



## **Burgan Bank A.Ş. Turkey (BBT)**

**December 2021 Presentation  
(BRSA Consolidated)**

# Operating Environment

## Macro Economic Outlook – Turkey

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

Key Indicators	2020	2021F(*)	2022F(*)
Nominal GDP (USD bn)	717	815	850
Population (mn, mid-year)	83.4	84.4	85.4
GDP per capita (USD)	8,599	9,700	8,200
Real GDP (% change)	1.8	10.5	3.5
CPI Inflation (year-end)	14.6	36.1	30.0
Gen. Gov.Budget Bal. / GDP	-3.4	-2.7	-4.0
Gov. Debt / GDP	39.8	40.0	42.0
Current Account Bal. / GDP	-5.1	-1.8	-1.0
Forex Reserves (USD bn)	93.2	111.0	115.0
Trade Balance (USD bn)	-49.9	-45.8	-45.0
Export (USD bn)	169.6	225.5	270.0
Imports (USD bn)	219.5	271.3	315.0

### Recent Developments

Turkish economy is estimated to expand by 10.5% in 2021, thanks to the low base, the carry-over effect by the extensive monetary and fiscal stimulus previous year, and the unwinding of pandemic restrictions. Growth momentum remains strong due to solid export performance and pulled-forward domestic demand. GDP is projected to converge towards 3.5% as of 2022.

Government adopts a new approach to economic policy as of September 2021. The policy is based on encouraging exports and production through weaker currency and low interest rates; and achieving price stability through eliminating current account deficit.

The CBT cut the policy rate to 14% in 4Q21, pushing the real rates deeply into the negative territory and triggering a sell-off in the currency. Turkish Lira has weakened by 72% against the currency basket in 2021, hitting new historical lows in real terms. On December 20, the government has introduced FX-protected TL instruments to attract TL savings, and stabilize the TRY.

Annual consumer and producer inflation rates soared to 20-years high of 48.7% and 93.5% as of January 2022, respectively. Consumer inflation is projected to climb further to 50-55% in the coming months, before decelerating towards 30% by end-2022.

Current account deficit narrowed to 1.8% of GDP in 2021, thanks to strong exports and revival in tourism revenues. Turkish exports rose 33% yoy in 2021, while imports increased 24% yoy.

(\*) Source: Burgan Bank Macroeconomic Research

# Burgan Bank K.P.S.C.

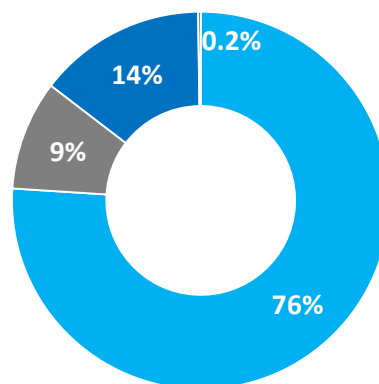
## Sound and Consistent Financial Performance

- 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\$ 2.6 billion<sup>(1)</sup>
- Has a strong domestic franchise with 14.3% market share<sup>(2)</sup> 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<sup>(3)</sup>

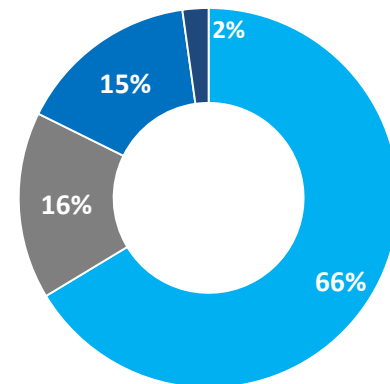
Ratings <sup>(4)</sup>	Bank	Sovereign
Moody's	Baa1	A1
S&P	BBB+	A+
Fitch <sup>(5)</sup>	A+	AA

Financial Performance	FY-2021
Revenue   in US\$ million	778.2
Net Profit   in US\$ million <sup>(6)</sup>	150.5
Cost to Income Ratio	40.4%
Gross Loans to Cust. Deposits	106.6%
Liquidity Ratio <sup>(7)</sup>	19.8%
NPA Ratio	1.6%
NPA net of Collateral Ratio	0.5%

