



Burgan Bank A.Ş. Turkey (BBT)

**September 2019 Presentation
(BRSA Consolidated)**

Operating Environment

Macro Economic Outlook - Turkey

Ratings	Fitch	Moody's	S&P
Long Term FC Rating	BB-	B1	B+
Outlook	Stable	Negative	Stable

Key Indicators	2018	2019F(*)	2020F(*)
Nominal GDP (USD bn)	784	760	790
Population (mn, mid-year)	81.4	82.4	83.4
GDP per capita (USD)	9,632	9,300	9,500
Real GDP (% change)	2.6	0.0	2.5
CPI Inflation (year-end)	20.3	12.8	11.5
Gen.Gov. Budget Bal./ GDP	-2.0	-3.0	-3.0
Gov. Debt / GDP	30.4	32.8	33.5
Current Account Bal. / GDP	-3.4	-0.5	-1.5
Forex Reserves (USD bn)	91.9	105.0	110.0
Trade Balance (USD bn)	-55.1	-34.0	-40.0
Export (USD bn)	168.0	175.0	184.0
Imports (USD bn)	223.0	205.0	220.0

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

The Turkish economy contracted by 1.9% yoy in the first half of the year. Easing cycle in monetary policy, supportive fiscal stance and credit expansion mostly led by the state banks are expected to trigger a mild recovery in economic activity in the second half of the year.

Inflation has decelerated to 9.3% as of September, from the peak of 25.2% in October 2018, and is expected to end the year at 12.8%. The CBT cut the policy rate by 1000bps to 14.0% in the last three months, to be followed by a limited cut in the remainder of the year.

External balances improved markedly thanks to the sharp decline in imports and strong performance of exports and tourism sector. 12-m rolling current account balance has produced US\$4.4bn surplus as of July, corresponding 0.6% of GDP vs a deficit of 3.4% in 2018 and 5.6% in 2017.

The central government budget deficit expanded rapidly since the beginning of the year, bringing 12m rolling deficit up to 2.5% of GDP as of September. Similarly, IMF-defined primary deficit, which excludes interest payments and one-off revenues, jumped to 3.1% of GDP.

As a response to the slowing global economic activity and existing uncertainties on trade relations, major central banks have recently switched to a more accommodative policy stance, which in turn increased appetite for EM assets. Going forward, economic policies and structural reforms remain key for financial and economic stability in Turkey.

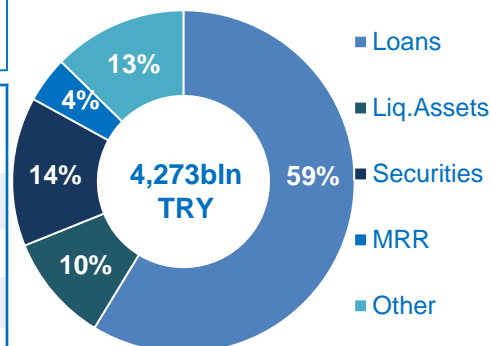
Operating Environment Turkish Banking Sector

Number of Banks: 53 (Including 6 Participation Banks)

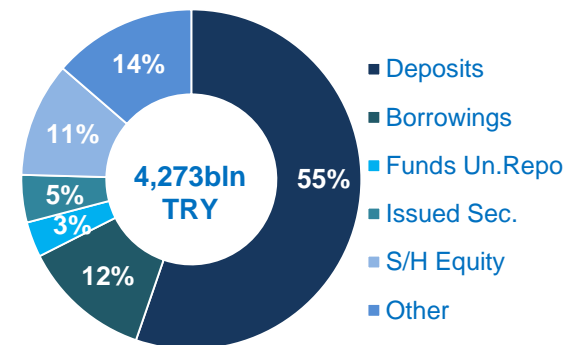
➤ Number of Depository Banks: 34

Growth (billionTRY)	Q32018	2018	Q32019	YoY	YTD
Total Assets	4,211	3,867	4,273	1.5%	10.5%
Total Deposits	2,137	2,036	2,362	10.5%	16.0%
Total Loans,net	2,572	2,386	2,533	-1.5%	6.1%
Net Profit	42.2	53.5	36.2	-14.3%	-9.9%

Total Assets (blnTRY)



