



## **Burgan Bank A.Ş. Turkey (BBT)**

**September 2018 Presentation  
(BRSA Consolidated)**

# Operating Environment

## Macro Economic Outlook - Turkey

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

Key Indicators	2016	2017	2018F(*)
Nominal GDP (USD bn)	863.4	851.5	815.0
Population (mn, mid-year)	79.3	80.3	80.9
GDP per capita (USD)	10,883	10,602	10,100
Real GDP (% change)	3.2	7.4	3.0
CPI Inflation (year-end)	8.5	11.9	25.0
Gov.Debt (USD bn)	210	233	215
Gov. Debt / GDP	28.3	28.3	29.0
Current Account Bal. / GDP	-3.8	-5.6	-4.5
Forex Reserves (USD bn)	106.1	107.7	90.0
Trade Balance (USD bn)	-56.1	-76.7	-62.0
Export (USD bn)	142.5	157.0	168.0
Imports (USD bn)	198.6	233.8	230.0

(\*) Source: Burgan Bank Macroeconomic Research

### Recent Developments

The Turkish economy has been slowing notably as of 3Q18 on the back of tighter financial conditions. The deterioration in EM sentiment, increased tension in foreign politics and concerns on Turkey's external vulnerabilities due to rising current account deficit and high level corporate debt have triggered outflows from Turkish assets in 3Q18. The Turkish Lira depreciated by 25% in August; the yields on TRY-denominated 10-year government bond rose as high as 22%; and Turkey's 5-year CDS exceeded 500 levels.

Financial indicators have recovered to some extent in October and November thanks to the measures taken by the authorities as well as waning tension in foreign politics. The CBT boldly raised the policy rate by 625bps to 24% in September, bringing the cumulative hike in the weighted funding rate to 11.25bps year-to-date. The government announced the New Economy Program which focuses on realistic and sustainable growth targets and return to fiscal discipline in 2019-2021 period. Moreover, the tension in US and Turkey relations has eased after the release of Pastor Brunson, the removal of US sanctions on two Turkish ministers, and 6-months waiver for Turkey from US oil sanctions on Iran.

As a result of slower economic activity, the current account deficit has started to narrow sharply since August, and the trend is expected to continue next year.

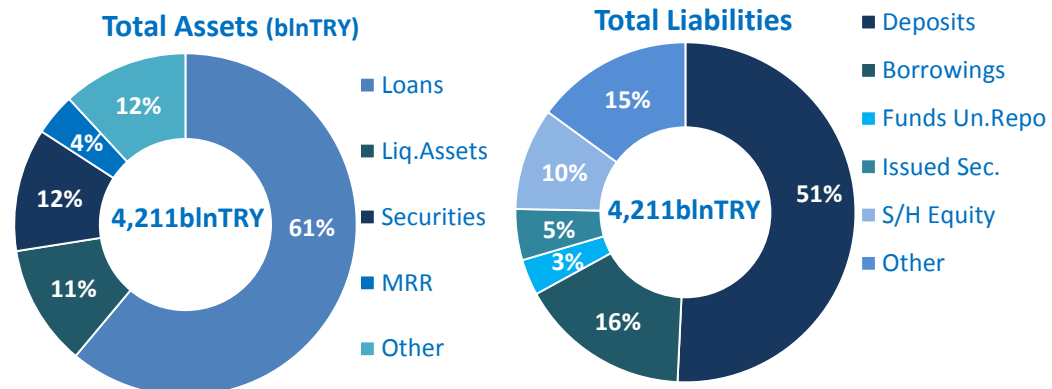
# Operating Environment

## Turkish Banking Sector

Number of Banks: 52 ( Including 5 Participation Banks)

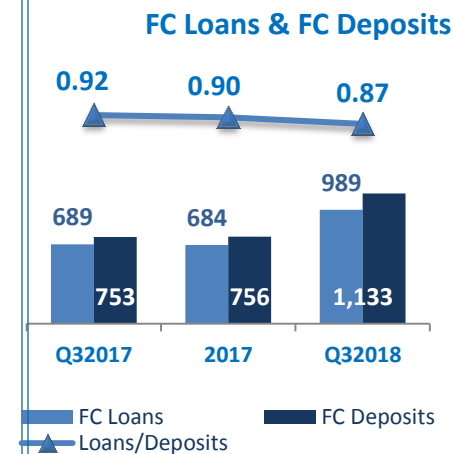
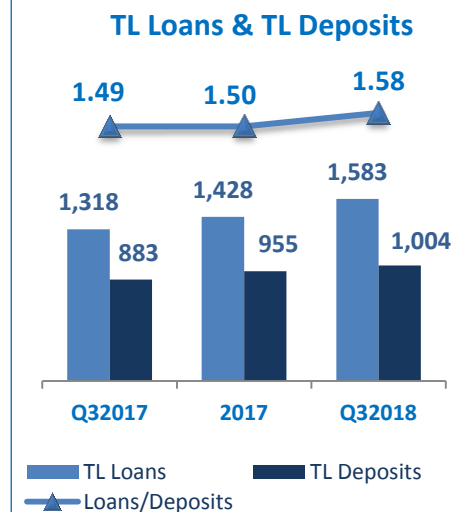
➤ Number of Depository Banks: 34