Loans by Operations<sup>(3)</sup>



Revenues by Operations<sup>(3)</sup>



■ Kuwait ■ Algeria ■ Turkey ■ Tunisia

- International operations<sup>(3)</sup> contributing 24% in Loans and 34% 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<sup>th</sup> December 2021 in Boursa Kuwait;  
 (2) Market share as on 30<sup>th</sup> September 2021;  
 (3) Excludes consol. adjt and BoB's contribution. BOB's exposure were classified as Held for Sale Investment;  
 (4) As at 31<sup>st</sup> Dec 2021  
 (5) Fitch downgraded Kuwait's Sovereign ratings to "AA-" (Stable) from "AA" (Negative) on 27<sup>th</sup> Jan 2022 & consequently downgraded Burgan's rating to "A" (Stable) from "A+" (Negative) on 7<sup>th</sup> Feb 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

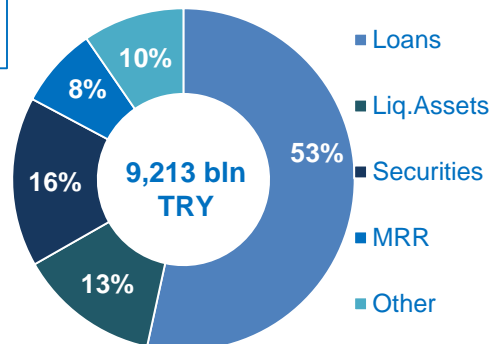
# Operating Environment Turkish Banking Sector

Number of Banks: 55 (Including 6 Participation Banks)

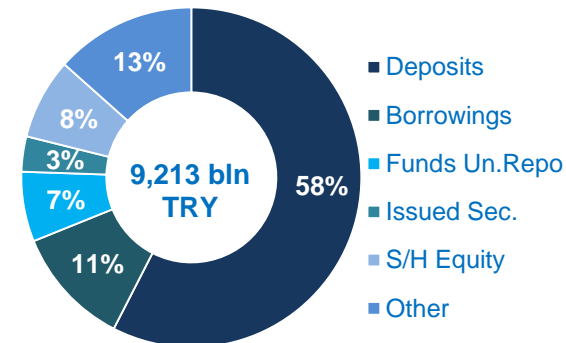
➤ Number of Depository Banks: 34

Growth (billionTRY)	2019	2020	2021	YTD
Total Assets	4,491	6,106	9,213	50.9%
Total Deposits	2,576	3,464	5,318	53.5%
Total Loans,net	2,739	3,617	4,921	36.1%
Net Profit	49.2	58.5	92.1	57.4%

### Total Assets



### Total Liabilities

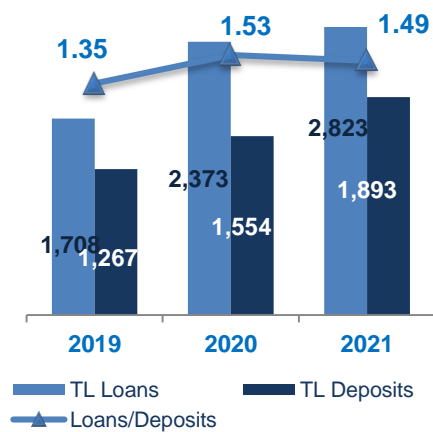


### Key B/S Ratios(%)

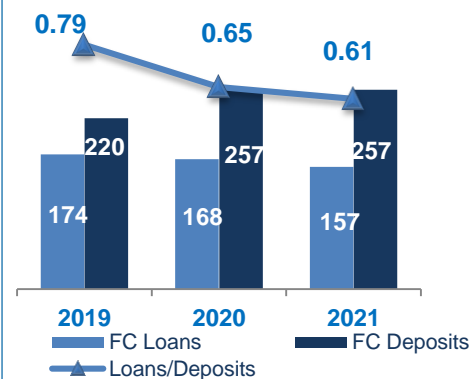
	2019	2020	2021
ROA	1.2%	1.1%	1.3%
ROE	10.9%	10.7%	14.4%
NPL	5.2%	4.0%	3.1%
CAR	18.4%	18.7%	18.3%
NIM	4.4%	4.5%	4.2%
Coverage	65.1%	74.9%	79.7%
Loan/Deposit	106.0%	105.7%	94.4%

