



Burgan Bank A.Ş. Turkey (BBT)

**December 2022 Presentation
(BRSA Consolidated)**

Operating Environment

Macroeconomic Outlook – Türkiye

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	875	950
Population (mn, mid-year)	84.1	85.0	86.5
GDP per capita (USD)	9,592	10,000	11,000
Real GDP (% change)	11.4	5.0	3.5
CPI Inflation (year-end)	36.1	64.3	42.0
Gen. Gov. Budget Bal. / GDP	-2.8	-1.5	-5.5
Gov. Debt / GDP	41.8	35.0	40.0
Current Account Bal. / GDP	-0.9	-5.6	-4.0
Forex Reserves (USD bn)	111.0	129.0	110.0
Trade Balance (USD bn)	-46.2	-110.0	-100.0
Export (USD bn)	225.2	254.2	265.0
Imports (USD bn)	271.4	364.4	365.0

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

The Turkish economy has maintained its rapid growth trend of 7.5% in 1H22, followed by a slower growth performance in 2H22 in parallel with the slowdown in global economy. In particular, industrial production has slowed down more visibly, while buoyant domestic demand fueled by expansionary policies supported growth. The Turkish economy, is estimated to grow by around 5% in 2022 versus 11.4% yoy growth in 2021.

In 2023, GDP growth is expected to slow down to 3.5%. Two major earthquakes, which took place on February 6, 2023 and severely affected 10 provinces, caused great loss of life and destruction. The multifaceted effects of the disaster are evaluated.

Consumer inflation hit 85.5% -the highest level since the 1990s- in 2022 on the back of prolonged impact of weaker TRY, rising energy prices, supply disruptions and buoyant domestic demand. Inflation started to decline gradually as of 4Q22 given the high base effect.

Rising energy prices have adversely affected the current account balance in 2022, reaching US\$48.8bn. Energy imports increased by US\$46bn to US\$96.5bn. On the other hand, tourism sector has recovered rapidly in 2022, and tourism revenues increased to US\$46.3bn, exceeding pre-pandemic levels. The current account deficit is expected to decline to in 2023, thanks to the relative normalization in energy prices.

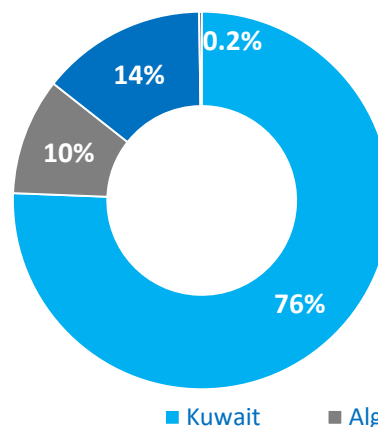
Under the framework of the "New Türkiye Model" implemented by the government since 2021, economic policies have been formed to support production, exports and investments, and to encourage "selective" credit growth and "Liraization" throughout 2022. In this context, the policy rate was reduced from 13% to 9% in 2022.

- 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\$ 2.4 billion⁽¹⁾
- Has a strong domestic franchise with 13.6% 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⁾

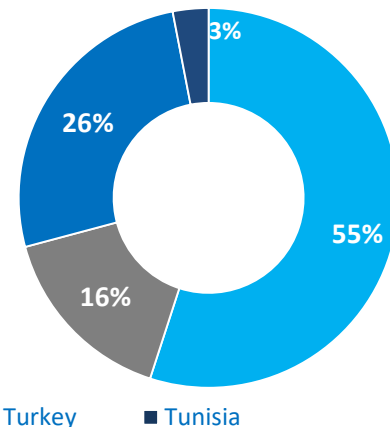
Ratings ⁽⁵⁾	Bank	Sovereign
Moody's	Baa1	A1
S&P	BBB+	A+
Fitch	A	AA-

Financial Performance	FY 2022
Revenue in US\$ million	757.2
Net Profit in US\$ million ⁽⁶⁾	170.1
Cost to Income Ratio	46.1%
Gross Loans to Cust. Deposits	111.5%
Liquidity Ratio ⁽⁷⁾	20.1%
NPA Ratio	1.8%
NPA net of Collateral Ratio	0.4%

