



Burgan Bank A.Ş. Turkey (BBT)

**June 2023 Presentation
(BRSA Consolidated)**

Operating Environment

Macroeconomic Outlook – Turkiye

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	905	970
Population (mn, mid-year)	84.1	85.0	86.5
GDP per capita (USD)	9,592	10,655	11,300
Real GDP (% change)	11.4	5.6	3.5
CPI Inflation (year-end)	36.1	64.3	65.0
Gen.Gov.Budget Bal. / GDP	-2.8	-0.9	-6.0
Gov. Debt / GDP	42.3	37.1	42.0
Current Account Bal. / GDP	-0.9	-5.3	-4.7
Forex Reserves (USD bn)	111.0	129.0	120.0
Trade Balance (USD bn)	-46.2	-110.0	-100.0
Exports (USD bn)	225.2	254.2	255.0
Imports (USD bn)	271.4	363.7	365.0

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

After recording 5.6% growth in 2022, GDP growth has slowed down to 4% yoy in 1Q23. Buoyant domestic demand -fueled by expansionary policies ahead of presidential and parliamentary elections in May 2023- continued to drive economic activity in 1H23, while industrial production has been subdued. The impact of two major earthquakes, which took place on February 6, 2023, has been relatively limited on economic activity. The Turkish economy is estimated to grow by around 3.5% in 2023 versus government's forecast of 4.5%.

Consumer inflation has decelerated to 38.2% by end-1H23, from the peak at 85.5% in October 2022, thanks to the high-base effect, normalization in global supply chain and input prices as well as relatively stable TRY. However, inflation has started to climb as of July 2023, triggered by sharp weakening of TRY in the last four months (40%) and massive tax adjustments. We project consumer inflation to accelerate to 65% by YE23.

After the elections, a new economy team has been appointed, who has gradually started to adopt a more orthodox mix in economic policy. The CBT hiked the policy rate by 900bps in June and July, bringing 1-week repo rate to 17.5%. The CBT has also signaled that the adjustment of monetary policy will be conducted through more strict "loan" policy and "quantitative tightening".

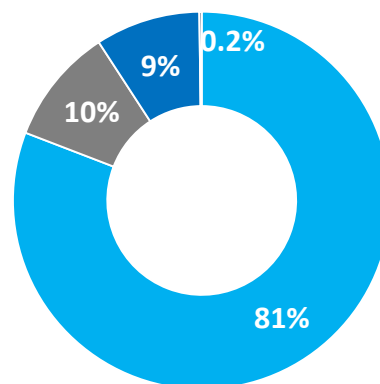
The policy shift accompanied with new CBT management has triggered an improvement in Turkiye's risk premium. CBT's gross reserves rose US\$116bn as of August 4, indicating US\$18bn improvement since May'23. 5-yr CDS has receded to 400bps.

- 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

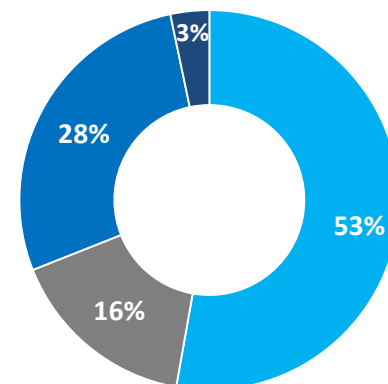
Ratings ⁽³⁾	Bank	Sovereign
Moody's	Baa1	A1
S&P	BBB+	A+
Fitch	A	AA-

Financial Performance	H1-2023
Revenue in US\$ million	352.3
Net Profit in US\$ million ⁽⁴⁾	59.1
Gross Loans to Cust. Deposits	96.7%
Liquidity Ratio ⁽⁵⁾	25.1%
NPA Ratio	1.9%
NPA net of Collateral Ratio	0.5%

Loans by Operations⁽²⁾



Revenues by Operations⁽²⁾



■ Kuwait ■ Algeria ■ Turkey ■ Tunisia

- International operations⁽²⁾ contributing 19% in Loans and 47% in Revenues
- Burgan Bank, Turkey is one of the key contributor among Burgan Subsidiary Banks in loans share as well as revenue generation