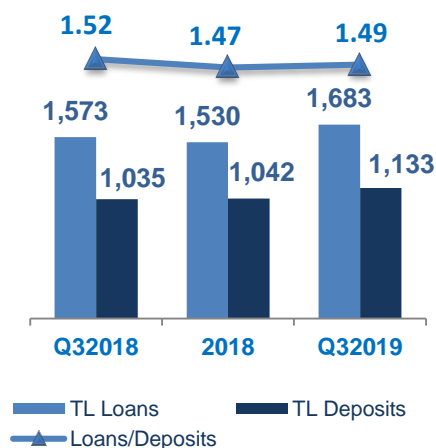
Total Liabilities



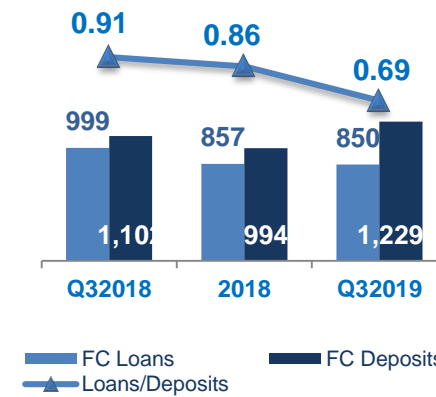
Key B/S Ratios(%)	Q32018	2018	Q32019
ROA	1.5%	1.4%	1.2%
ROE	15.4%	14.7%	11.4%
NPL	3.2%	3.8%	4.8%
CAR	18.1%	17.3%	18.4%
NIM	3.9%	3.9%	3.7%
Coverage	70.1%	68.3%	65.6%
Loan/Deposit	120.4%	117.2%	107.2%
Total Assets/GDP	113.1%	103.8%	99.5%
Total Loans/GDP	69.1%	64.1%	59.0%
Total Deposits/GDP	57.4%	54.7%	55.0%

mioTL

TL Loans & TL Deposits



FC Loans & FC Deposits



Source: BRSA

Burgan Bank K.P.S.C.

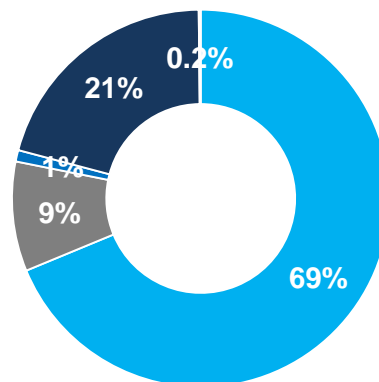
Sound and Consistent Financial Performance

- 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\$ 2.737 billion⁽¹⁾
- Has a strong domestic franchise with 13.7% market share of assets amongst Kuwait Conventional Banks
- 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

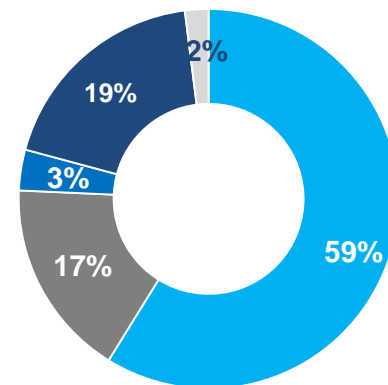
Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	9M 2019
Revenue in US\$ million	587.0
Net Profit in US\$ million ⁽²⁾	191.1
Cost to Income Ratio	41.9%
Gross Loans to Cust. Deposits	108.2%
Liquidity Ratio	24.6%
NPA Ratio	2.5%
NPA net of Collateral Ratio	0.5%
ROE ⁽²⁾⁽³⁾	10.4%

Loans by Operations



Revenues by Operations



■ Kuwait ■ Algeria ■ Iraq ■ Turkey ■ Tunisia

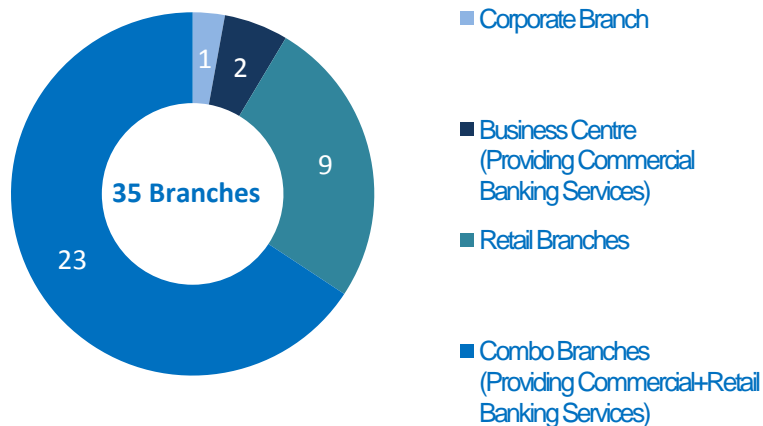
- International operations contributing 31% in Loans and 41% in Revenues
- Burgan Bank, Turkey is ranked as the biggest contributor among Burgan Subsidiary Banks in loans share as well as revenue generation

(1) Closing market capitalization on 30/09/2019 in Borsa Kuwait,
 (2) Net Income attributed to equity holders and after AT1 cost,
 (3) Open equity methodology.

