



Burgan Bank A.Ş. Turkey (BBT)

**June 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	810	845
Population (mn, mid-year)	83.4	84.4	85.4
GDP per capita (USD)	8,599	9,500	9,900
Real GDP (% change)	1.8	9.3	3.5
CPI Inflation (year-end)	14.6	17.0	15.0
Gen. Gov. Budget Bal. / GDP	-3.5	-3.5	-4.0
Gov. Debt / GDP	39.8	40.5	42.0
Current Account Bal. / GDP	-5.1	-2.8	-3.5
Forex Reserves (USD bn)	93.2	125.0	130.0
Trade Balance (USD bn)	-46.0	-47.0	-60.0
Export (USD bn)	169.6	212.0	225.0
Imports (USD bn)	219.5	258.0	285.0

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

Turkish economy has expanded by 14% yoy in 1H21, thanks to the low base and the carry-over effect by the extensive monetary and fiscal stimulus last year. Growth momentum remains solid as of 3Q21 supported by vaccine rollouts, the unwinding of public health restrictions, and the reopening of the services sector. We expect Turkish economy to grow by % yoy in 2021, with the risks skewed to the upside.

Inflation outlook remains challenging amid higher input prices, the surge in domestic demand and strong inertia. Annual inflation climbed to 19% in July, yet is projected to gradually decelerate towards 17% by year-end 2021. The CBT has kept the policy rate unchanged at 19% since March 2021, and is expected to ease the policy stance slightly in 4Q21 in parallel to the projected deceleration in annual inflation.

12m rolling current account deficit has narrowed to 3.% of GDP as of June (based on our GDP forecast), from 5.1% of GDP by end-2020 owing to the strong revival in exports, the gradual recovery in tourism revenues and the sharp decline in gold imports. Tourism revenues have started to rise noticeably as of June, and expected to reach US\$20bn by YE21, up from US\$12bn by YE20, yet still below the US\$34bn revenue in 2019.

The major progress in vaccination helps to stabilize the number of Covid-19 cases at around 20K daily, which has accelerated in July after new variants. 50 million people have received at least one dose of vaccination as of early-September, corresponding to 58% of Turkish population versus World average of 40% and EU average of 65%.

Burgan Bank K.P.S.C.

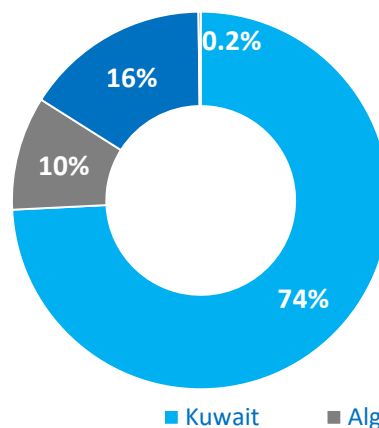
Sound and Consistent Financial Performance

- 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\$ 2.1 billion⁽¹⁾
- Has a strong domestic franchise with 14.2% 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⁾

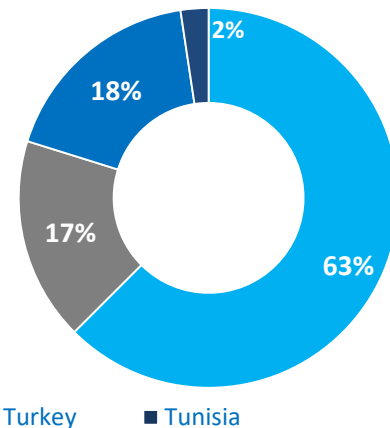
Ratings	Bank ⁽⁴⁾	Sovereign
Moody's	A3	A1
S&P	BBB+	A+
Fitch	A+	AA

Financial Performance	H1-2021
Revenue in US\$ million	371.4
Net Profit in US\$ million ⁽⁵⁾	79.6
Cost to Income Ratio	40.1%
Gross Loans to Cust. Deposits	102.8%
Liquidity Ratio ⁽⁶⁾	19.5%
NPA Ratio	3.8%
NPA net of Collateral Ratio	1.1%

Loans by Operations⁽³⁾



Revenues by Operations⁽³⁾



- International operations⁽³⁾ contributing 26% in Loans and 37% 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 30 June 2021 in Boursa Kuwait;
 (2) Market share as on 30 June 2021;
 (3) Excludes consol. adjt and BoB's contribution. BOB's exposure were classified as Held for Sale Investment;
 (4) Based on latest Rating Reports; Moody's: 4th February 2021; S&P : 26th July 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

