

# KentBank at a glance

May 2017, Zagreb



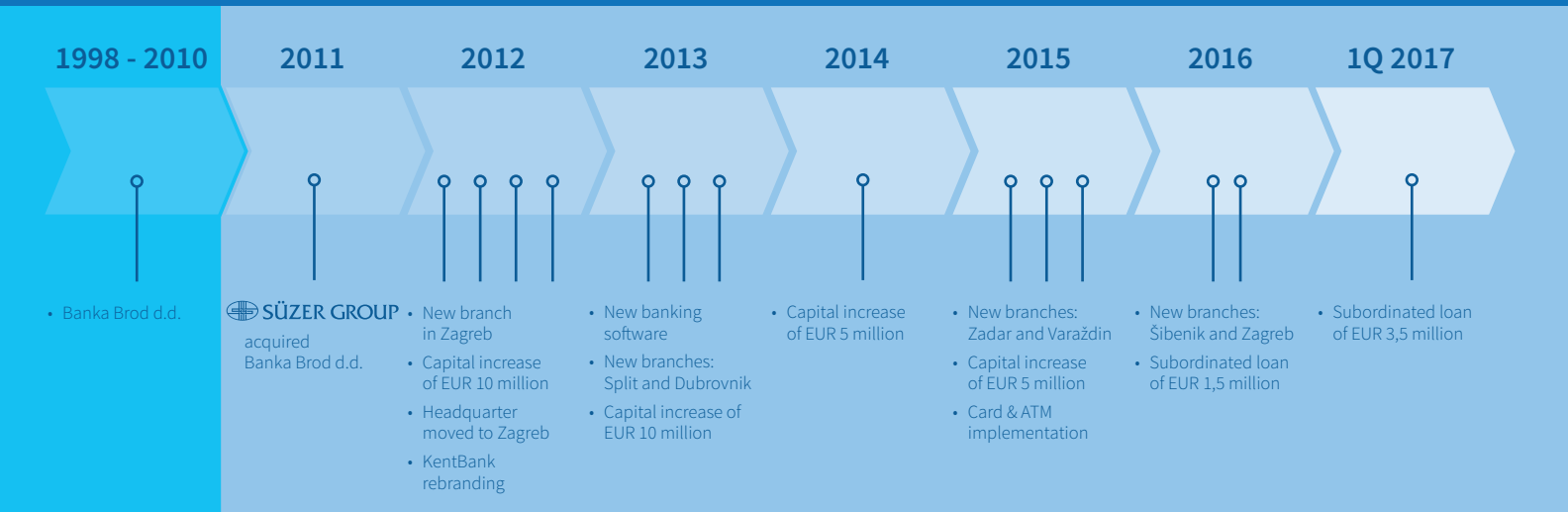
# BANK OVERVIEW

You are in good hands.

# Agenda

- BANK HISTORY & OWNERSHIP STRUCTURE
- BRANCH NETWORK
- VISION & MISSION
- MACROECONOMIC DATA
- FINANCIAL HIGHLIGHTS
- RETAIL BANKING
- CORPORATE BANKING
- SME BANKING
- TREASURY

# Bank history & ownership structure



## ABOUT SÜZER GROUP

KentBank is entirely owned by Süzer Group.

Süzer Group was established in **1952** in Turkey and today represents Turkey internationally, having established partnerships with world-wide leaders in their sectors.

It is one of the leading groups in Turkey with a mission of sustainable growth, an innovative vision and domestic, as well as foreign, investments.



From a regional to a national commercial bank with **15 branches** covering the whole of Croatia.

Continuous expansion of the branch network and modernization of existing branches.

New branches opened in **Zadar** and **Varaždin** in 2015. New branches opened in **Šibenik** and **Zagreb** in 2016.

ATM network expanded to **19 ATM's**.

At the end of 2016, the Bank had employed **196** educated, experienced and professional employees and is constantly working on improving its personnel structure.

## vision

To be a growing international commercial bank with sustainable profit.

## mission

Creating additional value for its customers, employees, local community and shareholders through a tailor-made approach and innovative products in order to ensure continuous progress in business operations.

