



Burgan Bank A.Ş. Turkey (BBT)

**December 2020 Presentation
(BRSA Consolidated)**

Operating Environment

Macro Economic Outlook – Turkey

Ratings	Fitch	Moody's	S&P
Long Term FC Rating	BB-	B2	B+
Outlook	Stable	Negative	Stable

Key Indicators	2020	2021F(*)	2022F(*)
Nominal GDP (USD bn)	717	760	785
Population (mn, mid-year)	83.4	84.4	85.4
GDP per capita (USD)	8,599	9,000	9,150
Real GDP (% change)	1.8	4.0	3.5
CPI Inflation (year-end)	14.6	14.5	12.5
Cen. Gov. Budget Bal. / GDP	-3.5	-4.0	-3.5
Gov. Debt / GDP	39.5	45.0	44.5
Current Account Bal. / GDP	-5.1	-4.0	-3.5
Forex Reserves (USD bn)	93.2	100.0	115.0
Trade Balance (USD bn)	-46.0	-55.0	-65.0
Export (USD bn)	169.6	180.0	195.0
Imports (USD bn)	219.5	235.0	260.0

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

Despite the destructive impact of Covid-19, Turkish economy has expanded by 1.8% yoy in 2020 thanks to the rapid recovery in 2H20 driven by extensive monetary and fiscal stimulus and massive credit expansion. Growth momentum has remained solid as of April 2021 although partial lockdowns remain in place since late-2020. Manufacturing production keep expanding -though at a slower pace, while services sector weakens. Domestic demand is expected to slowdown as of May as a result of tighter financial conditions.

The CBT has kept the policy rate unchanged at 19% since December 2020. Annual inflation climbed to 17.1% as of April, and is projected to gradually decelerate towards 14.5% by year-end 2021, versus CBT's forecast of 12.4%. Inflation outlook remains challenging given rising commodity prices, weak TRY, higher unit labour cost, and strong inertia.

Current account deficit widened to 5.1% of GDP in 2020 amid rising imports, subdued exports and zero tourism revenue. In 2021, current account deficit is expected to ease towards 4% of GDP as tourism covers mildly and imports lose pace.

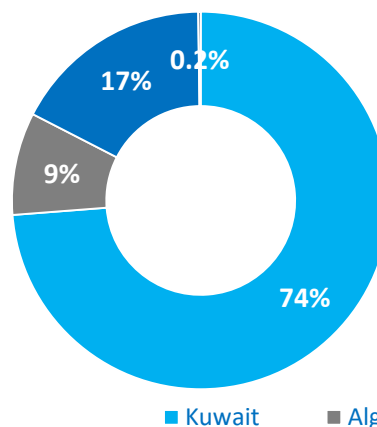
The number of Covid-19 cases in Turkey has started to decelerate from the peak in April after tighter restrictions and lockdowns. As of early May, 16% of the population has been vaccinated versus EU average of 25% and the World average of 8%.

- One of the leading financial institutions with a strong presence in the MENA region as a subsidiary of KIPCO (Kuwait Projects Company)
- Listed on Kuwait Stock Exchange with a market cap of US\$ 1.8 billion⁽¹⁾
- Has a strong domestic franchise with 14.9% 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
 - Tunisia – Tunis International Bank
 - Iraq – Bank of Baghdad⁽²⁾

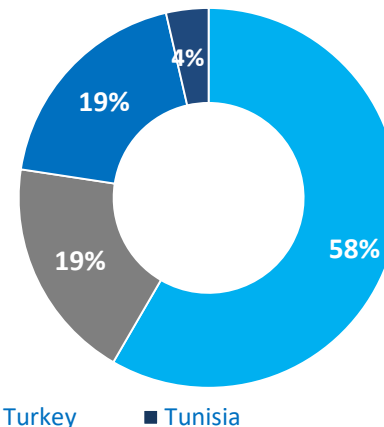
Ratings	Bank ⁽³⁾	Sovereign
Moody's	A3	A1
S&P	BBB+	AA-
Fitch	A+	AA

Financial Performance	FY 2020
Revenue in US\$ million	694.9
Net Profit in US\$ million ⁽⁴⁾	109.9
Cost to Income Ratio	45.7%
Gross Loans to Cust. Deposits	112.1%
Liquidity Ratio ⁽⁵⁾	21.6%
NPA Ratio	3.5%
NPA net of Collateral Ratio	0.8%

Loans by Operations⁽²⁾



Revenues by Operations⁽²⁾



- International operations⁽²⁾ contributing 26% in Loans and 42% in Revenues
- Burgan Bank, Turkey is one of the key contributor among Burgan Subsidiary Banks in loans share as well as revenue generation