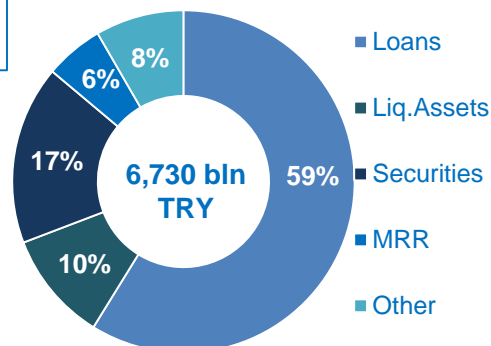
Operating Environment Turkish Banking Sector

Number of Banks: 55 (Including 6 Participation Banks)

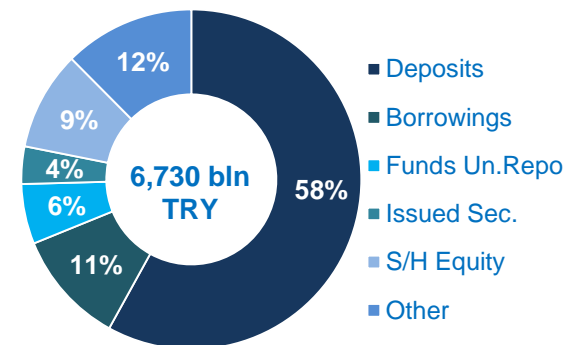
➤ Number of Depository Banks: 34

Growth (billionTRY)	Q22020	2020	Q22021	YTD
Total Assets	5,355	6,106	6,730	10.2%
Total Deposits	3,068	3,464	3,886	12.2%
Total Loans,net	3,324	3,617	3,958	9.4%
Net Profit	30.7	58.5	33.8	15.5%

Total Assets (blnTRY)



Total Liabilities

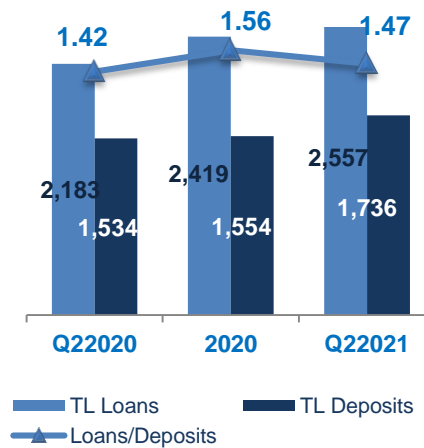


Key B/S Ratios(%)

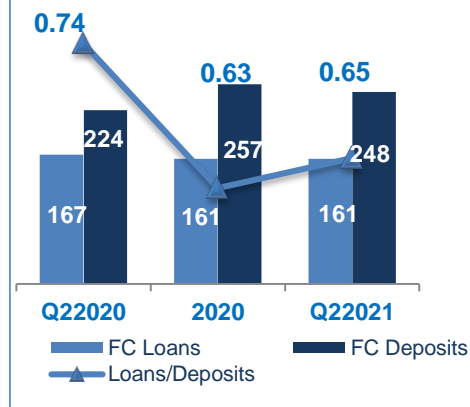
	Q22020	2020	Q22021
ROA	1.3%	1.1%	1.1%
ROE	12.0%	10.7%	11.1%
NPL	4.3%	4.0%	3.6%
CAR	19.5%	18.7%	17.7%
NIM	5.0%	4.5%	3.3%
Coverage	71.4%	74.9%	76.9%
Loan/Deposit	109.1%	105.7%	103.4%