## orientation

Wide range of tailor made products & nationwide branch network

### Focus on service quality:

- quick response
- flexible and tailor-made approach to each client

Good asset quality with a diversified portfolio

Modern business system and processes

Stable and sustainable profit

## SUMMARY OF MACROECONOMIC INDICATORS

	2013	2014	2015	2016F	2017F	2018F
Nominal GDP (EURbn)	43.5	43.0	43.9	45.0	46.5	48.6
GDP per capita (EUR)	10,225	10,157	10,364	10,614	10,966	11,471
GDP growth (YoY, %)	-1.1	-0.4	1.6	2.7	3.0	2.5
CPI Inflation (average % YoY)	2.2	-0.2	-0.5	-1.4	0.7	1.6
Unemployment rate (average %)	17.3	17.3	16.3	15.2	14.6	14.0
Exports (EURbn)	18.7	19.9	21.9	23.2	23.9	24.6
Imports (EURbn)	-18.6	-19.1	-20.8	-21.4	-22.3	-23.3
Trade balance (EURbn)	-6.6	-6.4	-6.6	-6.7	-7.1	-7.6
Trade balance (% of GDP)	-15.1	-14.8	-15.1	-14.9	-15.3	-15.5
Current account (EURbn)	0.44	0.37	2.29	1.80	1.60	1.43
Current account (% of GDP)	1.0	0.9	5.2	4.0	3.4	2.9
Gross external debit (EUR bn)	46.0	46.7	45.5	44.5	45.6	47.0
Gross external debit (% of GDP)	105.6	108.4	103.7	98.8	98.0	96.7
Net FDI (EURbn)	0.8	1.3	0.1	0.8	0.9	2.0
FDI (% of GDP)	1.9	3.1	0.3	1.9	2.0	4.0
EUR/HRK (end-year)	7.64	7.66	7.64	7.58	7.57	7.60

Trade balance: Import, Export, Tourism receipts, EU transfers

Source: Croatian National Bank, Central Bureau of Statistics, Ministry of Finance

## RATINGS

Fitch Ratings*
Moody's
Standard & Poor's

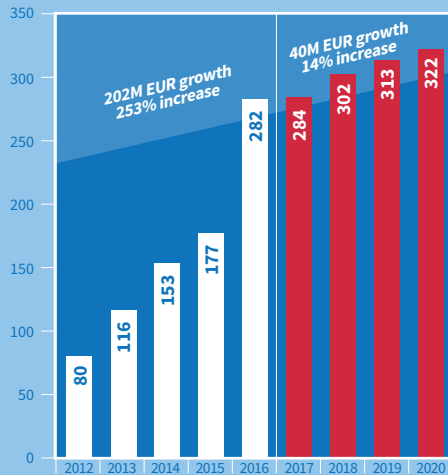
Foreign Currency		Domestic Currency	
LT Rating	Outlook	LT Rating	Outlook
BB	Stable	BB	Stable
Ba2	Negative	Ba2	Negative
BB	Stable	BB	Stable

Source: Bloomberg

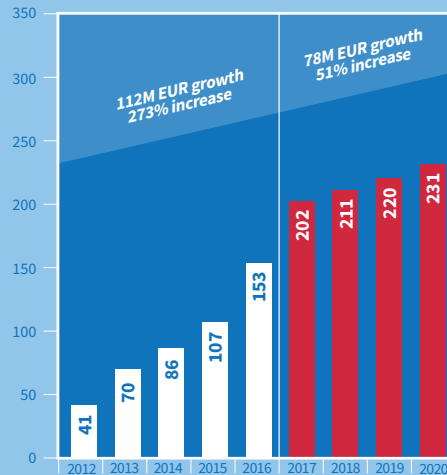
\* 27. January 2017 Fitch credit rating agency has kept Croatia's long - term credit rating at BB and short - term at B, but it upgraded the outlook from negative to stable, which is the first positive step that the agency has taken on the issue of Croatian credit rating since 2003. Fitch followed Standard & Poor's, which had kept the rating and upgraded the outlook to stable in mid - December 2016. This step is caused by stronger and faster economic growth and improvements in public finances.

\*\* Compared to 2015, the rating has upgraded from Ba1 to Ba2.