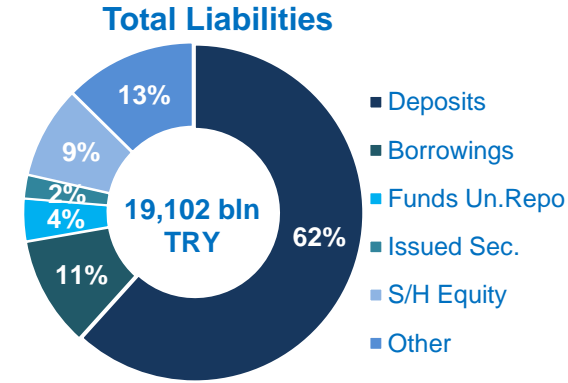
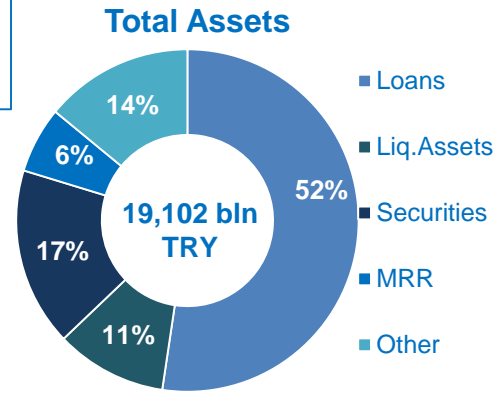
(1) As on 30th June 2023. Market Cap based on share price as at 26th June 2023 (Source: Kuwait Boursa);
 (2) Excludes consol. adjt;
 (3) Credit Ratings as on 30th June 2023;
 (4) Net Income attributed to equity holders;
 (5) Liquidity ratio has been computed as (Cash and cash equivalents + Treasury Bills and Bonds with CBK and others + Due from banks and OFI's)/ Total assets.

Operating Environment Turkish Banking Sector

Number of Banks: 58 (Including 6 Participation Banks)

➤ Number of Depository Banks: 35

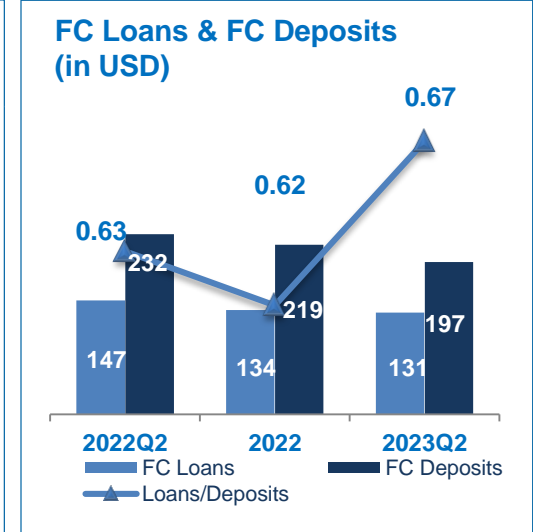
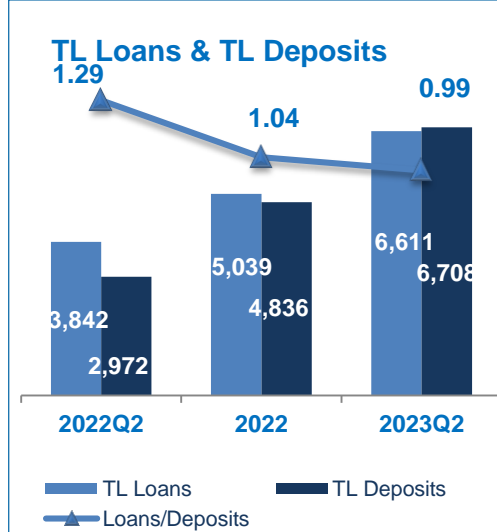
Growth (billionTRY)	2022Q2	2022	2023Q2	YTD	YOY
Total Assets	11,707	14,344	19,102	33.1%	63.2%
Total Deposits	6,843	8,923	11,782	32.0%	72.2%
Total Loans,net	6,290	7,553	10,001	32.4%	59.0%
Net Profit	169.1	431.6	250.1	15.9%	47.9%



Key B/S Ratios(%)

	2022Q2	2022	2023Q2
ROA	3.3%	3.7%	3.1%
ROE	38.7%	41.6%	32.8%
NPL	2.4%	2.1%	1.6%
CAR	18.0%	19.5%	18.0%
NIM	7.4%	7.4%	4.3%
Coverage	81.5%	86.7%	86.5%
Loan/Deposit	91.9%	84.6%	84.9%