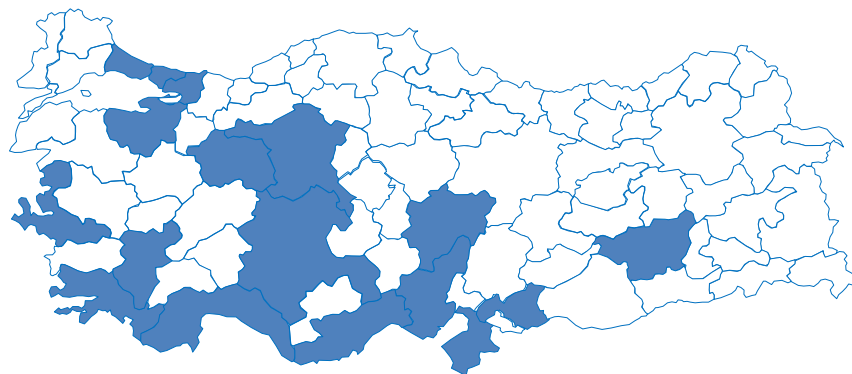
Burgan Bank A.Ş. At a Glance

- 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 (12.11.2019)**
Long Term Global Foreign Currency : **B+**
Outlook : **Stable**

Segment-wise Branch Distribution



- **35 Branches across 14 cities where 77% of loans&deposits of the whole sector are held.**



2019 Achievements

Growth

- YTD total asset size decreased by **3.4%**. (banking sector ; increased by **10.5%**)
- YTD the loan book decreased by **9.4%**. (banking sector ; increased by **6.5%**)

Asset Quality

- NPL ratio increased in line with the sector to 7.4% as of September 2019. Banking sector NPL ratio increased to 4.8% and foreign private deposit banks' NPL ratio increased to 6.9% at the same period.

Funding

- Diversification of funding sources continued;
 - **USD 113mn** new funding generation from the international markets
- Sound customer deposit base, deposits account for **53.0%** of total liabilities

Capital

- Well positioned Capital Base with a CAR of **20.4%** and Tier 1 Ratio of **10.8%** (all sub-debt from parent)

Profitability

- Net profit reached to 111.6 mio TL

Others

- Continuous investment in Human Capital and Technology;
 - New internet and mobile banking application have been launched
 - Employee Value Proposition Project has been launched
 - Success in digital channel customer acquisition

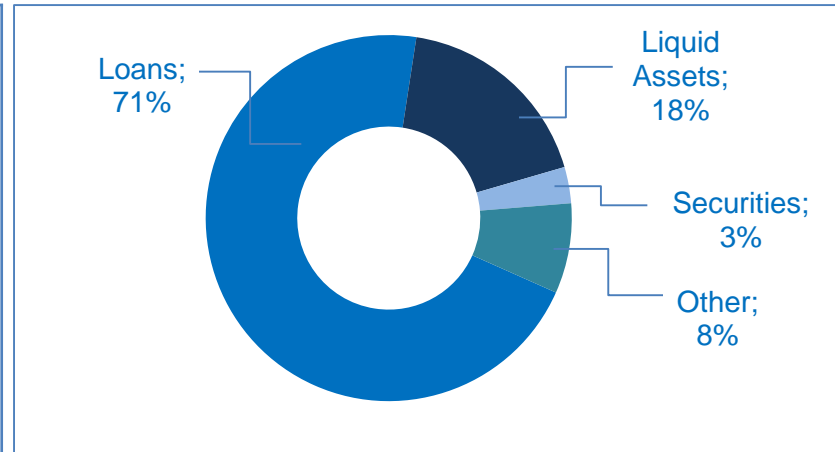
Performance Trends

Balance Sheet Growth

Balance Sheet (million TRY)

	Q32018	2018	Q32019	YoY	YTD
Total Assets	26,365	22,029	21,290	-19.2%	-3.4%
Loans(*)	19,444	16,789	15,214	-21.8%	-9.4%
Securities	696	643	689	-0.9%	7.3%
Deposits	12,046	9,915	11,292	-6.3%	13.9%
Borrowings	8,468	6,861	5,039	-40.5%	-26.5%
Subordinated Loan(***)	1,814	1,599	1,709	-5.8%	6.8%
Shareholders' Equity	1,929	1,876	1,898	-1.6%	1.2%

