



## **Burgan Bank A.Ş. Turkey (BBT)**

**March 2022 Presentation  
(BRSA Consolidated)**

# Operating Environment

## Macro Economic Outlook – Turkey

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

Key Indicators	2020	2021	2022F(*)
Nominal GDP (USD bn)	717	803	760
Population (mn, mid-year)	83.4	84.4	85.4
GDP per capita (USD)	8,599	9,539	9,000
Real GDP (% change)	1.8	11.0	3.0
CPI Inflation (year-end)	14.6	36.1	48.0
Gen. Gov. Budget Bal. / GDP	-3.4	-2.7	-4.5
Gov. Debt / GDP	39.8	42.0	45.0
Current Account Bal. / GDP	-5.1	-1.9	-5.0
Forex Reserves (USD bn)	93.2	111.0	95.0
Trade Balance (USD bn)	-49.9	-45.8	-65.0
Export (USD bn)	169.6	225.5	265.0
Imports (USD bn)	219.5	271.3	330.0

(\*) Source: Burgan Bank Macroeconomic Research

### Recent Developments

After posting 11% growth in 2021, Turkish economy is expected to slow down towards 3% in 2022 on the back of the direct & indirect impact of Russia-Ukraine war and tighter global financial conditions. Industrial output growth has been solid in 1Q22, supported by the accommodative monetary stance, though leading indicators signal a weaker outlook in 2Q. Retail sales has been relatively slower in 1Q22 on the back of rapidly rising prices.

C/A deficit more than doubled to US\$18bn in 1Q22, mainly driven by energy imports of US\$25bn. C/A deficit is projected to exceed 5.0% of GDP in 2022, up from 1.7% in 2021.

Monetary policy continues to be exceptionally accommodative. The Central Bank of Turkey maintains the policy rate at 14% since September 2011 as consumer inflation climbs from 19.5% to 70%.

The government employs a 'Liraization' strategy through the 'FX-protected Deposit Scheme' in a bid to stabilize the currency. 'FX-protected deposits' reached TRL819bn in May, corresponding 30% of TL deposits and 13% of total deposits.

Turkish Lira has weakened by 20% against the USD and 14% against the currency basket in the first five months of 2022, on top of 72% depreciation in 2021 and 30% depreciation in 2020.

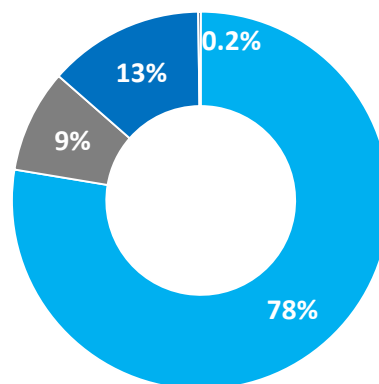
Annual consumer and producer inflation jumped to 70% in May (from 36.% by YE21) and 122% in April (from 80% by YE21. Sharp rise in commodity prices in 1Q22, particularly energy and food, have added pressure on the already-deteriorated inflation outlook.

- 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\$ 3.0 billion<sup>(1)</sup>
- Has a strong domestic franchise with 14.7% 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>

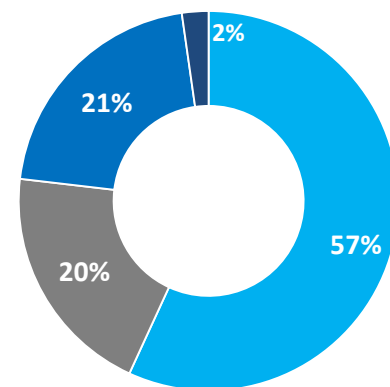
Ratings <sup>(4)</sup>	Bank	Sovereign
Moody's	Baa1	A1
S&P	BBB+	A+
Fitch	A	AA-

Financial Performance	Q1-2022
Revenue   in US\$ million	173.4
Net Profit   in US\$ million <sup>(5)</sup>	40.0
Cost to Income Ratio	42.6%
Gross Loans to Cust. Deposits	101.4%
Liquidity Ratio <sup>(6)</sup>	22.8%
NPA Ratio	2.3%
NPA net of Collateral Ratio	0.6%

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



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



■ Kuwait ■ Algeria ■ Turkey ■ Tunisia

- International operations<sup>(3)</sup> contributing 22% 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