Million TRY&USD

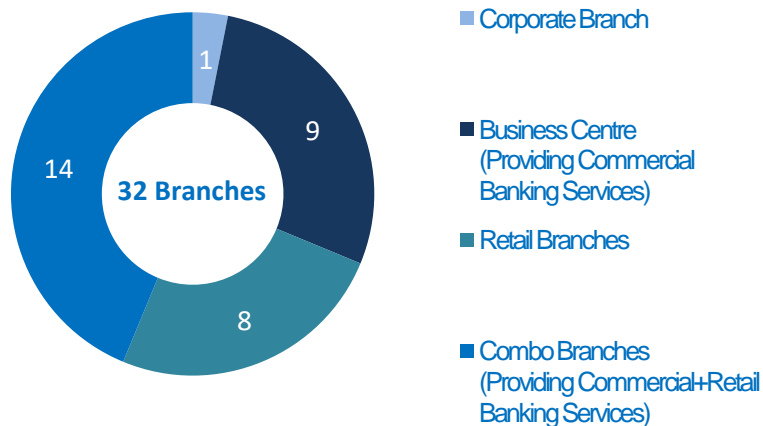


Source: BRSA

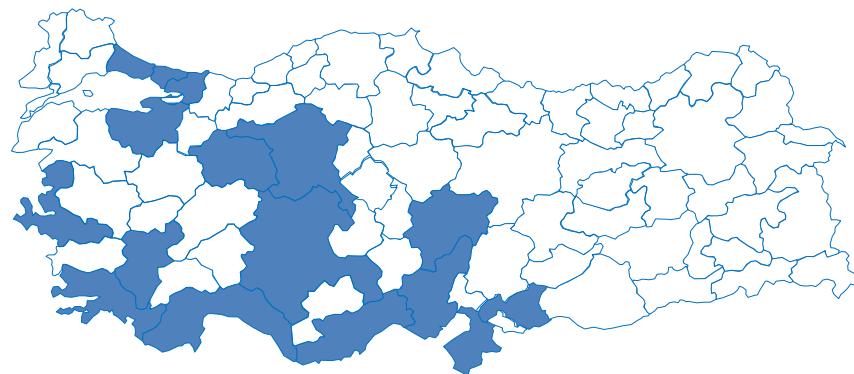
Burgan Bank A.Ş. At a Glance

- 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-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 339mn** new funding generation from the international markets.
 - Sound customer deposit base, deposits account for 45% of total liabilities
- Retail and Digital deposits reached to 74% of total deposits.

Capital

- Well positioned Capital Base with a CAR of 24.4%, Tier 1 Ratio of 14.7% (including sub-debt from parent) and CET1 Ratio of 11.9%.

Profitability

- TRY 1,225m net profit with above sector average ROE (44%).
- Prudent provisioning approach with TRY 618m additional free provision in Q2 2023.
- TRY 1,586m total free provision

Others

Growing Digital Banking with increasing presence in Retail;

- ON reached 500K+ customer milestone in July'23 with 3,25% remote acquisition market share. ON also crowned this success by winning Best Integrated Consumer Banking Site/Best Digital Banking Platform award both in Turkey and Europe in the Best Digital Bank 2023 competition organized by Global Finance two years in a row.

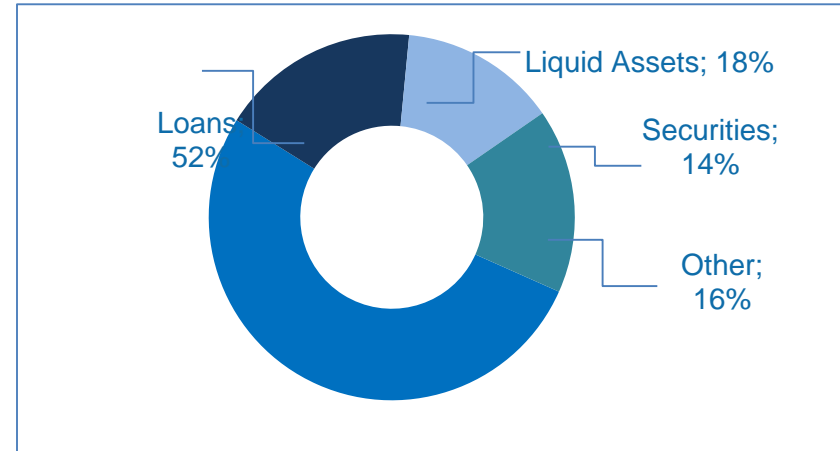
Performance Trends

Balance Sheet Growth

Balance Sheet (million TRY)