Loans by Operations⁽⁴⁾



Revenues by Operations⁽⁴⁾



- International operations⁽³⁾ contributing 24% in Loans and 45% in Revenues
- Burgan Bank, Turkey is one of the key contributor among Burgan Subsidiary Banks in loans share as well as revenue generation

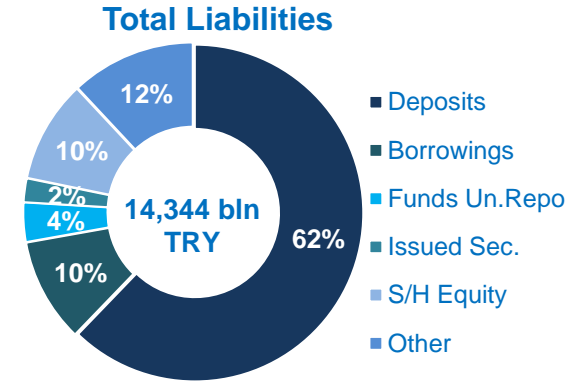
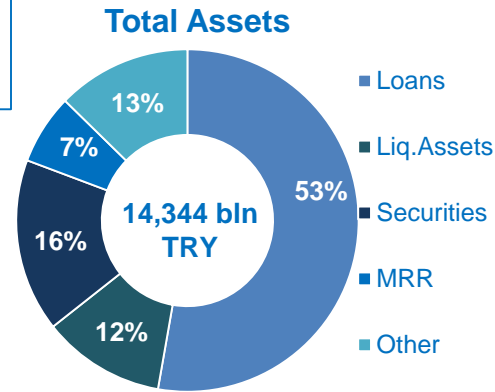
(1) Closing market capitalization on 29th Dec 2022 in Boursa Kuwait;
 (2) Market Share as on 31th Dec 2022;
 (3) BOB's exposure has been classified as Held for Sale investment;
 (4) Excludes consol. adjt and BoB's contribution;
 (5) Credit Ratings as on 31th Dec 2022;
 (6) Net Income attributed to equity 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

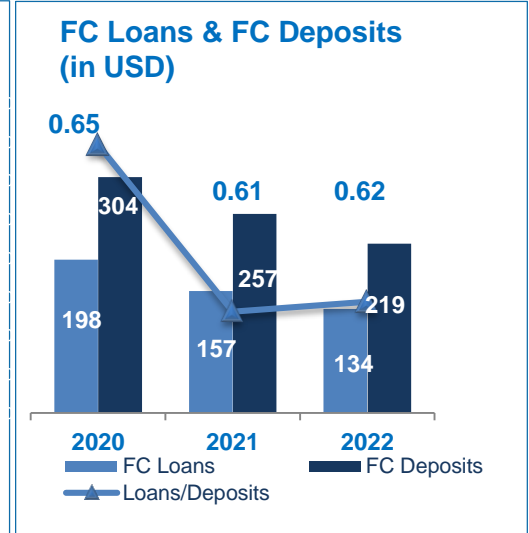
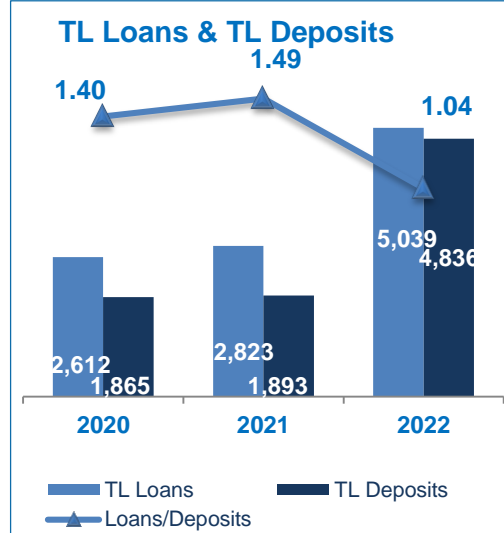
Growth (billionTRY)	2021	2021	2022	YTD
Total Assets	6,106	9,213	14,344	55.7%
Total Deposits	3,464	5,318	8,923	67.8%
Total Loans,net	3,617	4,921	7,553	53.5%
Net Profit	58.5	92.1	433.5	370.7%



Key B/S Ratios(%)