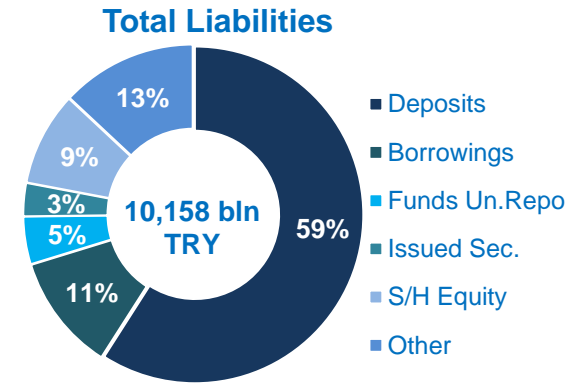
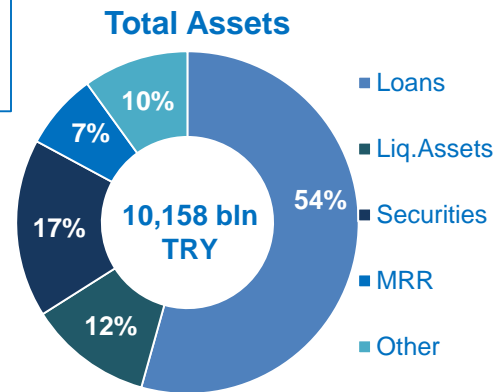
(1) Closing market capitalization on 31<sup>st</sup> March 2022 in Bursa Kuwait;  
 (2) Market share as on 31<sup>st</sup> March 2022;  
 (3) Excludes consol. adjt and BoB's contribution. BOB's exposure were classified as Held for Sale Investment;  
 (4) As at 31<sup>st</sup> March 2022  
 (5) Net Income 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: 57 (Including 6 Participation Banks)

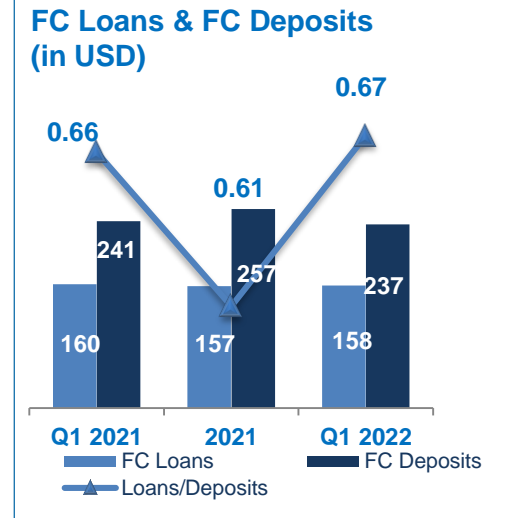
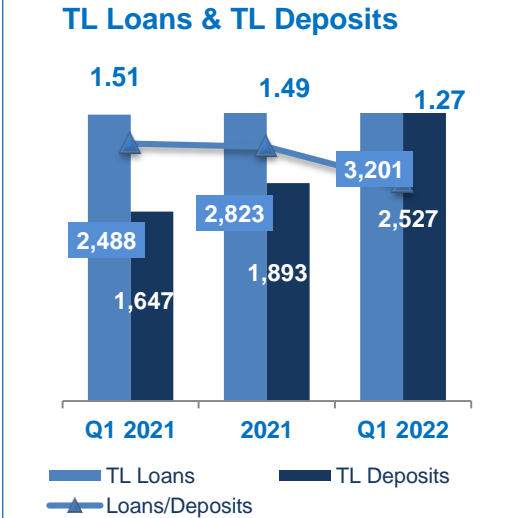
➤ Number of Depository Banks: 35

Growth (billionTRY)	Q1 2021	2021	Q1 2022	YTD
Total Assets	6,488	9,213	10,158	10.3%
Total Deposits	3,655	5,318	5,999	12.8%
Total Loans,net	3,818	4,921	5,520	12.2%
Net Profit	16.4	92.1	63.2	174.7%



Key B/S Ratios(%)	Q12021	2021	Q12022
ROA	1.1%	1.3%	2.7%
ROE	10.8%	14.4%	32.3%
NPL	3.7%	3.1%	2.8%
CAR	18.0%	18.3%	20.4%
NIM	3.2%	4.2%	5.5%
Coverage	76.3%	79.7%	79.9%
Loan/Deposit	106.0%	94.4%	93.9%