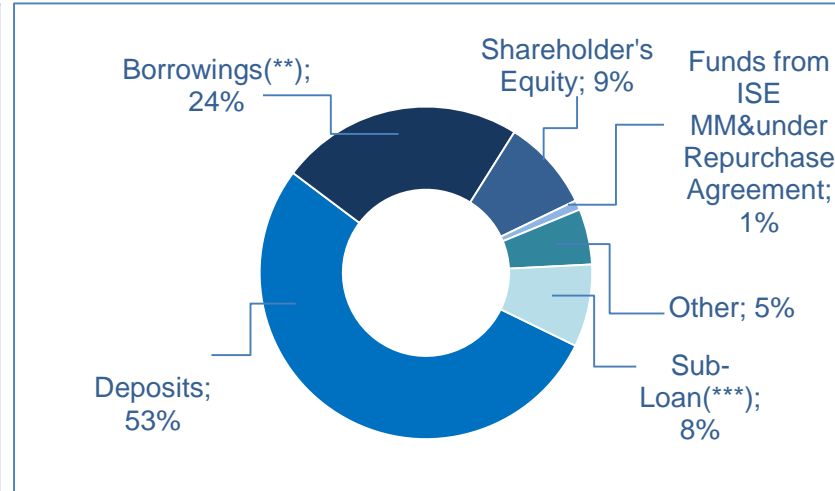
Total Assets – 30.09.2019



Balance Sheet Ratios

	Q32018	2018	Q32019
Loans / Assets	74%	76%	71%
Securities / Assets	3%	3%	3%
Loans / Deposits	161%	169%	135%
Loans / Deposits (Bank only)	134%	140%	109%
Loans / Deposits(**)	106%	109%	93%
ROE-with opening equity	13%	11%	8%

Total Liabilities – 30.09.2019



(*)Factoring and Leasing Receivables Included

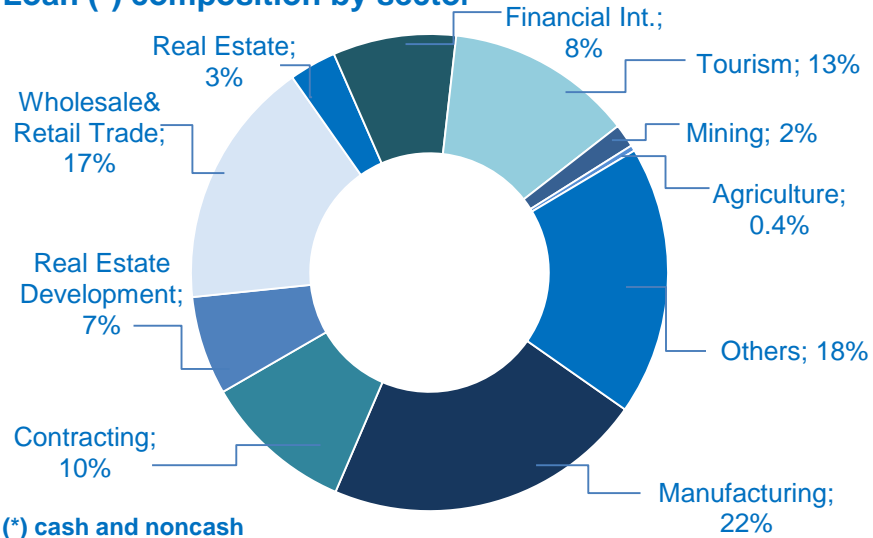
(**)Burgan Group borrowings and sub-loan included