	2022Q2	2022	2023Q2	YTD	YOY
Total Assets	52,873	63,748	68,388	7.3%	29.3%
Loans(*)	33,295	39,525	35,538	-10.1%	6.7%
Securities	3,937	7,611	9,433	23.9%	139.6%
Deposits	31,029	39,714	30,571	-23.0%	-1.5%
Borrowings	8,597	7,458	15,743	111.1%	83.1%
Sub- Loan(***)	3,350	3,771	5,212	38.2%	55.6%
Shareholders' Equity	4,271	5,094	6,361	24.9%	48.9%

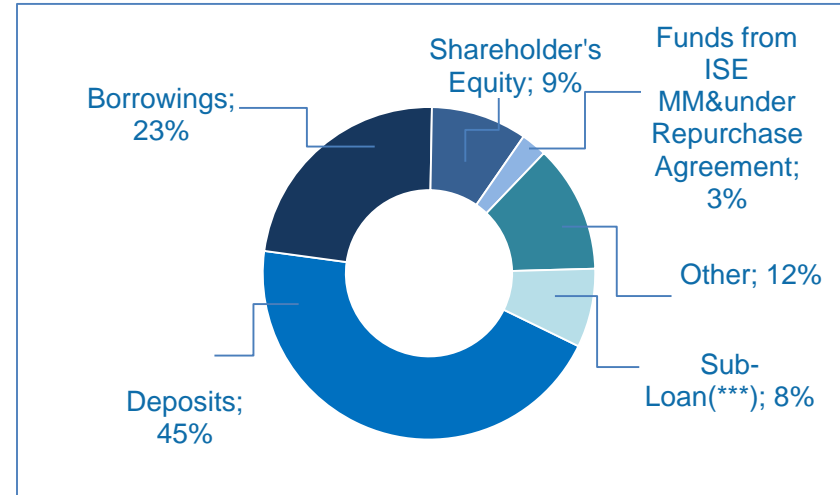
Total Assets – 30.06.2023



Balance Sheet Ratios

	2022Q2	2022	2023Q2
Loans / Assets	63%	62%	52%
Loans / Deposits	107%	100%	116%
Loans / Deposits (Bank only)	93%	87%	101%
Loans / Deposits(**)	85%	81%	73%
ROE	36%	31%	44%

Total Liabilities – 30.06.2023



(*)Factoring and Leasing Receivables Included

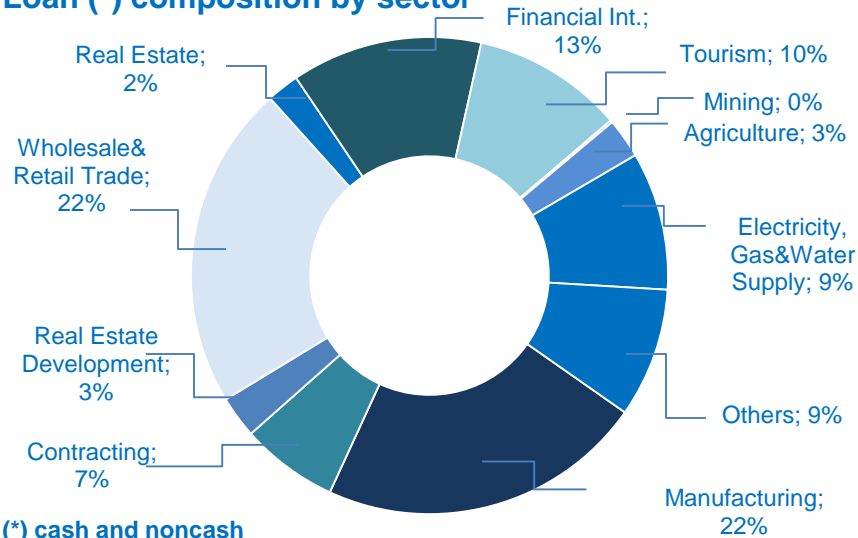
(**)Burgan Group borrowings and sub-loan included