Million TRY&USD

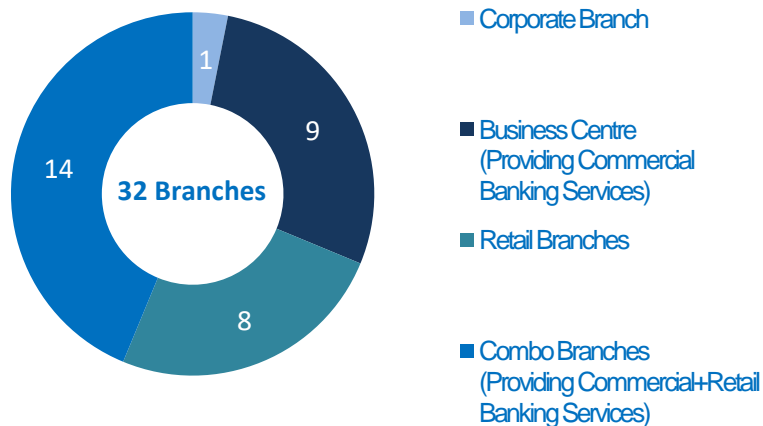


Source: BRSA

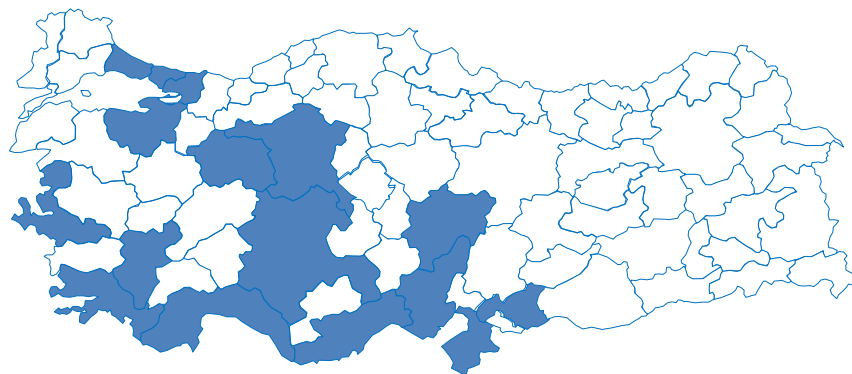
# Burgan Bank A.Ş. At a Glance

- 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 (25.02.2022)**  
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

- YTD total asset size increased by 12.8%. (banking sector : 10.3%)
- YTD the loan book(net) increased by 12.9%. (banking sector : 12.2%)

## Funding

- Diversification of funding sources continued;
  - **USD 73mn** new funding generation from the international markets.
  - Sound customer deposit base, deposits account for 61% of total liabilities

## Capital

- Well positioned Capital Base with a CAR of **20.8%**, Tier 1 Ratio of **10.3%** (all sub-debt from parent) and CET1 Ratio of **8%**.
- Regulatory process for **TRY 766m capital injection** has been initiated by May 12 in order to strengthen core capital base and necessary approvals from BRSA to include capital in CET-1 ratio has been received.

## Profitability

- Net profit is 203.3 million TRY.  
152.8 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 is 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.
- 70% increase in digital deposits in 2021.
- Enlarge customer base through partnerships with different sectors from automotive to retail.