Growth (billionTRY)	Q32017	2017	Q32018	YoY	YTD
Total Assets	3,054	3,258	4,211	37.9%	29.3%
Total Deposits	1,635	1,711	2,137	30.7%	24.9%
Total Loans	2,007	2,111	2,572	28.2%	21.8%
Net Profit	37.2	49.1	42.2	13.4%	14.6%



Key B/S Ratios(%)	Q32017	2017	Q32018
ROA	1.7	1.6	1.5
ROE	16.2	16.0	15.4
NPL	3.0	3.0	3.22
CAR	17.2	16.9	18.1
NIM	3.7	3.8	3.9
Coverage	79.5	79.3	70.1
Loan/Deposit	122.7	123.4	120.4
Total Assets/GDP	100.9	104.9	124.0
Total Loans/GDP	66.3	68.0	75.8
Total Deposits/GDP	54.0	55.1	62.9

mioTL



Source: BRSA

# Burgan Bank K.P.S.C.

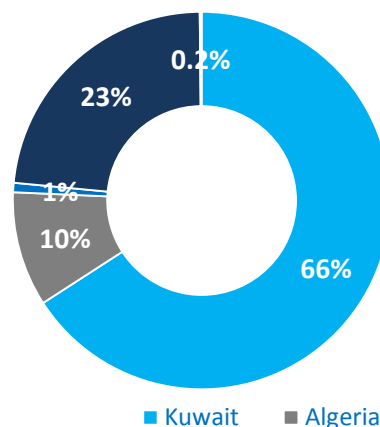
## Sound and Consistent Financial Performance

- 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\$ 1.86bn<sup>(1)</sup>
- Has a strong domestic franchise with 14.2% 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

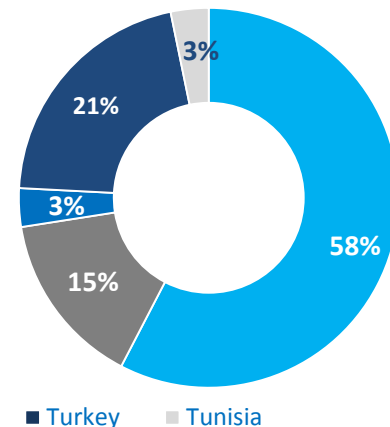
Ratings	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	9M 2018
Revenue Growth (YoY)	15.9%
Net Profit Growth (YoY) <sup>(2)</sup>	38.4%
Cost to Income Ratio	39.2%
Loans to Cust. Deposits	108.2%
Liquidity Ratio	25.5%
NPA Ratio	2.4%
NPA net of Collateral Ratio	0.7%
ROTE <sup>(2)</sup>	13.4%

Loans by Operations



Revenues by Operations



- International operations contributing 34% in Loans and 42% 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 30/09/2018

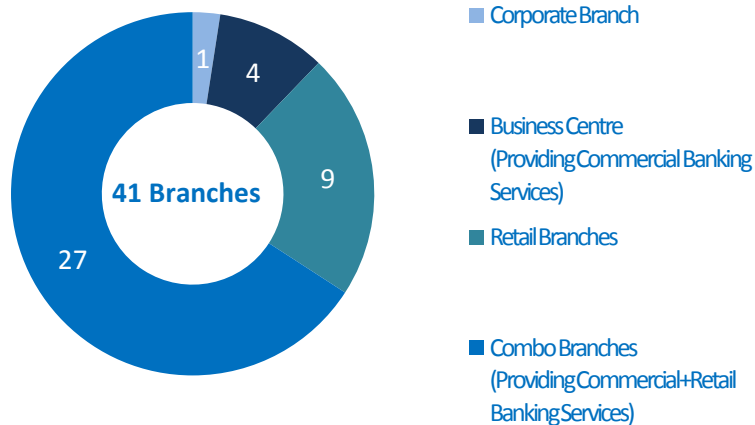
(2) Net Income attributed to equity holders and after AT1 cost

Note: Growth figures based on US\$.