	2021	2021	2022
ROA	1.1%	1.3%	3.7%
ROE	10.7%	14.4%	41.6%
NPL	4.0%	3.1%	2.1%
CAR	18.7%	18.3%	19.5%
NIM	4.5%	4.2%	7.4%
Coverage	74.9%	79.7%	86.7%
Loan/Deposit	105.7%	94.4%	87.0%

Million TRY&USD

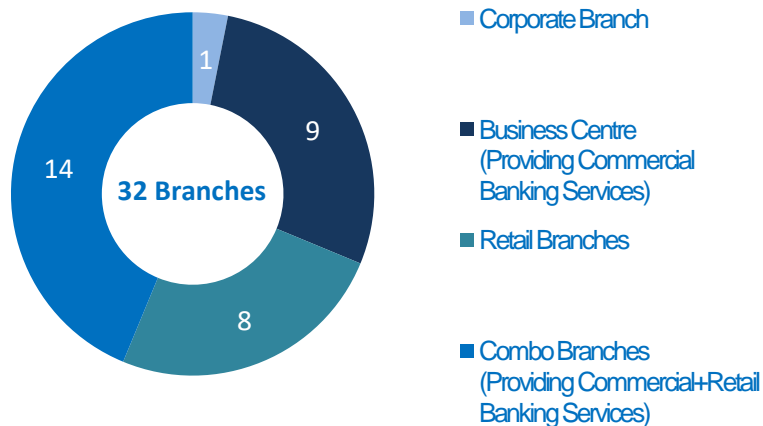


Source: BRSA

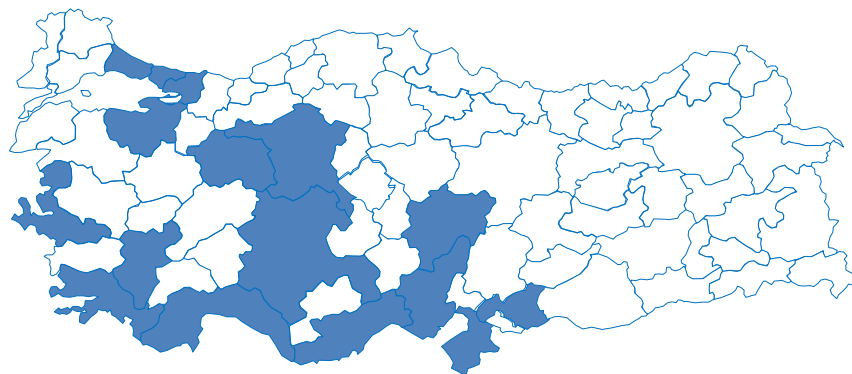
Burgan Bank A.Ş. At a Glance

- 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 (12.10.2022)**
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.



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 91mn** new funding generation from the international markets.
 - Sound customer deposit base, deposits account for 60% of total liabilities
- Deposit volume increased by 63%.
- Retail and Digital deposits reached to 70% of total deposits.
- Number of digital customers reached to 350k.

Capital

- Well positioned Capital Base with a CAR of 19.1%, Tier 1 Ratio of 11.7% (including sub-debt from parent) and CET1 Ratio of 9.6%.

Profitability

- Net profit is 1.202 million TRY with 31% ROE, 897 million TRY higher than the same period of the previous year.

Others

- Continuous investment in Human Capital and Technology;
- As of Dec'22, ON reached 350K customers with 89% growth vs 2021 year end. Active customer rate which was 24% in Dec'21 reached 40%. Our customer digital channel penetration increased from 77% to 98%.