Million TRY&USD

TL Loans & TL Deposits



FC Loans & FC Deposits – in USD

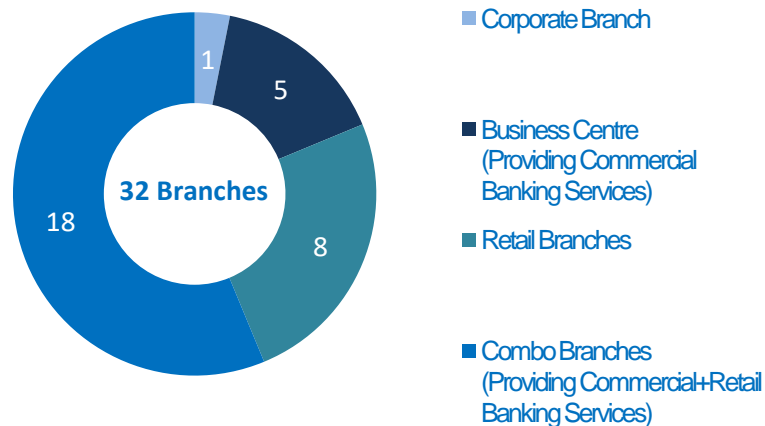


Source: BRSA

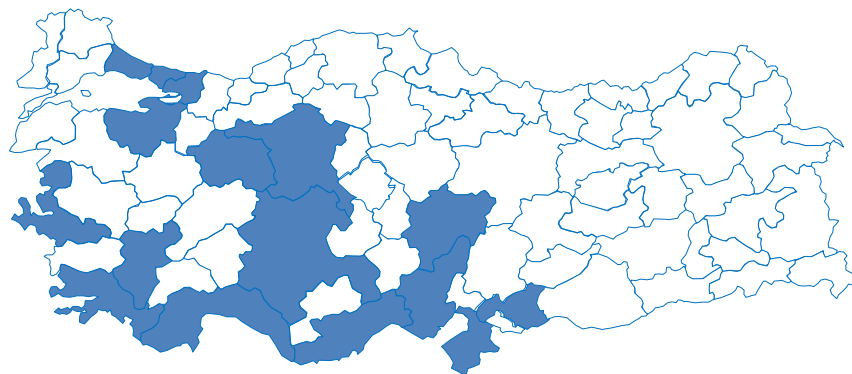
Burgan Bank A.Ş. At a Glance

- 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 (11.08.2021)**
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 7.0%. (banking sector : 10.2%)
- YTD the loan book(net) increased by 3.5%. (banking sector : 9.4%)

Funding

- Diversification of funding sources continued;
 - **USD 114mn** new funding generation from the international markets.
 - Sound customer deposit base, deposits account for 58% of total liabilities

Capital

- Well positioned Capital Base with a CAR of **18.7%**, Tier 1 Ratio of **10.4%** (all sub-debt from parent) and CTE1 Ratio of **8.57%**.
- In August, the subloan was renewed and the maturity was extended.

Profitability

- Net profit/(loss) is 76 million TRY.
73 million TRY higher than the same period of the previous year.

Others

- Continuous investment in Human Capital and Technology;
- As of May 1st, 2021 in accordance with the new regulation of the BRSA, all the Banks in Turkey will be allowed to acquire customer via video call. So as a part of digital transformation the new process has been designed, developed accordingly and has been launched on 4th of May 2021.
 - Success in digital channel customer acquisition

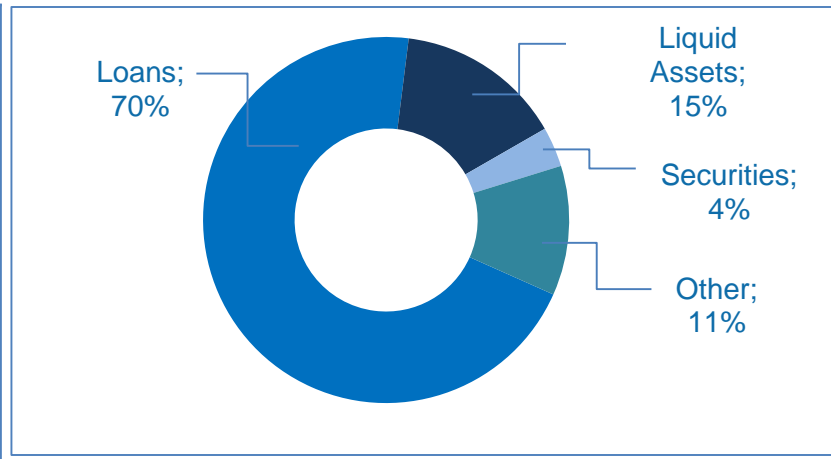
Performance Trends

Balance Sheet Growth

Balance Sheet (million TRY)