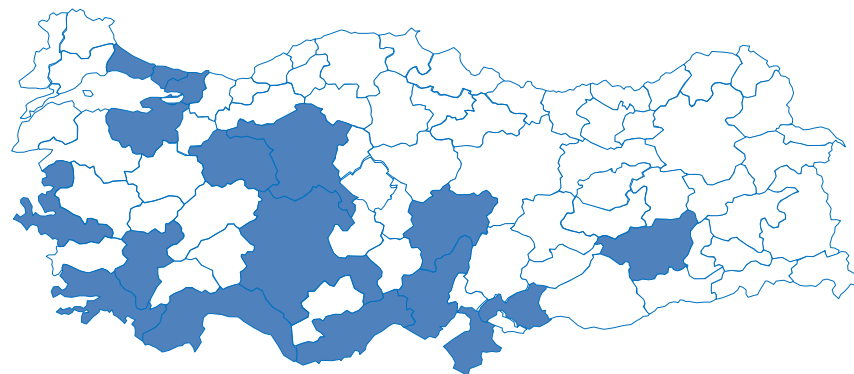
# Burgan Bank A.Ş. At a Glance

- 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



- **41** Branches across **16** cities where **79%** of loans&deposits of the whole sector are held.



# 2018 Achievements

## Growth

- Total asset size increased by **52.5%** compared to Q32017 (banking sector - **37.9%**)
- The loan book grew by **36.5 %** compared to Q32017 (banking sector – **28.2%**)
- Deposit volumes are up by **36.1 %** compared to Q32017 and reached to 12,0 billion TL

## Asset Quality

- NPL ratio increased to **4.1%**

## Funding

- Diversification of funding sources continued;
  - **USD 293mn** new funding generation from the international markets
- Sound customer deposit base, deposits account for **45.7%** of total liabilities

## Capital

- Well positioned Capital Base with a CAR of **21.2%** and Tier 1 Ratio of **10.3%** with BRSA methodology as of September 30, 2018 (all sub-debt from parent)

## Profitability

- Net profit reached to 146.7 mio TL (124% yoy increase)

## Others

- Continuous investment in People and Technology: Management trainee program, digital banking, risk management systems

# Performance Trends

## Balance Sheet Growth

### Balance Sheet (million TRY)

	Q32017	2017	Q32018	YoY	YTD
<b>Total Assets</b>	17,283.4	18,754.7	26,364.7	52.5%	40.6%
<b>Loans<sup>1</sup></b>	14,247.1	15,258.6	19,443.7	36.5%	27.4%
<b>Securities</b>	460.3	453.4	695.8	51.1%	53.5%
<b>Deposits</b>	8,852.5	8,872.5	12,046.3	36.1%	35.8%
<b>Borrowings</b>	5,184.5	6,082.8	8,468.3	63.3%	39.2%
<b>Subordinated Loan(*)</b>	1,074.1	1,140.6	1,813.8	68.9%	59.0%
<b>Shareholders' Equity</b>	1,166.0	1,512.5	1,929.2	65.4%	27.5%

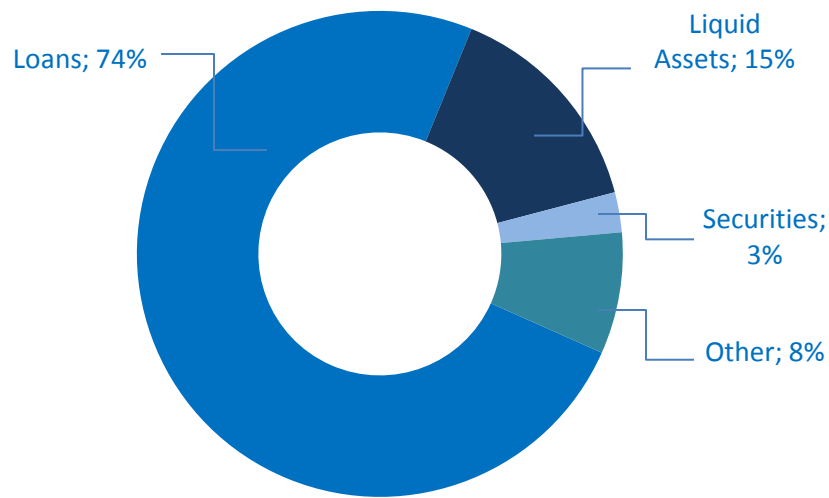
### Balance Sheet Ratios

	Q32017	2017	Q32018
<b>Loans / Assets</b>	82%	81%	74%
<b>Securities / Assets</b>	3%	2%	3%
<b>Loans / Deposits</b>	161%	172%	161%
<b>Loans / Deposits<sup>2</sup></b>	115%	121%	106%

