



Burgan Bank A.Ş. Turkey (BBT)

**March 2023 Presentation
(BRSA Consolidated)**

Operating Environment

Macroeconomic Outlook – Türkiye

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

Key Indicators	2021	2022	2023F(*)
Nominal GDP (USD bn)	807	906	950
Population (mn, mid-year)	84.1	85.0	85.8
GDP per capita (USD)	9,592	10,655	11,000
Real GDP (% change)	11.4	5.6	3.5
CPI Inflation (year-end)	36.1	64.3	50.0
Gen. Gov. Budget Bal. / GDP	-2.8	-1.5	-6.0
Gov. Debt / GDP	41.8	31.7	42.0
Current Account Bal. / GDP	-0.9	-5.4	-4.2
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	260.0
Imports (USD bn)	271.4	364.4	360.0

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

The Turkish economy grew 5.6% in 2022, driven mainly by private consumption fueled by accommodative monetary and fiscal policies. Leading indicators suggest that buoyant domestic demand keep supporting growth in the first five months of 2023. On the other hand, industrial production growth has been slow since 2H22. Two major earthquakes, which took place on February 6, 2023 and severely affected 11 provinces, caused great loss of life and destruction. The Earthquake disaster has led a temporary contraction in production in February; yet the impact on production is considered to be relatively mild so far. The Turkish economy, is estimated to grow by around 3.5% in 2023.

Consumer Inflation has been decelerating since October 2022 -as low as 43.7% in April 2023, thanks to high base, relatively stable TRY since 2H22, normalization in global supply chain and input prices, as well as lower energy prices. However, service inflation remains elevated at 59% as domestic demand is strongly supported by expansionary policies ahead of May'23 elections.

12m rolling current account deficit has widened to \$55bn as of March 2023, from \$48.8bn by end-2022, as imports keep expanding rapidly due to buoyant domestic demand and rising gold imports. Tourism sector is expected to contribute significantly to the external balances in the coming months. In the absence of capital inflows, large current account deficits led an erosion of US\$15bn in gross reserves in 1Q23.

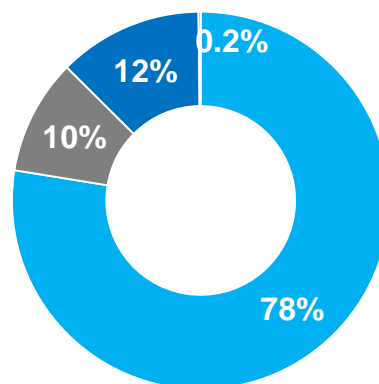
Under the framework of the "New Türkiye Model" the government continues with "selective" credit growth and "Liraization" policy. The policy is mainly supported by regulations imposed on the banking sector. The CBT cut the policy rate further to 8.5% (from 9%) in February 2023, after the earthquake disaster.

- One of the leading financial institutions with a strong presence in the MENA region as a subsidiary of KIPCO (Kuwait Projects Company)
- Listed on Bursa Kuwait in 1984 and grew to be one of the leading conventional banks in Kuwait (in terms of total assets)⁽¹⁾, with a market capitalization of USD 2.4 billion⁽¹⁾
- International presence with its subsidiary/group banks in different regions:
 - Turkey – Burgan Bank A.S.
 - Algeria – Algeria Gulf Bank
 - Tunisia – Tunis International Bank

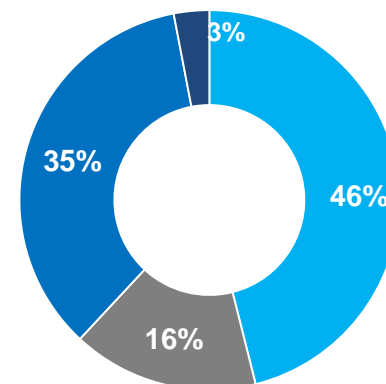
Ratings ⁽³⁾	Bank	Sovereign
Moody's	Baa1	A1
S&P	BBB+	A+
Fitch	A	AA-

Financial Performance	Q1-2023
Revenue in US\$ million	178.8
Net Profit in US\$ million ⁽⁴⁾	24.7
Gross Loans to Cust. Deposits	105.3%
Liquidity Ratio ⁽⁵⁾	24.5%
NPA Ratio	1.7%
NPA net of Collateral Ratio	0.4%

Loans by Operations⁽²⁾



Revenues by Operations⁽²⁾



■ Kuwait ■ Algeria ■ Turkey ■ Tunisia

- International operations⁽²⁾ contributing 22% in Loans and 54% in Revenues
- Burgan Bank, Turkey is one of the key contributor among Burgan Subsidiary Banks in loans share as well as revenue generation

