



Burgan Bank A.Ş. Turkey (BBT)

**September 2022 Presentation
(BRSA Consolidated)**

Operating Environment

Macroeconomic Outlook – Turkiye

Ratings	Fitch	Moody's	S&P
Long Term FC Rating	B	B3	B
Outlook	Negative	Stable	Stable

Key Indicators	2021	2022	2023F(*)
Nominal GDP (USD bn)	807	808	867
Population (mn, mid-year)	84.1	85.1	86.1
GDP per capita (USD)	9,592	9,482	10,071
Real GDP (% change)	11.4	5.0	5.0
CPI Inflation (year-end)	36.1	65.0	24.9
Gen. Gov. Budget Bal. / GDP	-2.8	-3.4	-3.5
Gov. Debt / GDP	42.0	36.7	35.2
Current Account Bal. / GDP	-1.7	-5.9	-2.5
Forex Reserves (USD bn)	111.0	120.0	110.0
Trade Balance (USD bn)	-46.2	-105.0	-80
Export (USD bn)	225.2	255.0	265.0
Imports (USD bn)	271.4	360.0	345.0

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

Economic activity has lost momentum in 2H22. Industrial production growth has slowed down to 2% yoy in 3Q22, from 9% in 1H22. Yet, economic activity is still supported by relatively stronger private consumption. Retail sales keep expanding by 10% yoy as of September, backed by accommodative monetary policy. Based on the Medium-term Programme, Turkish economy is projected to grow by 5% in 2023 on the back higher private investment.

Monetary policy continues to be exceptionally accommodative. The Central Bank of Turkey cut the policy rate further to 9% in August-November 2022, from 14% in 1H22, despite rising inflation

Annual producer and consumer inflation rates surged to 158% and 86% in October, respectively. Based on the Medium-term Programme, consumer inflation is targeted to decline to 65% by end-2022 and 24.9% by end-2023.

Current account balance posted a deficit of US\$38bn in the first nine months of 2022, mainly driven by energy (US\$73bn) and gold (US\$12bn) imports, while tourism revenues contributed positively. Tourism revenues reached US\$35bn ytd, %15 higher than the revenues recorded in pre-pandemic period. CA deficit is projected to rise 5.9% of GDP by end-2022.

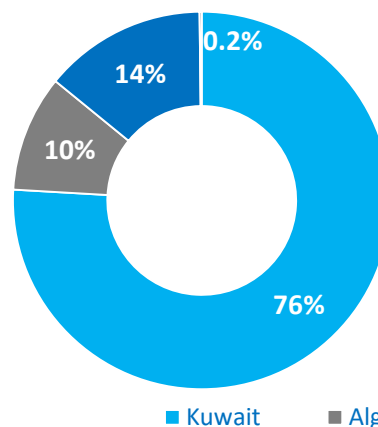
Turkish Lira has weakened by 40% against the USD and 34% against the currency basket since the beginning of the year, on top of 72% depreciation in 2021 and 30% depreciation in 2020.

- 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\$ 2.3 billion⁽¹⁾
- Has a strong domestic franchise with 13.2% 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⁾

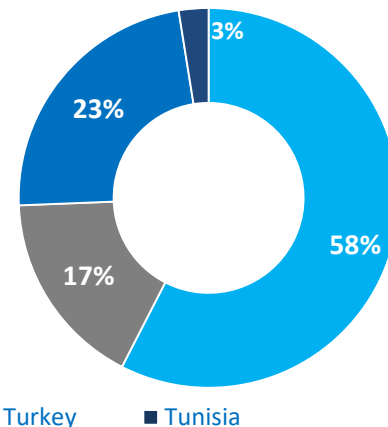
Ratings ⁽⁵⁾	Bank	Sovereign
Moody's	Baa1	A1
S&P	BBB+	A+
Fitch	A	AA-

Financial Performance	YTD 9M 2022
Revenue in US\$ million	542.5
Net Profit in US\$ million ⁽⁶⁾	134.8
Cost to Income Ratio	45.5%
Gross Loans to Cust. Deposits	113.3%
Liquidity Ratio ⁽⁷⁾	19.6%
NPA Ratio	2.4%
NPA net of Collateral Ratio	0.7%

Loans by Operations⁽⁴⁾



Revenues by Operations⁽⁴⁾



- International operations⁽³⁾ contributing 24% 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

