



Burgan Bank A.Ş. Turkey (BBT)

**March 2021 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	5.5	3.5
CPI Inflation (year-end)	14.6	14.5	12.5
Gen. 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 in 1Q21 with 7.0% yoy growth. Manufacturing production keep expanding - though at a slower pace compared 1Q, while services sector weakens due to lockdowns in April-May. Domestic demand has started 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. 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.

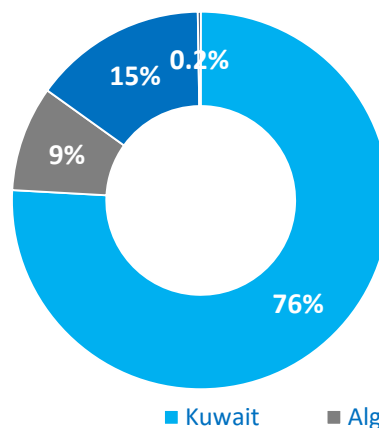
The number of Covid-19 cases in Turkey has started to decelerate from the peak in April after tighter restrictions and lockdowns. As of early May, 16% of the population has been vaccinated versus EU average of 25% and the World average of 8%.

- 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\$ 1.9 billion⁽¹⁾
- Has a strong domestic franchise with 14.9% market share ⁽²⁾ 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⁽³⁾

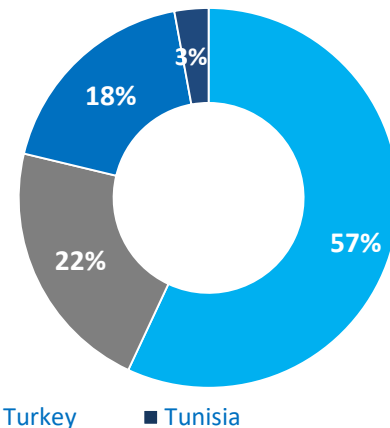
Ratings	Bank ⁽⁴⁾	Sovereign
Moody's	A3	A1
S&P	BBB+	AA-
Fitch	A+	AA

Financial Performance	Q1-2021
Revenue in US\$ million	158.1
Net Profit in US\$ million ⁽⁵⁾	16.7
Cost to Income Ratio	43.2%
Gross Loans to Cust. Deposits	108.4%
Liquidity Ratio ⁽⁶⁾	20.3%
NPA Ratio	4.9%
NPA net of Collateral Ratio	1.1%

Loans by Operations⁽³⁾



Revenues by Operations⁽³⁾



- International operations⁽³⁾ contributing 24% in Loans and 43% 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 31/3/2021 in Bursa Kuwait;
 (2) Market share as on 31 December 2020;
 (3) Excludes consol. adjt and BoB's contribution. BOB's exposure were classified as Held for Sale Investment in Q4'20;
 (4) Based on latest Rating Reports; Moody's: 4th February 2021; S&P : 7th April 2021; Fitch: 19th April 2021;
 (5) Net Income attributed to equity holders;
 (6) 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

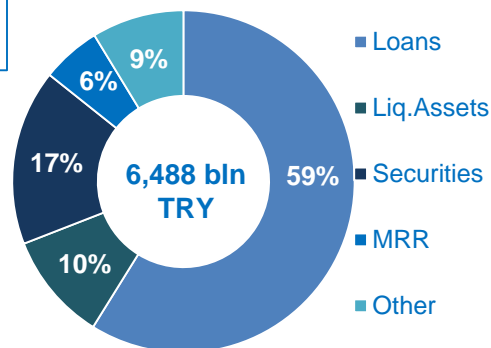
Operating Environment Turkish Banking Sector

Number of Banks: 54 (Including 6 Participation Banks)