## ASSETS, M EUR



## LOANS, M EUR



## Continuous increase in asset size:

- 2016 vs 2012 asset size increase - 202M EUR or 253% increase
- stable moderate growth of 14% till 2020 supported by the self-funding model

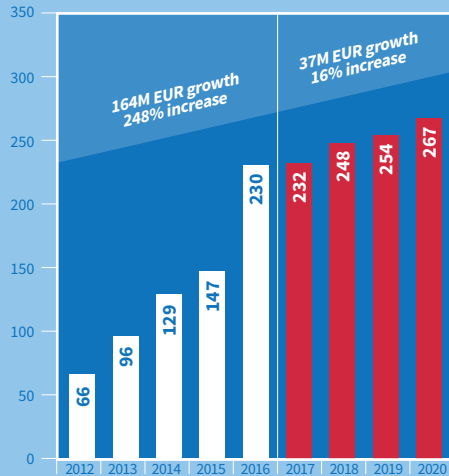
## Balance sheet:

- loans make up 54% of the assets in 2016
- loan-to-deposit ratio increased from 62% to 67% in the period 2012 to 2016

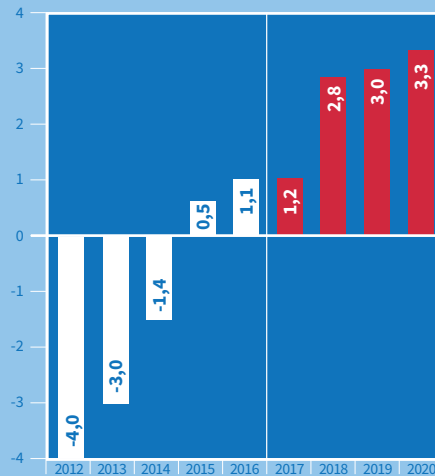
Based on audited financial statements from 2012 to 2016 | From 2017 to 2020, estimated



DEPOSITS, M EUR



NET PROFIT, M EUR



### Funding sources:

- Retail deposits are the main source of funding;
- significant increase due to implementation of new channels for acquisition of international deposits and expansion of branch network

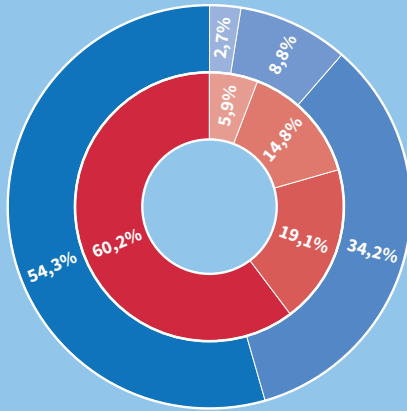
### Profitability

- the Bank generates profit since 2015
- 2016 YE profit amounts to 1,1M EUR
- the main reason for losses during previous years were provisions provided for loans

Based on audited financial statements from 2012 to 2016 | From 2017 to 2020, estimated

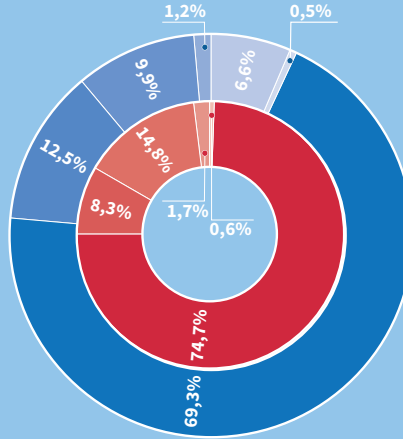
# Financial highlights

**ASSETS STRUCTURE**



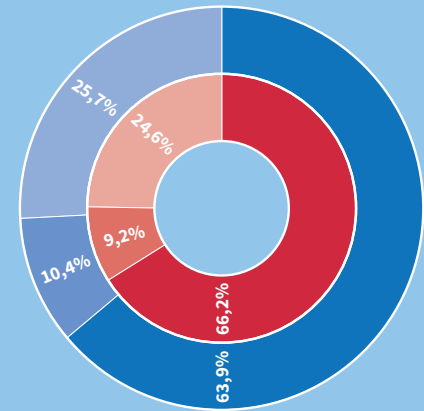
- Loans
- Securities
- Cash and deposits (including CNB)
- Other asset