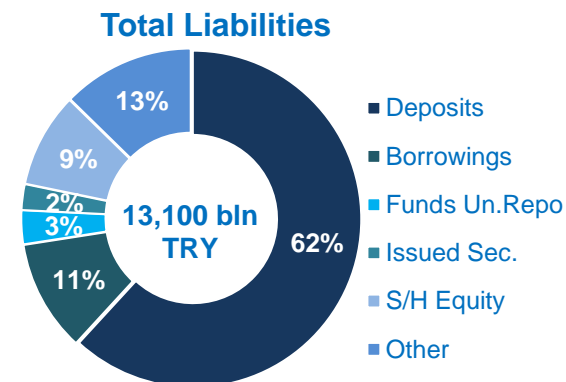
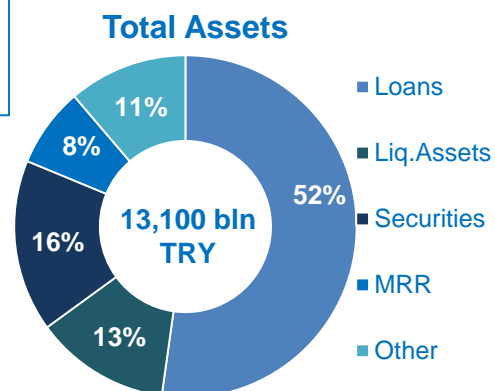
(1) Closing market capitalization on 28th Sept 2022 in Boursa Kuwait;
 (2) Market Share as on 30th Sept 2022;
 (3) BOB's exposure has been classified as Held for Sale investment;
 (4) Excludes consol. adjt and BoB's contribution;
 (5) Credit Ratings as on 30th Sept 2022;
 (6) Net Income attributed to equity holders;
 (7) 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: 57 (Including 6 Participation Banks)

➤ Number of Depository Banks: 35

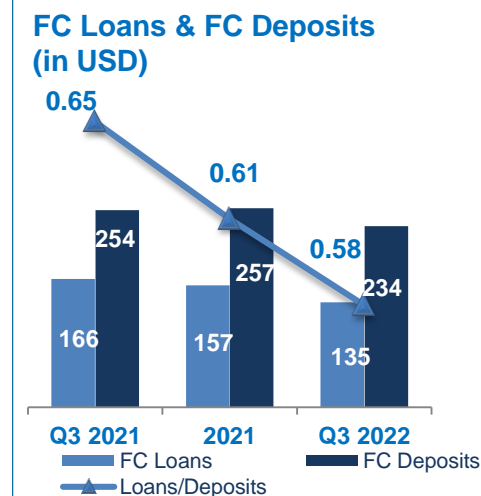
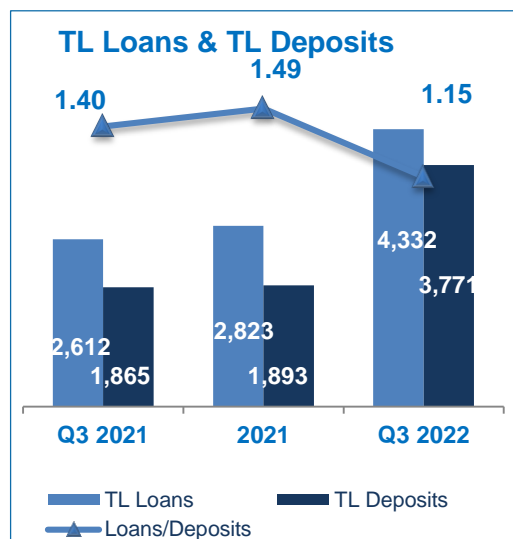
Growth (billionTRY)	Q3 2021	2021	Q3 2022	YTD
Total Assets	7,047	9,213	13,100	42.2%
Total Deposits	4,124	5,318	8,100	52.3%
Total Loans,net	4,082	4,921	6,841	39.0%
Net Profit	57.0	92.1	286.2	402.1%



Key B/S Ratios(%)

	Q32021	2021	Q32022
ROA	1.2%	1.3%	3.5%
ROE	12.2%	14.4%	40.0%
NPL	3.5%	3.1%	2.2%
CAR	17.3%	18.3%	18.8%
NIM	3.6%	4.2%	6.8%
Coverage	78.1%	79.7%	84.1%
Loan/Deposit	100.5%	94.4%	86.5%