(1) Factoring and Leasing Receivables Included

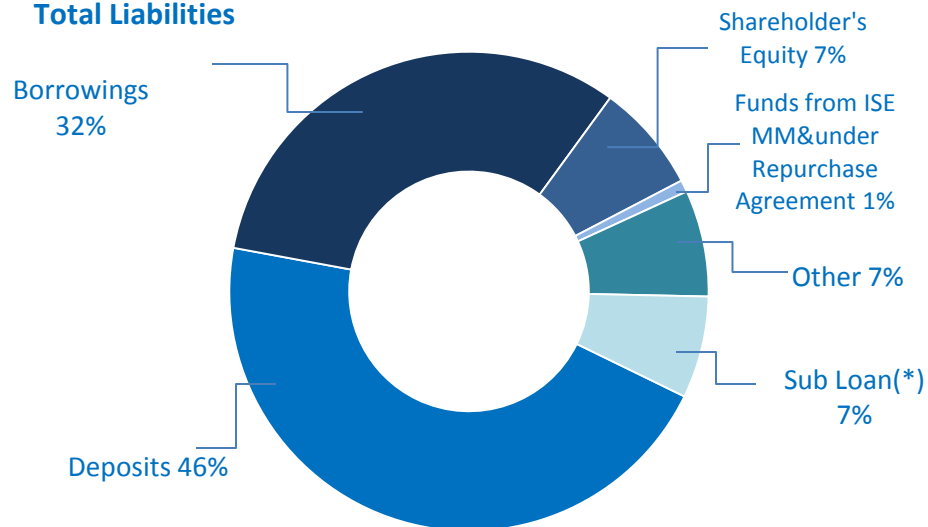
(2) Burgan Group borrowings included

### Total Assets



(\*) Burgan Group funding

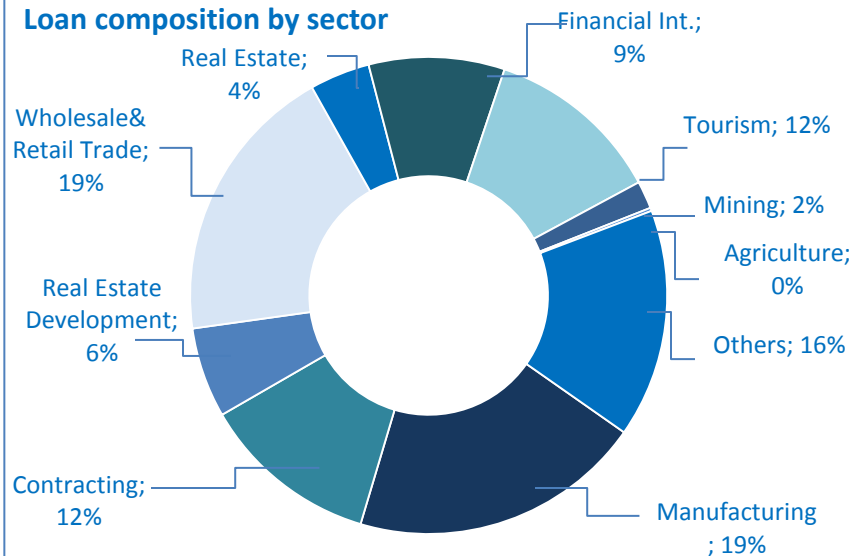
### Total Liabilities



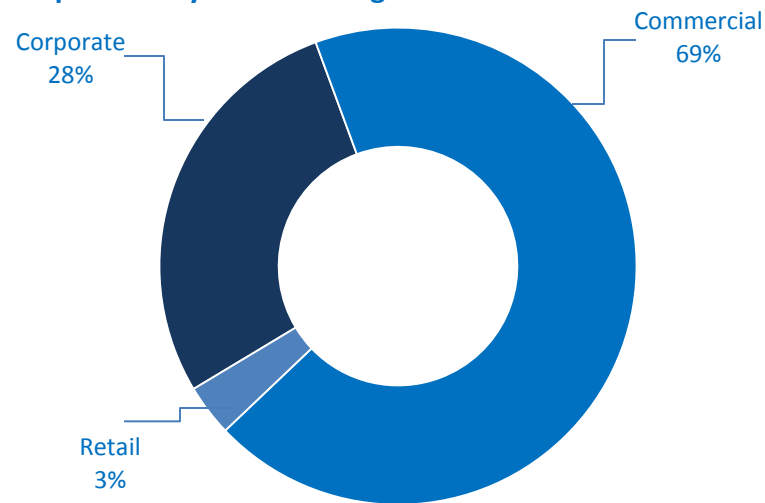
# Loan Growth

## Commercial and Corporate Loans – the biggest contributor

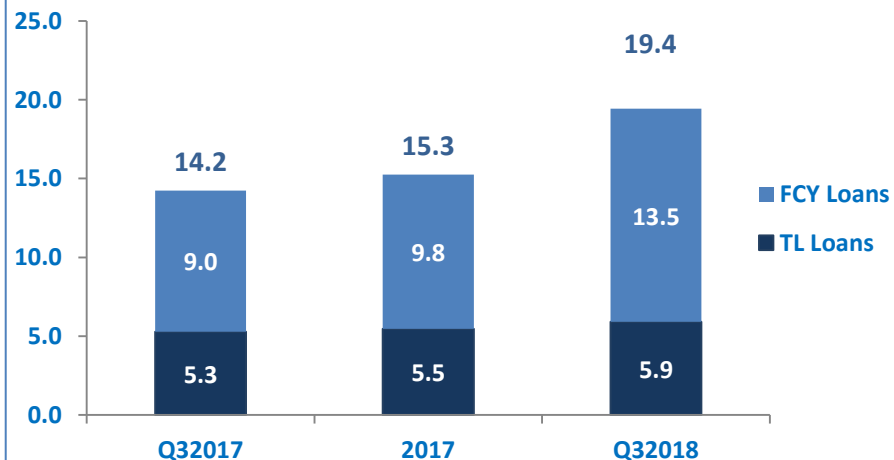
Loan composition by sector



Loan composition by customer segment



Loan Growth (billion TRY)



➤ Loan balance including leasing receivables has increased by 27% compared to Q4 2017 and reached to TL 19,444 mn.

	Growth	Fx adjusted Growth
Corporate	34%	-5%