(1) Closing market capitalization on 31/12/2020 in Boursa Kuwait,
 (2) BoB has been classified as Held for Sale Investment in Dec'20; thus breakdown by operations excludes BoB's contributions
 (3) Based on latest Rating Reports; Moody's: 4th February 2021; S&P : July 22nd 2020; Fitch: 11th February 2021.
 (4) Net Income attributed to equity holders
 (5) Liquidity ratio has been computed as (Cash and cash equivalents + Treasury Bills and Bonds with CBK and others + Due from banks and OFI's)/ Total assets

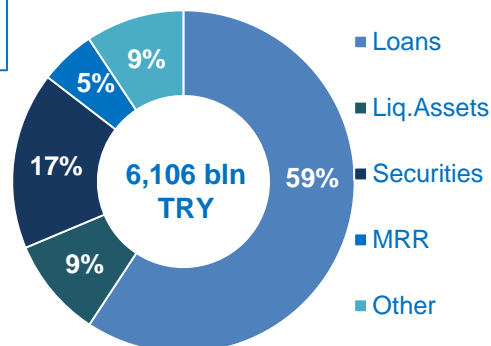
Operating Environment Turkish Banking Sector

Number of Banks: 54 (Including 6 Participation Banks)

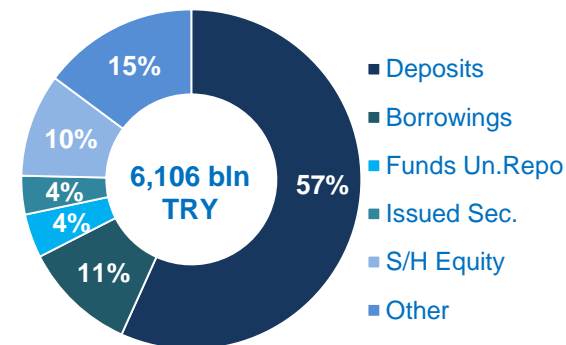
➤ Number of Depository Banks: 34

Growth (billionTRY)	2018	2019	2020	YTD
Total Assets	3,867	4,491	6,106	36.0%
Total Deposits	2,051	2,576	3,464	34.5%
Total Loans,net	2,452	2,739	3,617	32.1%
Net Profit	54.1	49.0	58.5	19.3%

Total Assets (blnTRY)



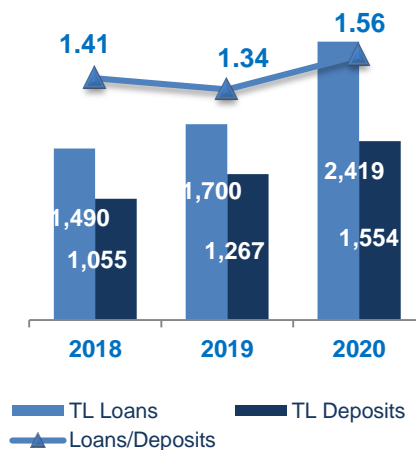
Total Liabilities



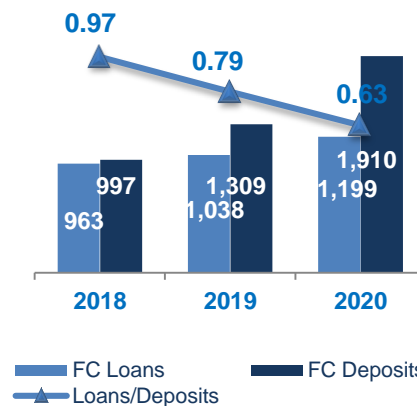
Key B/S Ratios(%)	2018	2019	2020
ROA	1.5%	1.2%	1.1%
ROE	13.8%	10.9%	10.7%
NPL	3.8%	5.2%	4.0%
CAR	17.3%	18.4%	18.7%
NIM	4.4%	4.4%	4.5%
Coverage	68.3%	65.1%	74.9%
Loan/Deposit	120.0%	106.0%	105.7%
Total Assets/GDP	113.9%	104.9%	122.8%
Total Loans/GDP	72.2%	64.0%	72.7%
Total Deposits/GDP	60.4%	60.2%	69.7%