**LIABILITIES STRUCTURE**



- Term deposits
- Demand deposits
- Capital
- Other liabilities
- Bank borrowings
- Subordinate loan

**INCOME STRUCTURE**

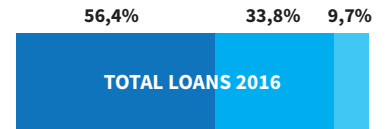
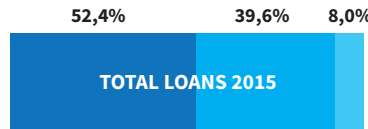


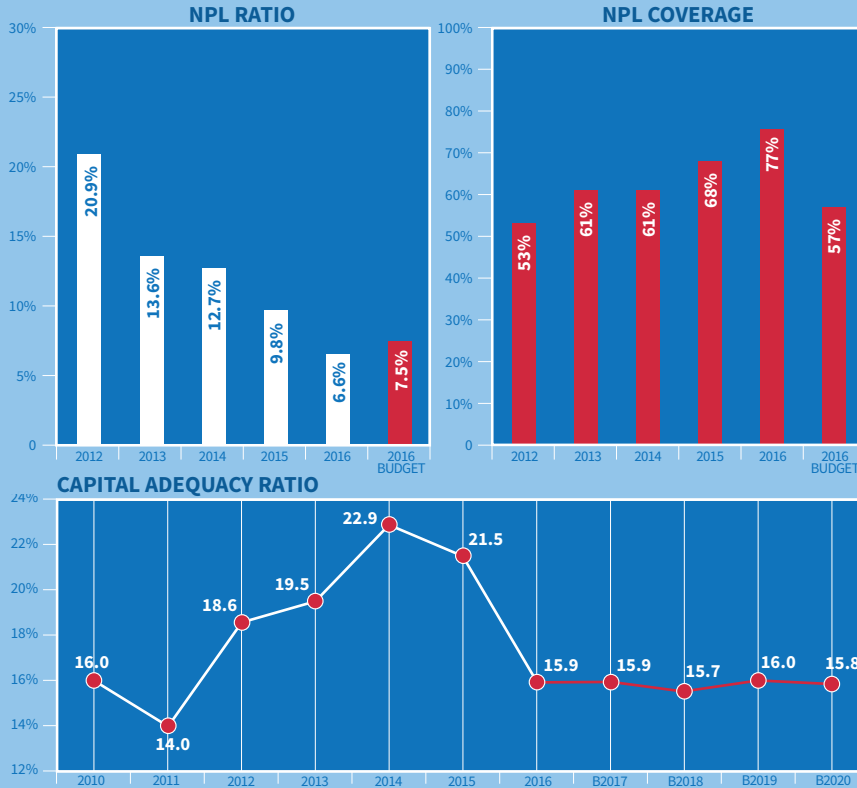
- Net interest Income
- Net Fee Income
- Other operating Income

Source: Audited reports

Inner circle – 2015 | Outer circle – 2016

- Corporate loans
- Retail loans
- SME loans





Based on audited financial statements from 2012 to 2016 | From 2017 to 2020, estimated

### Decreasing trend in NPL ratio due to:

- new high-quality loan portfolio
- systematic improvements for achieving efficient monitoring and a strong collection department

### High NPL coverage

Maintenance of low NPL ratio supported with scoring system

The Bank always maintains higher CAR ratio than it is legally required

Planned efficient use of capital leads to projected CAR levels close to 16% in the period 2017 - 2020