(***)Burgan Group funding

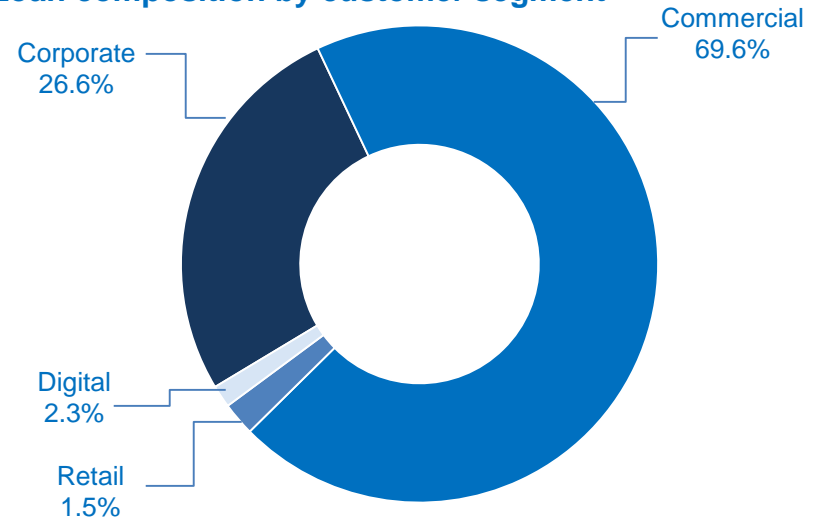
Loan Growth

Commercial and Corporate Loans – the biggest contributor

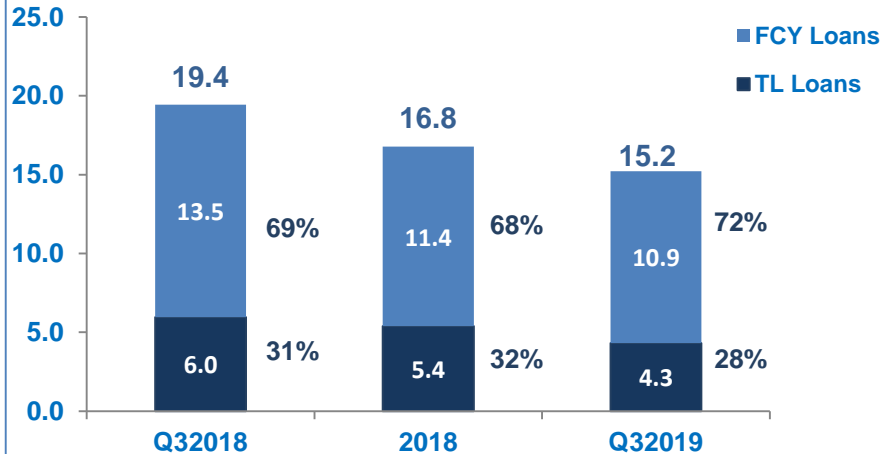
Loan (*) composition by sector



Loan composition by customer segment



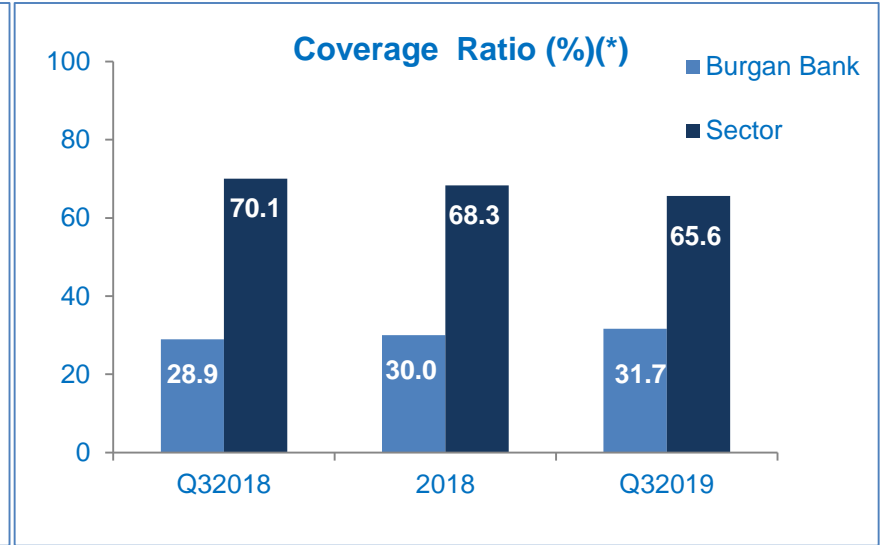
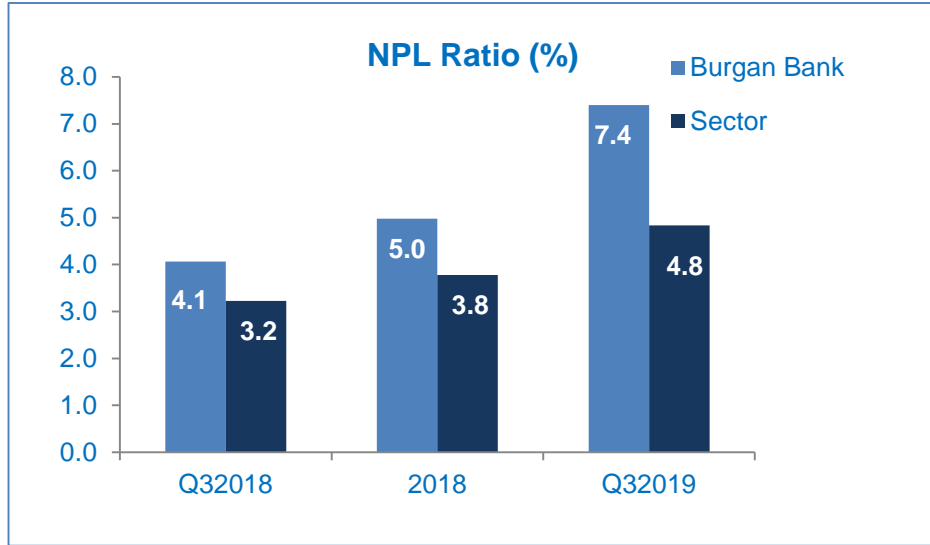
Loan Growth (billion TRY)