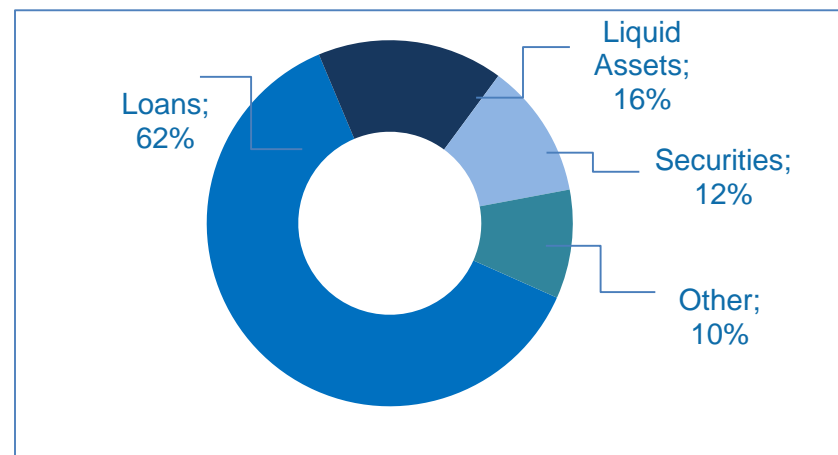
Performance Trends

Balance Sheet Growth

Balance Sheet (million TRY)

	2020	2021	2022	YTD
Total Assets	26,477	41,972	63,748	51.9%
Loans(*)	19,275	27,770	39,525	42.3%
Securities	1,010	1,843	7,611	313.0%
Deposits	13,847	24,363	39,714	63.0%
Borrowings	6,659	8,269	7,458	-9.8%
Sub- Loan(**)	2,229	3,347	3,771	12.7%
Shareholders' Equity	1,670	2,474	5,094	105.9%

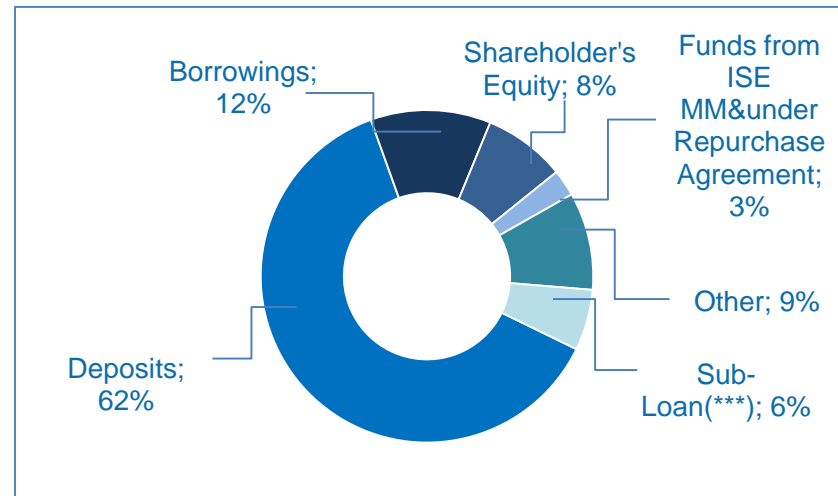
Total Assets – 31.12.2022



Balance Sheet Ratios

	2020	2021	2022
Loans / Assets	73%	66%	62%
Loans / Deposits	139%	114%	100%
Loans / Deposits (Bank only)	116%	97%	87%
Loans / Deposits(**)	99%	90%	81%
ROE	-14%	15%	31%

Total Liabilities – 31.12.2022



(*)Factoring and Leasing Receivables Included

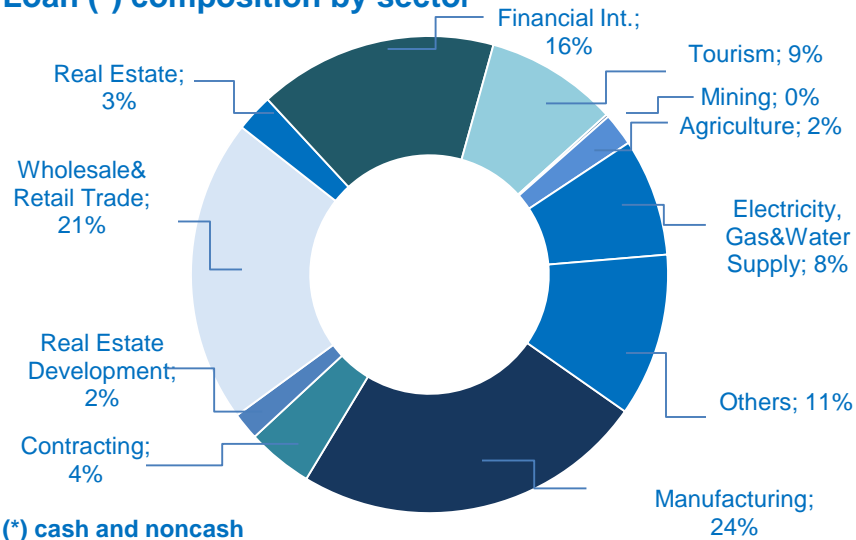
(**)Burgan Group borrowings and sub-loan included