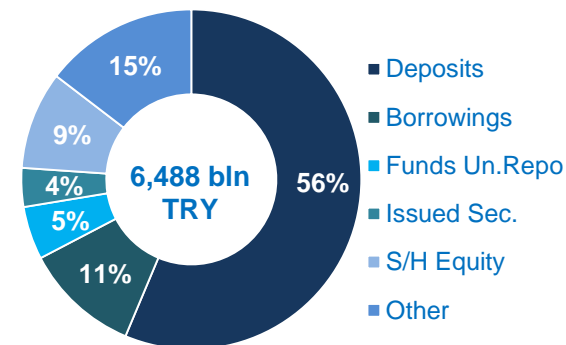
➤ Number of Depository Banks: 34

Growth (billionTRY)	Q12020	2020	Q12021	YTD
Total Assets	4,872	6,106	6,488	6.3%
Total Deposits	2,806	3,464	3,655	5.5%
Total Loans,net	2,975	3,617	3,818	5.6%
Net Profit	15.3	58.5	16.0	9.4%

Total Assets (blnTRY)



Total Liabilities

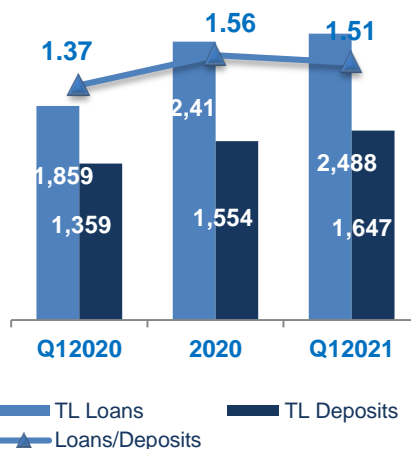


Key B/S Ratios(%)

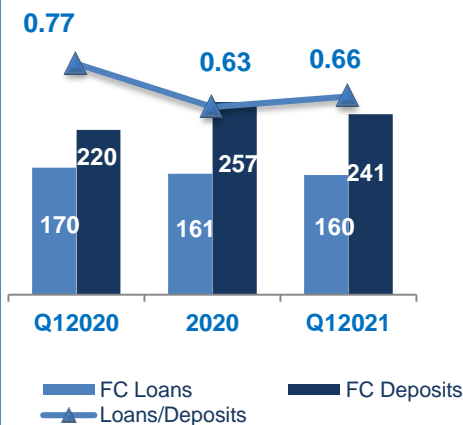
	Q12020	2020	Q12021
ROA	1.4%	1.1%	1.1%
ROE	12.6%	10.7%	10.8%
NPL	4.8%	4.0%	3.7%
CAR	17.9%	18.7%	18.0%
NIM	5.3%	4.5%	3.2%
Coverage	68.6%	74.9%	76.3%
Loan/Deposit	106.2%	105.7%	106.0%