Net Loans (Billion TRY)	Q3 2018	2018	Q3 2019	YTD
Sector	2,571	2,386	2,533	6.1%
State Deposit Banks	861	823	948	15.2%
Private Local Deposit Banks	815	738	739	0.2%
Foreign Deposit Banks	573	520	520	0.1%
Dev. & Inv. Banks	202	194	203	4.5%
Participation Banks	120	112	123	9.2%
Burgan Bank	19	17	15	-9.4%

Asset Quality

NPL ratio



	Q32018	2018	Q32019
Gross Loans (million TRY)	20,319	17,485	16,104
NPL's (million TRY)	825	871	1,192
NPL Ratio	4.1%	5.0%	7.4%
NPL coverage (*)	28.9%	30.0%	31.7%
Total coverage (**)	106.1%	79.9%	74.8%

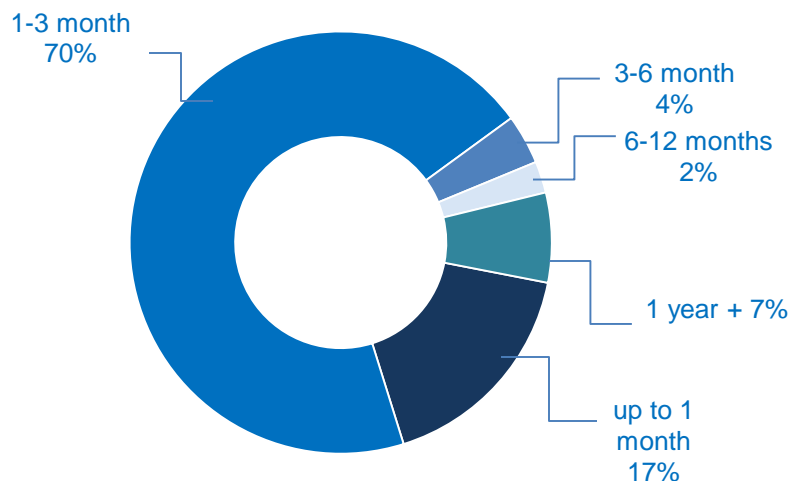
- Asset quality remains sound with NPL ratio of 7.4%.
- Provisioning is in line with BRSA rules and regulations.
- Coverage ratio is below sector average due to the collateral structure of the Loan portfolio.
- In March 2019, the Bank has sold a portion of its non-performing loans (TL 60 mn) to an asset management company.

(*) Including stage3 provisions

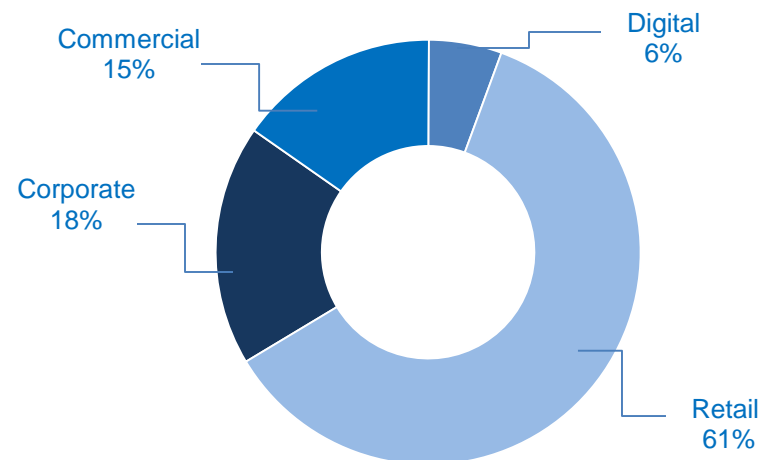
(**) Including stage1 and stage2 provisions

Deposits are the Main Funding Source

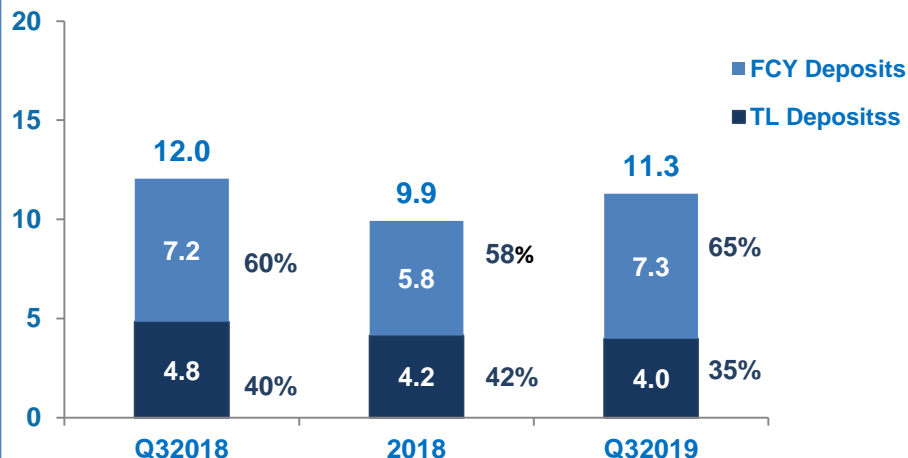
Deposit composition by maturity



Deposit composition by customer segment



Deposit Growth(billion TRY)