<b>ASSETS (000 EUR)</b>	<b>31. 12. 2015</b>	<b>31. 12. 2016</b>	<b>CHANGE %</b>
Cash and Accounts at Banks and CNB	26,277	24,867	-5%
Marketable securities	33,808	96,265	185%
Loans	106,877	153,042	43%
Other assets	10,486	7,569	-28%
<b>TOTAL ASSETS</b>	<b>177,448</b>	<b>218,743</b>	<b>59%</b>
<b>LIABILITIES (000 EUR)</b>	<b>31. 12. 2015</b>	<b>31. 12. 2016</b>	<b>CHANGE%</b>
Bank borrowings	1,000	18,560	1756%
Subordinated loan	0	1,500	100%
Deposits	147,199	230,440	57%
Other liabilities	2,948	3,377	15%
Capital	26,301	27,866	6%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>177,448</b>	<b>281,743</b>	<b>59%</b>
<b>PROFIT/LOSS (000 EUR)</b>	<b>31. 12. 2015</b>	<b>31. 12. 2016</b>	<b>CHANGE%</b>
Net interest income	5,144	6,477	26%
Net Fee and commission income	714	1,050	47%
Other operating income	1,912	2,601	36%
Total income	7,770	10,128	30%
Total G&A expenses	-6,506	-7,787	20%
Impairment losses and provisions	-751	-1,266	69%
<b>PROFIT/(LOSS)</b>	<b>513</b>	<b>1,075</b>	<b>110%</b>

Source: Audited reports

## volumes

Continuous but controlled increase in the asset size

Significant loan growth

Strong deposit growth with focus on demand deposits

International deposits from other European countries

Focus on liquidity management

## income & expenses

Continuous development of income sources as a result of increase in customer base, new products as well as active liquidity management

Well controlled expenses in growing and expansion phase of the Bank

Collection efforts with positive results

## capital

Strong capital base with continuous support of the shareholder

Full compliance in maintaining high Capital Adequacy Ratio

## asset quality

Significant increase in customer base

Conservative risk management approach

High-quality loan portfolio

Low NPL, high coverage

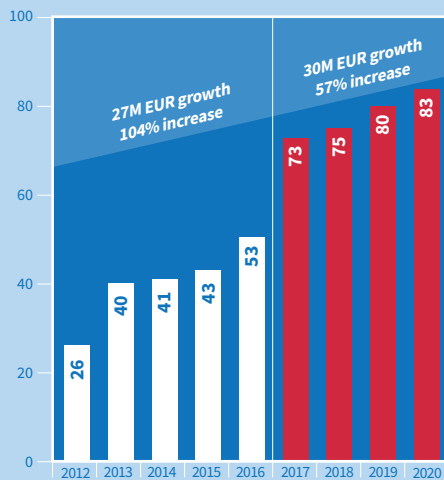


**Two new KentBank branches opened:**  
in the centre of Šibenik and the fourth branch in Zagreb (Dubrava)

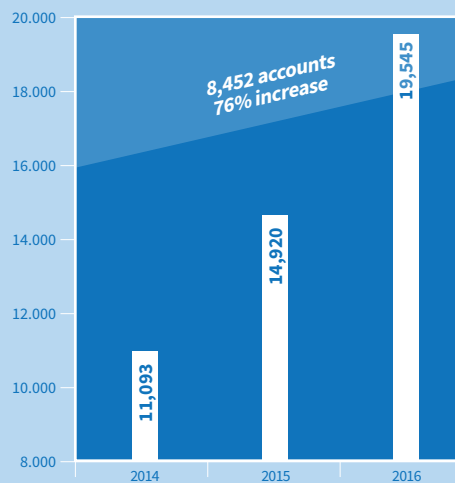
**New products/services:**

- Packages for Retail clients
- Kenti children savings
- E- citizen service for Internet banking users

## RETAIL LOANS, M EUR



## ACCOUNTS



\* SME segmentation started in 2015

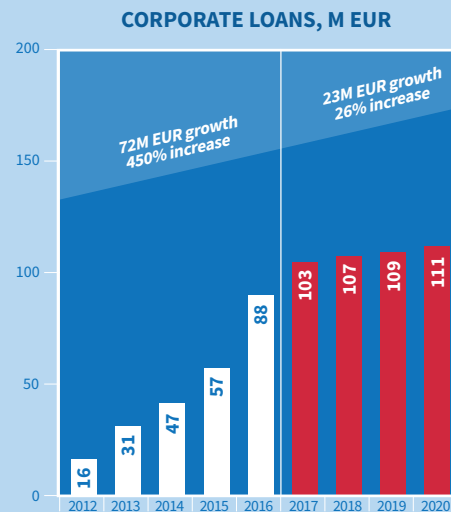
\*\* Number of accounts aligned with the latest source data implemented at the end of 2016

Based on internal reports aligned with the audited reports



**KentBank** recognized touristic sector as being quite perspective and therefore, **touristic loan**, the product unique on the market, has been developed, which was very well accepted since it corresponds to specific needs of the customers.