(1) As on 31st March 2023. Market Cap based on share price as at 30th March 2023 (Source: Kuwait Bourse);

(2) Excludes consol. adjt;

(3) Credit Ratings as on 31st March 2023;

(4) Net Income attributed to equity holders;

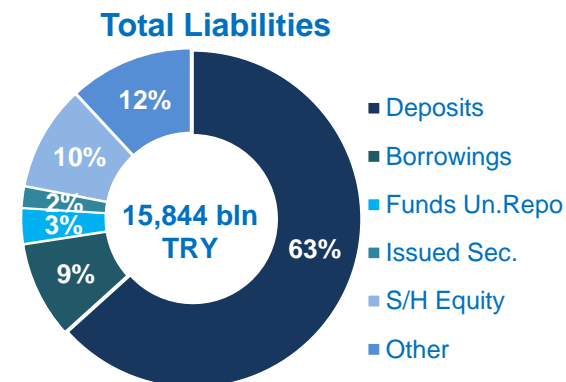
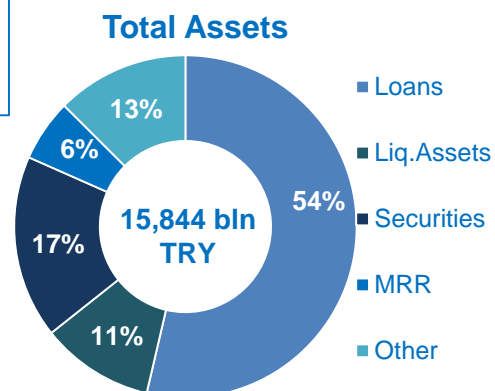
(5) Liquidity ratio has been computed as (Cash and cash equivalents + Treasury Bills and Bonds with CBK and others + Due from banks and OFI's)/ Total assets.

Operating Environment Turkish Banking Sector

Number of Banks: 57 (Including 6 Participation Banks)

➤ Number of Depository Banks: 35

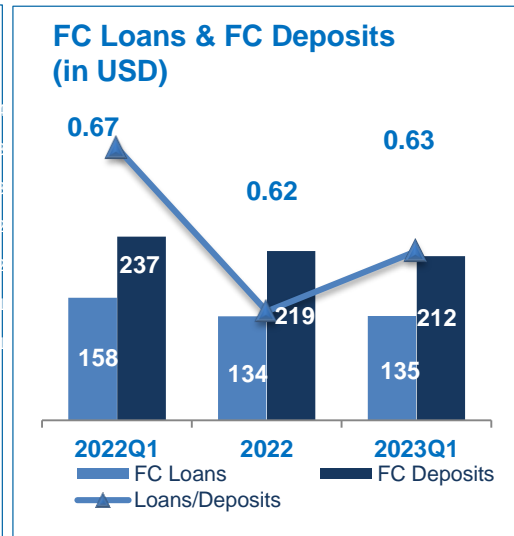
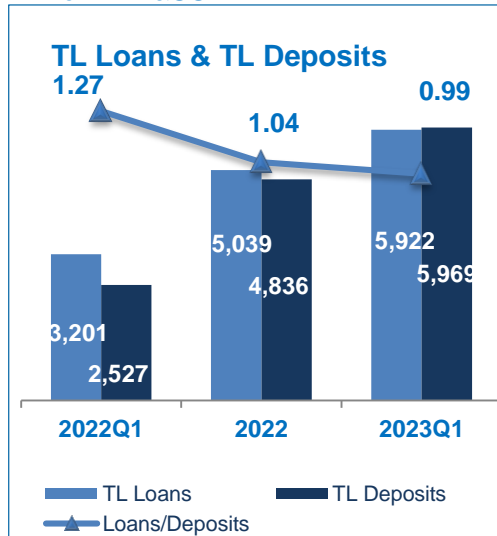
Growth (billionTRY)	2022Q1	2022	2023Q1	YTD	YOY
Total Assets	10,158	14,344	15,844	10.5%	56.0%
Total Deposits	5,999	8,923	10,030	12.4%	67.2%
Total Loans,net	5,520	7,553	8,499	12.5%	54.0%
Net Profit	63.2	433.5	107.2	-	69.6%



Key B/S Ratios(%)