Million TRY&USD

TL Loans & TL Deposits



FC Loans & FC Deposits – in USD

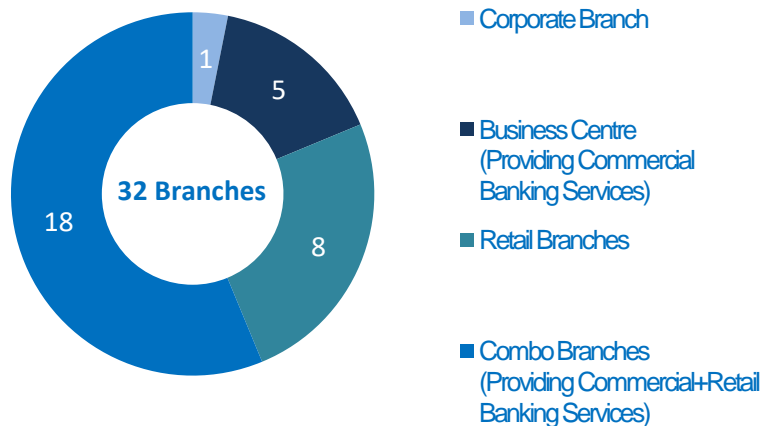


Source: BRSA

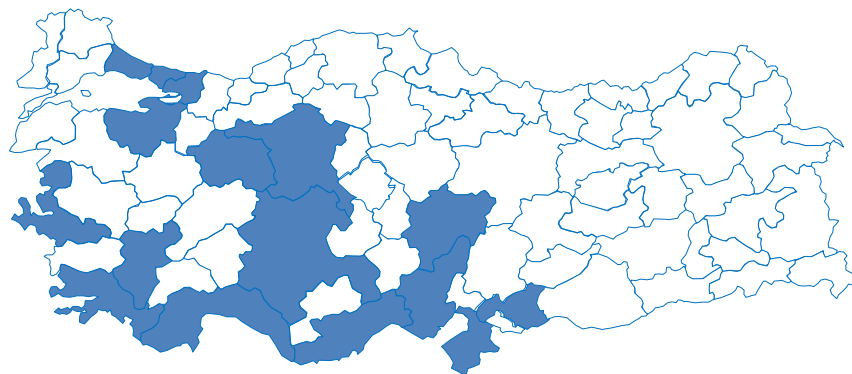
Burgan Bank A.Ş. At a Glance

- 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.



2021 Achievements

Growth

- YTD total asset size increased by 4.6%. (banking sector : 6.3%)
- YTD the loan book(net) decreased by -0.8%. (banking sector : 5.6%)

Funding

- Diversification of funding sources continued;
 - **USD 127mn** new funding generation from the international markets.
 - Sound customer deposit base, deposits account for 54.7% of total liabilities

Capital

- Well positioned Capital Base with a CAR of **17.07%**, Tier 1 Ratio of **10.81%** (all sub-debt from parent) and CTE1 Ratio of **8.98%**.

Profitability

- Net profit/(loss) is 50.5 million TRY. 4 times higher than the same period of the previous year.

Others

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

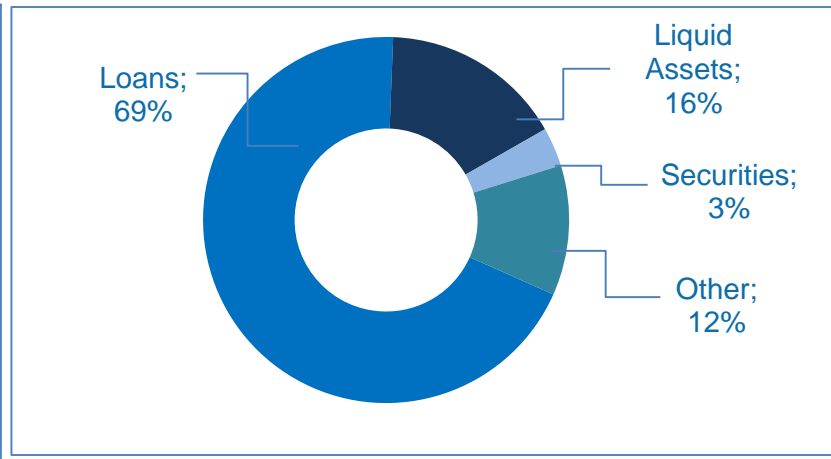
Performance Trends

Balance Sheet Growth

Balance Sheet (million TRY)

	Q12020	2020	Q12021	YTD	YOY
Total Assets	24,346	26,477	27,692	4.6%	13.7%
Loans(*)	17,527	19,275	19,112	-0.8%	9.0%
Securities	610	1,010	952	-5.8%	56.0%
Deposits	12,783	13,847	15,142	9.3%	18.5%
Borrowings	6,181	6,659	5,668	-14.9%	-8.3%
Subordinated Loan(**)	1,987	2,229	2,500	12.2%	25.8%
Shareholders' Equity	1,937	1,670	2,161	29.4%	11.6%

