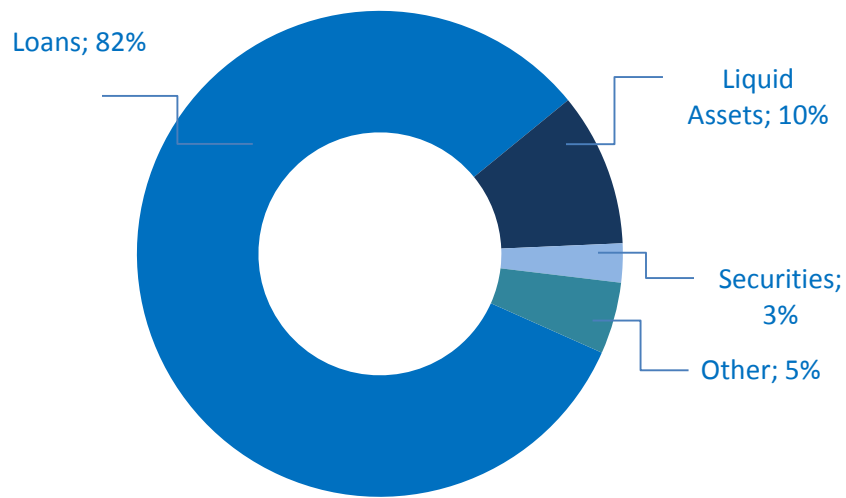
Balance Sheet Ratios

	Q32016	2016	Q32017
Loans / Assets	81%	80%	82%
Securities / Assets	4%	5%	3%
Loans / Deposits	154%	146%	161%
Loans / Deposits²	115%	110%	115%