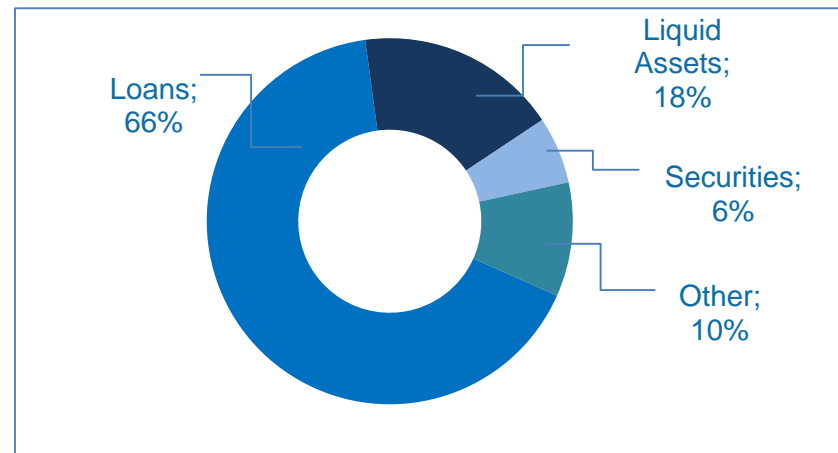
# Performance Trends

## Balance Sheet Growth

### Balance Sheet (million TRY)

	Q12021	2021	Q12022	YTD	YOY
<b>Total Assets</b>	27,692	41,972	47,354	12.8%	71.0%
<b>Loans(*)</b>	19,112	27,770	31,342	12.9%	64.0%
<b>Securities</b>	952	1,843	2,801	52.0%	194.2%
<b>Deposits</b>	15,142	24,363	28,858	18.5%	90.6%
<b>Borrowings</b>	5,668	8,269	7,833	-5.3%	38.2%
<b>Sub- Loan(**)</b>	2,500	3,347	3,676	9.8%	47.1%
<b>Shareholders' Equity</b>	2,161	2,474	2,884	16.6%	33.5%

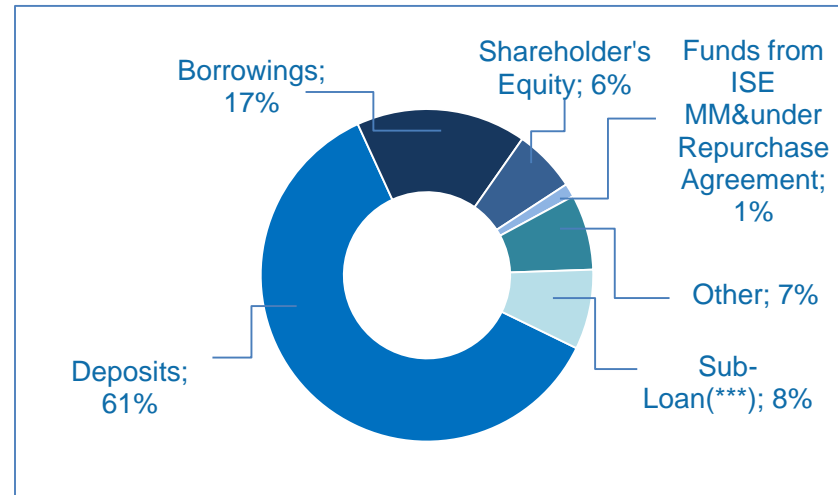
### Total Assets – 31.03.2022



### Balance Sheet Ratios

	Q12021	2021	Q12022
<b>Loans / Assets</b>	69%	66%	66%
<b>Loans / Deposits</b>	126%	114%	109%
<b>Loans / Deposits (Bank only)</b>	105%	97%	94%
<b>Loans / Deposits(**)</b>	94%	90%	89%
<b>ROE</b>	11%	15%	30%

### Total Liabilities – 31.03.2022



(\*)Factoring and Leasing Receivables Included

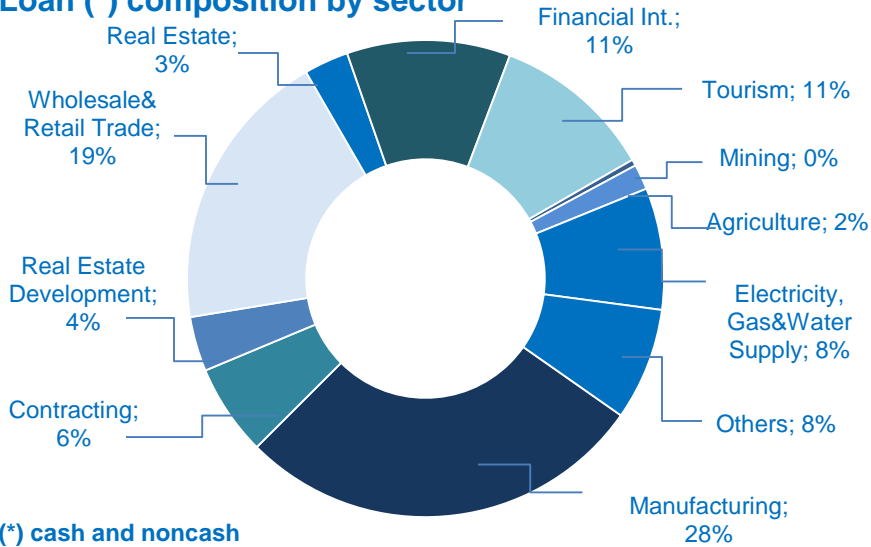
(\*\*)Burgan Group borrowings and sub-loan included