(***)Burgan Group funding

Loan Growth

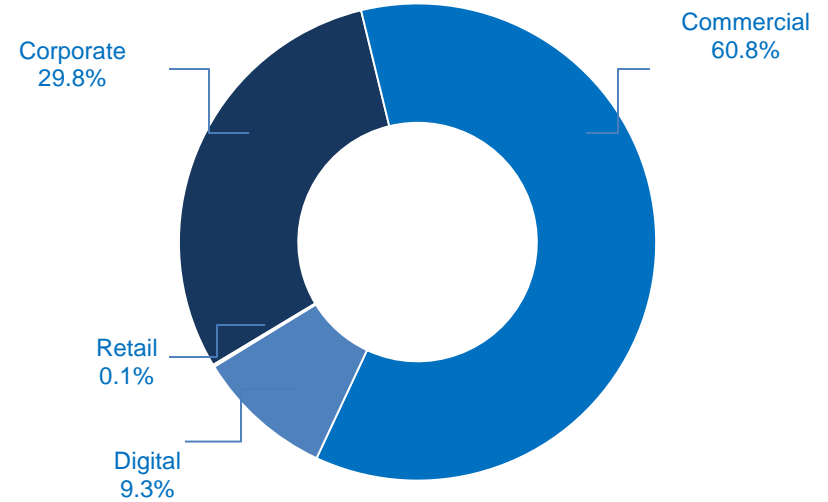
Commercial and Corporate Loans – the biggest contributor

Loan (*) composition by sector

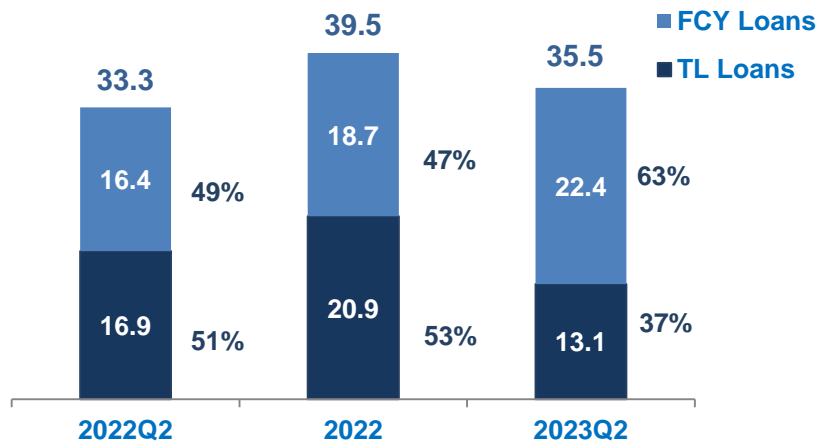


(*) cash and noncash

Loan composition by customer segment

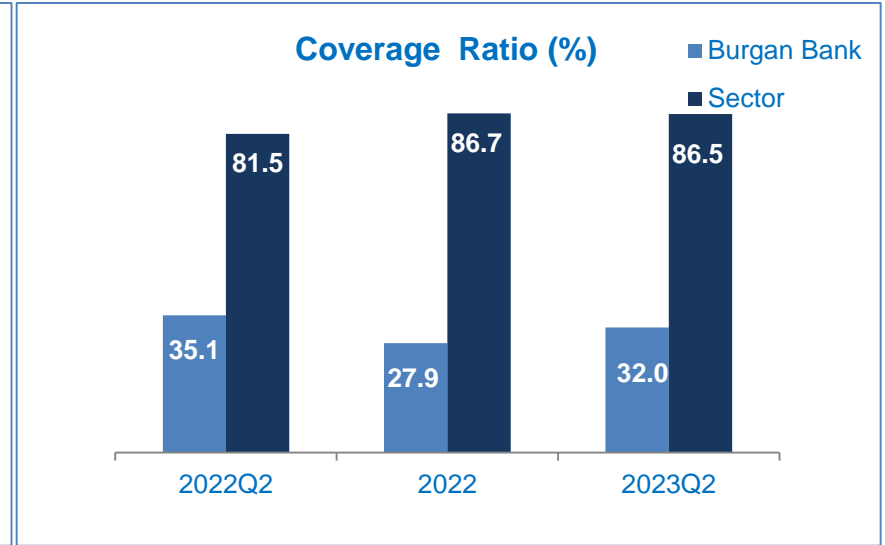
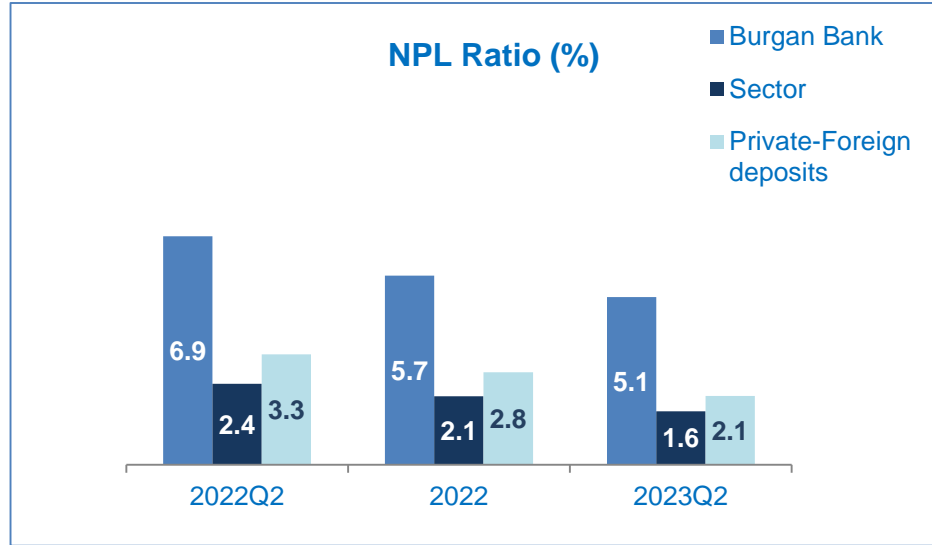