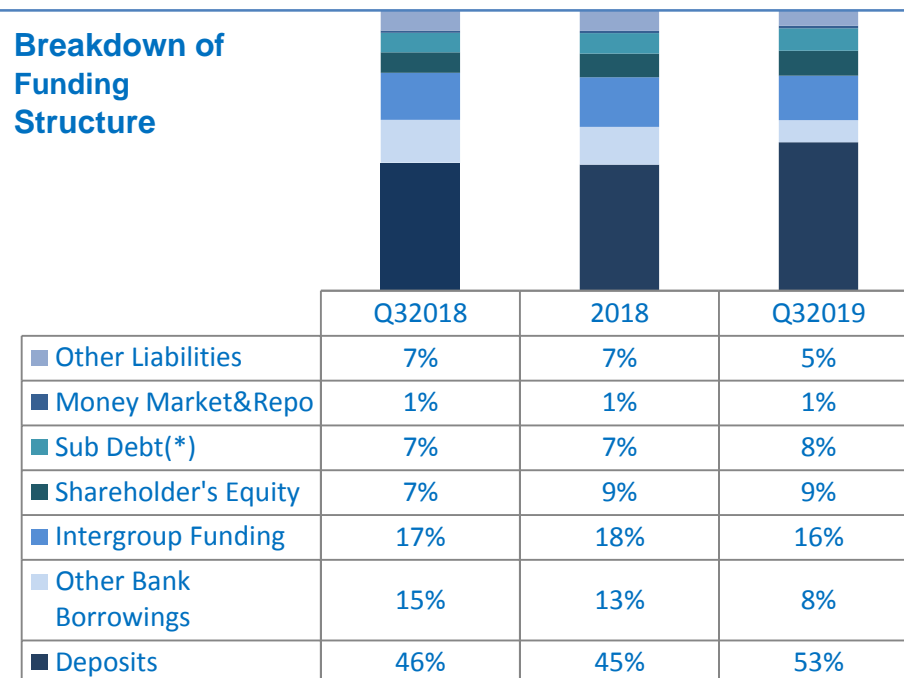
- **Retail deposits** continue to be the major contributor in the deposit composition.
- **YTD total Deposits** increased by **13.9 %**(fx adjusted 9.3%) compared to 2018 whilst the sector average was 16.0%(fx adjusted 8.4%).
- **Digital banking deposits** contribution has been reached to 6%.
- The Total of Top 20 deposits receives a share of **21%** (2018-21%, 2017-26%, 2016-27%) out of Total Deposits.

Solid Funding Base with strong support from Parent

Funding structure (million TRY)

	Q32018	2018	Q32019	YoY	YTD
Deposits	12,046	9,915	11,292	-6.3%	13.9%
Borrowings	8,648	6,861	5,039	-40.5%	-26.5%
Intergroup Funding	4,440	3,903	3,376	-24.0%	-13.5%
Other Bank Borrowings	3,913	2,885	1,624	-58.5%	-43.7%
Eximbank	115	72	39	-65.7%	-45.6%
Sub Debt(*)	1,814	1,599	1,709	-5.8%	6.8%
Money Market&Repo	211	180	202	-4.6%	11.9%
Other Liabilities	1,896	1,597	1,151	-39.3%	-27.9%
Shareholder's Equity	1,929	1,876	1,898	-1.6%	1.2%