### Million TRY&USD

#### TL Loans & TL Deposits



#### FC Loans & FC Deposits (in USD)

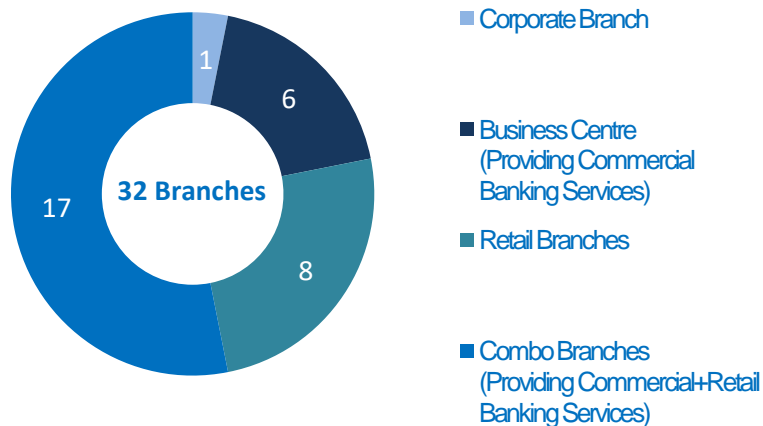


Source: BRSA

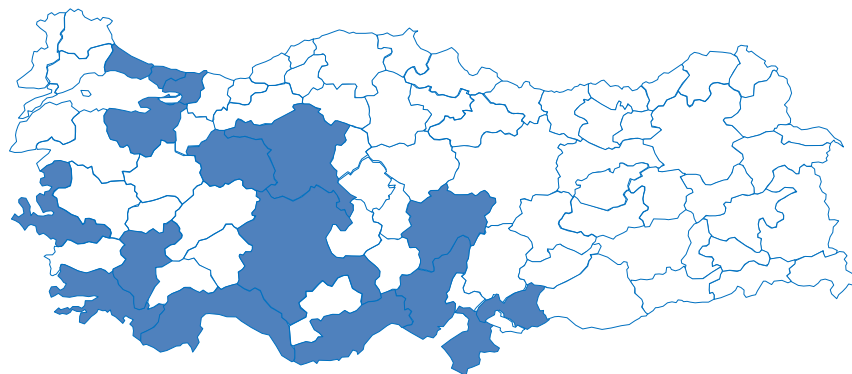
# Burgan Bank A.Ş. At a Glance

- 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 (24.01.2022)**  
Long Term Global Foreign Currency : B+  
Outlook : Negative

## 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 58.5%. (banking sector : 50.9%)
- YTD the loan book(net) increased by 44.1%. (banking sector : 36.1%)

## Funding

- Diversification of funding sources continued;
  - **USD 294mn** 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 **20.9%**, Tier 1 Ratio of **10.4%** (all sub-debt from parent) and CET1 Ratio of **8.1%**.
- In August, the subloan(200 million USD) was renewed and the maturity was extended to 2031.

## Profitability

- Net profit is 304.8 million TRY.  
572.2 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
  - The new digital brand «ON» was launched on 12.10.2021.

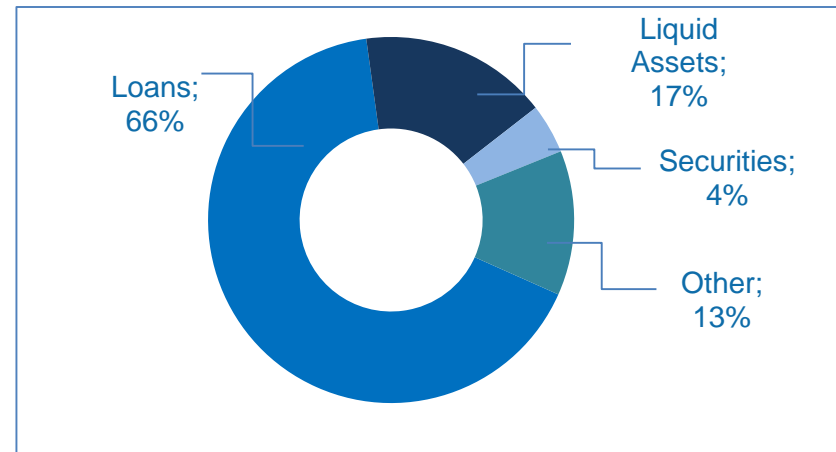
# Performance Trends

## Balance Sheet Growth

### Balance Sheet (million TRY)

	2019	2020	2021	YTD
Total Assets	21,547	26,477	41,972	58.5%
Loans(*)	15,911	19,275	27,770	44.1%
Securities	636	1,010	1,843	82.4%
Deposits	11,406	13,847	24,363	75.9%
Borrowings	5,050	6,659	8,269	24.2%
Sub- Loan(**)	1,798	2,229	3,347	50.2%
Shareholders' Equity	1,919	1,670	2,474	48.2%