# Corporate banking



\*SME segmentation started in 2015

Tailor-made approach

Fast and flexible service

Cooperation with highest-quality clients on the market

Strengthening of market presence – cooperation with HBOR

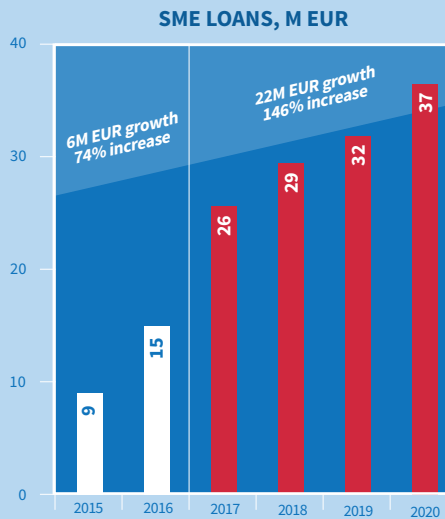
Based on internal reports aligned with the audited reports



BEFORE  
RENOVATIONAFTER  
RENOVATION

One of the focus of KentBank was on **building renovation loans** throughout Croatia: a total of 91 buildings were renovated with KentBank financial support.

Based on internal reports aligned with the audited reports



\*SME segmentation started in 2015

SME as a new focus in 2016 (67% increase in comparison with 2015)

New sales concept

New products (building renovation loans, business cards, Internet banking, insurance policies)

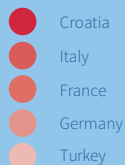
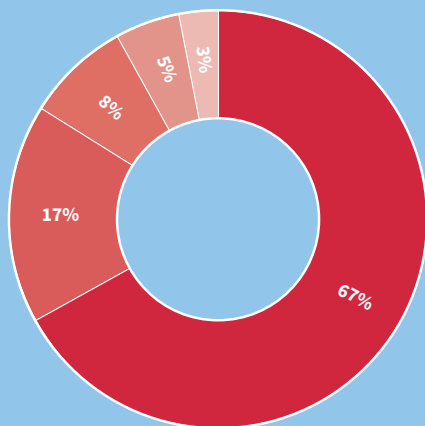
Scoring system for high asset quality

Significant increase of SME sales force

Participation in tenders announced by the Environmental Protection and Energy Efficiency Fund for energetic renewal of buildings

Based on internal reports aligned with the audited reports

MARKETABLE SECURITIES - Dec 2016 (per country)



#### Liquidity management:

- Managing the liquidity surplus
- Deposits from other financial institutions
- Short term funding when necessary

#### Marketable securities trading:

- Active role in marketable securities trading both in primary and secondary market
- Mainly Croatian bonds and other sovereign bonds (EU)

#### FX desk:

- Managing foreign currency position according to market volatility
- Active F/X trade with clients offering competitive rates

# You are in good hands.



## KENTBANK

Gundulićeva 1, 10 000 ZAGREB, CROATIA

**Tel:** +385(0)1 4981 900 | **Fax:** +385(0)1 4981 910

**E-mail:** [kentbank@kentbank.hr](mailto:kentbank@kentbank.hr) | Corporate Department: [corporate@kentbank.hr](mailto:corporate@kentbank.hr) | FI Department: [rznica@kentbank.hr](mailto:rznica@kentbank.hr) | Retail: [retail@kentbank.hr](mailto:retail@kentbank.hr)

The information in this document has been obtained by KentBank d.d. from sources believed to be reliable, however, KentBank d.d. cannot guarantee the accuracy, completeness, or correctness of such information. This document has been issued for information purposes only. KentBank d.d. does not accept any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents due to misleading information in this document. All estimations contained in this document are the opinions of KentBank d.d. and can be subject to change without notice. This document cannot be interpreted as an advice to the investors and KentBank d.d. can not be held responsible for the results of investment decisions made on account of this document. This document has been issued specially to the person, whom the document is concerned and may not be reproduced, distributed or shared with third parties for any purpose.



You are in good hands.

[www.kentbank.hr](http://www.kentbank.hr)