Commercial	28%	-4%
Retail	21%	21%
<b>Total</b>	<b>27%</b>	<b>-3%</b>

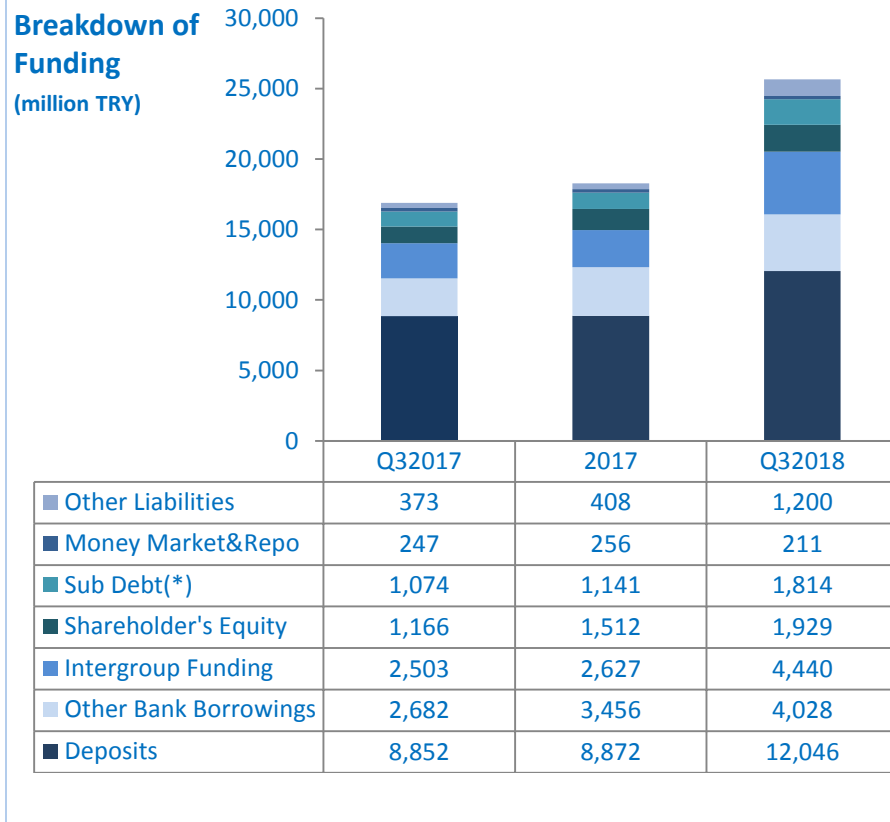


## Solid Funding Base with strong support from Parent

### Funding structure (million TRY)

	Q32017	2017	Q32018	YoY	YTD
Deposits	8,852	8,872	12,046	36.1%	35.8%
Borrowings	5,184	6,083	8,468	63.3%	39.2%
Intergroup Funding	2,503	2,627	4,440	77.4%	69.0%
Syndication	732	782	0	-100.0%	-100.0%
Oth. Bank Borrowings	1,855	2,559	3,913	111.0%	52.9%
Eximbank	96	115	115	20.1%	-0.2%
Sub Debt(*)	1,074	1,141	1,814	68.9%	59.0%
Money Market&Repo	247	256	211	-14.6%	-17.5%
Other Liabilities	373	408	1,200	221.8%	194.3%
Shareholder's Equity	1,166	1,512	1,929	65.4%	27.5%