Million TRY

TL Loans & TL Deposits



FC Loans & FC Deposits

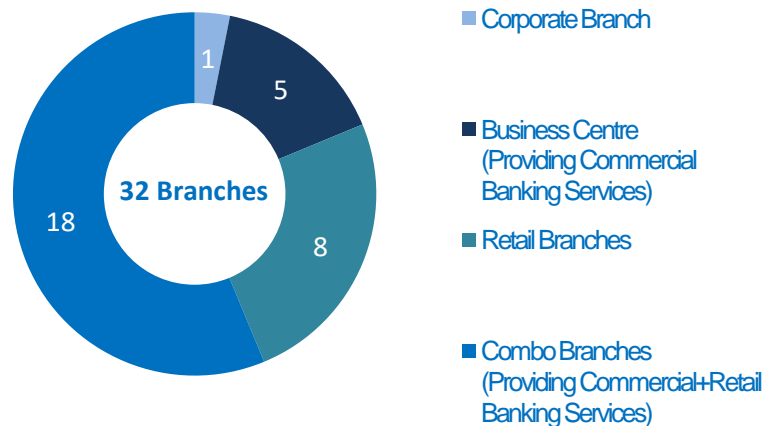


Source: BRSA

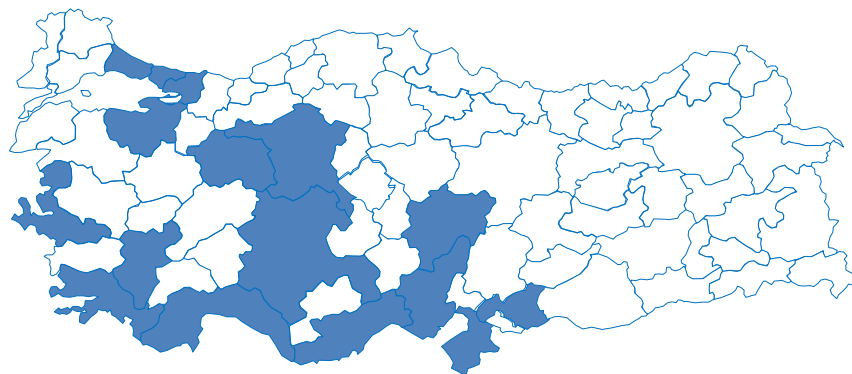
Burgan Bank A.Ş. At a Glance

- Incorporated in 1989 as Tekfen Yatırım Bankası AŞ
- Became a Burgan Group member as of December 2012. Burgan Bank K.P.S.C. acquired **99.41%** of its shares.
- Enables better service and strengthens client relationships through its subsidiaries:
 - **Burgan Leasing**
 - **Burgan Securities**
- Rated by :
 - **Fitch Ratings (26.02.2021)**
Long Term Global Foreign Currency : B+
Outlook : Stable

Segment-wise Branch Distribution



- 32 Branches across 14 cities where 78% of loans&deposits of the whole sector are held.



2020 Achievements

Growth

- YTD total asset size increased by 22.9%. (banking sector : 36.0%)
- YTD the loan book(net) increased by 21.1%. (banking sector : 32.1%)

Asset Quality

- NPL ratio increased to 10.8 % as of December 2020, mainly due to top 3 NPL client entries in 2020. Banking sector NPL ratio realized to 4.0% and foreign private deposit banks' NPL ratio increased to 5.3% at the same period.

Funding

- Diversification of funding sources continued;
 - **USD 385mn** new funding generation from the international markets. In addition, **USD 135mn** new funding from parent.
- Sound customer deposit base, deposits account for 52.3% of total liabilities

Capital

- Well positioned Capital Base with a CAR of **16.59%** and Tier 1 Ratio of **9.14%** (all sub-debt from parent)

Profitability

- Net profit/(loss) is -267 million TRY.
- 701 million TRY provision charge was booked(c.200 million is allocated for top 3 NPL clients) as of December 2020.(2019 – 308 million TRY)
Of which, 195 million TRY free provision set aside in 2020.

Others

- Continuous investment in Human Capital and Technology;
 - Employee Value Proposition Project has been launched
 - Success in digital channel customer acquisition

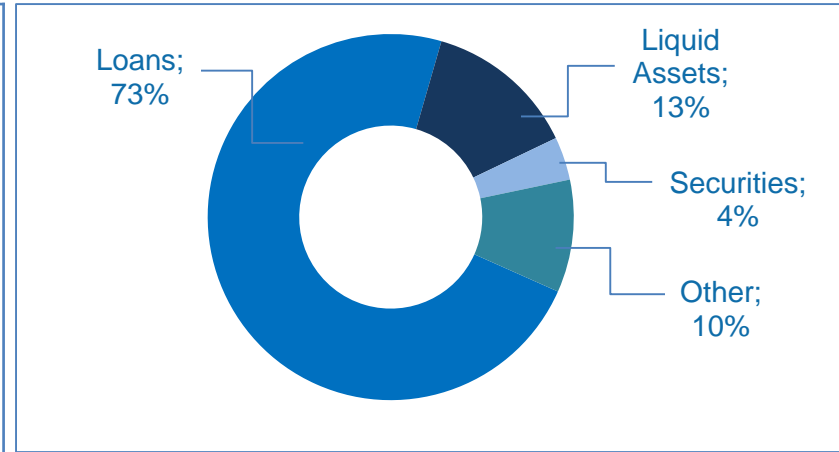
Performance Trends

Balance Sheet Growth

Balance Sheet (million TRY)