	2022Q1	2022	2023Q1
ROA	2.7%	3.7%	2.9%
ROE	32.3%	41.6%	29.4%
NPL	2.8%	2.1%	1.8%
CAR	20.4%	19.5%	17.7%
NIM	5.5%	7.4%	5.3%
Coverage	79.9%	86.7%	87.8%
Loan/Deposit	93.9%	87.0%	84.7%

Million TRY&USD

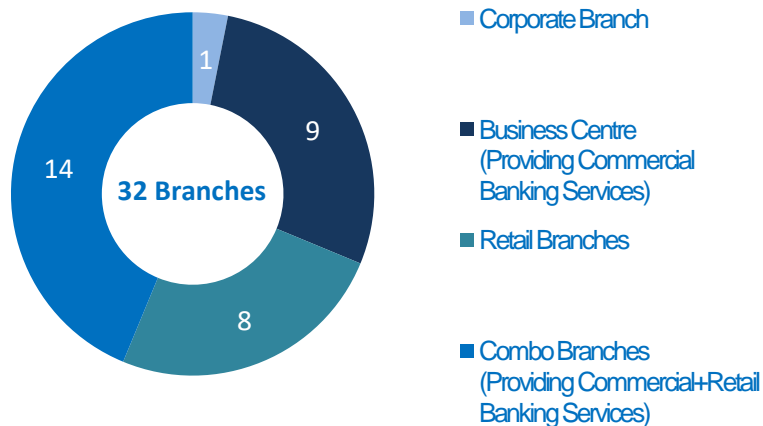


Source: BRSA

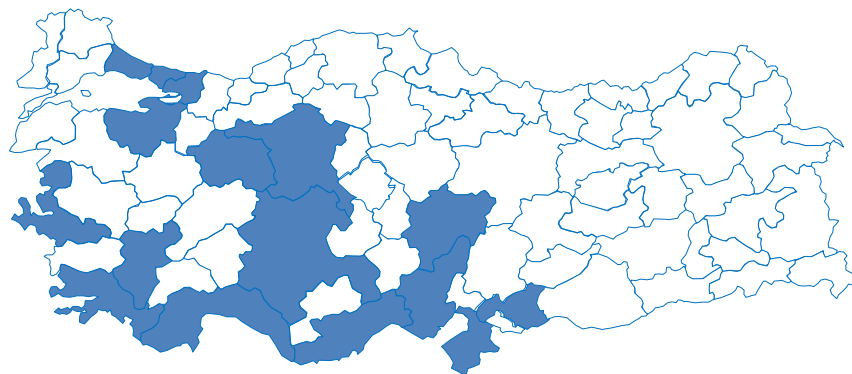
Burgan Bank A.Ş. At a Glance

- 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-update- (09.05.2023)**
Long Term Global Foreign Currency : B-
Outlook : Negative

Segment-wise Branch Distribution



- 32 Branches across 14 cities where 77% of loans&deposits of the whole sector are held.



2023 Achievements

Growth

- Optimized balance sheet according to rapidly changing macroeconomic environment.
- Quick adoption to regulatory changes.
- Diversified income base with increasing contribution from subsidiaries.
- Increasing presence in retail sector through growth in Digital Banking via «ON».
- Decreasing non-interest earning asset through liquidation of NPL and Debt Asset Swap.

Funding

- Diversification of funding sources continued;
 - **USD 279mn** new funding generation from the international markets.
 - Sound customer deposit base, deposits account for 50% of total liabilities
- Retail and Digital deposits reached to 78% of total deposits.

Capital

- Well positioned Capital Base with a CAR of 19.6%, Tier 1 Ratio of 12.4% (including sub-debt from parent) and CET1 Ratio of 10.4%.

Profitability

- TRY 650m net profit with above sector average ROE (49%).
- Prudent provisioning approach with TRY 60m additional free provision in Q1 2023.
- TRY 768m total free provision

Others

Growing Digital Banking with increasing presence in Retail;

- ON reached total of 419K customers (174K active) in Q1'23 with 20% growth and gained 2,2% remote acquisition market share. Lastly, ON's car loan volume reached 1.1B TL with 63% growth in Q1'23.