(\*\*\*)Burgan Group funding

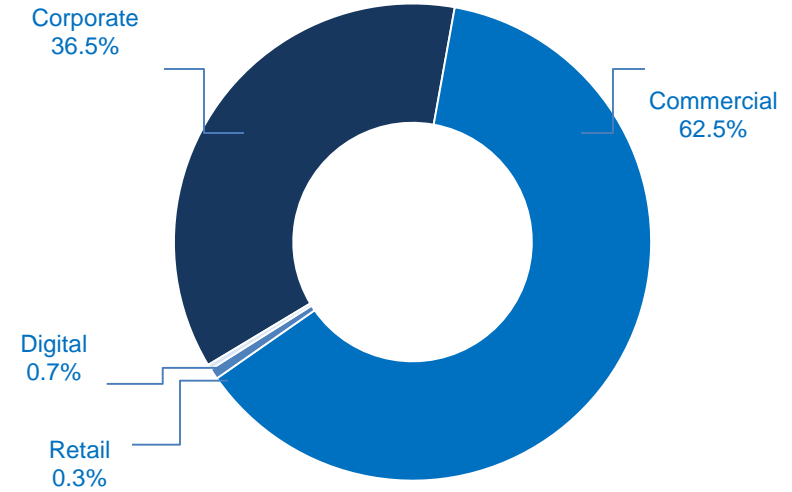
# Loan Growth

## Commercial and Corporate Loans – the biggest contributor

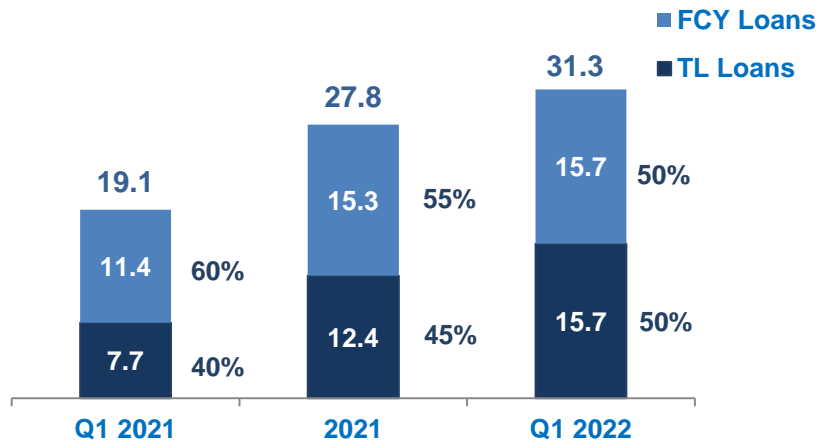
Loan (\*) composition by sector



Loan composition by customer segment



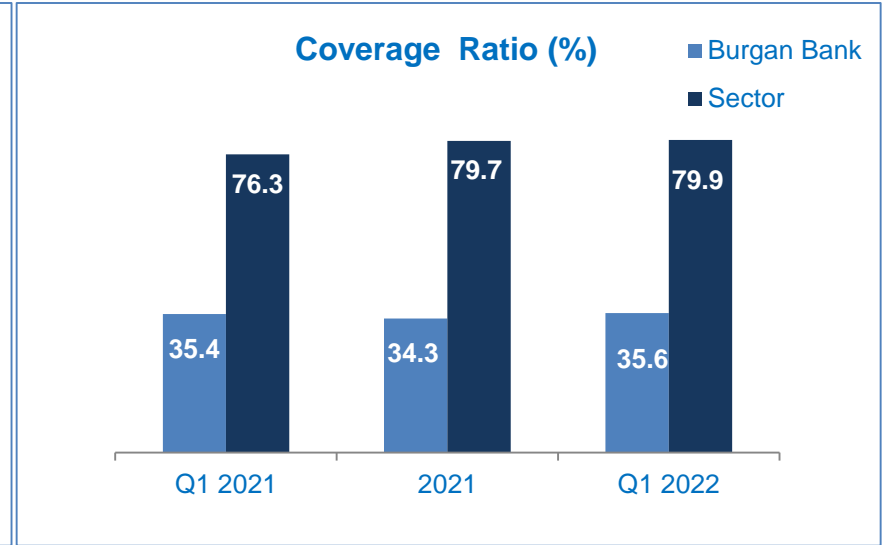
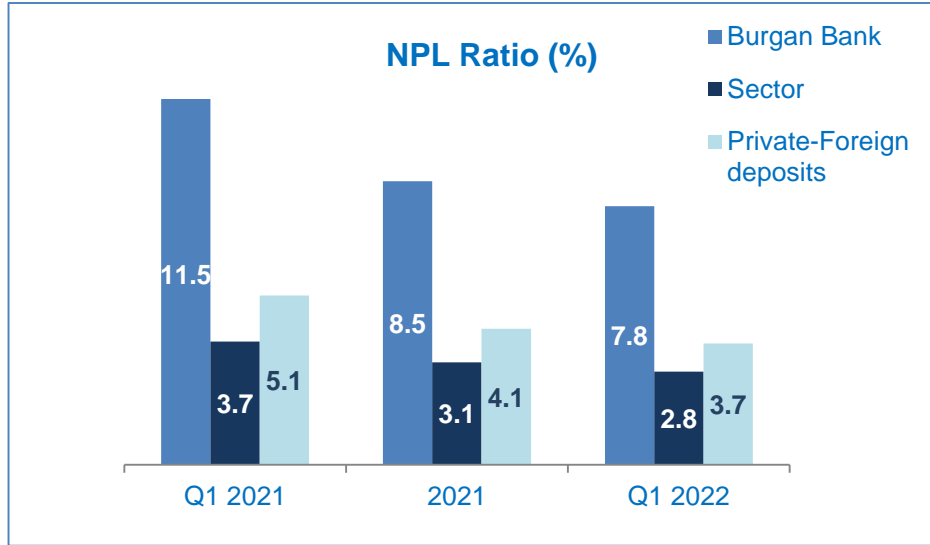
Loan Growth (billion TRY)