	2018	2019	2020	YTD
Total Assets	22,029	21,547	26,477	22.9%
Loans(*)	16,789	15,911	19,275	21.1%
Securities	643	636	1,010	58.9%
Deposits	9,915	11,406	13,847	21.4%
Borrowings	6,861	5,050	6,659	31.9%
Subordinated Loan(***)	1,599	1,798	2,229	23.9%
Shareholders' Equity	1,876	1,919	1,670	-13.0%

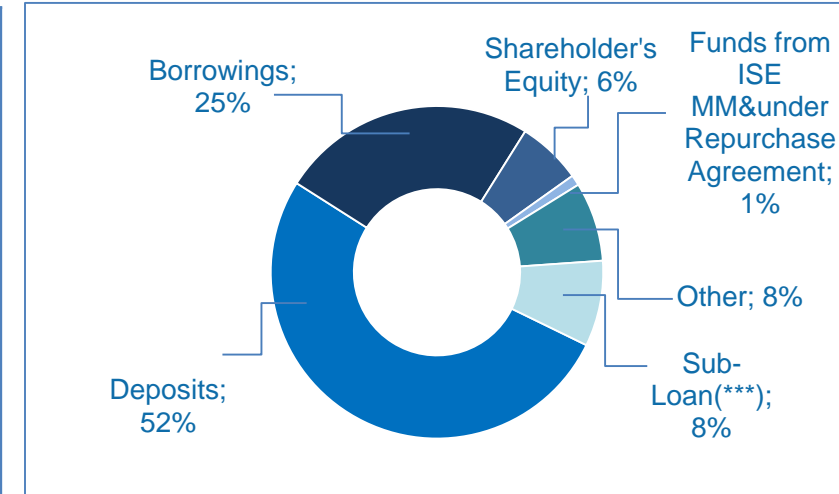
Total Assets – 31.12.2020



Balance Sheet Ratios

	2018	2019	2020
Loans / Assets	76%	74%	73%
Securities / Assets	3%	3%	4%
Loans / Deposits	169%	140%	139%
Loans / Deposits (Bank only)	140%	113%	116%
Loans / Deposits(**)	109%	96%	99%
ROE-with opening equity	11%	7%	-14%

Total Liabilities – 31.12.2020



(*)Factoring and Leasing Receivables Included

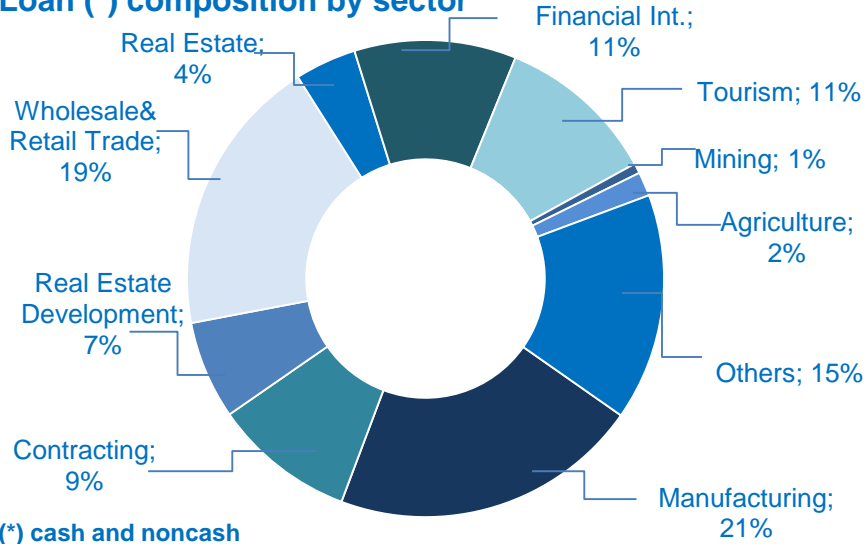
(**)Burgan Group borrowings and sub-loan included