(1) Factoring and Leasing Receivables Included

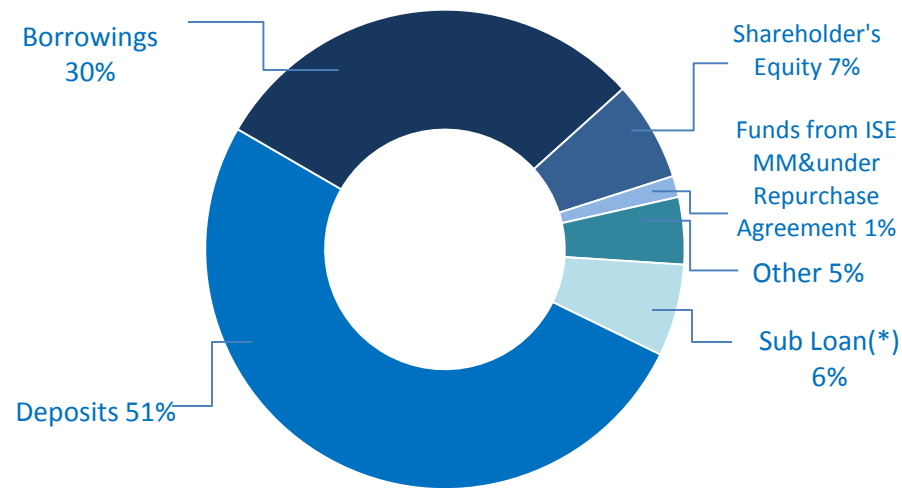
(2) Burgan Group borrowings included

Total Assets



(*) Burgan Group funding

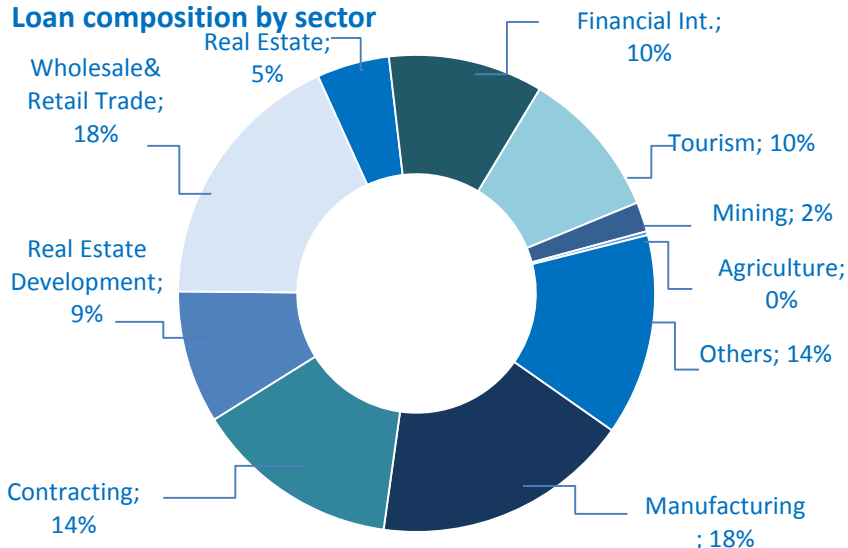
Total Liabilities



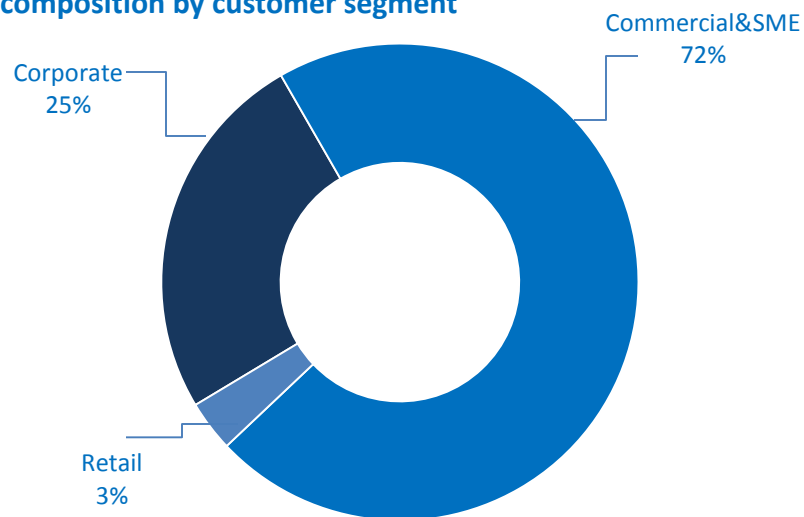
Loan Growth Above The Market Average

Commercial and Corporate Loans – the biggest contributor

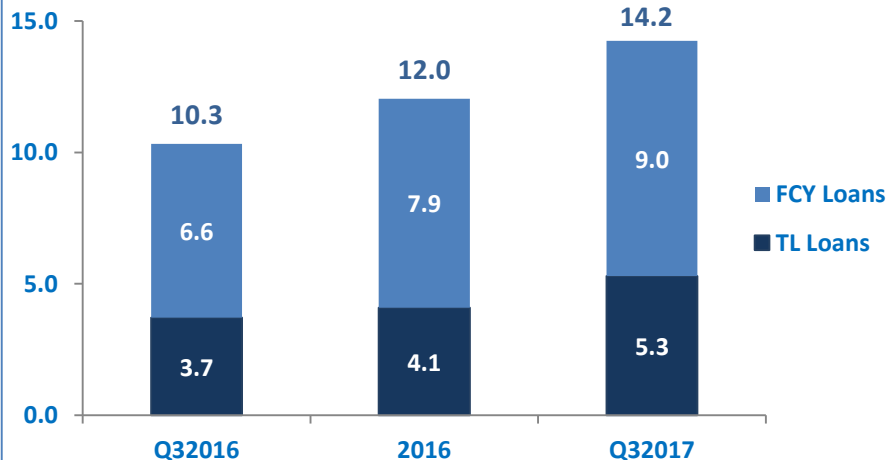
Loan composition by sector



Loan composition by customer segment



Loan Growth (billion TRY)