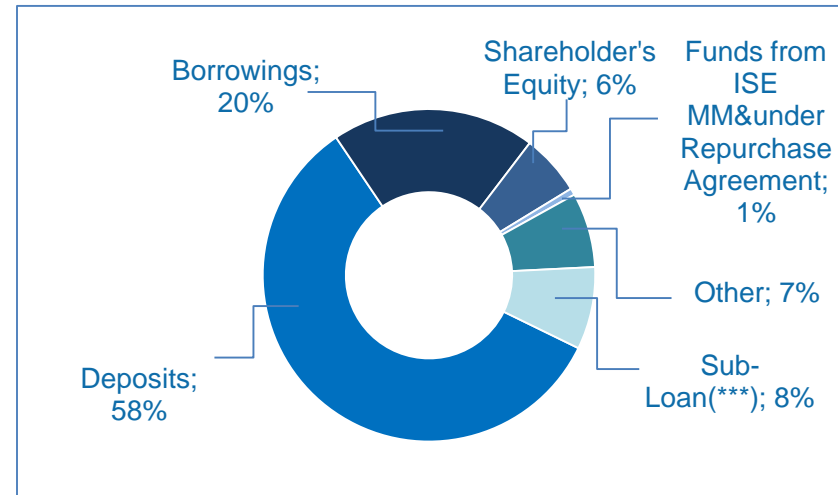
### Total Assets – 31.12.2021



### Balance Sheet Ratios

	2019	2020	2021
Loans / Assets	74%	73%	66%
Loans / Deposits	140%	139%	114%
Loans / Deposits (Bank only)	113%	116%	97%
Loans / Deposits(**)	96%	99%	90%
ROE	7%	-14%	15%

### Total Liabilities – 31.12.2021



(\*)Factoring and Leasing Receivables Included

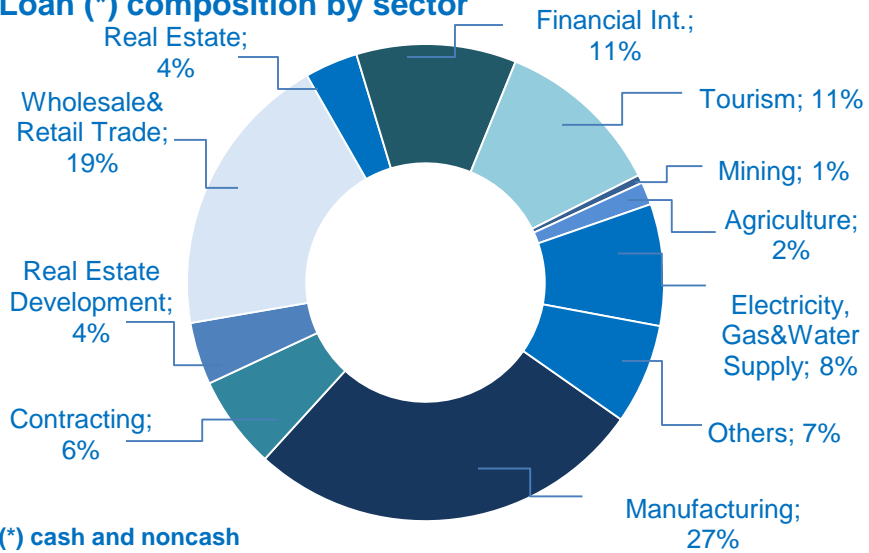
(\*\*)Burgan Group borrowings and sub-loan included