# Asset Quality

## NPL ratio



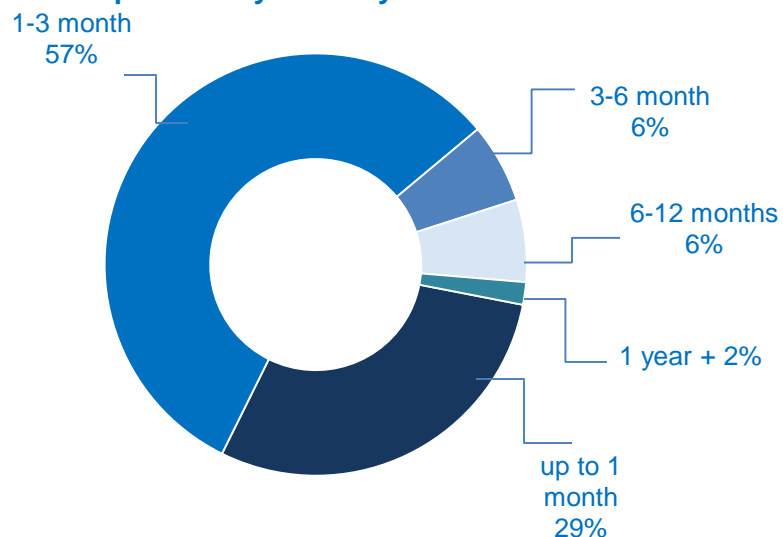
	Q12021	2021	Q12022
Gross Loans (million TRY)	20,809	30,165	33,775
NPL's (million TRY)	2,386	2,577	2,630
NPL Ratio	11.5%	8.5%	7.8%
NPL coverage	35.4%	34.3%	35.6%
Total coverage (*)	71.2%	93.0%	92.6%

- 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 155 million TRY free provision included, coverage ratio is 98.5%.

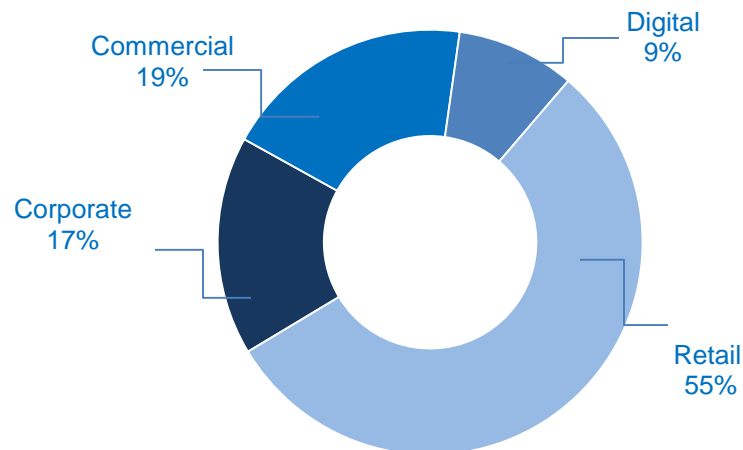
(\*) Including stage1, stage2 and stage3 for cash loans provisions