	Q22020	2020	Q22021	YTD	YOY
Total Assets	24,492	26,477	28,341	7.0%	15.7%
Loans(*)	17,729	19,275	19,945	3.5%	12.5%
Securities	915	1,010	1,001	-0.9%	9.3%
Deposits	12,308	13,847	16,454	18.8%	33.7%
Borrowings	6,405	6,659	5,292	-20.5%	-17.4%
Subordinated Loan(**)	2,068	2,229	2,171	-2.6%	5.0%
Shareholders' Equity	1,939	1,670	2,146	28.5%	10.7%

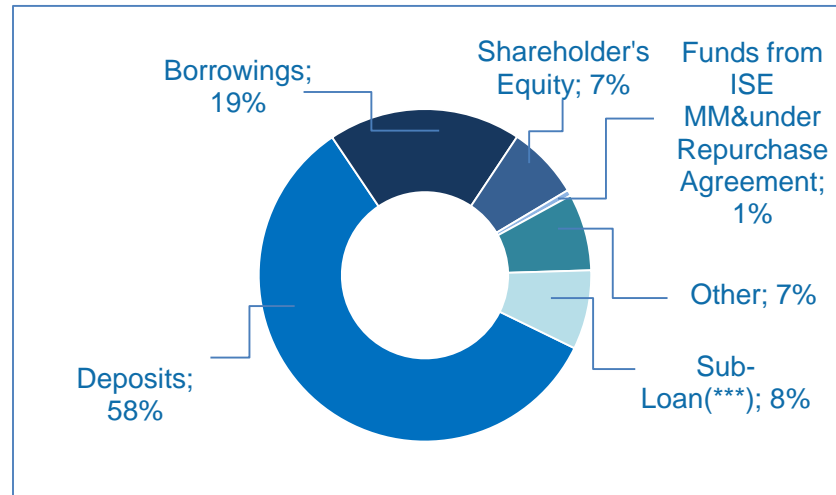
Total Assets – 30.06.2021



Balance Sheet Ratios

	Q22020	2020	Q22021
Loans / Assets	72%	73%	70%
Loans / Deposits	144%	139%	121%
Loans / Deposits (Bank only)	119%	116%	102%
Loans / Deposits(**)	98%	99%	93%
ROE	0%	-15%	8%

Total Liabilities – 30.06.2021



(*)Factoring and Leasing Receivables Included

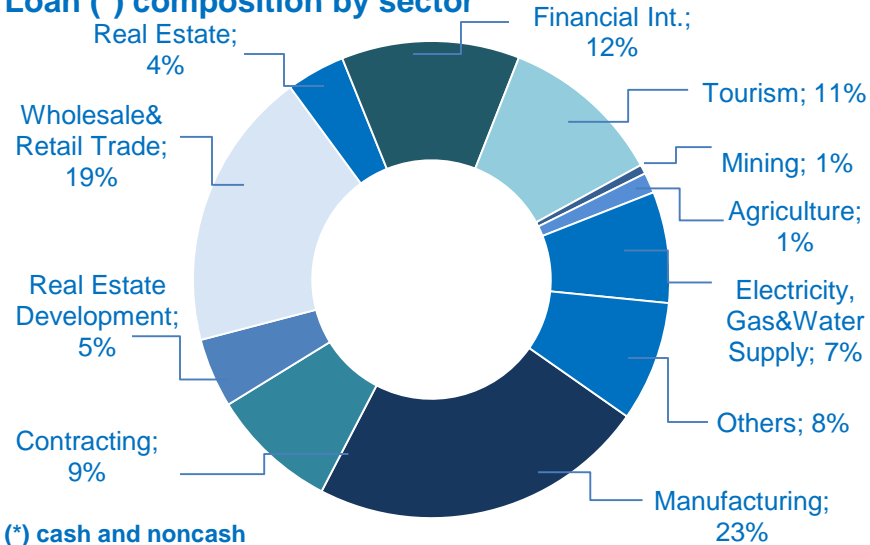
(**)Burgan Group borrowings and sub-loan included