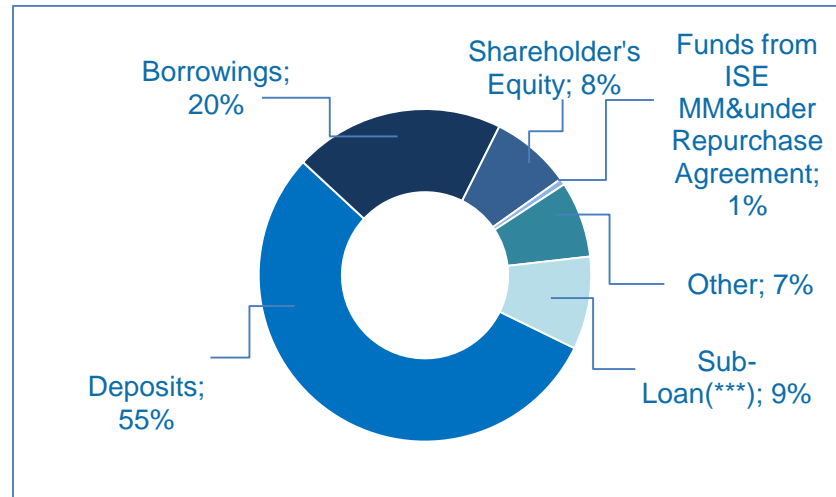
Total Assets – 31.03.2021



Balance Sheet Ratios

	Q12020	2020	Q12021
Loans / Assets	72%	73%	69%
Loans / Deposits	137%	139%	126%
Loans / Deposits (Bank only)	113%	116%	105%
Loans / Deposits(**)	96%	99%	94%
ROE	3%	-15%	11%

Total Liabilities – 31.03.2021



(*)Factoring and Leasing Receivables Included

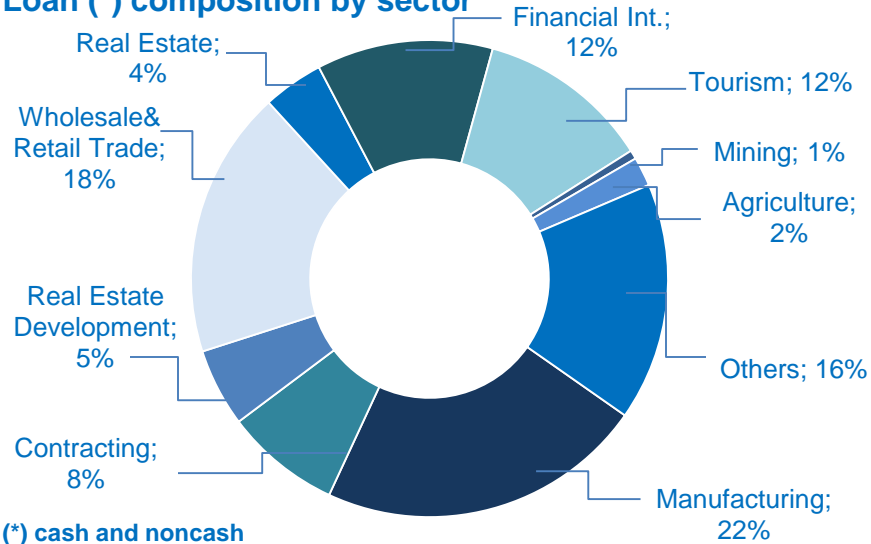
(**)Burgan Group borrowings and sub-loan included