(***)Burgan Group funding

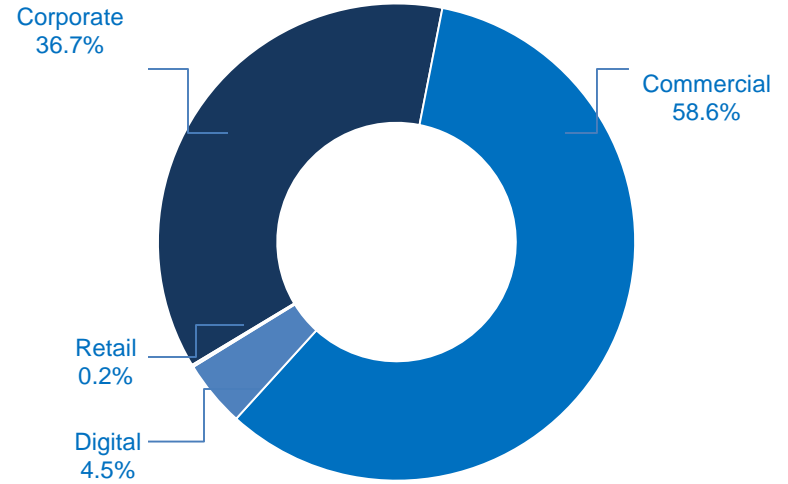
Loan Growth

Commercial and Corporate Loans – the biggest contributor

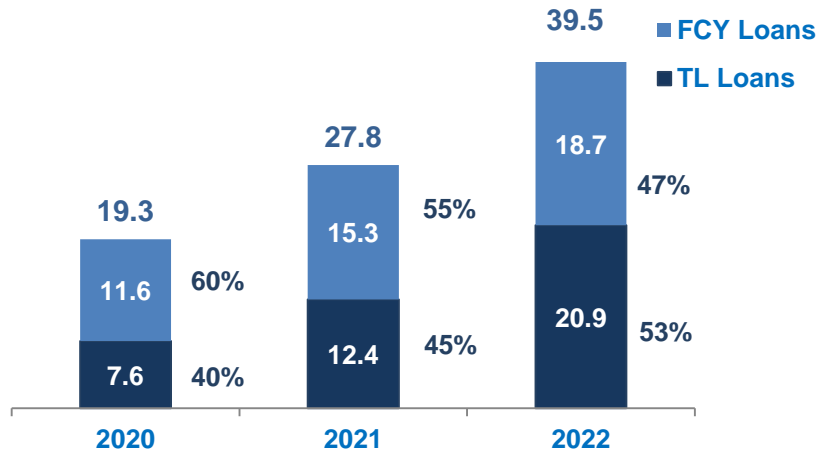
Loan (*) composition by sector



Loan composition by customer segment

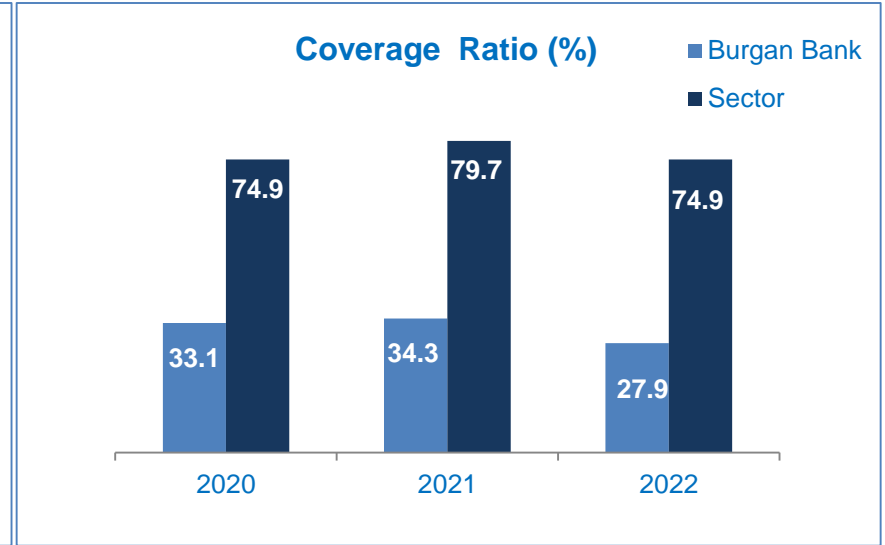
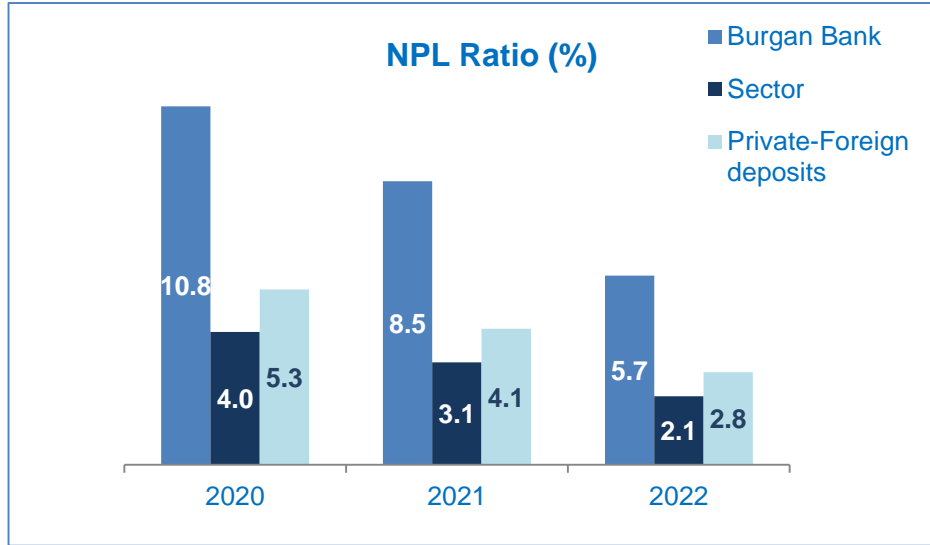


Loan Growth (billion TRY)



Asset Quality