Loan Growth (billion TRY)



Asset Quality

NPL ratio



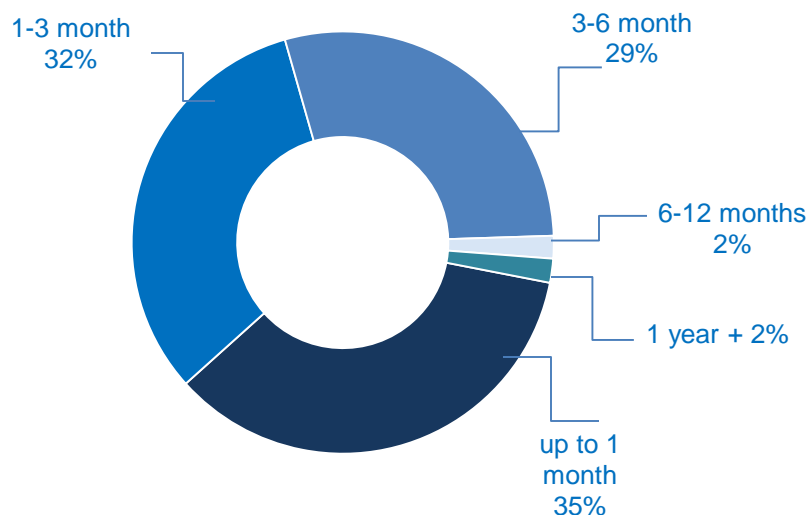
	2022Q2	2022	2023Q2
Gross Loans (million TRY)	35,844	41,857	37,135
NPL's (million TRY)	2,470	2,387	1,875
NPL Ratio	6.9%	5.7%	5.1%
NPL coverage	35.1%	27.9%	32.0%
Total coverage (*)	103.3%	97.9%	85.3%

- 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 1,586 million TRY free provision included, total coverage ratio is 169.9%.

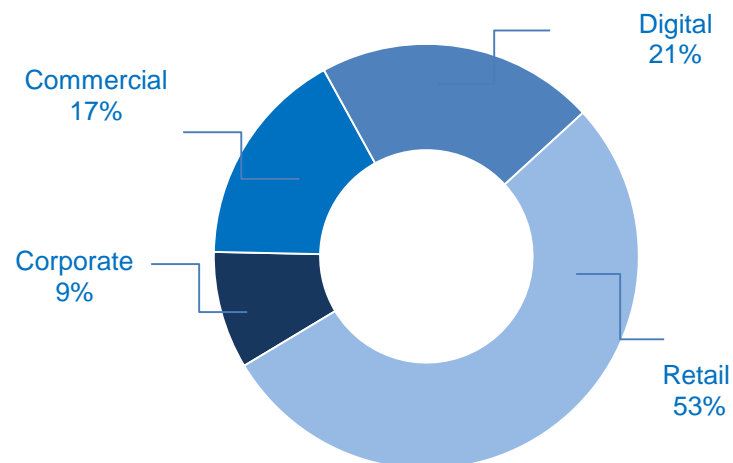
(*) Including stage1, stage2, stage3 for cash loans provisions and free provision.