Million TRY&USD

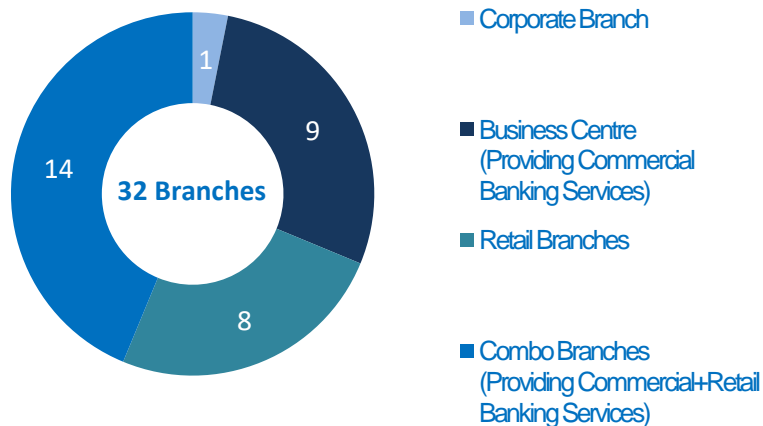


Source: BRSA

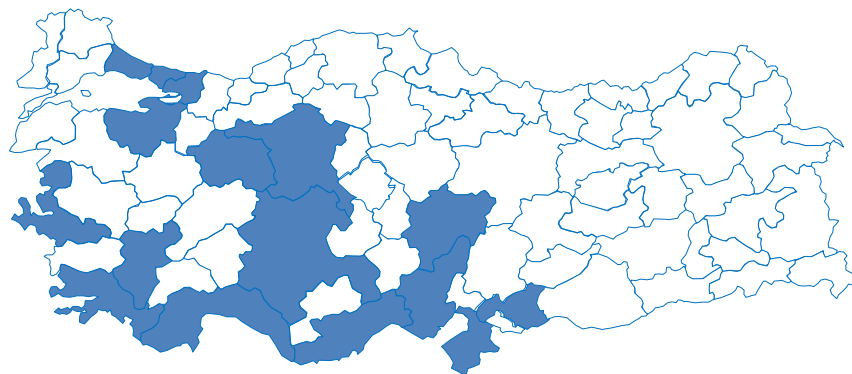
Burgan Bank A.Ş. At a Glance

- 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 (28.09.2022)**
Long Term Global Foreign Currency : B-
Outlook : Negative

Segment-wise Branch Distribution



- 32 Branches across 14 cities where 79% of loans&deposits of the whole sector are held.



2022 Achievements

Growth

- Healthy growth in loan book while maintaining focus on TL loans.
- Cautious and selective lending approach in FC loans.
- Diversified income base through building up securities portfolio.
- Benefit from high inflation through CPI linkers.
- Growth in retail and small ticket deposit through expanding customer base via Digital.
- Decreasing non-interest earning asset through liquidation of NPL and Debt Asset Swap.

Funding

- Diversification of funding sources continued;
 - **USD 88mn** new funding generation from the international markets.
 - Sound customer deposit base, deposits account for 60% of total liabilities
- Deposit volume increased by 47%.
- Retail and Digital deposits reached to 70% of total deposits.
- Number of digital customers reached to 265k.

Capital

- Well positioned Capital Base with a CAR of 19.7%, Tier 1 Ratio of 11.9% (all sub-debt from parent) and CET1 Ratio of 9.7%.

Profitability

- Net profit is 1.006 million TRY with 37% ROE
884 million TRY higher than the same period of the previous year.

Others

- Continuous investment in Human Capital and Technology;
- In Nov'22 ON reached 318K customers with %72 growth vs 2021 year end. Our customer digital channel penetration increased from 77% to 97%.

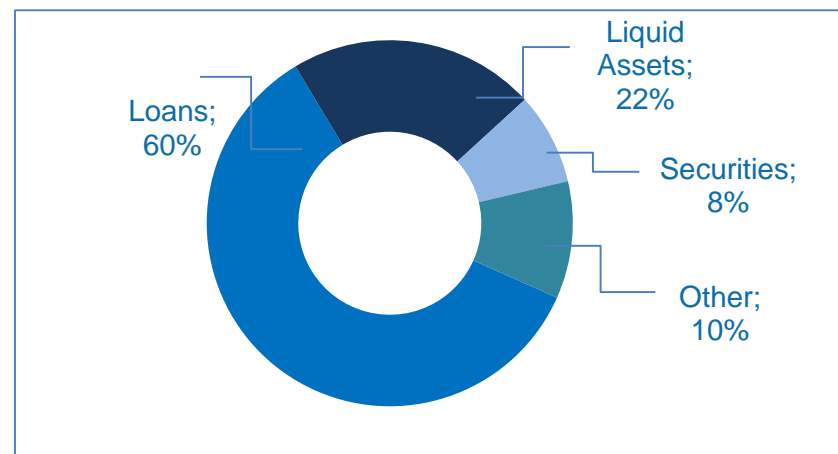
Performance Trends

Balance Sheet Growth

Balance Sheet (million TRY)