(***)Burgan Group funding

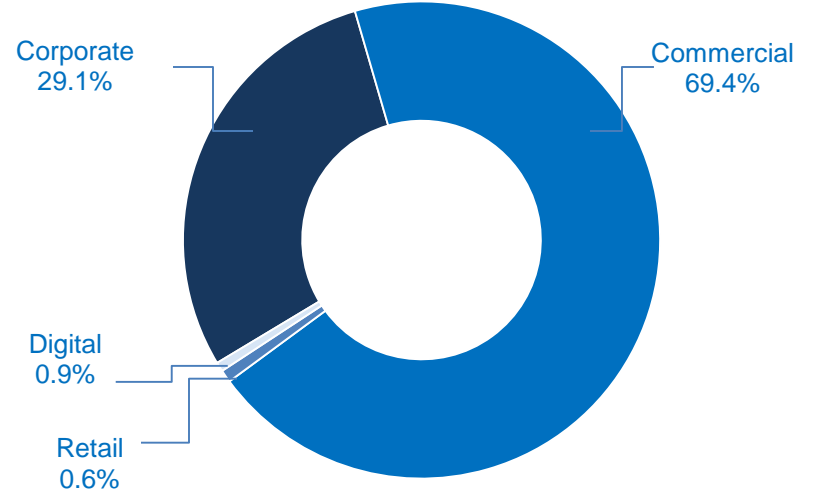
Loan Growth

Commercial and Corporate Loans – the biggest contributor

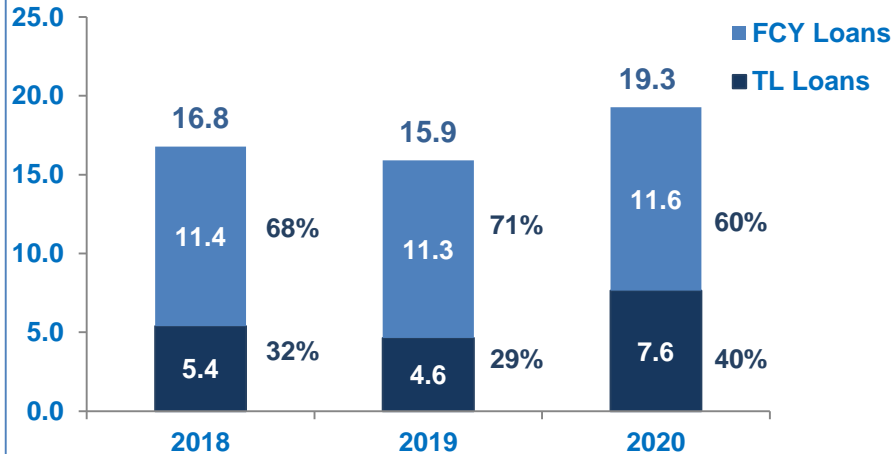
Loan (*) composition by sector



Loan composition by customer segment



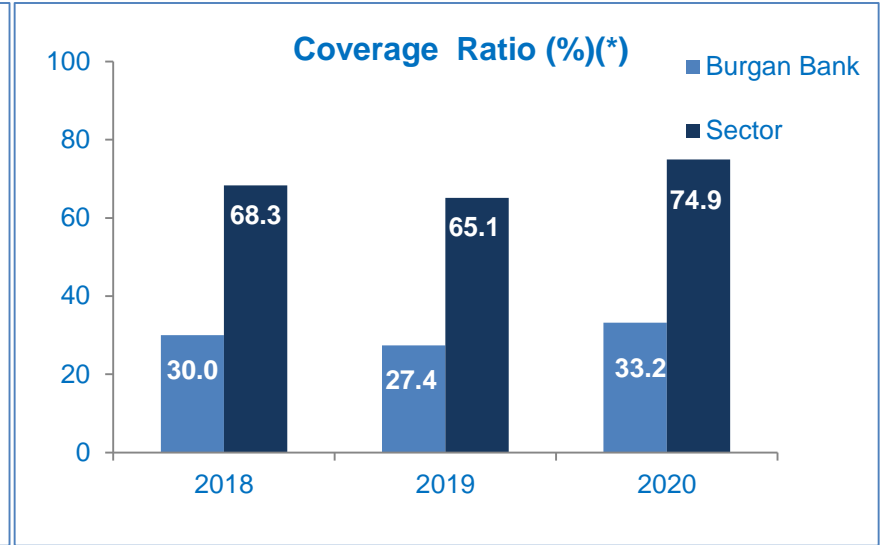
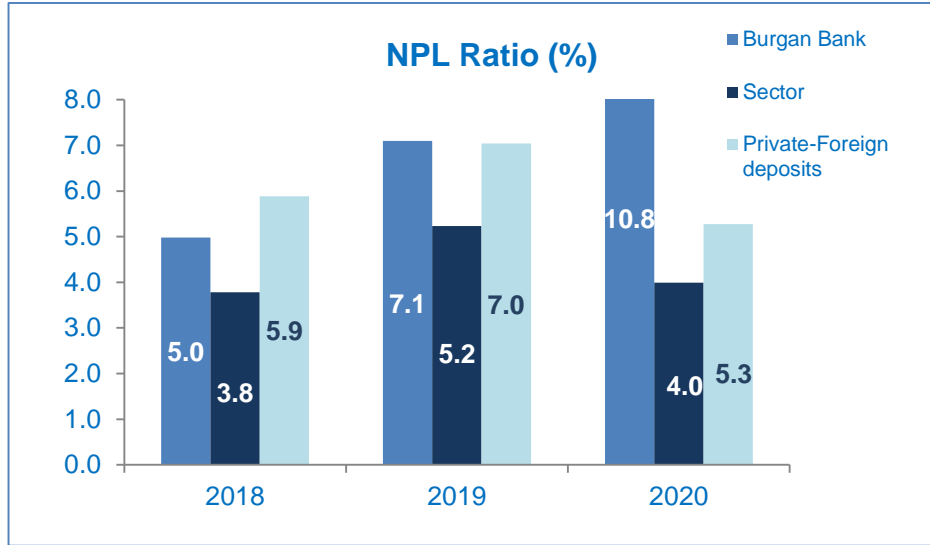
Loan Growth (billion TRY)