(\*\*\*)Burgan Group funding

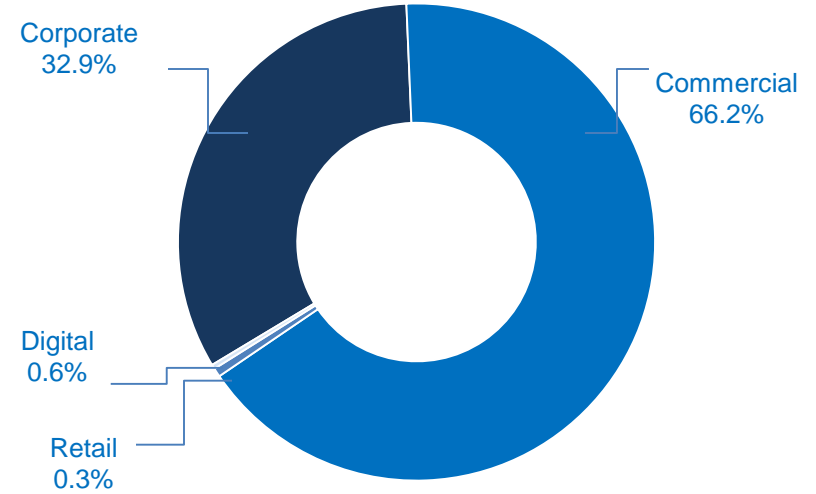
# Loan Growth

## Commercial and Corporate Loans – the biggest contributor

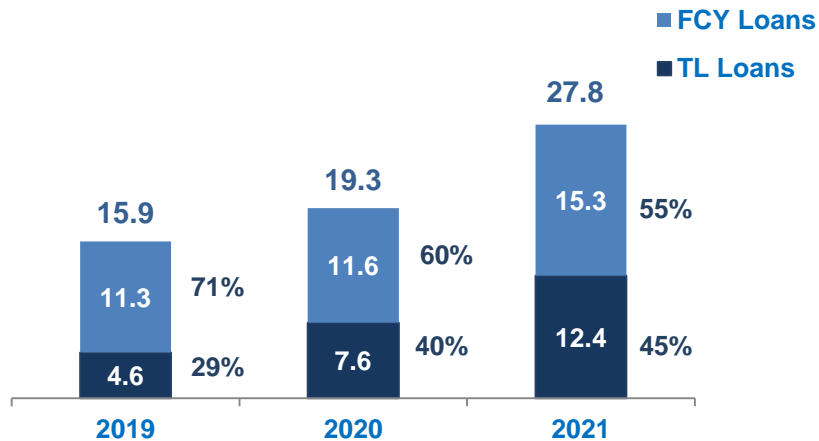
Loan (\*) composition by sector



Loan composition by customer segment



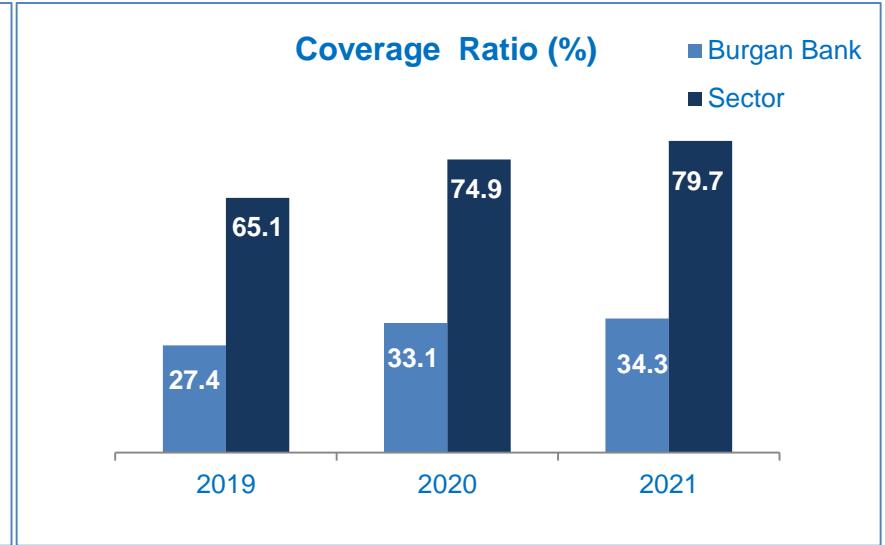
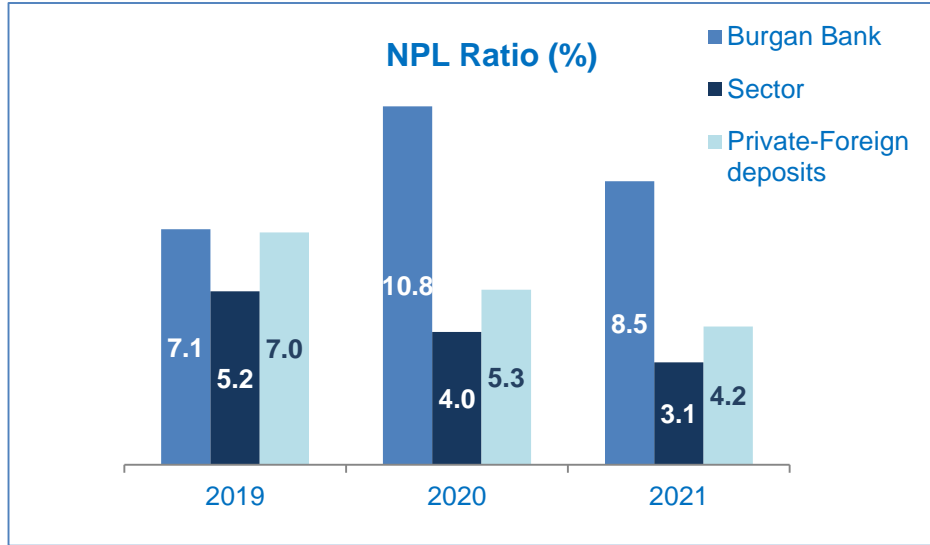
Loan Growth (billion TRY)