	Q32021	2021	Q32022	YTD	YOY
Total Assets	30,409	41,972	59,408	41.5%	95.4%
Loans(*)	20,323	27,770	35,508	27.9%	74.7%
Securities	1,250	1,843	4,758	158.2%	280.7%
Deposits	18,426	24,363	35,708	46.6%	93.8%
Borrowings	5,407	8,269	7,761	-6.2%	43.5%
Sub- Loan(**)	2,230	3,347	3,729	11.4%	67.3%
Shareholders' Equity	2,192	2,474	4,865	96.6%	122.0%

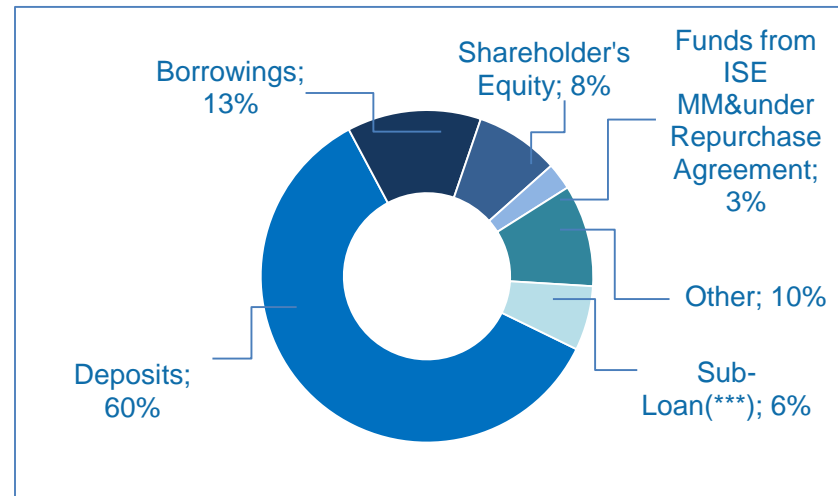
Total Assets – 30.09.2022



Balance Sheet Ratios

	Q32021	2021	Q32022
Loans / Assets	67%	66%	60%
Loans / Deposits	110%	114%	99%
Loans / Deposits (Bank only)	94%	97%	86%
Loans / Deposits(**)	87%	90%	80%
ROE	8%	15%	37%

Total Liabilities – 30.09.2022



(*)Factoring and Leasing Receivables Included

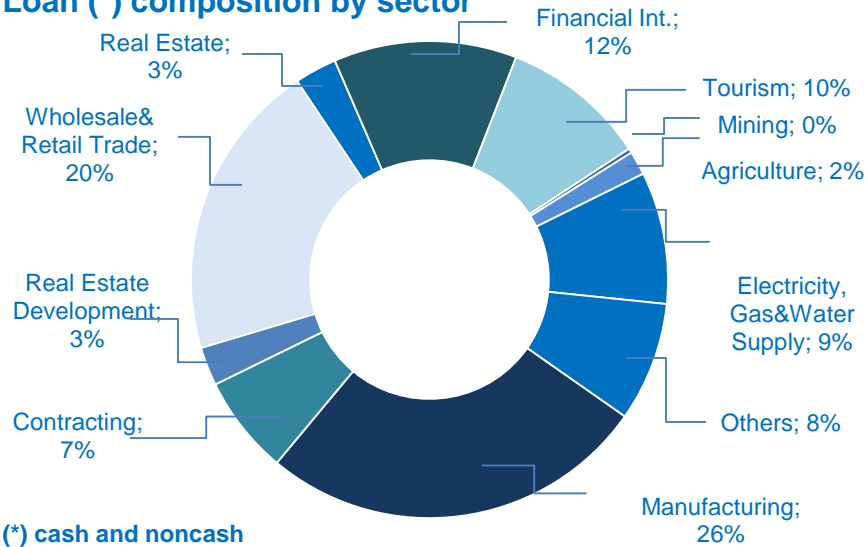
(**)Burgan Group borrowings and sub-loan included