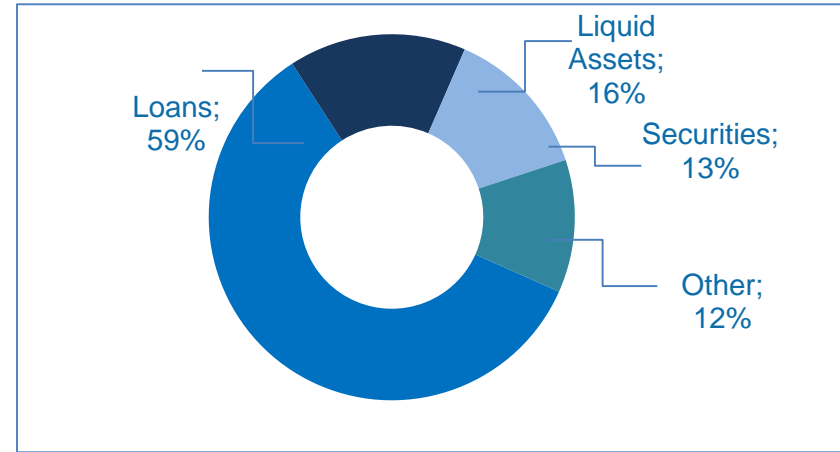
Performance Trends

Balance Sheet Growth

Balance Sheet (million TRY)

	2022Q1	2022	2023Q1	YTD	YOY
Total Assets	47,354	63,748	58,080	-8.9%	22.7%
Loans(*)	31,342	39,525	34,369	-13.0%	9.7%
Securities	2,801	7,611	7,784	2.3%	177.9%
Deposits	28,858	39,714	28,831	-27.4%	-0.1%
Borrowings	7,833	7,458	11,756	57.6%	50.1%
Sub- Loan(***)	3,676	3,771	3,862	2.4%	5.1%
Shareholders' Equity	2,884	5,094	5,729	12.5%	98.6%

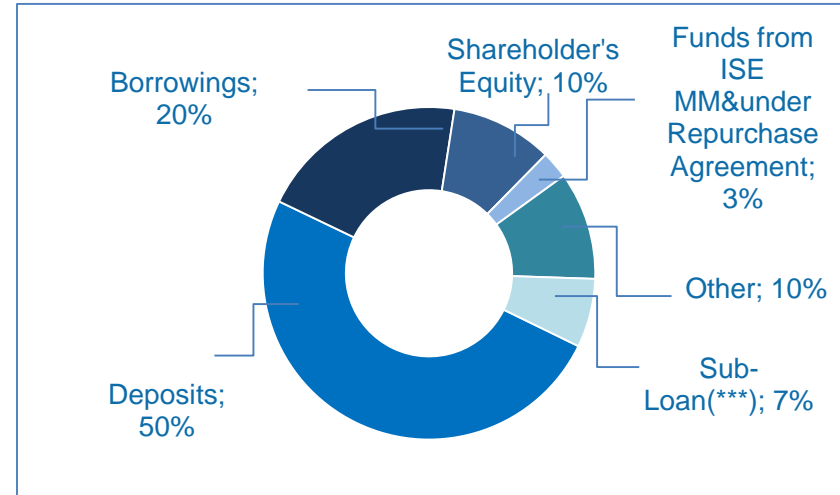
Total Assets – 31.03.2023



Balance Sheet Ratios

	2022Q1	2022	2023Q1
Loans / Assets	66%	62%	59%
Loans / Deposits	109%	100%	119%
Loans / Deposits (Bank only)	94%	87%	102%
Loans / Deposits(**)	89%	81%	82%
ROE	30%	31%	49%

Total Liabilities – 31.03.2023



(*)Factoring and Leasing Receivables Included

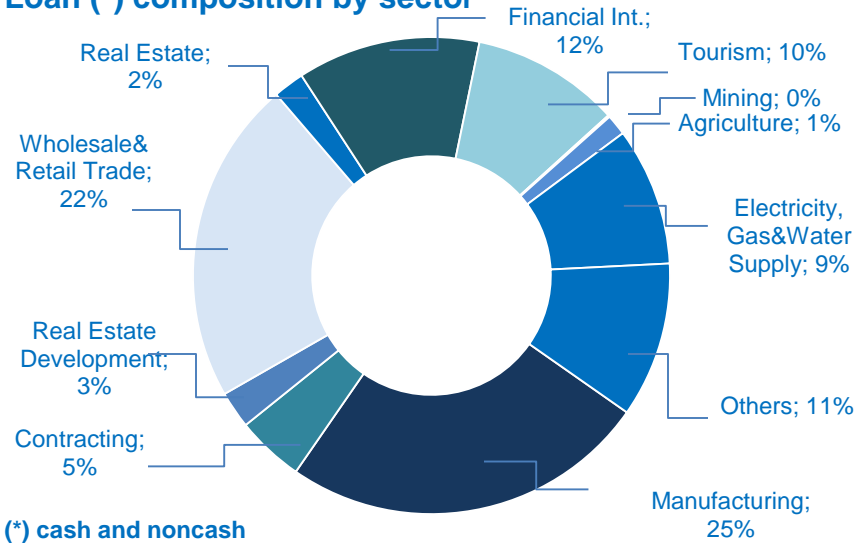
(**)Burgan Group borrowings and sub-loan included