# Deposits are the Main Funding Source

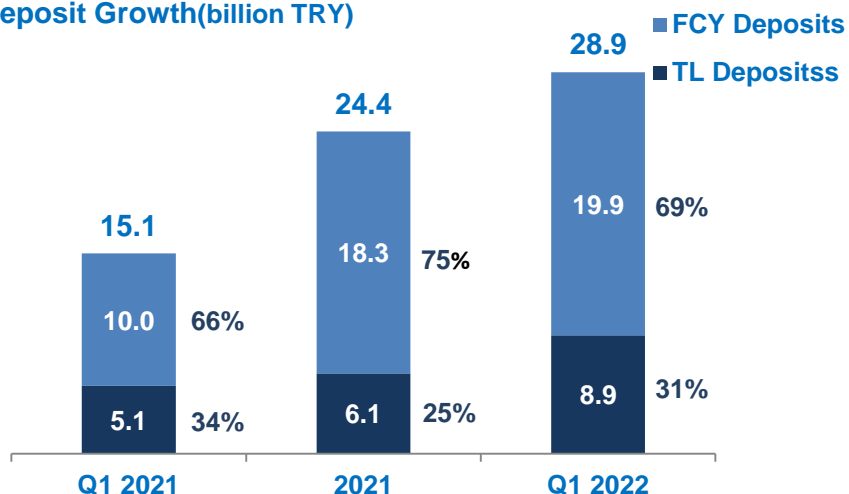
Deposit composition by maturity



Deposit composition by customer segment



Deposit Growth(billion TRY)



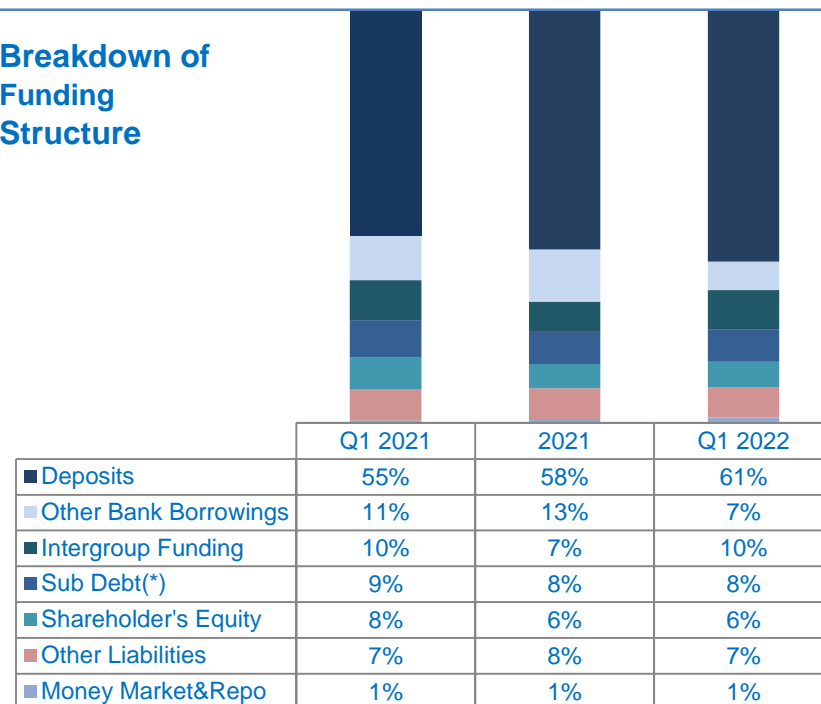
- **Retail deposits** continue to be the major contributor in the deposit composition.
- YTD total Deposits increased by **18.5%**(fx adjusted **11.4%**) Deposit growth in the Banking sector is **12.8%** (fx adjusted **7.0%**).
- **Digital banking deposits** contribution has reached to **9%**.
- The total of top 20 deposits receives a share of **18.3%** ( 2021-23.5%) out of total deposits.