# Asset Quality

## NPL ratio



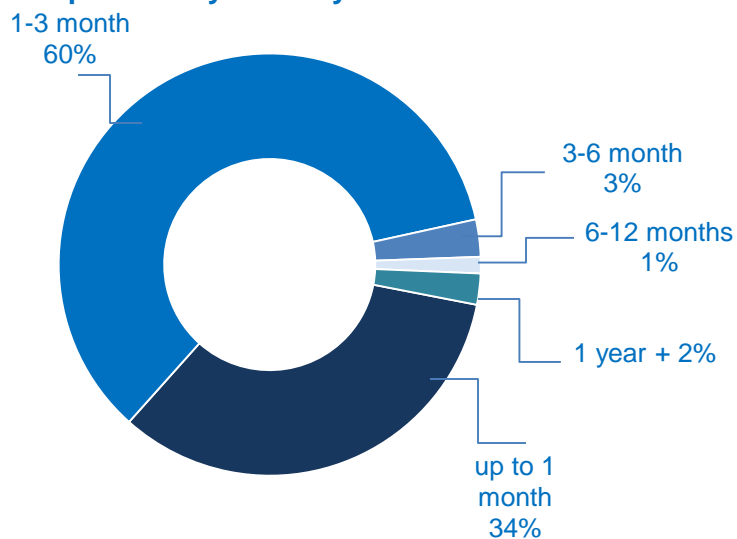
	2019	2020	2021
Gross Loans (million TRY)	16,807	20,803	30,165
NPL's (million TRY)	1,193	2,248	2,577
NPL Ratio	7.1%	10.8%	8.5%
NPL coverage	27.4%	33.1%	34.3%
Total coverage (*)	75.1%	68.0%	93.0%

- 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 135 million TRY free provision included, coverage ratio is 98.3%.

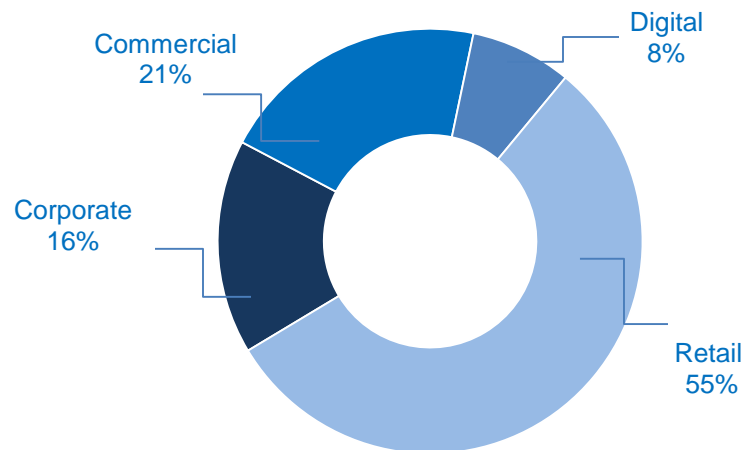
(\*) Including stage1, stage2 and stage3 for cash loans provisions