NPL ratio



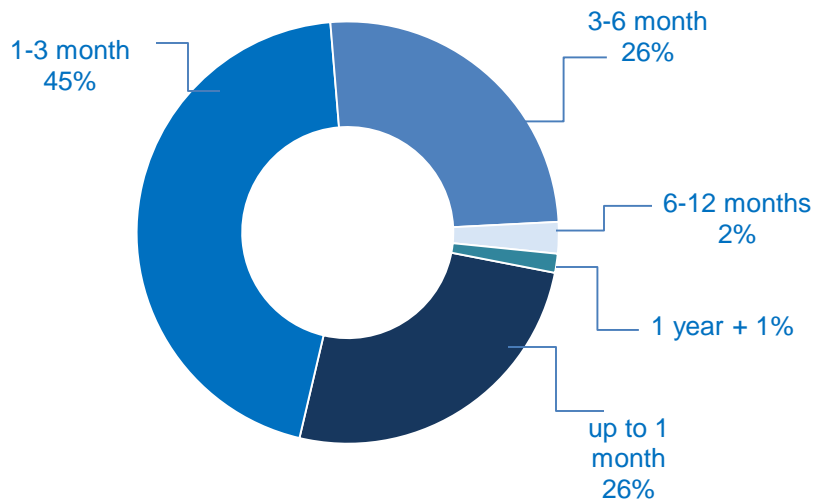
	2020	2021	2022
Gross Loans (million TRY)	20,803	30,165	41,857
NPL's (million TRY)	2,248	2,577	2,387
NPL Ratio	10.8%	8.5%	5.7%
NPL coverage	33.1%	34.3%	27.9%
Total coverage (*)	68.0%	93.0%	97.9%

- 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 654 million TRY free provision included, coverage ratio is 125.3%.