(***)Burgan Group funding

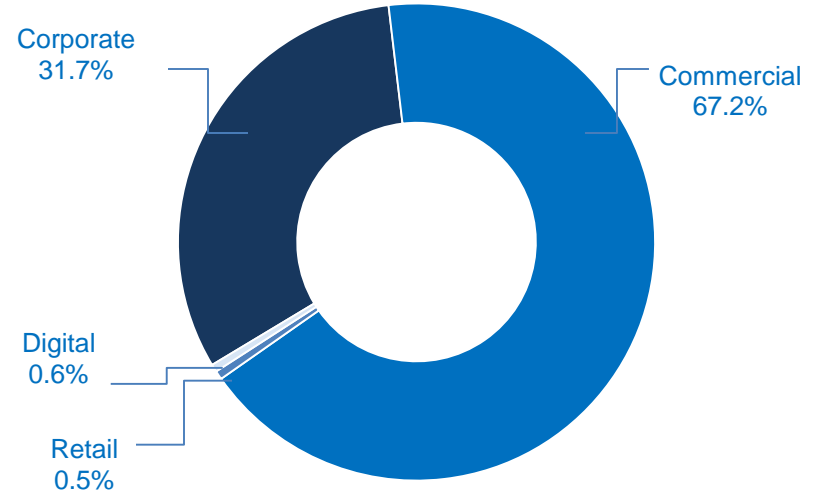
Loan Growth

Commercial and Corporate Loans – the biggest contributor

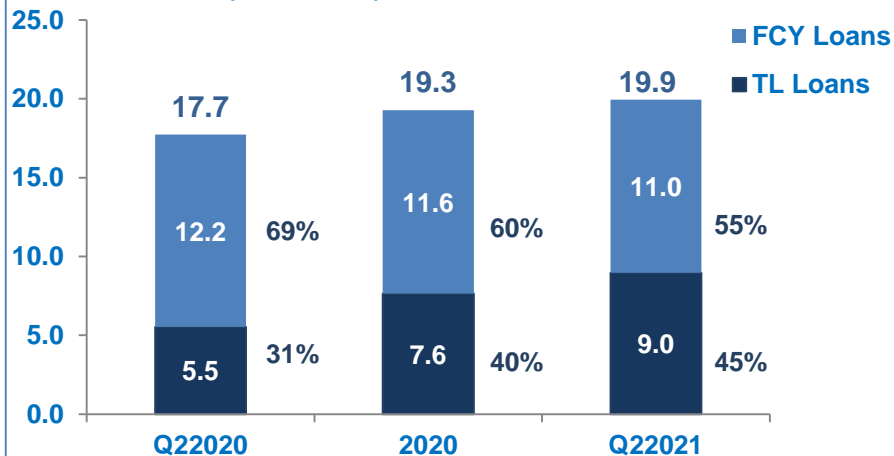
Loan (*) composition by sector



Loan composition by customer segment

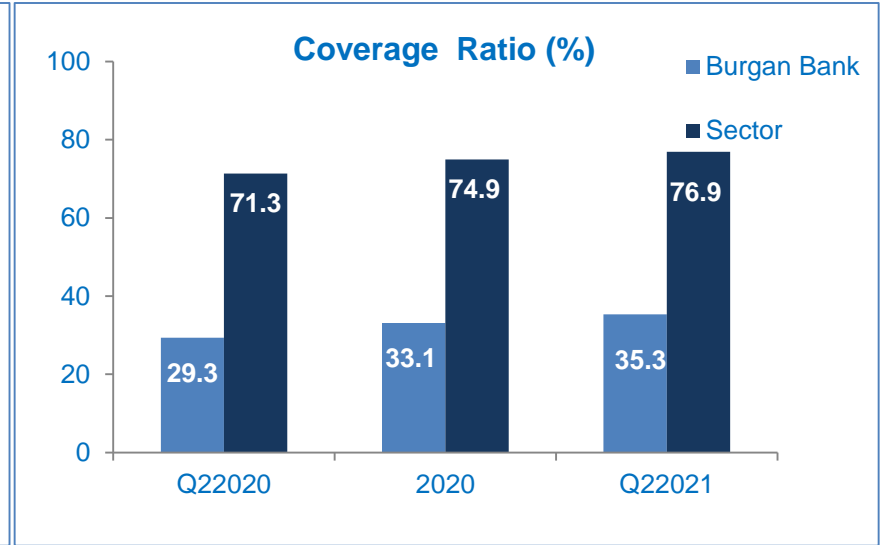
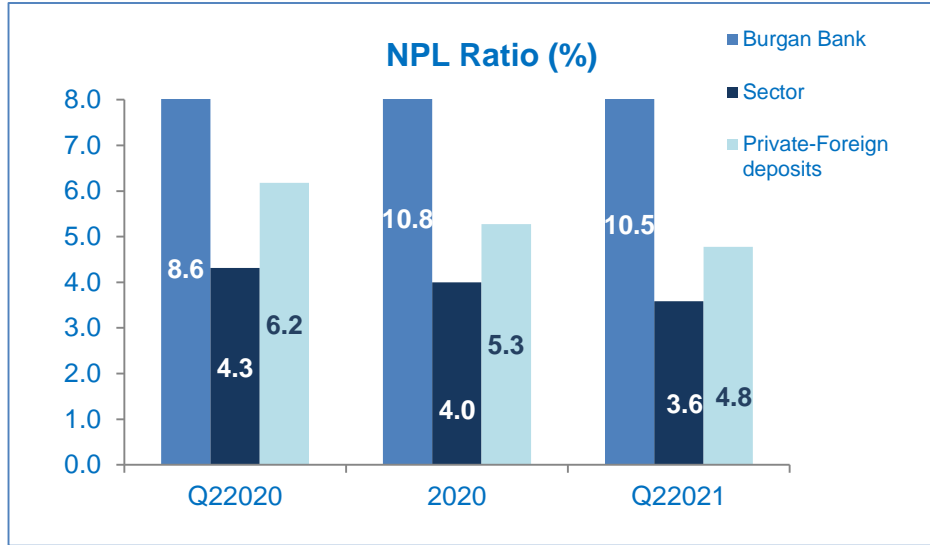