(***)Burgan Group funding

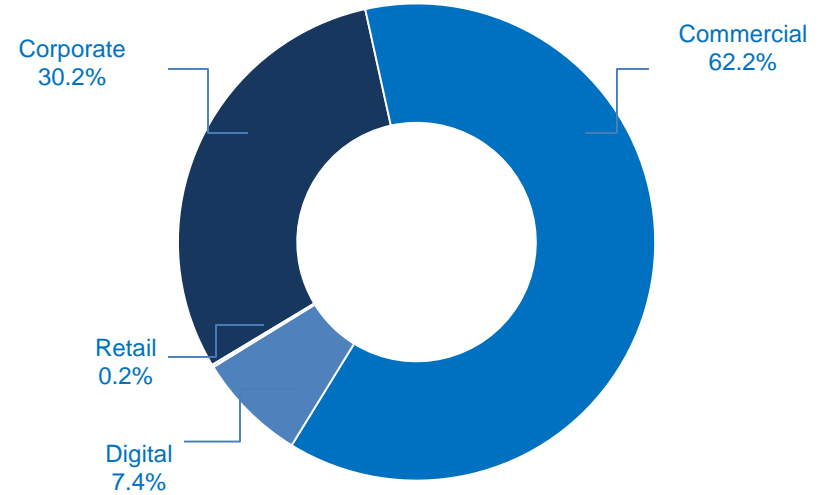
Loan Growth

Commercial and Corporate Loans – the biggest contributor

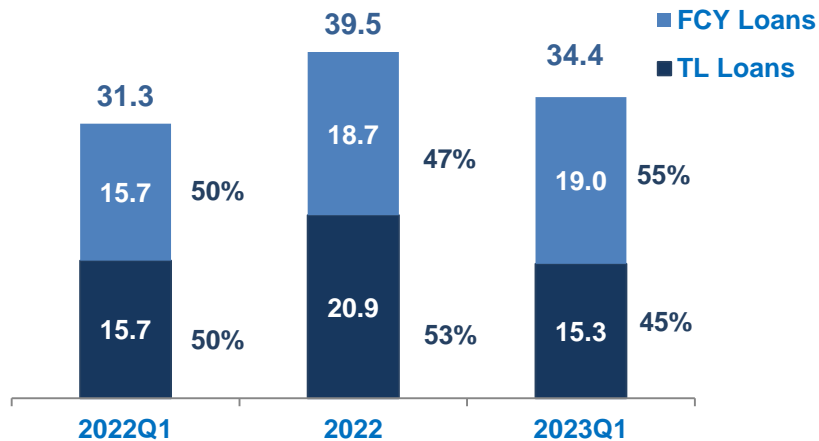
Loan (*) composition by sector



Loan composition by customer segment

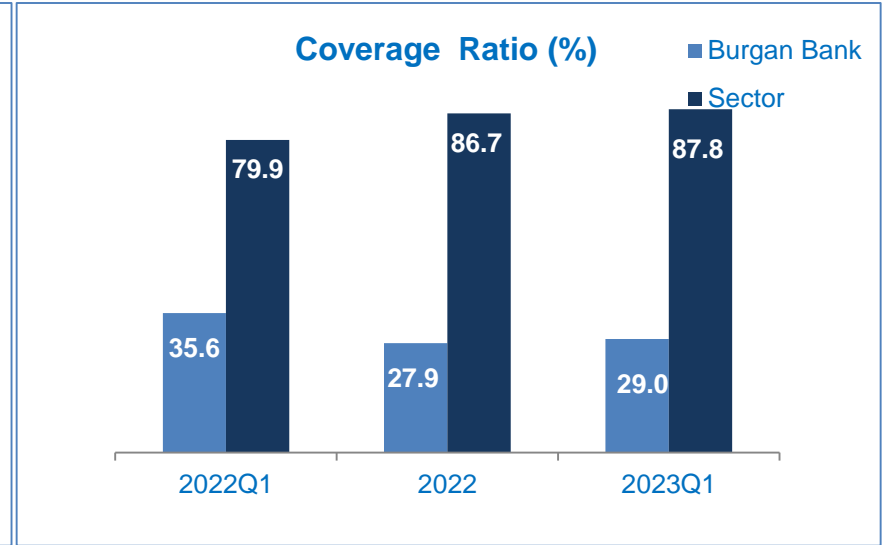
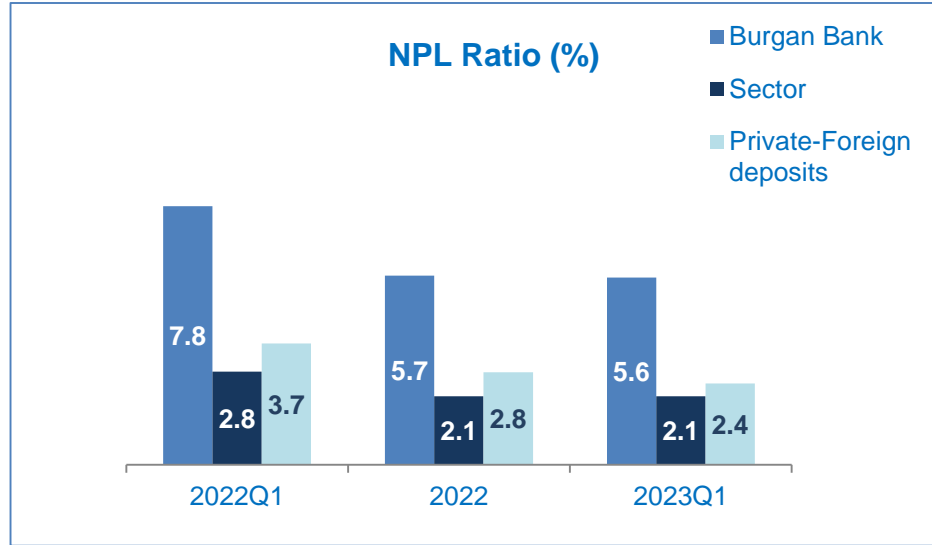


Loan Growth (billion TRY)



Asset Quality

NPL ratio



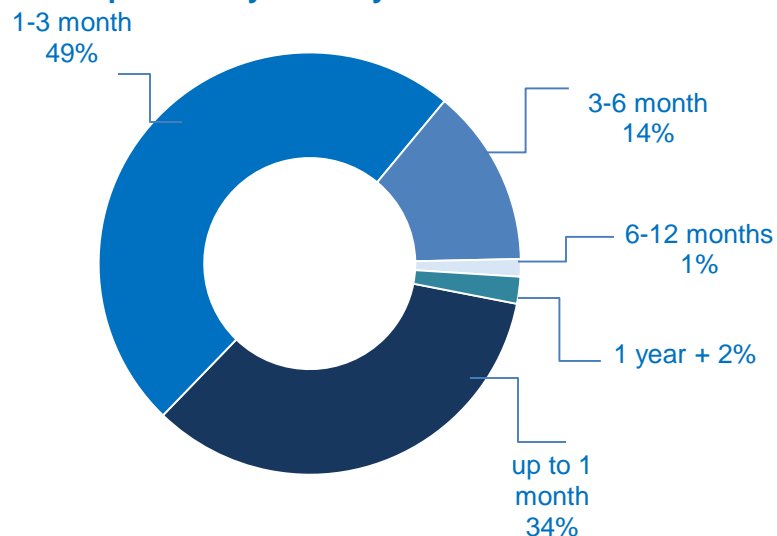
	2022Q1	2022	2023Q1