### Breakdown of Funding (million TRY)



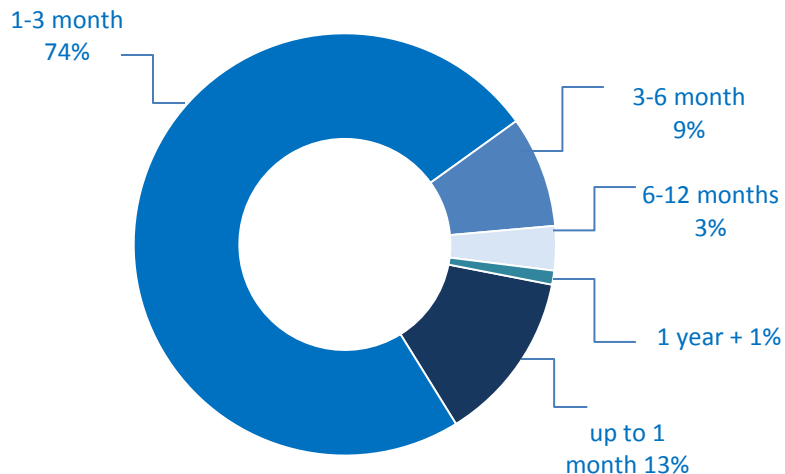
- Commitment of Burgan Bank K.P.S.C. continues with a balance of **1,044mioUSD** in intergroup funding including sub-debt.
- Third party funding sources continued to increase through strong cooperation with Correspondent Banks.