Loan Growth (billion TRY)



Asset Quality

NPL ratio



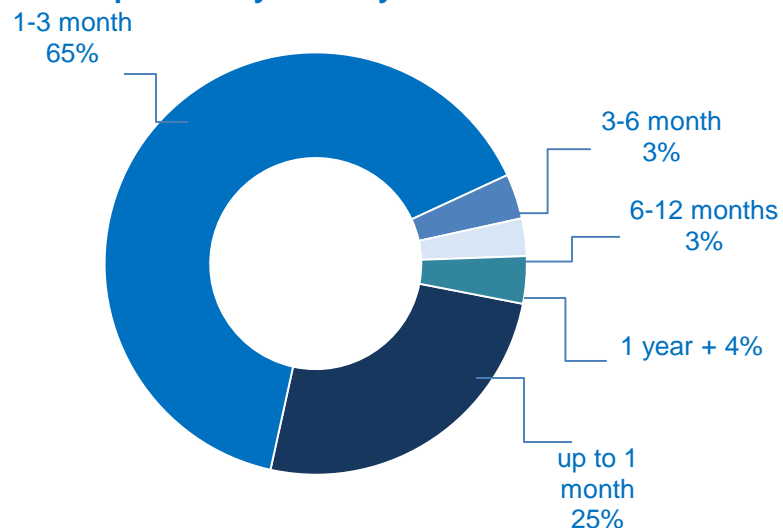
	Q22020	2020	Q22021
Gross Loans (million TRY)	18,932	20,803	21,780
NPL's (million TRY)	1,628	2,248	2,298
NPL Ratio	8.6%	10.8	10.5
NPL coverage	29.3%	33.1%	35.3%
Total coverage (*)	74.0%	68.0%	79.9%

- 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 88.4%.

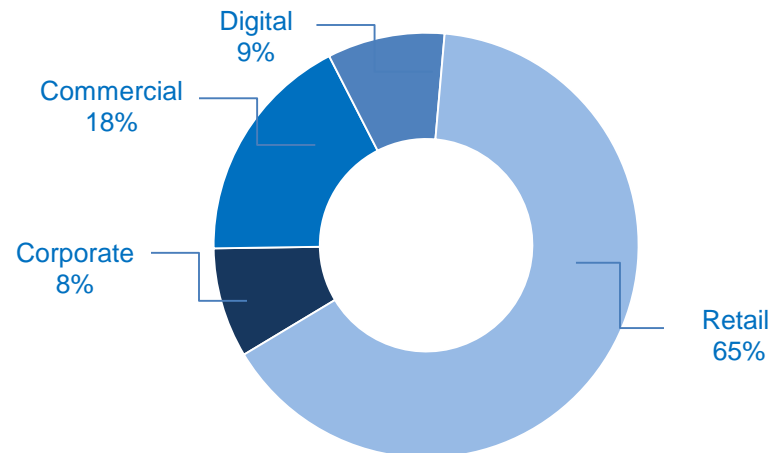
(*) Including stage1, stage2 and stage3 for cash loans provisions