Gross Loans (million TRY)	33,775	41,857	36,489
NPL's (million TRY)	2,630	2,387	2,059
NPL Ratio	7.8%	5.7%	5.6%
NPL coverage	35.6%	27.9%	29.0%
Total coverage (*)	92.6%	97.9%	103.2%

- 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 768 million TRY free provision included, total coverage ratio is 140.4%.

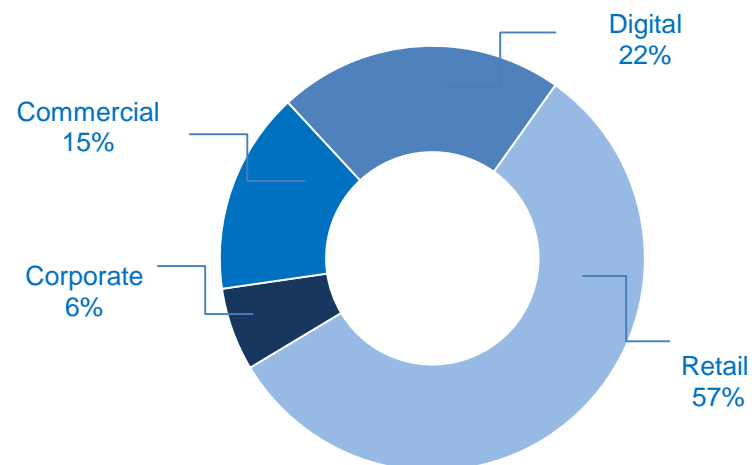
(*) Including stage1, stage2, stage3 for cash loans provisions and free provision.