(***)Burgan Group funding

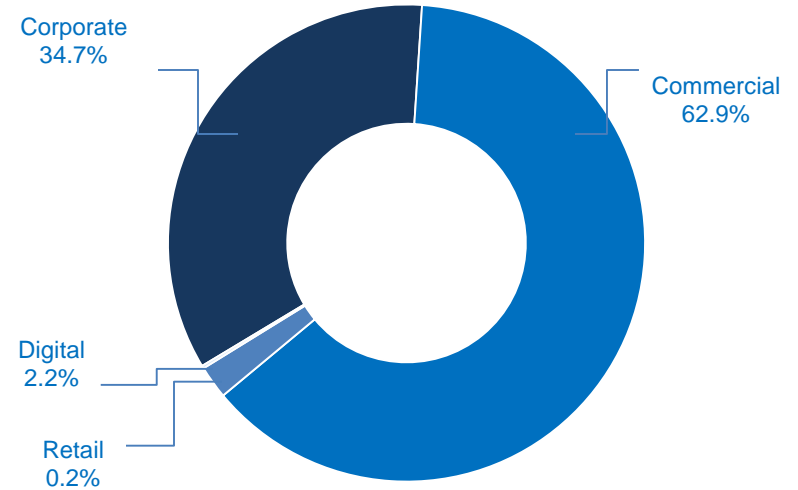
Loan Growth

Commercial and Corporate Loans – the biggest contributor

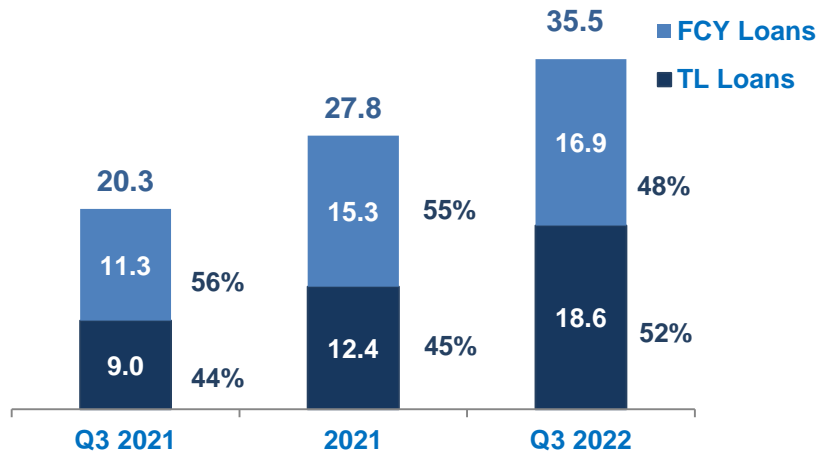
Loan (*) composition by sector



Loan composition by customer segment

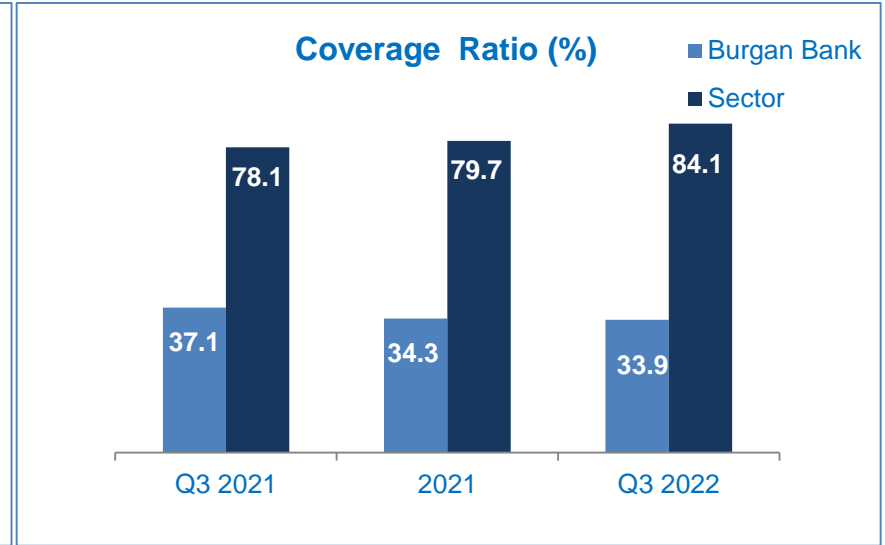
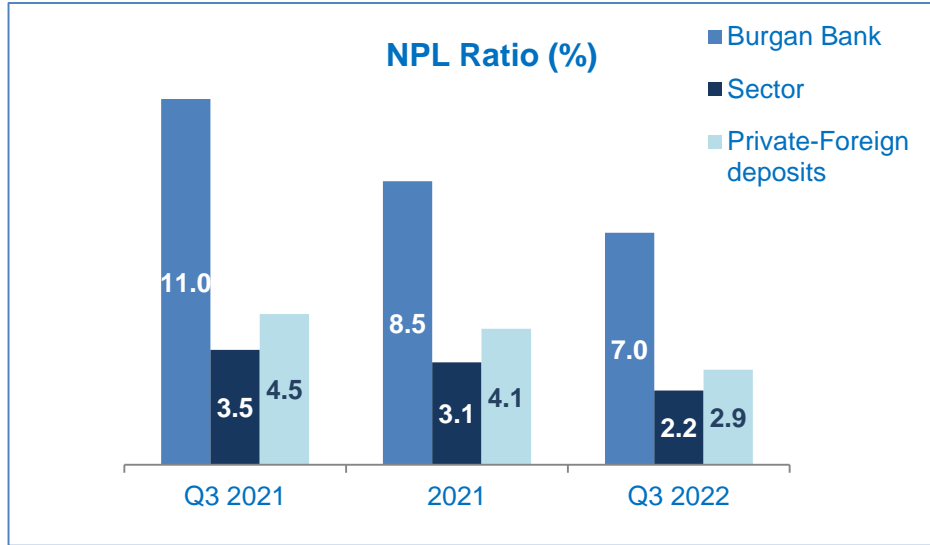