(***)Burgan Group funding

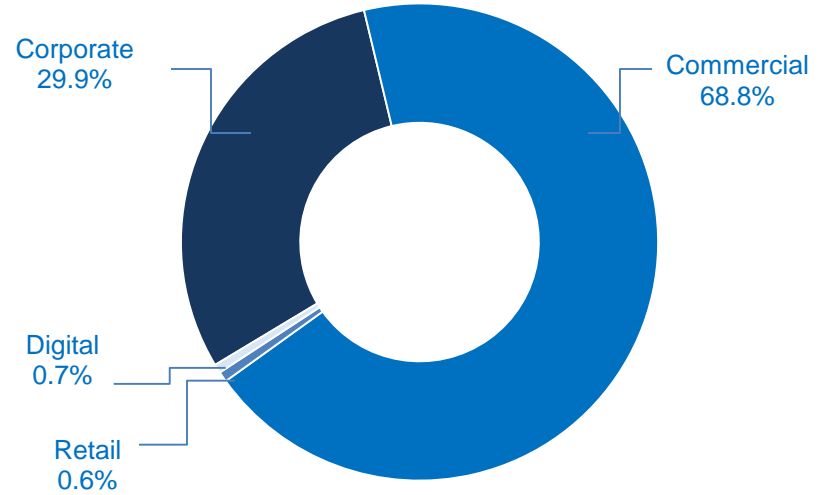
Loan Growth

Commercial and Corporate Loans – the biggest contributor

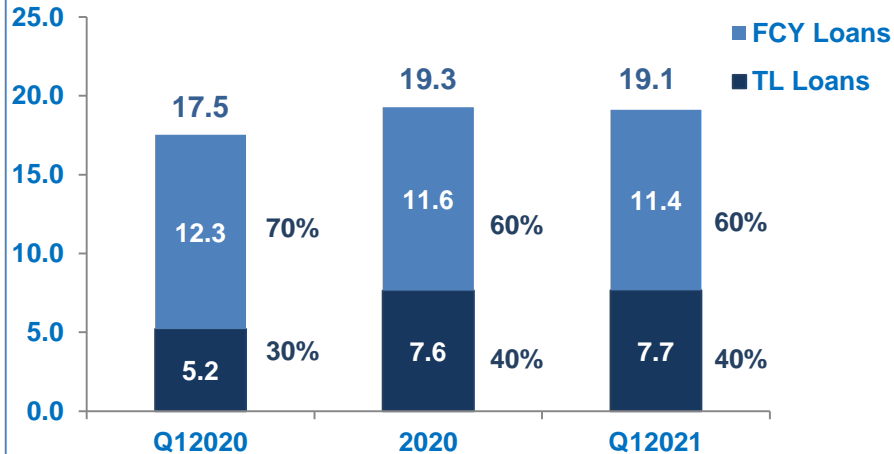
Loan (*) composition by sector



Loan composition by customer segment

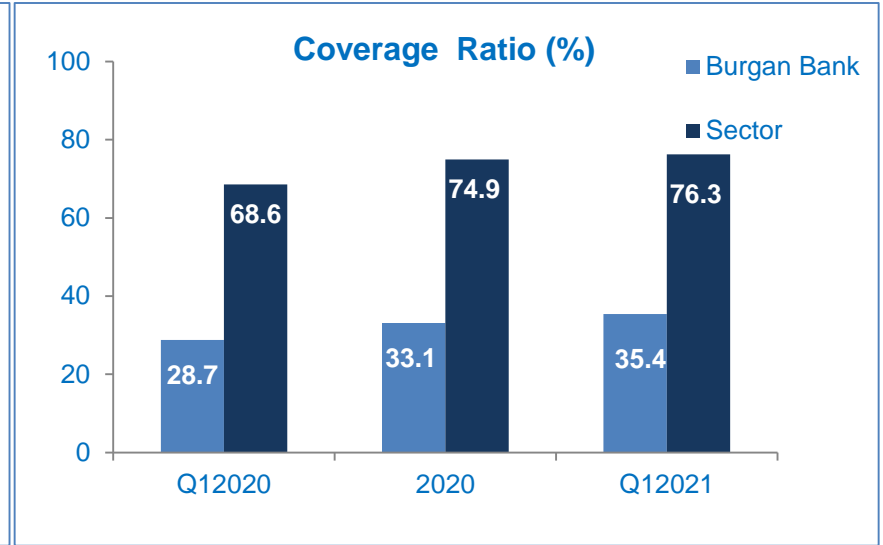
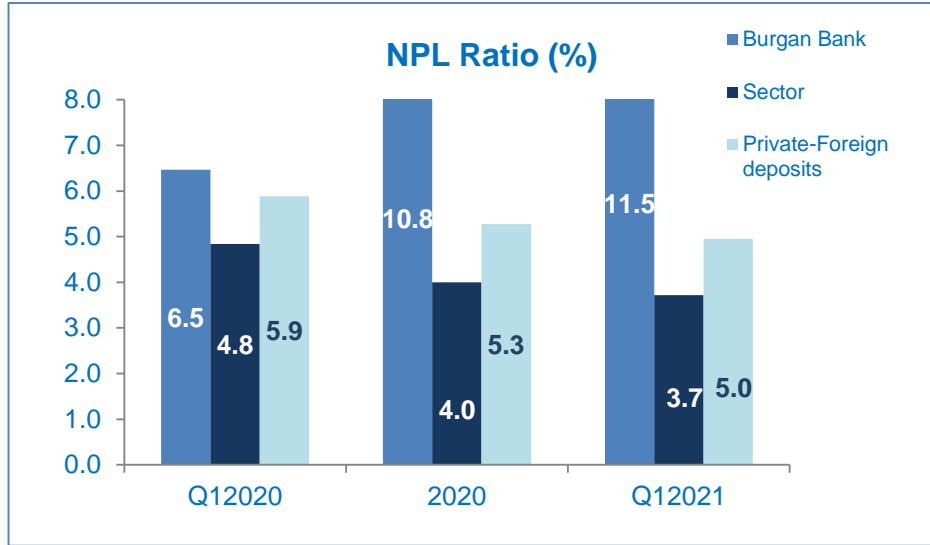