# Deposits are the Main Funding Source

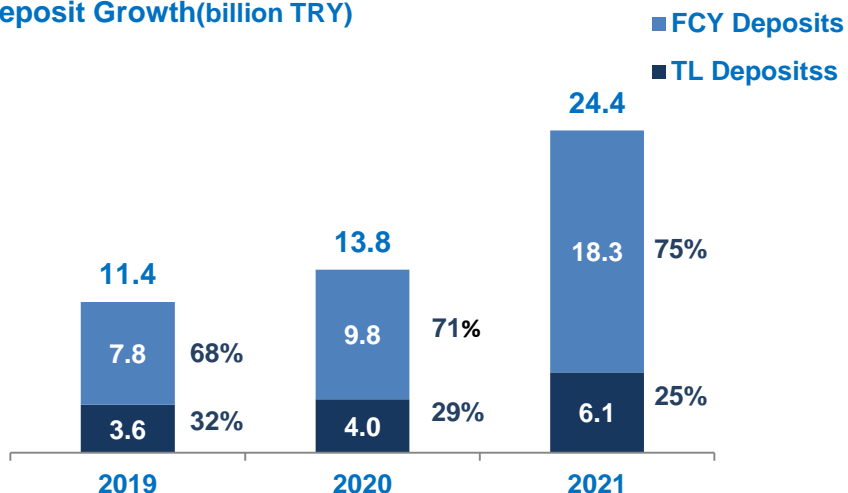
Deposit composition by maturity



Deposit composition by customer segment



Deposit Growth(billion TRY)



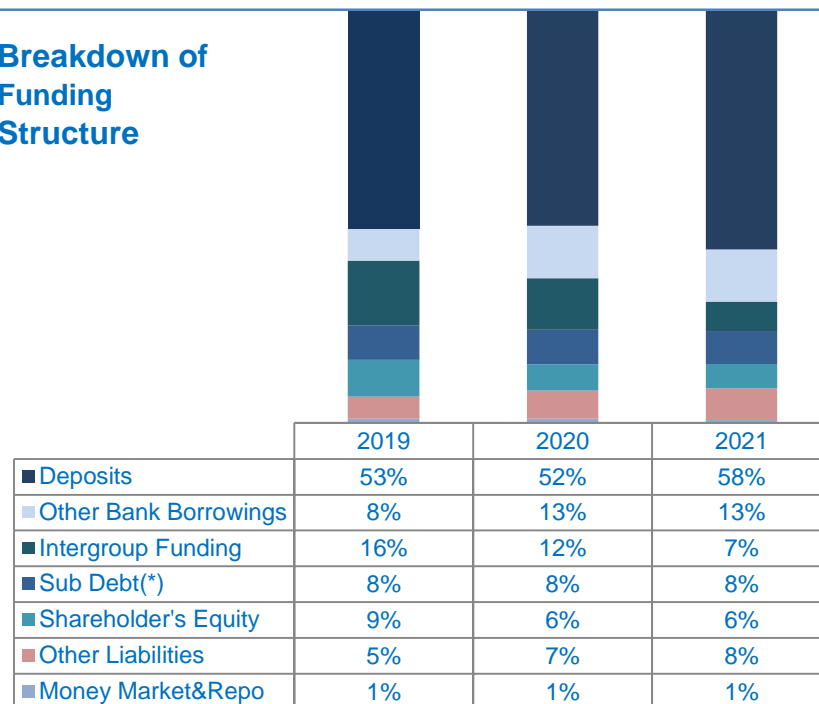
- **Retail deposits** continue to be the major contributor in the deposit composition.
- YTD total Deposits increased by **75.9%**(fx adjusted **18.7%**) Deposit growth in the Banking sector is **53.5%** (fx adjusted **10.9%**).
- **Digital banking deposits** contribution has reached to **8%**.
- The total of top 20 deposits receives a share of **23.5%** ( 2020-21.4%) out of total deposits.

# Solid Funding Base with strong support from Parent

## Funding structure (million TRY)

	2019	2020	2021	YTD
Deposits	11,406	13,847	24,363	75.9%
Borrowings	5,050	6,659	8,269	24.2%
Intergroup Funding	3,374	3,297	2,975	-9.8%
Other Bank Borrowings	1,628	3,284	5,284	60.9%
Eximbank	48	77	11	-86.3%
Sub Debt(*)	1,798	2,229	3,347	50.2%
Money Market&Repo	212	274	273	-0.3%
Other Liabilities	1,162	1,799	3,245	80.4%
Shareholder's Equity	1,919	1,670	2,474	48.2%