Breakdown of Funding Structure

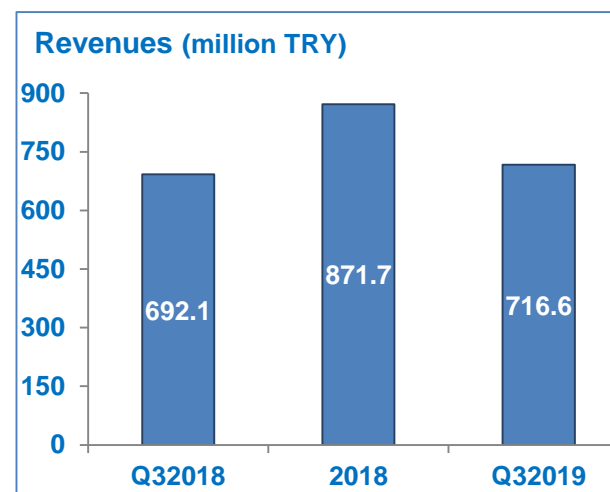
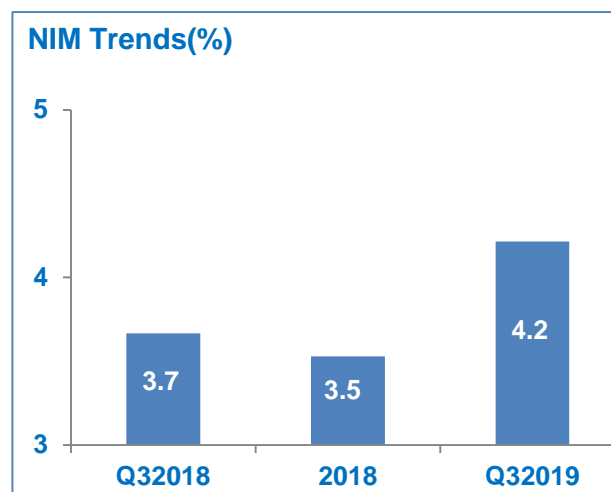
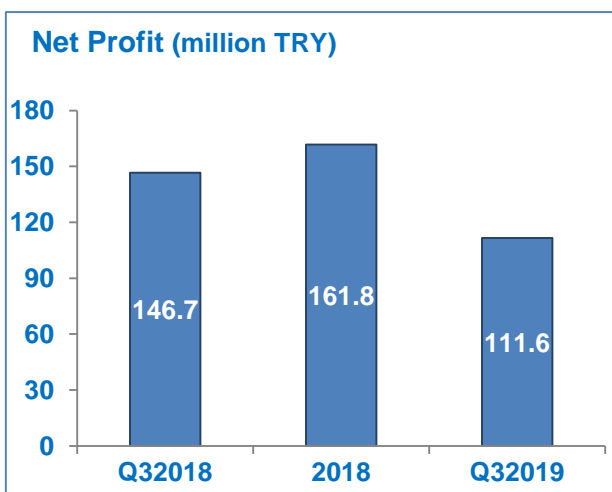
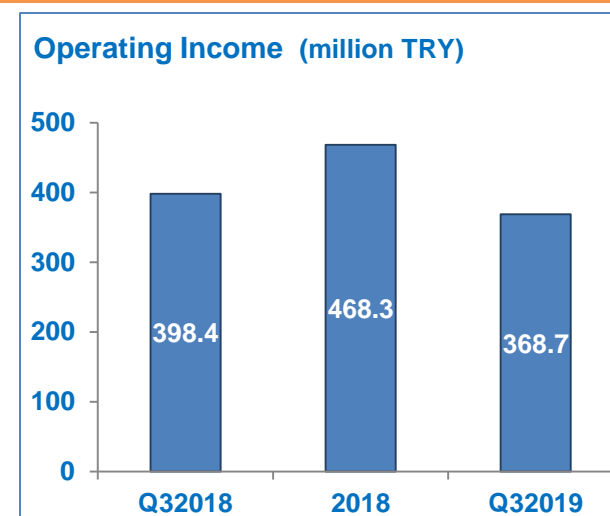


- Burgan Bank K.P.S.C. continues with a balance of **901 mio USD** in intergroup funding including sub-debt.
- Third party funding sources continues through strong cooperation with Correspondent Banks.

(*) Burgan group

Progress in Earnings

(million TRY)	Q32018	2018	Q32019	YoY	YTD
Total Interest Income	1,779	2,548	1,915	7.6%	0.2%
Total Interest Expense	1,214	1,818	1,287	6.0%	-5.6%
Net Interest Income	565	730	628	11.1%	14.7%
Total Revenues	692	872	717	3.5%	9.6%
Total Operating Expenses	294	403	348	18.5%	15.0%
Operating Income	398	468	369	-7.5%	5.0%
Provision	209	259	229	9.5%	17.6%
Net Profit	147	162	112	-23.9%	-8.0%



➤ The bank's cost to income ratio increased to **48.6%** as of September 2019 from 42.4% as of September 2018.

Strong Capitalization

	Q32018	2018	Q32019
Shareholder's Equity (million TRY)	1,929	1,876	1,898
Capital Base Inc. Sub-Debt (million TRY)	3,905	3,516	3,688
CAR Ratio (%)	17.3	18.5	20.4
Tier 1 Ratio (%)	8.2	9.9	10.8

- CAR and Tier 1 ratios consistently well above minimum requirements of 12% and 8.5%, respectively.
- Shareholder supported the Bank and injected TRY 300 million equity in 2018.

Outlook for 2019

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
- 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 programme

Funding

- Continue efforts to diversify funding base
- Enhance the funding lines with counter parties
- Focus on digital banking for a well-diversified customer base

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.İnci 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

Mr. Onur Şişmangil, Head of Sales
+90 212 371 36 87
osismangil@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