Loan Growth (billion TRY)



Asset Quality

NPL ratio



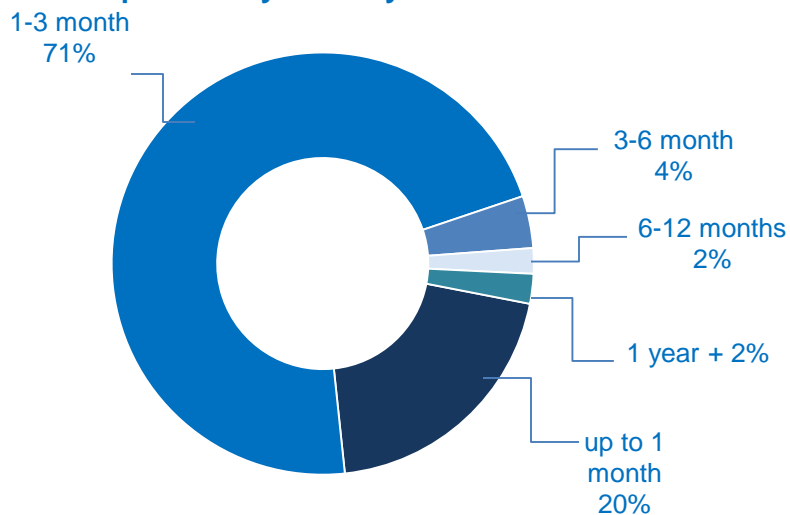
	Q12020	2020	Q12021
Gross Loans (million TRY)	18,567	20,803	20,809
NPL's (million TRY)	1,201	2,248	2,386
NPL Ratio	6.5	10.8	11.5
NPL coverage	28.7%	33.1%	35.4%
Total coverage (*)	86.6%	68.0%	71.2%

- 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 79.4%.

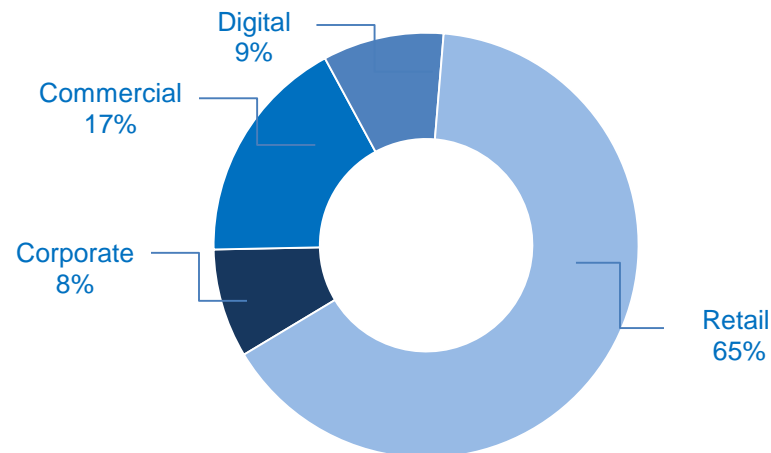
(*) Including stage1, stage2 and stage3 for cash loans provisions