Deposits are the Main Funding Source

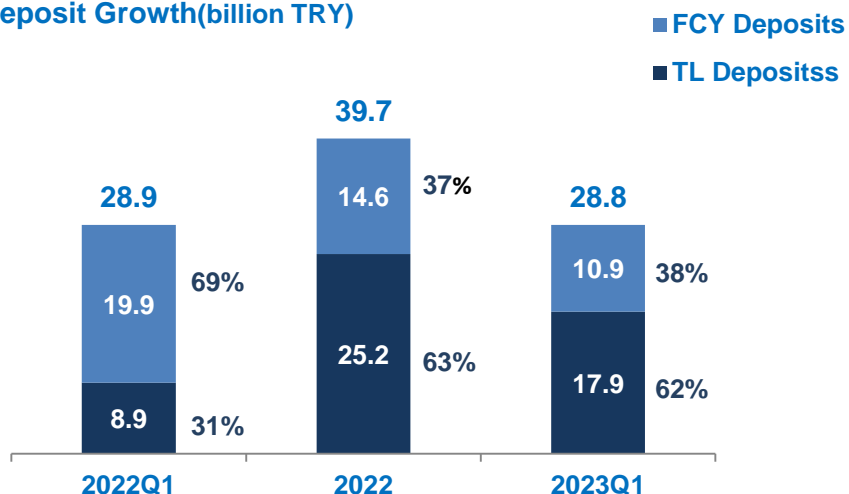
Deposit composition by maturity



Deposit composition by customer segment



Deposit Growth(billion TRY)



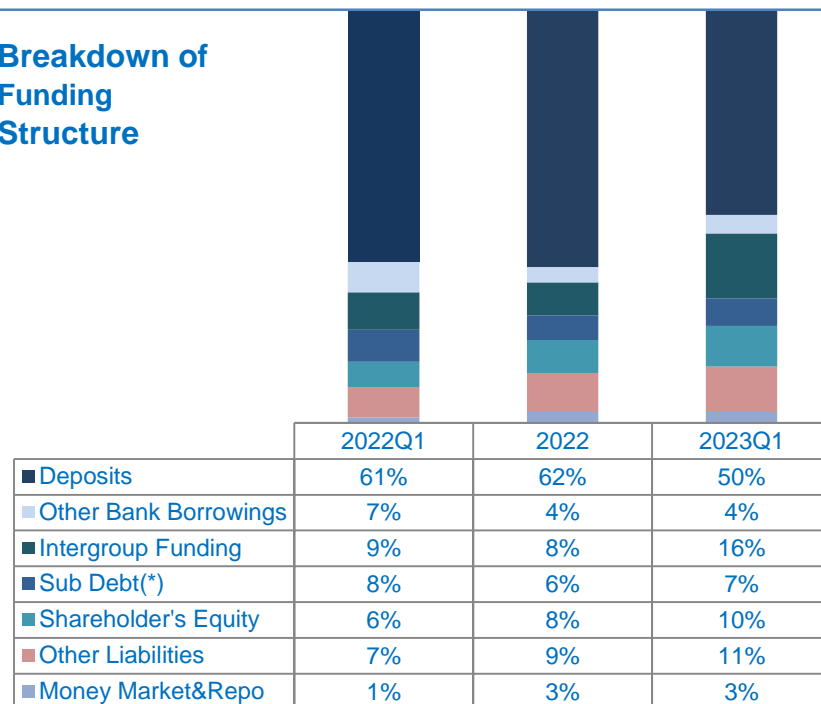
- **Retail deposits** continue to be the major contributor in the deposit composition.
- YTD total Deposits decreased by **27.4%**(fx adjusted **-28.2%**) Deposit growth in the Banking sector is **12.4%** (fx adjusted **11.3%**).
- **Digital banking deposits** contribution has reached to **22%**.
- The total of top 20 deposits receives a share of **15.4 %** (2022-16.7%) out of total deposits.