# Solid Funding Base with strong support from Parent

## Funding structure (million TRY)

	Q12021	2021	Q12022	YTD	YOY
Deposits	15,142	24,363	28,858	18.5%	90.6%
Borrowings	5,668	8,269	7,833	-5.3%	38.2%
Intergroup Funding	2,681	2,975	4,305	44.7%	60.6%
Other Bank Borrowings	2,918	5,284	3,252	-33.5%	20.4%
Eximbank	69	11	14	32.3%	-79.9%
Sub Debt(*)	2,500	3,347	3,676	9.8%	47.1%
Money Market&Repo	170	273	619	127.1%	263.5%
Other Liabilities	2,050	3,245	3,483	7.3%	69.9%
Shareholder's Equity	2,161	2,474	2,884	16.6%	33.5%

## Breakdown of Funding Structure



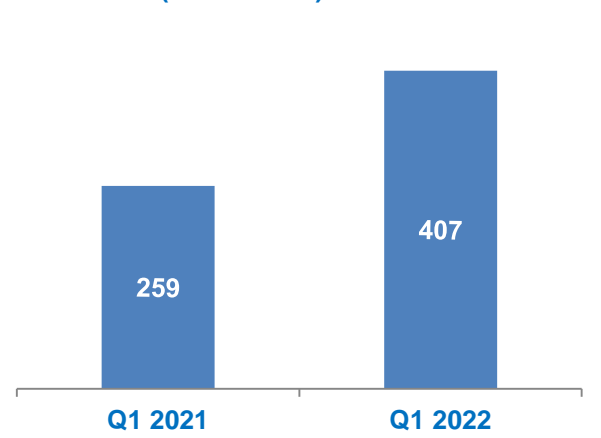
- Burgan Bank K.P.S.C. continues with a balance of **545 mio USD** in intergroup funding including sub-debt.
- Third party funding sources continues through strong cooperation with Correspondent Banks.

(\*) Burgan group

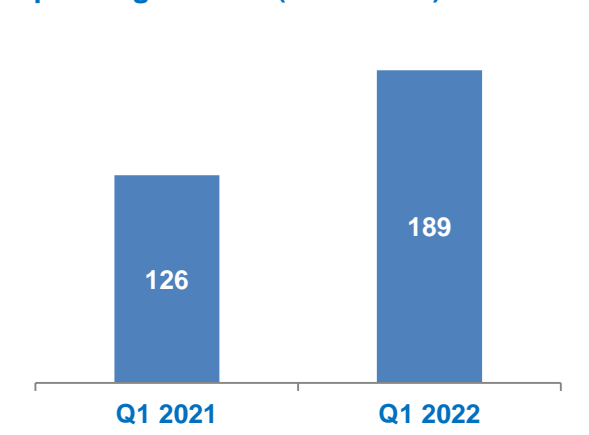
# Total revenue and operating income increased with the high net interest income effect

(million TRY)	Q12021	Q12022	YOY
Total Interest Income	565	1,123	98.8%
Total Interest Expense	419	846	101.7%
Net Interest Income	145	277	90.8%
Total Revenues	259	407	56.8%
Total Operating Expenses	134	218	62.8%
Operating Income	126	189	50.5%
Provision	62	-71	-214.3%
Net Profit	51	203	302.4%

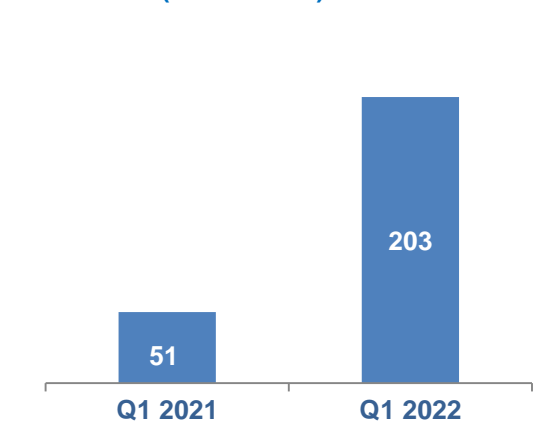
Revenues (million TRY)



Operating Income (million TRY)



Net Profit (million TRY)



# Strong Capitalization

	Q12021	2021	Q12022
Shareholder's Equity (million TRY)	2,161	2,474	2,884
Capital Base Inc. Sub-Debt (million TRY)	3,887	5,975	6,505
CAR Ratio (%)	17.1	20.9	20.8
Tier 1 Ratio (%)	10.8	10.4	10.3

➤ 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

# 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

## 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**