Deposits are the Main Funding Source

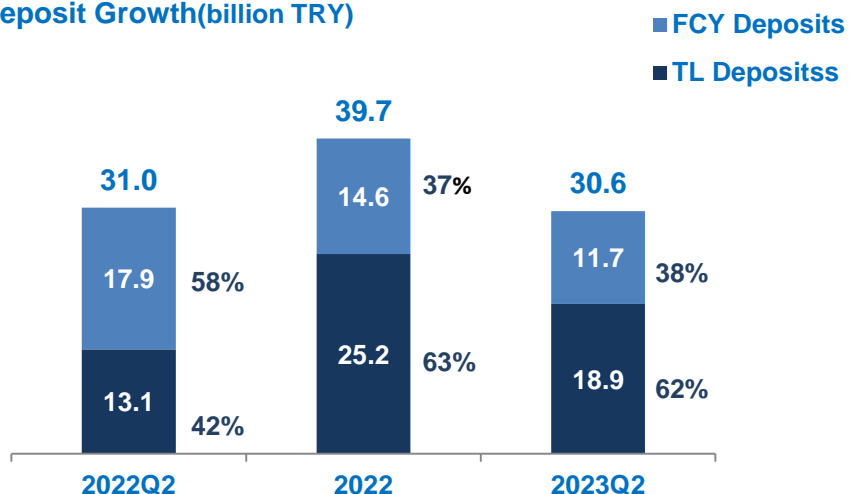
Deposit composition by maturity



Deposit composition by customer segment



Deposit Growth(billion TRY)



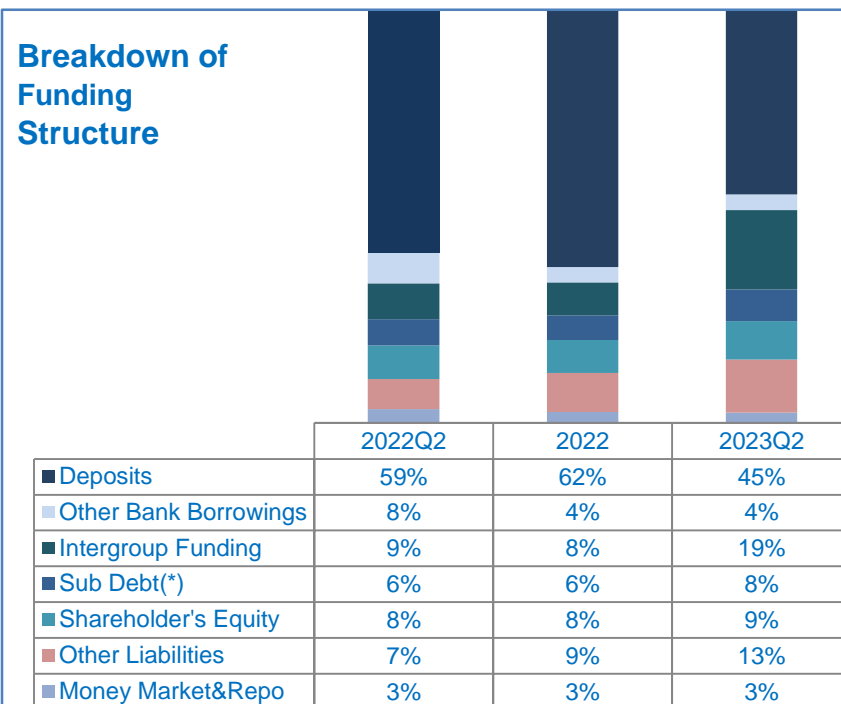
- **Retail deposits** continue to be the major contributor in the deposit composition.
- YTD total Deposits decreased by **23.0%**(fx adjusted **-31.0%**) Deposit growth in the Banking sector is **32.0%** (fx adjusted **16.5%**).
- **Digital banking deposits** contribution has reached to **21%**.
- The total of top 20 deposits receives a share of **12.9 %** (2022-16.7%) out of total deposits.