Loan Growth (billion TRY)



Asset Quality

NPL ratio



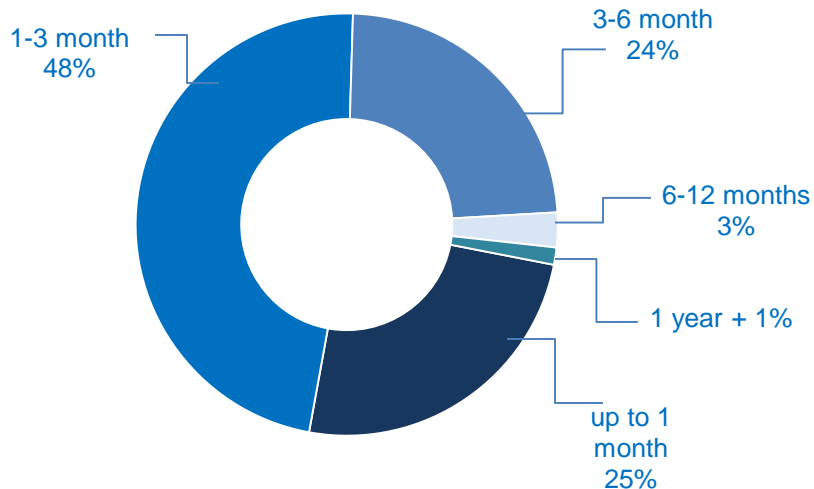
	Q32021	2021	Q32022
Gross Loans (million TRY)	22,190	30,165	37,930
NPL's (million TRY)	2,448	2,577	2,653
NPL Ratio	11.0%	8.5%	7.0%
NPL coverage	37.1%	34.3%	33.9%
Total coverage (*)	76.4%	93.0%	91.4%

- 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 252 million TRY free provision included, coverage ratio is 100.9%.

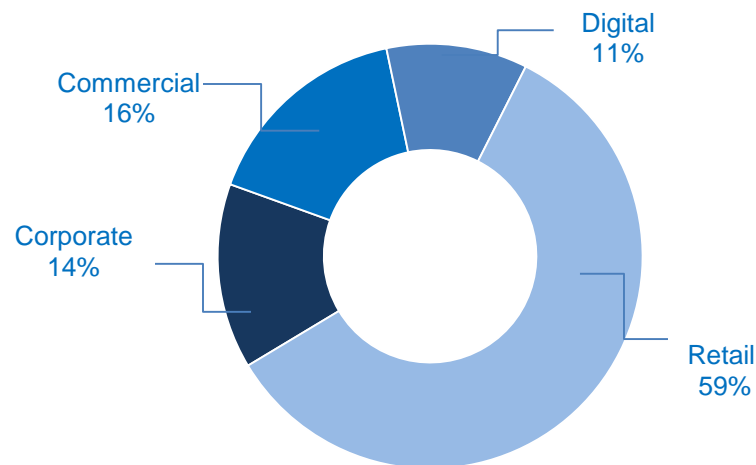
(*) Including stage1, stage2, stage3 for cash loans provisions and free provision.