Performing Loans (Billion TRY)	2018	2019	2020	YTD
Sector	2,461	2,731	3,663	34.1%
State Deposit Banks	844	1,006	1,441	43.3%
Private Local Deposit Banks	764	801	1,000	24.7%
Foreign Deposit Banks	537	568	727	28.0%
Dev. & Inv. Banks	196	214	266	24.5%
Participation Banks	120	142	229	60.9%
Burgan Bank	17	16	19	18.8%

Asset Quality

NPL ratio



	2018	2019	2020
Gross Loans (million TRY)	17,485	16,807	20,803
NPL's (million TRY)	871	1,193	2,248
NPL Ratio	5.0%	7.1%	10.8
NPL coverage (*)	30.0%	27.4%	33.2%
Total coverage (**)	79.9%	75.2%	68.0%

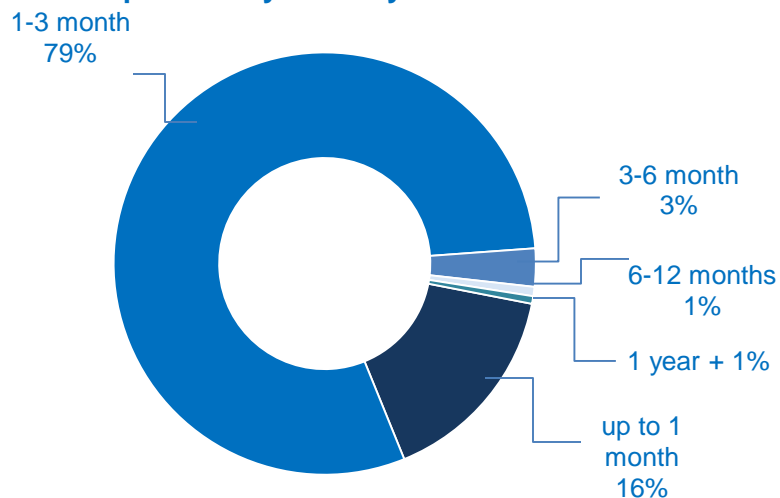
- Provisioning is in line with BRSA rules and regulations.
- Coverage ratio is below sector average due to the collateral structure of the Loan portfolio.
- With 195 million TRY free provision included, coverage ratio is 77%.

(*) Including stage3 provisions for cash loans.

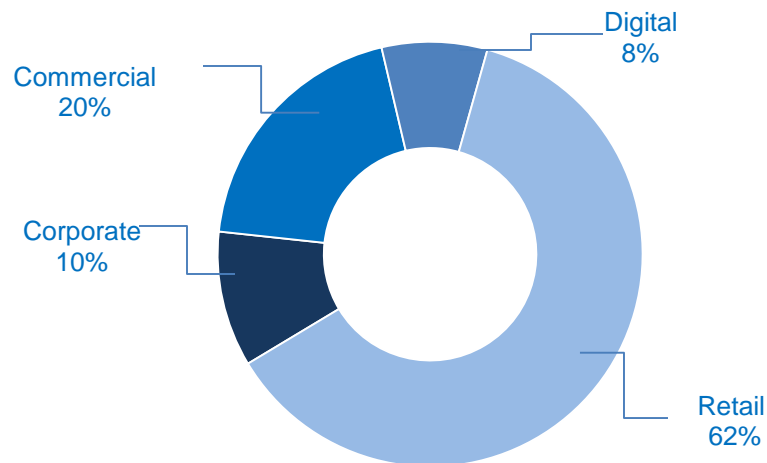
(**) Including stage1, stage2 and stage3 for cash loans provisions