Definition of customer segment

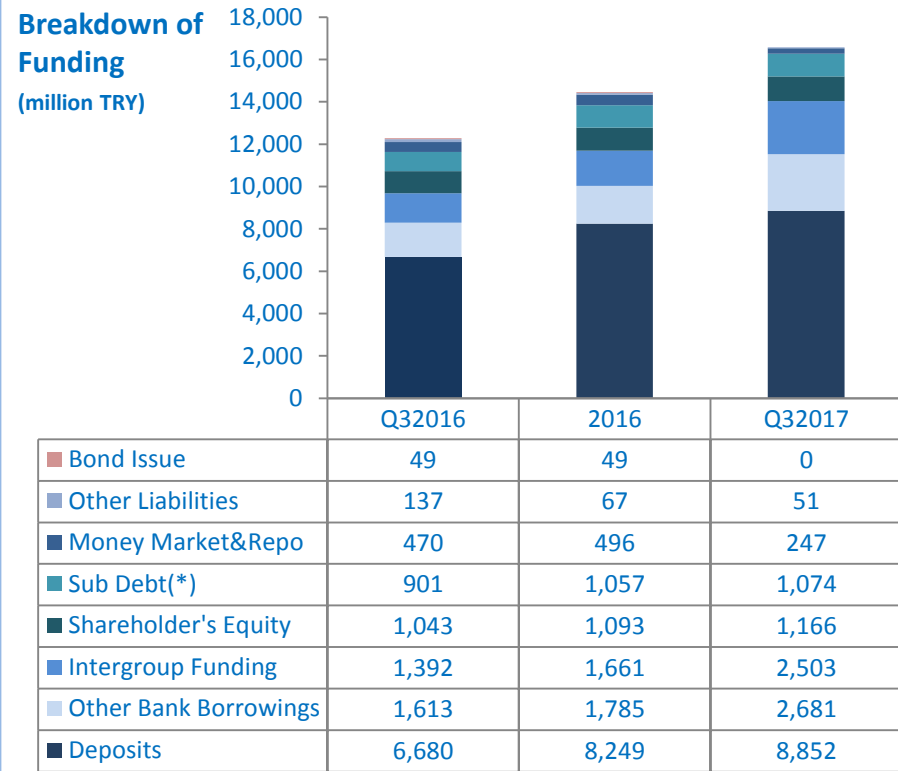
- Corporate:** Companies with turnover exceeding TRY 100 mln
- Commercial:** Companies with turnover between TRY 25 mln to TRY 100 mln
- SME:** Companies with turnover below TRY 25 mln.
- Retail:** Individual customers

Rising Funding Availabilities Well Diversified

Funding structure (million TRY)

	Q32016	2016	Q32017	YoY	YTD
Deposits	6,680	8,249	8,852	32.5%	7.3%
Borrowings	3,006	3,446	5,184	72.5%	50.4%
Intergroup Funding	1,392	1,661	2,503	79.8%	50.6%
Syndication	453	519	732	61.4%	41.0%
Oth. Bank Borrowings	1,071	1,193	1,853	73.1%	55.5%
Eximbank	89	73	96	7.6%	30.4%
Sub Debt(*)	901	1,057	1,074	19.2%	1.6%
Money Market&Repo	470	496	247	-47.4%	-50.1%
Bond Issue	49	49	-	-100.0%	-100.0%
Other Liabilities	137	67	51	-62.5%	-23.6%
Shareholder's Equity	1,043	1,093	1,166	11.8%	6.7%

Breakdown of Funding (million TRY)



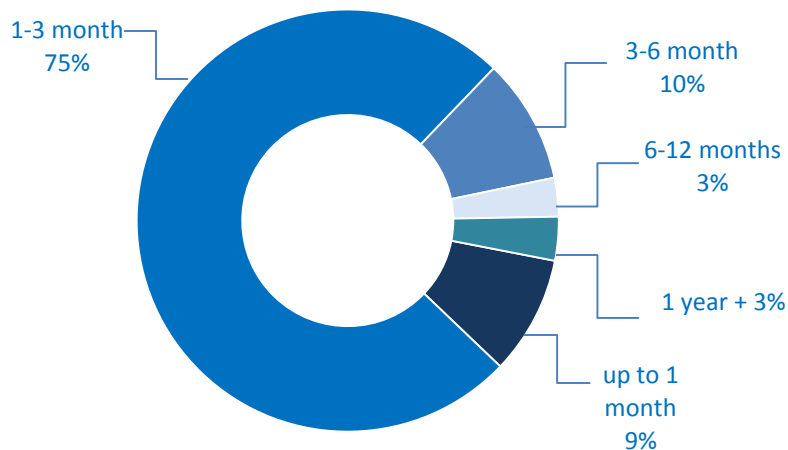
- Commitment of Burgan Bank K.P.S.C. continues with a balance of **1,007mioUSD** in intergroup funding including sub-debt.
- Third party funding sources continued to increase through strong cooperation with Correspondent Banks.