Deposits are the Main Funding Source

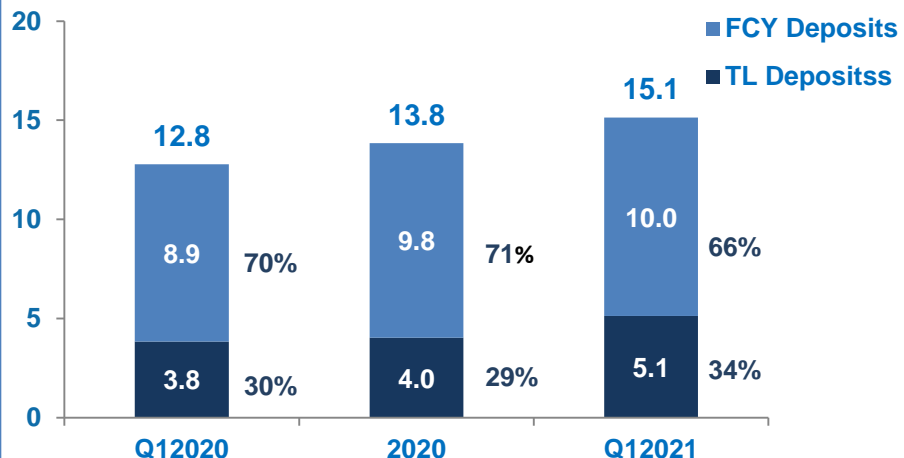
Deposit composition by maturity



Deposit composition by customer segment



Deposit Growth(billion TRY)



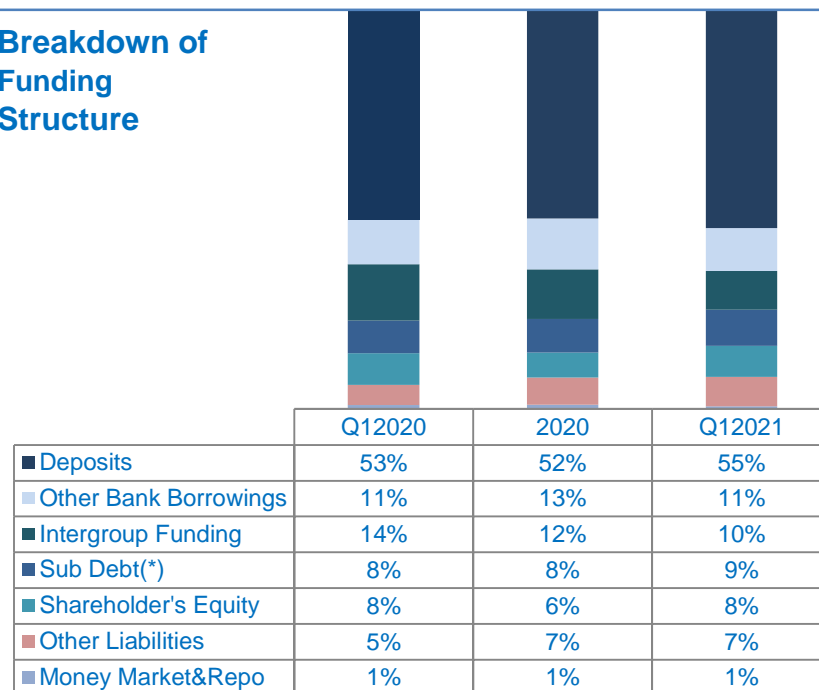
- **Retail deposits** continue to be the major contributor in the deposit composition.
- YTD total Deposits increased by **9.3%**(fx adjusted **2.8%**) Deposit growth in the Banking sector is **5.5%** (fx adjusted **-0.8%**).
- **Digital banking deposits** contribution has been reached to **9.2%**.
- The Total of Top 20 deposits receives a share of **14.0%** (2020-17.8%) out of Total Deposits.