Deposits are the Main Funding Source

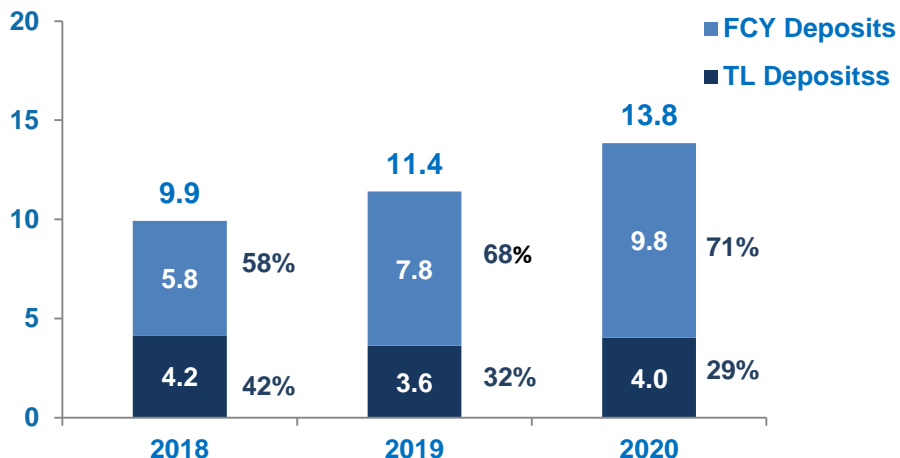
Deposit composition by maturity



Deposit composition by customer segment



Deposit Growth(billion TRY)



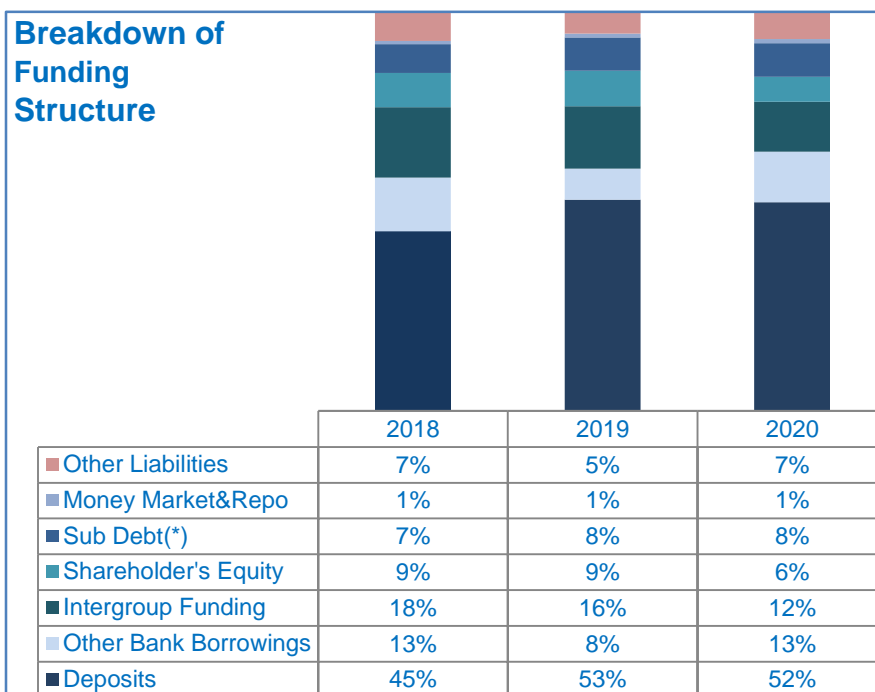
- **Retail deposits** continue to be the major contributor in the deposit composition.
- YTD total Deposits increased by **21.4%**(fx adjusted **2.9%**) Deposit growth in the Banking sector is **34.5%** (fx adjusted **19.7%**).
- **Digital banking deposits** contribution has been reached to **8.0%**.
- The Total of Top 20 deposits receives a share of **17.8%** (2019-19%) out of Total Deposits.

Solid Funding Base with strong support from Parent

Funding structure (million TRY)

	2018	2019	2020	YTD
Deposits	9,915	11,406	13,847	21.4%
Borrowings	6,861	5,050	6,659	31.9%
Intergroup Funding	3,903	3,374	3,297	-2.3%
Other Bank Borrowings	2,885	1,628	3,284	101.7%
Eximbank	72	48	77	61.1%
Sub Debt(*)	1,599	1,798	2,229	23.9%
Money Market&Repo	180	212	274	29.3%
Other Liabilities	1,597	1,162	1,798	54.8%
Shareholder's Equity	1,876	1,919	1,670	-13.0%