(*) Burgan group

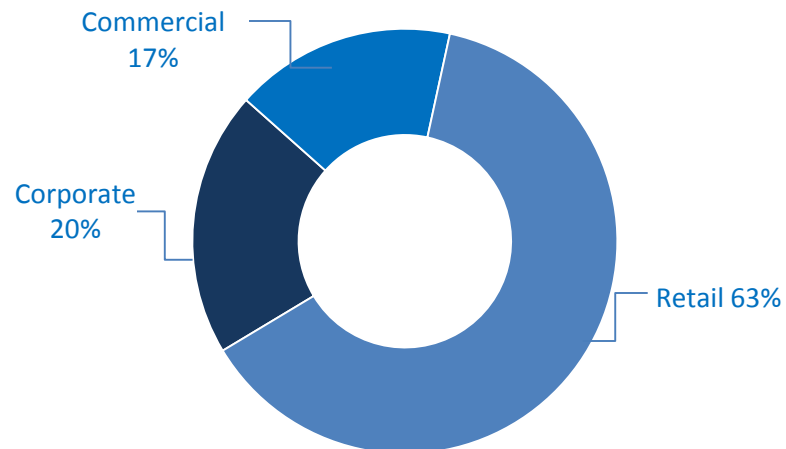
Deposits are the Main Funding Source

FX Deposits – the biggest share

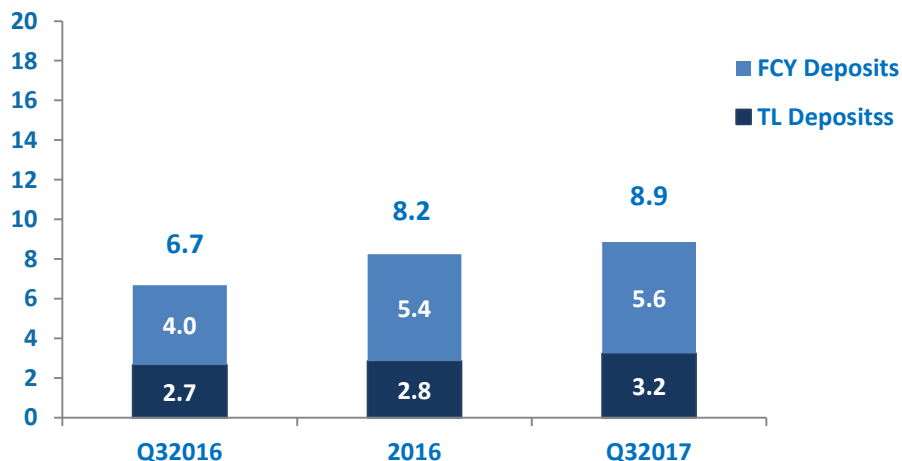
Deposit composition by maturity



Deposit composition by customer segment



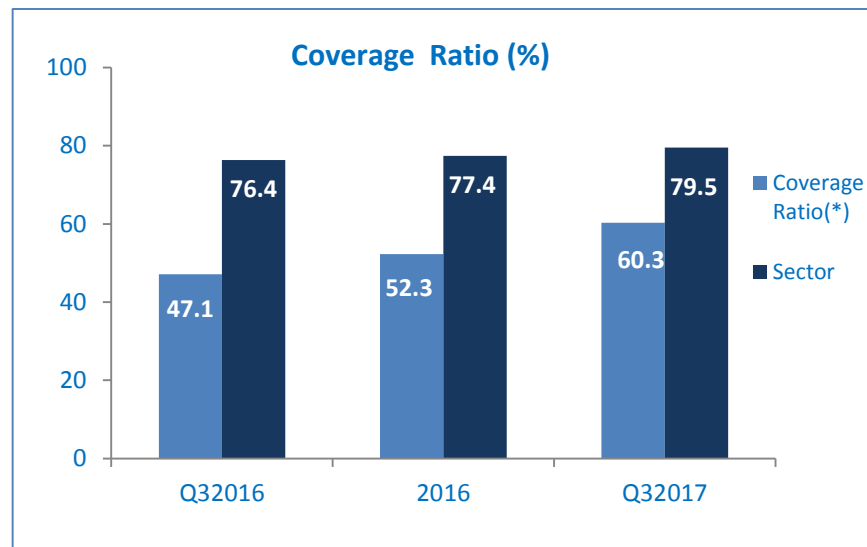
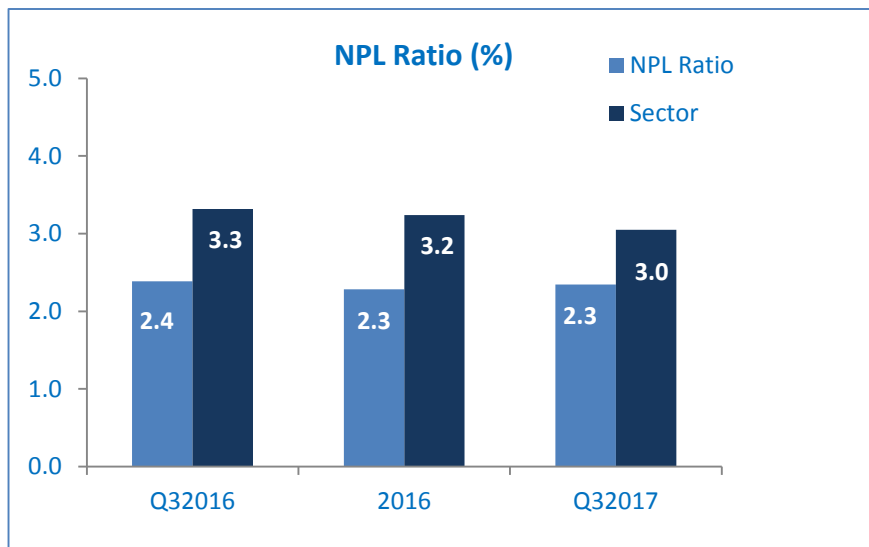
Deposit Growth (billion TRY)