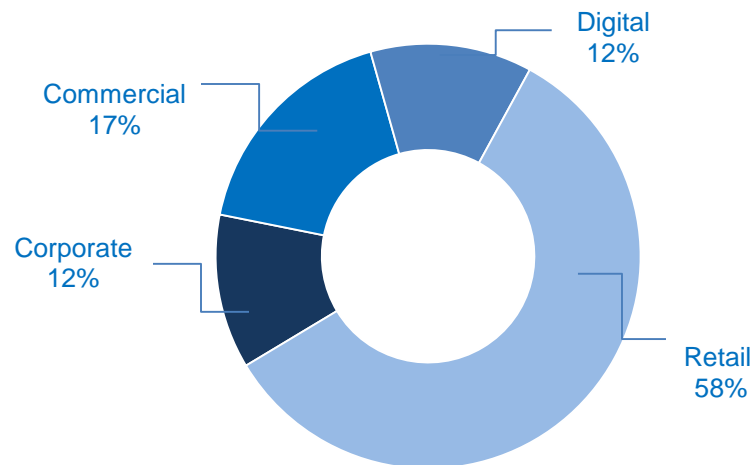
(*) Including stage1, stage2, stage3 for cash loans provisions and free provision.

Deposits are the Main Funding Source

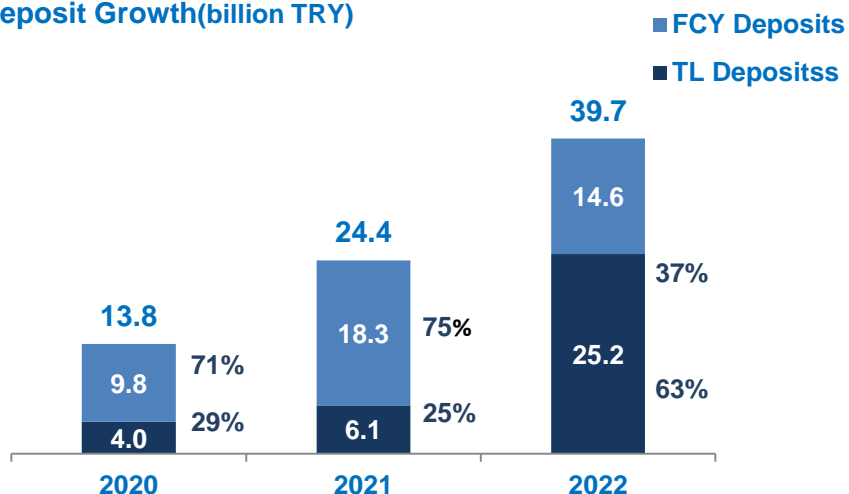
Deposit composition by maturity



Deposit composition by customer segment



Deposit Growth(billion TRY)



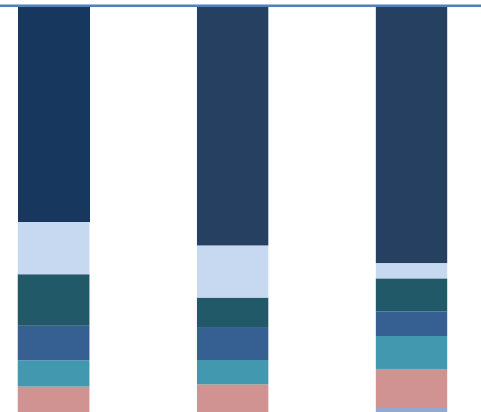
- **Retail deposits** continue to be the major contributor in the deposit composition.
- YTD total Deposits increased by **63.0%**(fx adjusted **46.4%**) Deposit growth in the Banking sector is **67.8%** (fx adjusted **45.7%**).
- **Digital banking deposits** contribution has reached to **12.3%**.
- The total of top 20 deposits receives a share of **16.7%** (2021-17.3%) out of total deposits.