Solid Funding Base with strong support from Parent

Funding structure (million TRY)

	2022Q1	2022	2023Q1	YTD	YOY
Deposits	28,858	39,714	28,831	-27.4%	-0.1%
Borrowings	7,833	7,458	11,756	57.6%	50.1%
Intergroup Funding	4,305	5,086	9,162	80.1%	112.8%
Other Bank Borrowings	3,515	2,356	2,584	9.6%	-26.5%
Eximbank	14	15	11	-26.7%	-21.4%
Sub Debt(*)	3,676	3,771	3,862	2.4%	5.1%
Money Market&Repo	619	1,656	1,543	-6.8%	149.1%
Other Liabilities	3,482	6,055	6,358	5.0%	82.6%
Shareholder's Equity	2,884	5,094	5,729	12.5%	98.6%

Breakdown of Funding Structure



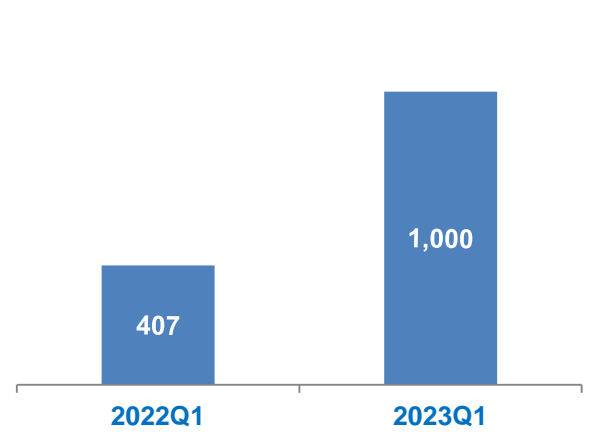
- Burgan Bank K.P.S.C. continues with a balance of **680 mio USD** in intergroup funding including sub-debt.
- Third party funding sources continues through strong cooperation with Correspondent Banks.

(*) Burgan group

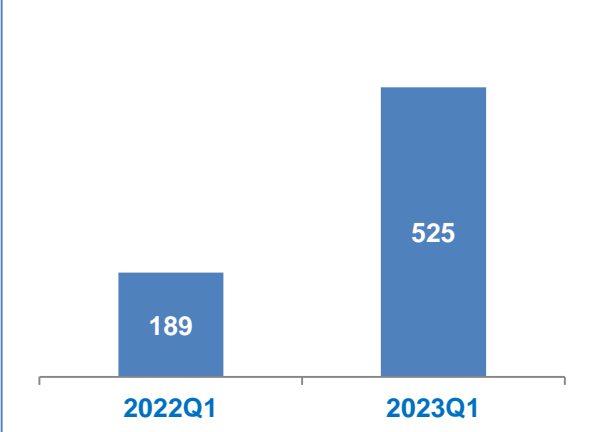
Total revenue and operating income increased with the high non interest income effect

(million TRY)	2022Q1	2023Q1	YOY
Total Interest Income	1,123	2,071	84.4%
Total Interest Expense	846	1,706	101.6%
Net Interest Income	277	365	31.8%
Total Revenues	407	1,000	145.9%
Total Operating Expenses	218	475	118.0%
Operating Income	189	525	177.9%
Provision	-71	-195	-173.2%
Net Profit	203	650	219.7%

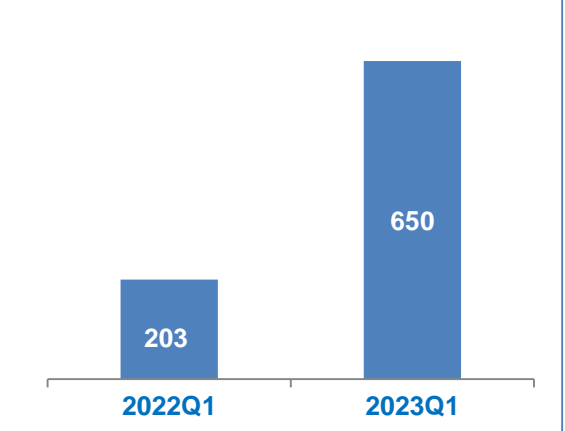
Revenues (million TRY)



Operating Income (million TRY)



Net Profit (million TRY)



Strong Capitalization

	2022Q1	2022	2023Q1
Shareholder's Equity (million TRY)	2,884	5,094	5,729
Capital Base Inc. Sub-Debt (million TRY)	6,505	8,534	9,260
CAR Ratio (%)	20.8	19.1	19.6
Tier 1 Ratio (%)	10.3	11.7	12.4

➤ 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
 - 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