Deposits are the Main Funding Source

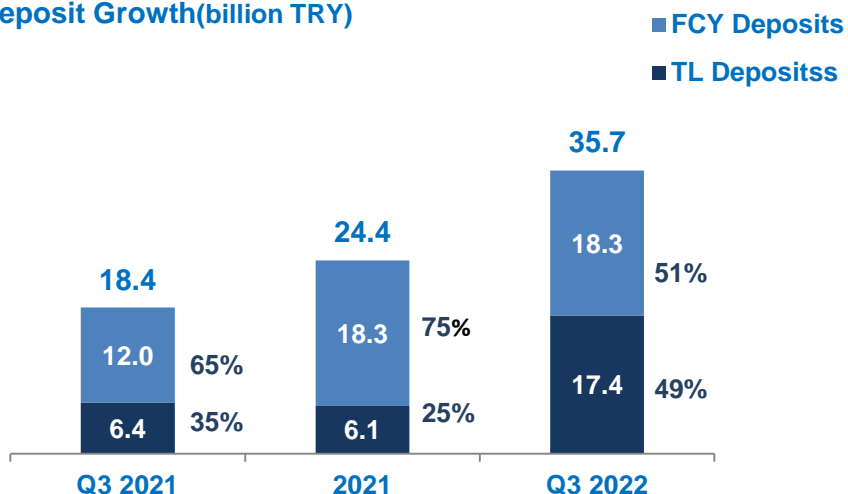
Deposit composition by maturity



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 **46.6%**(fx adjusted **28.1%**) Deposit growth in the Banking sector is **52.3%** (fx adjusted **29.5%**).
- **Digital banking deposits** contribution has reached to **10.7%**.
- The total of top 20 deposits receives a share of **17.3 %** (2021-23.5%) out of total deposits.

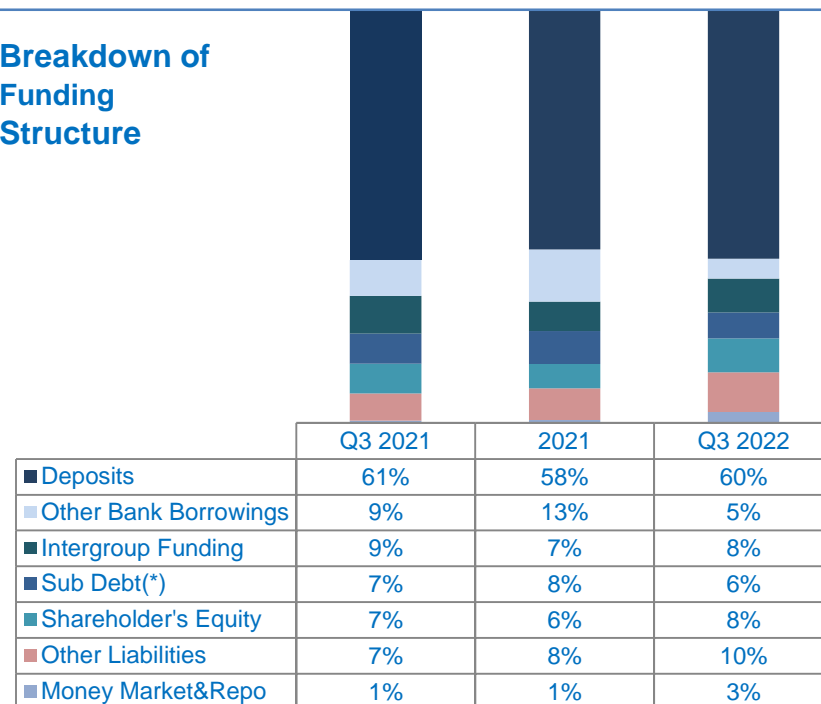
Solid Funding Base with strong support from Parent

Funding structure (million TRY)

	Q32021	2021	Q32022	YTD	YOY
Deposits	18,426	24,363	35,708	46.6%	93.8%
Borrowings	5,407	8,269	7,761	-6.2%	43.5%
Intergroup Funding	2,784	2,975	4,906	64.9%	76.2%
Other Bank Borrowings	2,571	5,284	2,843	-46.2%	10.5%
Eximbank	52	11	12	14.0%	-77.0%
Bond Issue	0	0	74	100.0%	100.0%
Sub Debt(*)	2,230	3,347	3,729	11.4%	67.3%
Money Market&Repo	167	273	1,561	472.2%	836.6%
Other Liabilities	1,988	3,245	5,709	75.9%	187.2%
Shareholder's Equity	2,192	2,474	4,865	96.6%	122.0%