(\*) Burgan group

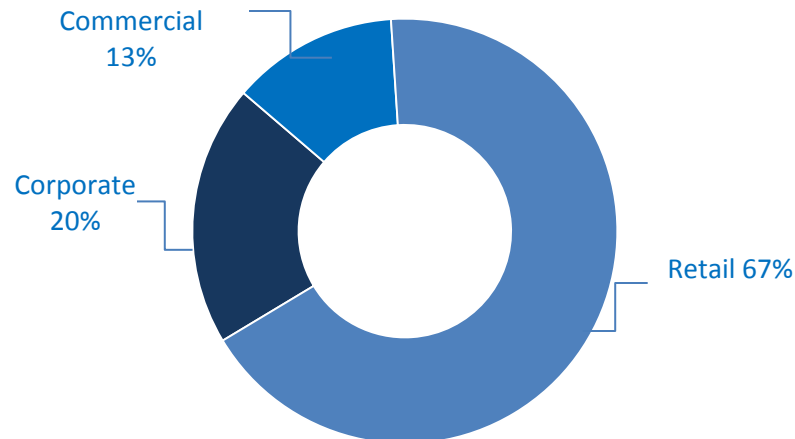
# Deposits are the Main Funding Source

## FX Deposits – the biggest share

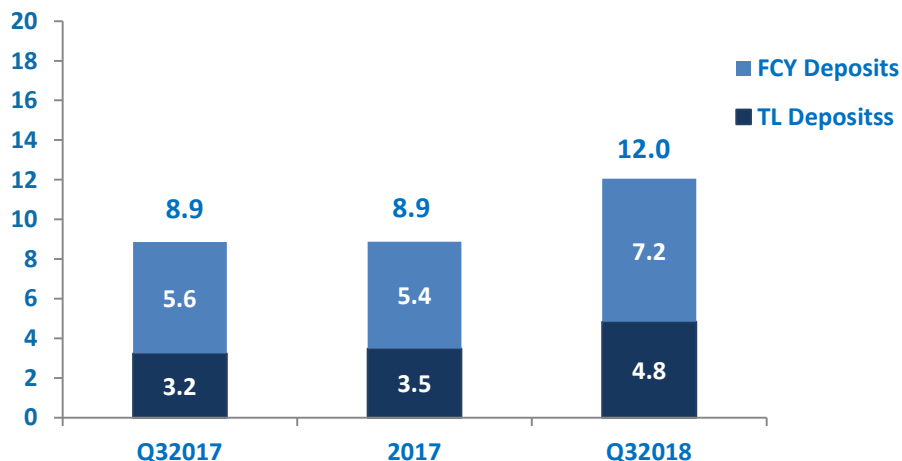
Deposit composition by maturity



Deposit composition by customer segment



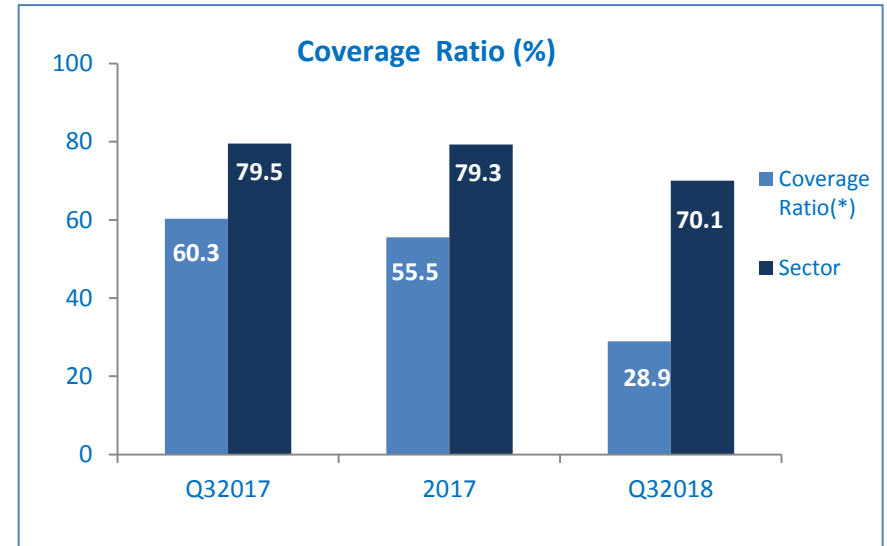
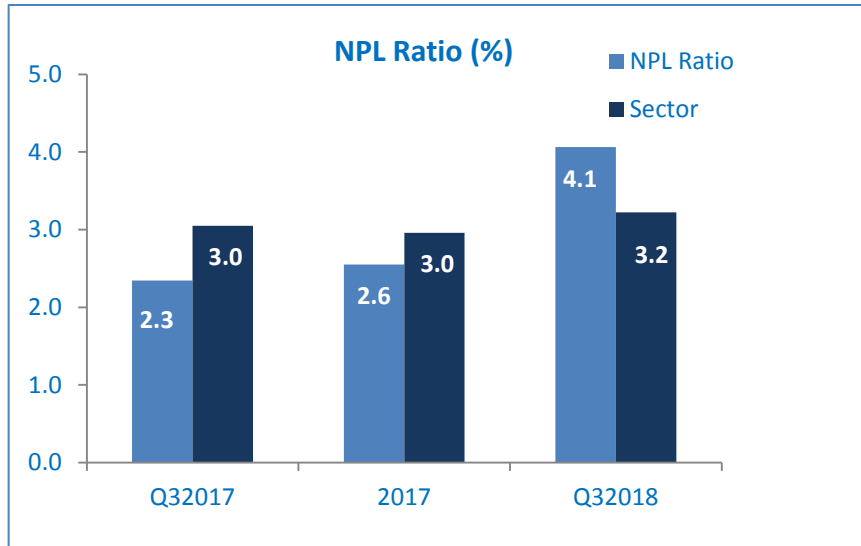
Deposit Growth(billion TRY)



- **Total Deposits** increased by **35.8%** (fx adjusted 4.2%) compared to Q4 2017 whilst the sector average was 24.9% (fx adjusted 0.7%).
- **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 **28%** out of Total Deposits.

# Asset Quality

## NPL ratio



	Q32017	2017	Q32018
Gross Loans (million TRY)	14,451	15,478	20,319
NPL's(million TRY)	339	395	825
NPL Ratio	2.3%	2.6%	4.1%
NPL coverage (*)	58.6%	55.5%	28.9%

- Asset quality remains sound with NPL ratio of **4.1%**.
- 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 June 2018, the Bank has sold a portion of its non-performing loans (TL 99 mn) to an asset management company.