Solid Funding Base with strong support from Parent

Funding structure (million TRY)

	Q12020	2020	Q12021	YTD	YOY
Deposits	12,783	13,847	15,142	9.3%	18.5%
Borrowings	6,181	6,659	5,668	-14.9%	-8.3%
Intergroup Funding	3,444	3,297	2,681	-18.7%	-22.1%
Other Bank Borrowings	2,676	3,284	2,918	-11.2%	9.0%
Eximbank	61	77	69	-10.3%	14.3%
Sub Debt(*)	1,987	2,229	2,500	12.2%	25.8%
Money Market&Repo	231	274	170	-37.7%	-26.3%
Other Liabilities	1,227	1,798	2,050	14.0%	67.1%
Shareholder's Equity	1,937	1,670	2,161	29.4%	11.6%

Breakdown of Funding Structure



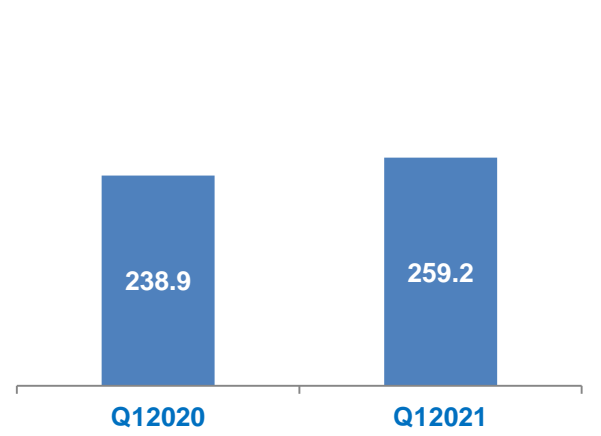
- Burgan Bank K.P.S.C. continues with a balance of **622 mio USD** in intergroup funding including sub-debt.
- Third party funding sources continues through strong cooperation with Correspondent Banks.

(*) Burgan group

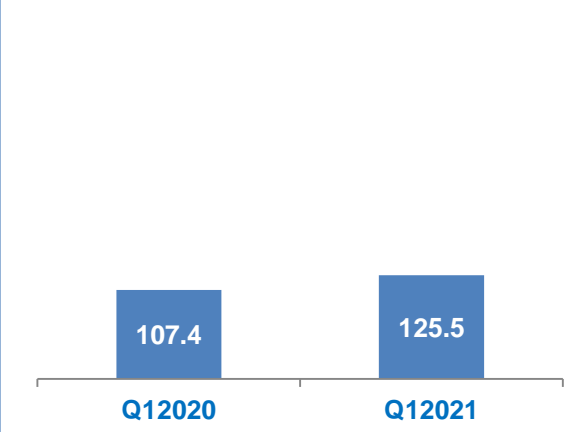
Higher provisions allocated in 2020 and continue to progress in earnings in 2021

(million TRY)	Q12020	Q12021	YOY
Total Interest Income	467	566	21.3%
Total Interest Expense	270	419	55.1%
Net Interest Income	196	147	-25.3%
Total Revenues	239	259	8.5%
Total Operating Expenses	131	134	1.7%
Operating Income	107	126	16.9%
Provision	92	62	-32.0%
Net Profit	12	51	307.7%

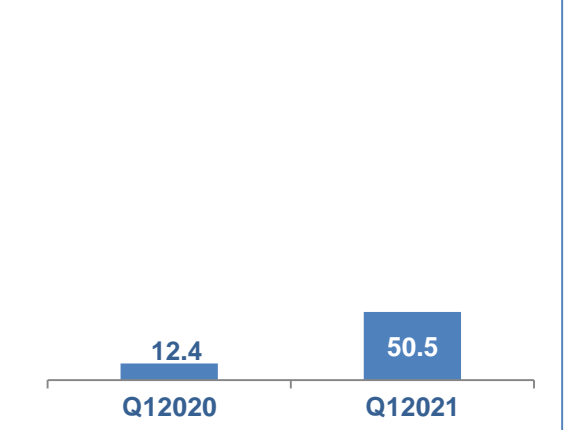
Revenues (million TRY)



Operating Income (million TRY)



Net Profit (million TRY)



Strong Capitalization

	Q12020	2020	Q12021
Shareholder's Equity (million TRY)	1,937	1,670	2,161
Capital Base Inc. Sub-Debt (million TRY)	3,780	3,712	3,887
CAR Ratio (%)	18.1	16.6	17.1
Tier 1 Ratio (%)	9.4	9.1	10.8

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

Outlook for 2021

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