Deposits are the Main Funding Source

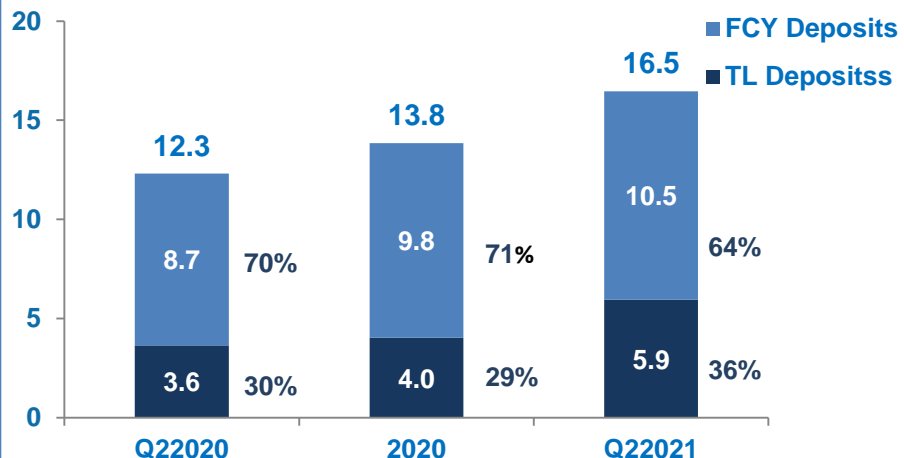
Deposit composition by maturity



Deposit composition by customer segment



Deposit Growth(billion TRY)



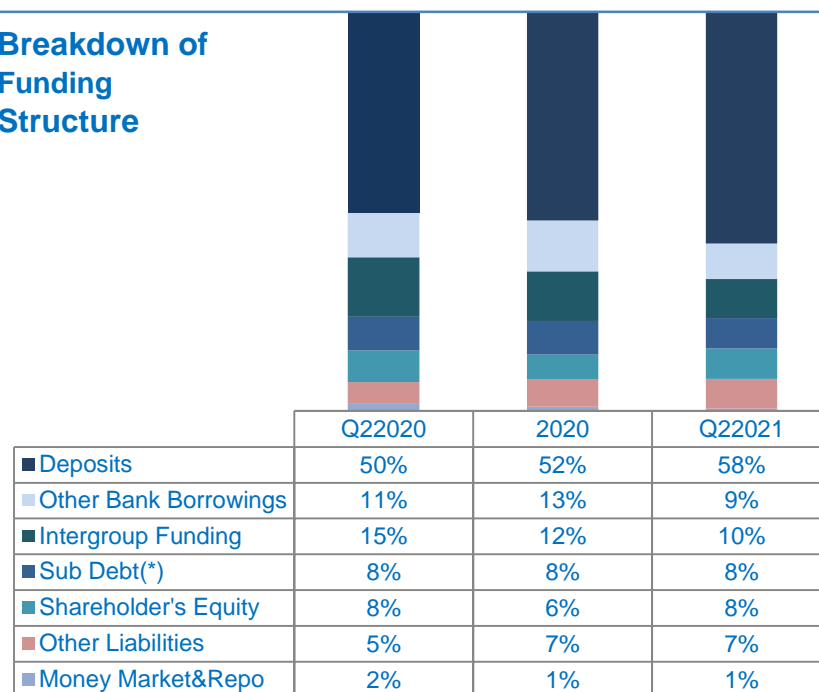
- **Retail deposits** continue to be the major contributor in the deposit composition.
- YTD total Deposits increased by **18.8%**(fx adjusted **8.5%**) Deposit growth in the Banking sector is **12.2%** (fx adjusted **4.8%**).
- **Digital banking deposits** contribution has been reached to **8.9%**.
- The Total of Top 20 deposits receives a share of **13.4 %** (2020-17.8%) out of Total Deposits.