Solid Funding Base with strong support from Parent

Funding structure (million TRY)

	2020	2021	2022	YTD
Deposits	13,847	24,363	39,714	63.0%
Borrowings	6,659	8,269	7,458	-9.8%
Intergroup Funding	3,297	2,975	5,086	71.0%
Other Bank Borrowings	3,284	5,284	2,356	-55.4%
Eximbank	77	11	15	44.2%
Sub Debt(*)	2,229	3,347	3,771	12.7%
Money Market&Repo	274	273	1,656	507.2%
Other Liabilities	1,799	3,245	6,055	86.6%
Shareholder's Equity	1,670	2,474	5,094	105.9%

Breakdown of Funding Structure



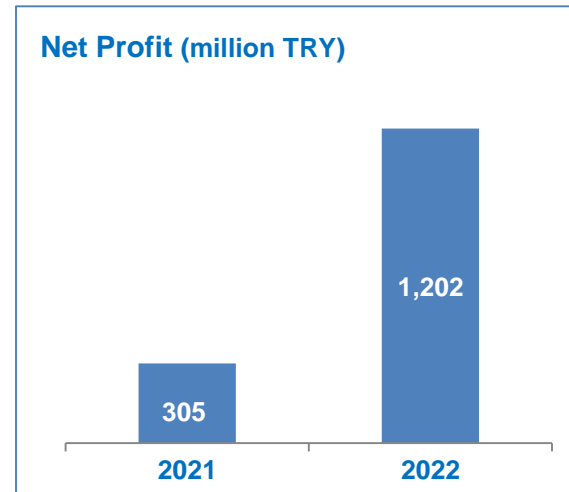
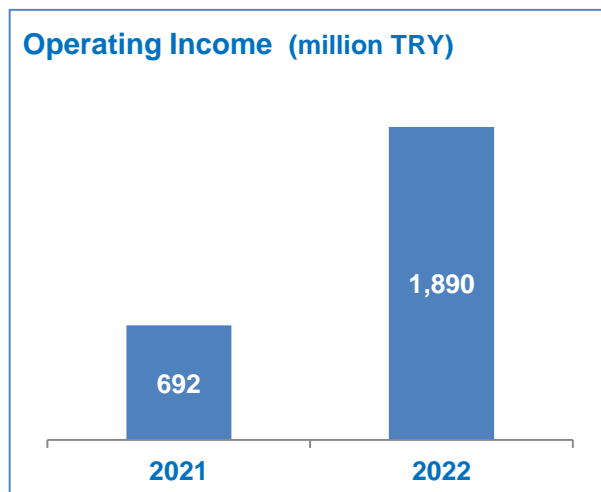
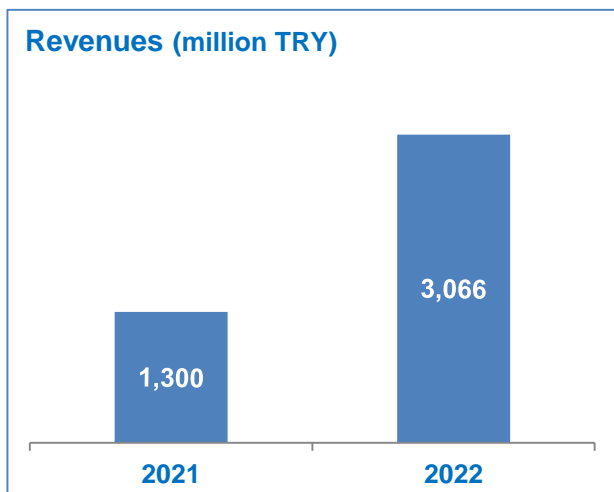
	2020	2021	2022
Deposits	52%	58%	62%
Other Bank Borrowings	13%	13%	4%
Intergroup Funding	12%	7%	8%
Sub Debt(*)	8%	8%	6%
Shareholder's Equity	6%	6%	8%
Other Liabilities	7%	8%	9%
Money Market&Repo	1%	1%	3%

- 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 net interest income effect

(million TRY)	2021	2022	YOY
Total Interest Income	2,756	6,769	145.6%
Total Interest Expense	2,017	4,890	142.4%
Net Interest Income	738	1,879	154.6%
Total Revenues	1,300	3,066	135.8%
Total Operating Expenses	608	1,176	93.3%
Operating Income	692	1,890	173.2%
Provision	309	121	-60.7%
Net Profit	305	1,202	294.2%



Strong Capitalization

	2020	2021	2022
Shareholder's Equity (million TRY)	1,670	2,474	5,094
Capital Base Inc. Sub-Debt (million TRY)	3,712	5,975	8,534
CAR Ratio (%)	16.6	20.9	19.1
Tier 1 Ratio (%)	7.5	10.4	11.7

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

Outlook for 2023

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 diversify income base

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.

Contact Details

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Thank you