## Breakdown of Funding Structure



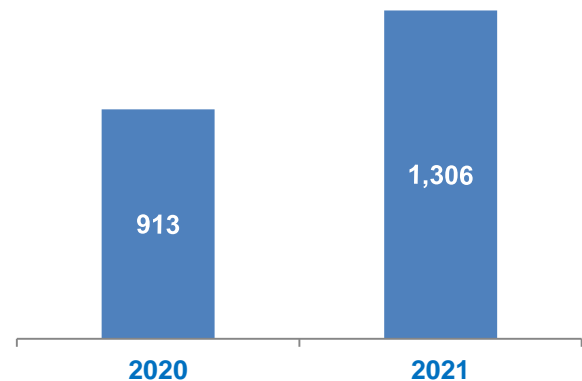
- Burgan Bank K.P.S.C. continues with a balance of **474 mio USD** in intergroup funding including sub-debt.
- Third party funding sources continues through strong cooperation with Correspondent Banks.

(\*) Burgan group

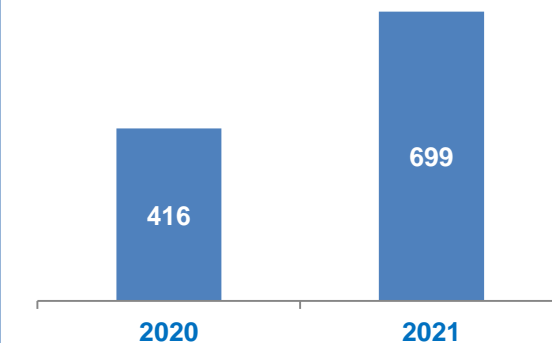
# Total revenue and operating income increased with the high non interest income effect

(million TRY)	2020	2021	YOY
Total Interest Income	1,900	2,761	45.3%
Total Interest Expense	1,198	2,017	68.4%
Net Interest Income	702	743	5.8%
Total Revenues	913	1,300	42.4%
Total Operating Expenses	496	608	22.6%
Operating Income	416	692	66.1%
Provision	701	309	-55.9%
Net Profit	-267	305	214.0%

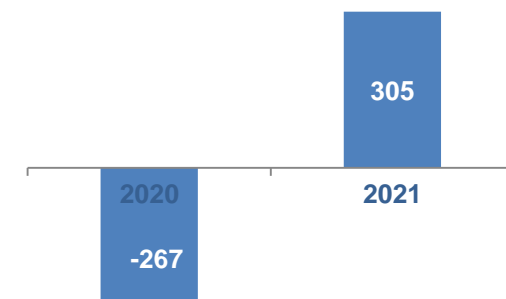
Revenues (million TRY)



Operating Income (million TRY)



Net Profit (million TRY)



# Strong Capitalization

	2019	2020	2021
Shareholder's Equity (million TRY)	1,919	1,670	2,474
Capital Base Inc. Sub-Debt (million TRY)	3,622	3,712	5,975
CAR Ratio (%)	18.9	16.6	20.9
Tier 1 Ratio (%)	10.3	9.1	10.4

- CAR and Tier 1 ratios consistently well above minimum requirements of 12% and 8.5%, respectively.
- In Q1 2021, a sub-loan of USD 50 million was converted into perpetual ("0" interest) and TRY 355 million was realized as capital injection.

# Outlook for 2022

## 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

Treasury, Capital Markets and Financial Institutions Group  
Mr. Arda Türerer  
Head of Treasury, Capital Markets and Financial Institutions  
+90 212 371 36 42  
aturerer@burgan.com.tr

## Financial Institutions

Ms. Şehnaz Günay, Head of FI  
+90 212 371 37 40  
sgunay@burgan.com.tr

Ms. Ezgi Yıldırım, Unit Manager  
+90 212 371 37 42  
eyildirim@burgan.com.tr

## Treasury & Capital Markets

Mr. Bilge Gönen, Head of FX Desk  
+90 212 371 36 76  
bgonen@burgan.com.tr

## Budget Planning and Financial Control

Mr. Ahmet Özkan, Head of FC  
+90 212 371 34 78  
AOzkan2@burgan.com.tr

Ms. Gamze Arslan, Unit Manager  
+90 212 371 34 77  
garslan@burgan.com.tr

Maslak Mahallesi, Eski Büyükdere Caddesi No:13  
34485 Sarıyer İstanbul – Turkey  
Swift: TEKFTRIS  
Reuters: BRGN  
www.burgan.com.tr

**Thank you**