Solid Funding Base with strong support from Parent

Funding structure (million TRY)

	Q22020	2020	Q22021	YTD	YOY
Deposits	12,308	13,847	16,454	18.8%	33.7%
Borrowings	6,405	6,659	5,292	-20.5%	-17.4%
Intergroup Funding	3,642	3,297	2,773	-15.9%	-23.9%
Other Bank Borrowings	2,717	3,284	2,450	-25.4%	-9.8%
Eximbank	46	77	70	-9.4%	51.9%
Sub Debt(*)	2,068	2,229	2,171	-2.6%	5.0%
Money Market&Repo	429	274	161	-41.0%	-62.4%
Other Liabilities	1,343	1,799	2,115	17.6%	57.5%
Shareholder's Equity	1,939	1,670	2,146	28.5%	10.7%

Breakdown of Funding Structure



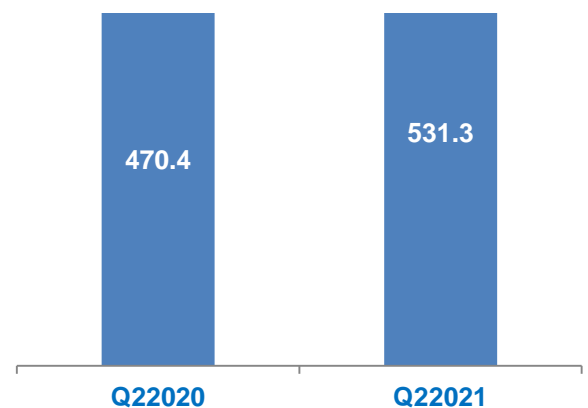
- Burgan Bank K.P.S.C. continues with a balance of **570 mio USD** in intergroup funding including sub-debt.
- Third party funding sources continues through strong cooperation with Correspondent Banks.

(*) Burgan group

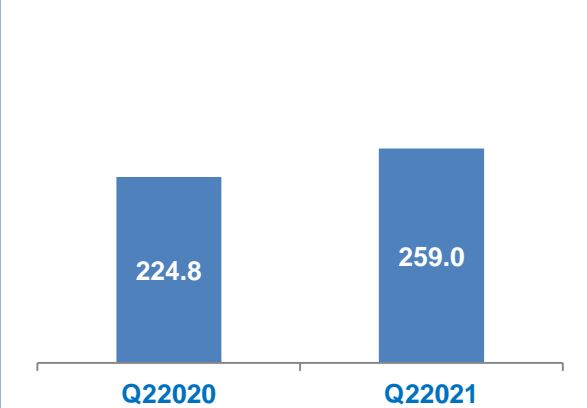
Total revenue and operating income increased with the high non interest income effect

(million TRY)	Q22020	Q22021	YOY
Total Interest Income	933	1,220	30.7%
Total Interest Expense	561	911	62.6%
Net Interest Income	373	308	-17.3%
Total Revenues	470	531	12.9%
Total Operating Expenses	246	272	10.9%
Operating Income	225	259	15.2%
Provision	221	173	-22.0%
Net Profit	3	76	2240.4%

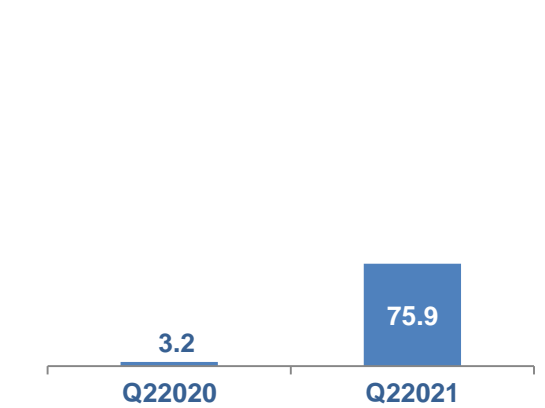
Revenues (million TRY)



Operating Income (million TRY)



Net Profit (million TRY)



Strong Capitalization

	Q22020	2020	Q22021
Shareholder's Equity (million TRY)	1,939	1,670	2,146
Capital Base Inc. Sub-Debt (million TRY)	3,825	3,712	4,518
CAR Ratio (%)	19.4	16.6	18.7
Tier 1 Ratio (%)	10.0	9.1	10.4

➤ 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

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

Contact Details

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Thank you