- **Total Deposits** increased by **32.5 %** compared to the Q3 2016 whilst the sector average was 22%.
- **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



	Q32016	2016	Q32017
Gross Loans (million TRY)	10,436	12,187	14,451
NPL's(million TRY)	249	278	339
NPL Ratio	2.4%	2.3%	2.3%
NPL, net of collateral	179	208	248
NPL coverage, net of collateral(*)	65.7%	70.0%	82.3%

- Asset quality remains strong with NPL ratio of **2.3%** below the sector average of **3.0%**
- 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

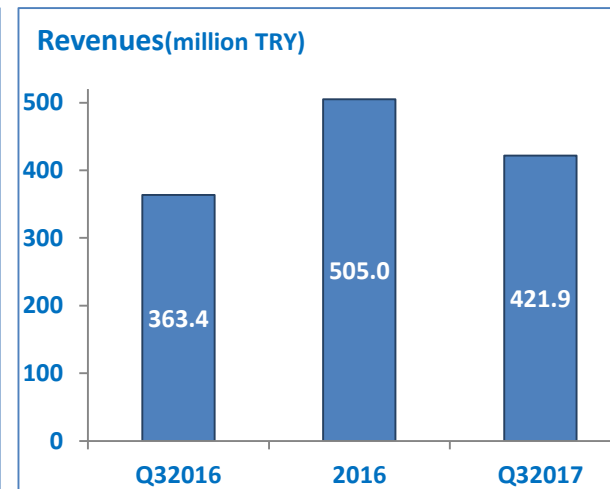
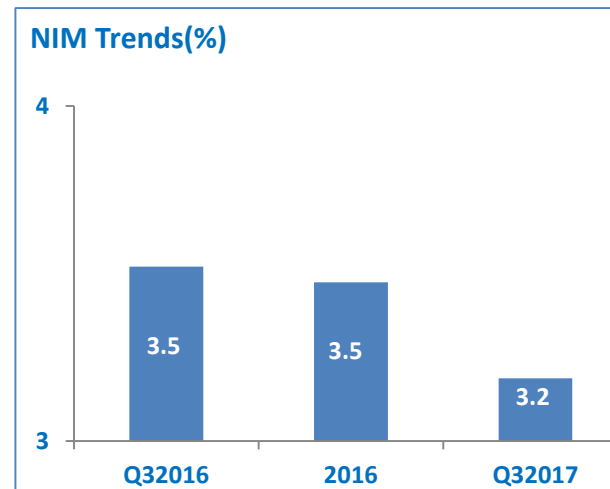
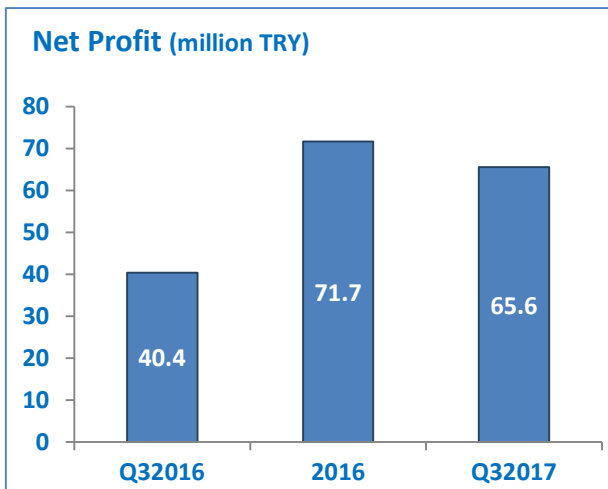
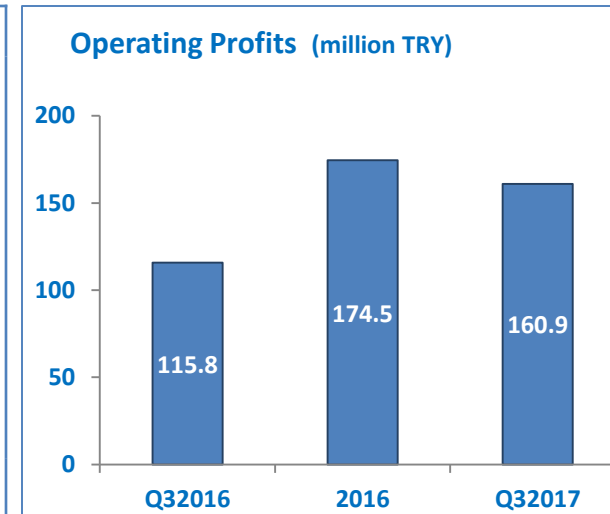
Strong Capitalization to Support Future Growth