(*) Burgan group

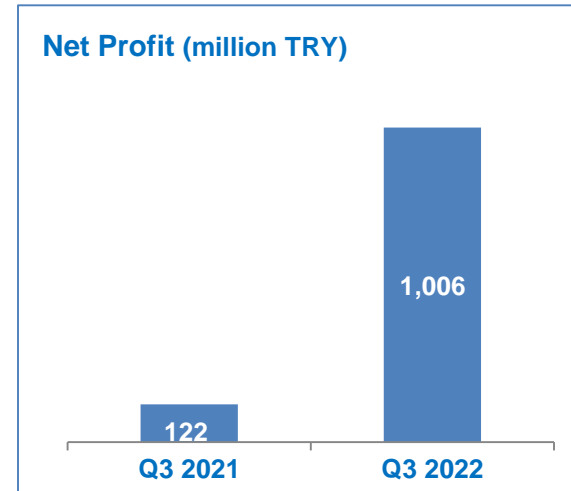
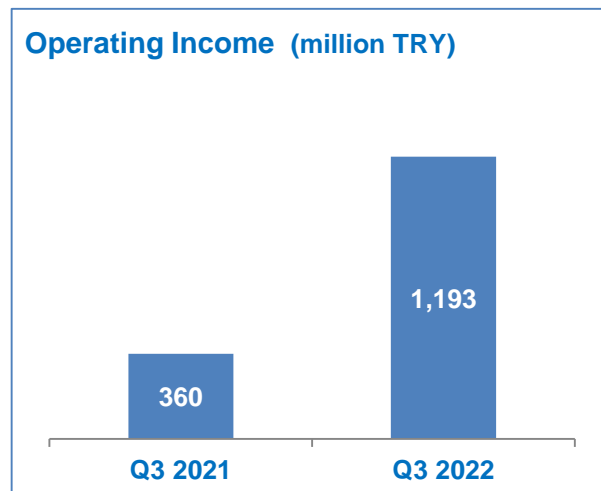
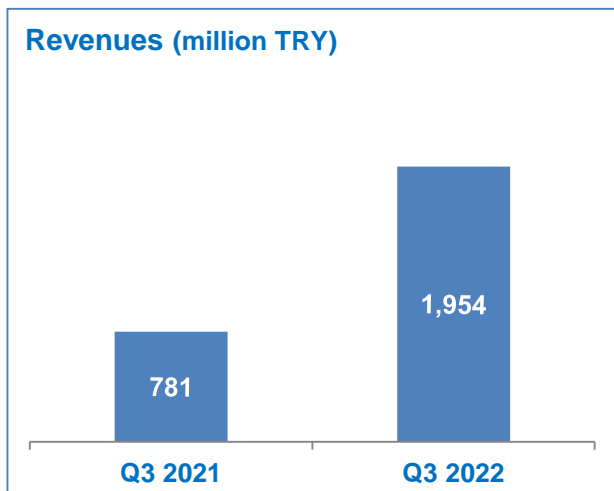
Breakdown of Funding Structure



- Burgan Bank K.P.S.C. continues with a balance of **466 mio USD** in intergroup funding including sub-debt.
- Third party funding sources continues through strong cooperation with Correspondent Banks.

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

(million TRY)	Q32021	Q32022	YOY
Total Interest Income	1,894	4,531	139.2%
Total Interest Expense	1,426	3,261	128.6%
Net Interest Income	468	1,271	171.3%
Total Revenues	781	1,954	150.4%
Total Operating Expenses	420	761	81.0%
Operating Income	360	1,193	231.4%
Provision	209	-167	-180.0%
Net Profit	122	1,006	726.8%



Strong Capitalization

	Q32021	2021	Q32022
Shareholder's Equity (million TRY)	2,192	2,474	4,865
Capital Base Inc. Sub-Debt (million TRY)	4,651	5,975	8,283
CAR Ratio (%)	18.7	20.9	19.7
Tier 1 Ratio (%)	10.4	10.4	11.9

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

Outlook for 2022

Growth

- Continue lending activity on selective base;
 - Focusing on collateralized loans
 - Decreasing concentration and increasing spreads
 - Increase in retail deposit 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

ESG

- As of August 2022, Burgan Bank started to work with Escarus Sustainability Consultancy in order to create our sustainability strategy, the determination of short, medium and long-term goals for what Burgan Bank would do in this area. The project also includes the establishment of the governance structure and the preparation of its trainings. As Burgan Bank, we started the project to establish a coherent mindset that provides integrated of our bank's strategy, supported by internal capacity, ensuring the continuity of the institution with profit and positive contribution, etc.

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Thank you