(\*) Excluding general provisions

## Strong Capitalization

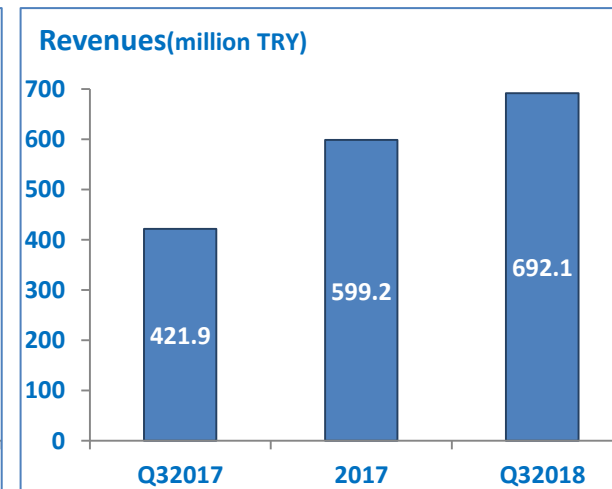
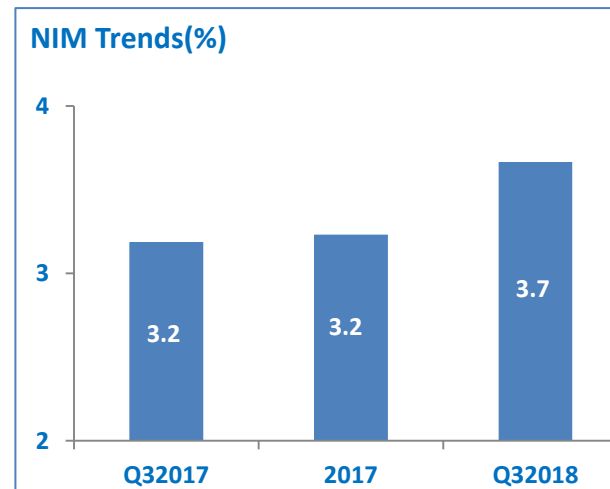
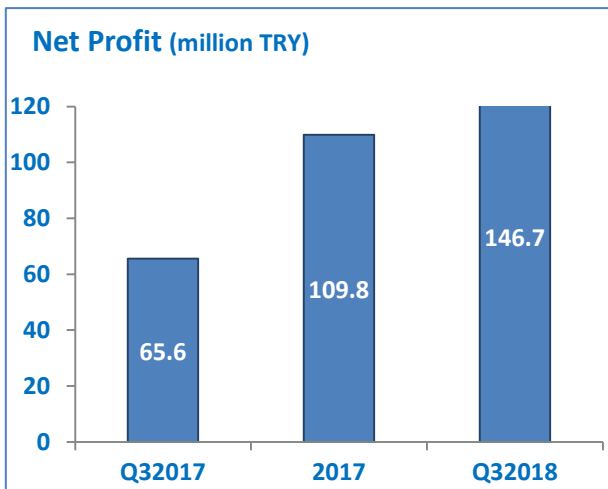
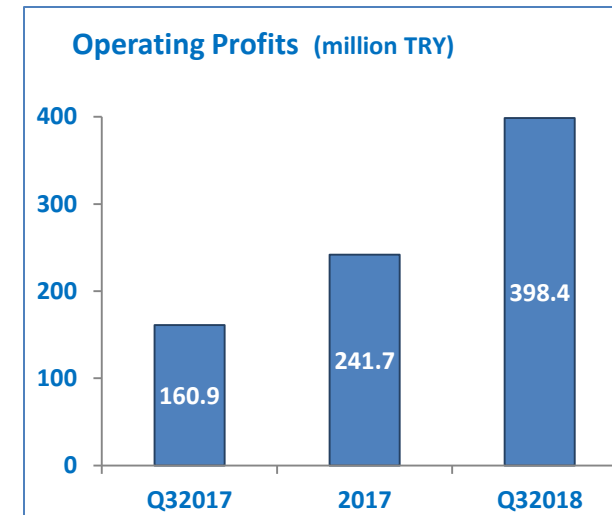
	Q32017	2017	Q32018
Shareholder's Equity (million TRY)	1,166	1,512	1,929
Capital Base Inc. Sub-Debt (million TRY)	2,247	2,645	3,905
CAR Ratio (%)	15.5	17.3	*21.2
Tier 1 Ratio (%)	7.5	9.2	*10.3

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

(\*) 21.2% and 10.3% are calculated with recently announced BRSA Methodology which enables banking sector to use last six months' average currency rates for CAR and Tier 1 calculation. This is a temporary period to avoid banking sector from Tier 1 ratio breaches. CAR and Tier 1 ratio using current currency rates are 17.3% and 8.2%.

# Progress in Earnings

(million TRY)	Q32017	2017	Q32018	YoY	YTD
Total Interest Income	1,141.1	1,573.4	1,779.0	55.9%	50.8%
Total Interest Expense	774.1	1,061.5	1,214.1	56.8%	52.5%
Net Interest Income	367.0	511.9	564.9	53.9%	42.7%
Total Revenues	421.9	599.2	692.1	64.0%	54.0%
Total Operating Expenses	261.0	357.4	293.7	12.5%	9.6%
Operating Income	160.9	241.7	398.4	147.6%	119.8%
Provision	74.4	93.5	208.7	180.4%	197.6%
Net Profit	65.6	109.8	146.7	123.8%	78.1%



➤ The bank's cost to income ratio decreased to **42.4%** as of September 2018 from 61.9% as of September 2017.

## 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 – 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
- Decreased concentration risk by launching digital channels(e-deposit)

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**Thank you**