Breakdown of Funding Structure

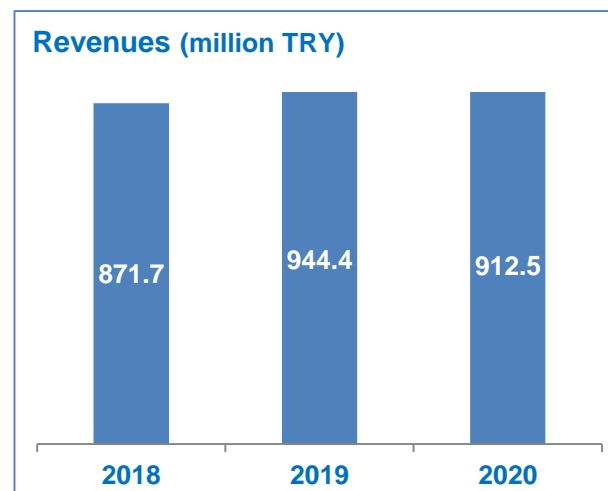
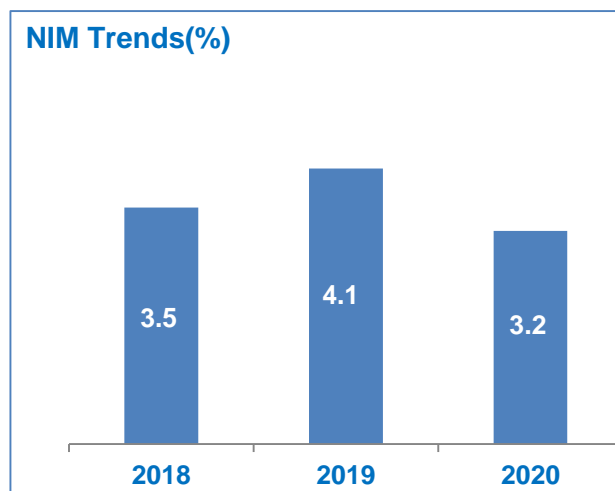
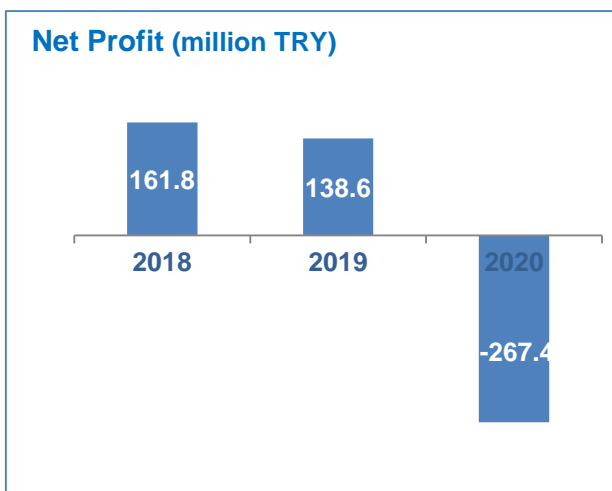
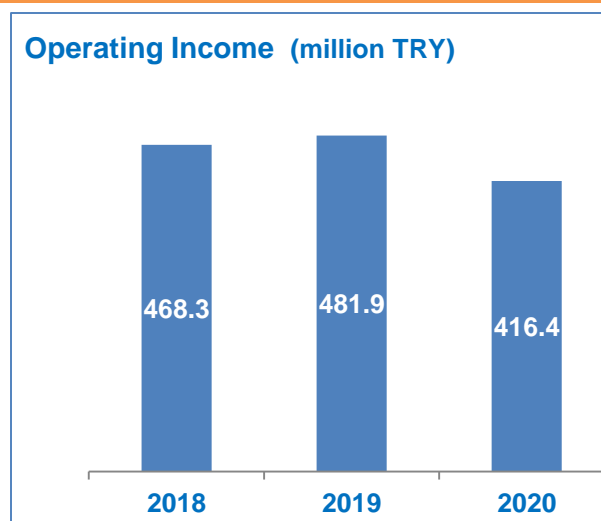


- Burgan Bank K.P.S.C. continues with a balance of **745 mio USD** in intergroup funding including sub-debt.
- Third party funding sources continues through strong cooperation with Correspondent Banks.

(*) Burgan group

Higher provisions allocated in 2020

(million TRY)	2018	2019	2020	YTD
Total Interest Income	2,548	2,413	1,900	-21.3%
Total Interest Expense	1,818	1,600	1,198	-25.2%
Net Interest Income	730	813	702	-13.6%
Total Revenues	872	944	913	-3.4%
Total Operating Expenses	403	462	496	7.3%
Operating Income	468	482	416	-13.6%
Provision	259	308	701	127.9%
Net Profit	162	139	-267	-293.0%



Strong Capitalization

	2018	2019	2020
Shareholder's Equity (million TRY)	1,876	1,919	1,670
Capital Base Inc. Sub-Debt (million TRY)	3,516	3,622	3,712
CAR Ratio (%)	18.5	18.9	16.6
Tier 1 Ratio (%)	9.9	10.3	9.1

➤ CAR and Tier 1 ratios consistently well above minimum requirements of 12% and 8.5%, respectively.

Outlook for 2020

Growth

- Continue lending activity on selective base;
 - Focusing on collateralized loans
 - Decreasing concentration and increasing spreads
 - Retail deposits will increase through new alternative channels & digital banking

Profitability

- Focus on NIM
- Focus on efficiency and cost control initiatives
- Increase cross sale (insurance, treasury sales etc.) to optimize RWA consumption

Human Capital

- Invest in human capital through Employee Value Proposition 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

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Thank you