	Q32016	2016	Q32017
Shareholder's Equity (million TRY)	1,043	1,093	1,166
Capital Base Inc. Sub-Debt (million TRY)	1,969	2,148	2,247
CAR Ratio (%)	16.7	15.8	15.5
Tier 1 Ratio (%)	8.3	7.4	7.5

- 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)	Q32016	2016	Q32017	Y/Y	YTD
Total Interest Income	910.7	1,246.5	1,141.1	25.3%	22.1%
Total Interest Expense	601.8	826.3	774.1	28.6%	24.9%
Net Interest Income	308.9	420.2	367.0	18.8%	16.5%
Total Revenues	363.4	505.0	421.9	16.1%	11.4%
Total Operating Expenses	247.7	330.5	261.0	5.4%	5.3%
Operating Income	115.8	174.5	160.9	39.0%	23.0%
Provision	60.6	76.7	74.4	22.8%	29.4%
Net Profit	40.4	71.7	65.6	62.3%	22.0%



➤ The bank's cost to income ratio decreased to **61.2%** as of September 2017 from 68.2% as of September 2016.

Growth

- Keep growing above sector average like prior periods
- Focus on collateralized loans will continue
- Retail loans will increase through new alternative channels & digital banking
- Decreasing concentration and increasing in the spreads will be the main focus

Profitability

- Focusing on NIM
- Cost of credit is expected to be kept around the same level for 2018
- Improvement in efficiency – decrease in Cost / Income ratio
- Increase the share of cross sales in net income (like insurance income, treasury sales) to generate income with minimal 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

- Continuing to diversify the funding base
- Enhance the funding availabilities provided from counter parties
- Raise financing through both international and domestic bond issuance

Contact Details

Treasury, Capital Markets and Financial Institutions Group

Mr. Mutlu Akpara
Executive Vice President
+90 212 371 36 70
makpara@burgan.com.tr

Financial Institutions

Ms. Şehnaz Günay, Head of FI
+90 212 371 37 40
sgunay@burgan.com.tr

Ms. Inci Yılmaz, Unit Manager
+90 212 371 37 41
iyilmaz@burgan.com.tr

Ms. Ezgi Yıldırım, Unit Manager
+90 212 371 37 42
eyildirim@burgan.com.tr

Treasury & Capital Markets

Mr. Arda Türerer, Head of Trading & ALM
+90 212 371 36 42
aturerer@burgan.com.tr

Ms. Aslı Koçer, Head of Treasury Sales
+90 212 371 36 81
akocer@burgan.com.tr

Mr. Bilge Gönen, Head of FX Desk
+90 212 371 36 76
bgonen@burgan.com.tr

Maslak Mahallesi, Eski Büyükdere Caddesi No:13

34485 Sarıyer İstanbul – Turkey

Swift: TEKFTRIS

Reuters: BRGN

www.burgan.com.tr

Thank you