Solid Funding Base with strong support from Parent

Funding structure (million TRY)

	2022Q2	2022	2023Q2	YTD	YOY
Deposits	31,029	39,714	30,571	-23.0%	-1.5%
Borrowings	8,597	7,458	15,743	111.1%	83.1%
Intergroup Funding	4,619	5,086	13,168	158.9%	185.1%
Other Bank Borrowings	3,964	2,356	2,568	9.0%	-35.2%
Eximbank	13	15	6	-60.8%	-55.1%
Sub Debt(*)	3,350	3,771	5,212	38.2%	55.6%
Money Market&Repo	1,742	1,656	1,712	3.4%	-1.7%
Other Liabilities	3,884	6,055	8,790	45.2%	126.3%
Shareholder's Equity	4,271	5,094	6,361	24.9%	48.9%

Breakdown of Funding Structure



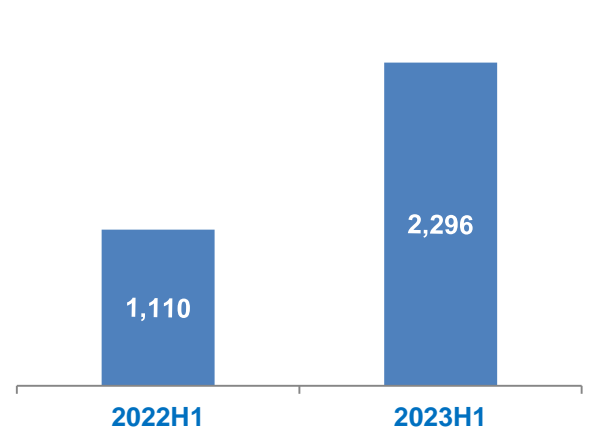
- Burgan Bank K.P.S.C. continues with a balance of **712 mio USD** in intergroup funding including sub-debt.
- Third party funding sources continues through strong cooperation with Correspondent Banks.

(*) Burgan group

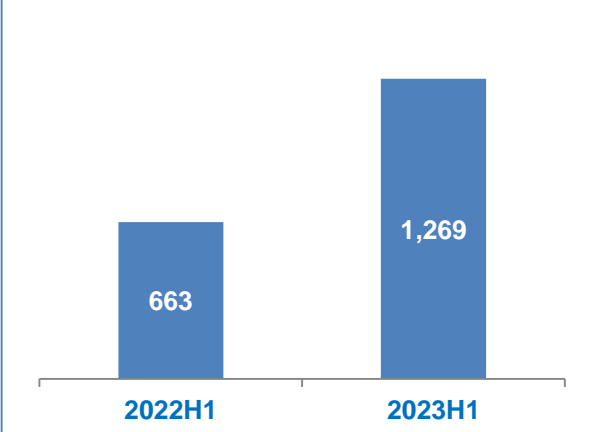
Total revenue and operating income increased with the high non interest income effect

(million TRY)	2022H1	2023H1	YOY
Total Interest Income	2,557	4,217	64.9%
Total Interest Expense	1,882	3,715	97.4%
Net Interest Income	675	502	-25.6%
Total Revenues	1,110	2,296	106.9%
Total Operating Expenses	447	1,027	129.6%
Operating Income	663	1,269	91.5%
Provision	-82	-512	523.7%
Net Profit	561	1,225	118.4%

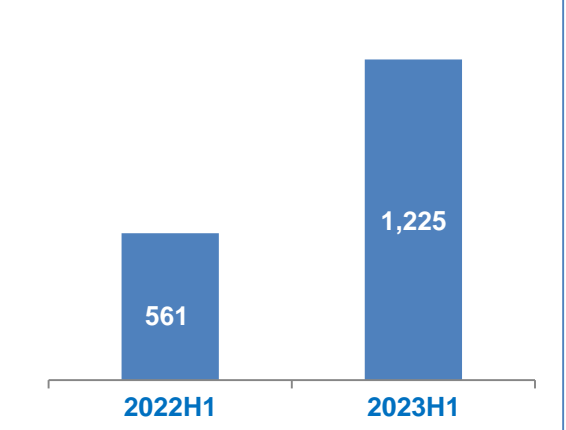
Revenues (million TRY)



Operating Income (million TRY)



Net Profit (million TRY)



Strong Capitalization

	2022H1	2022	2023H1
Shareholder's Equity (million TRY)	4,271	5,094	6,361
Capital Base Inc. Sub-Debt (million TRY)	7,385	8,534	11,091
CAR Ratio (%)	19.1	19.1	24.4
Tier 1 Ratio (%)	11.5	11.7	14.7

➤ 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
 - 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

- Within the framework of the Sustainability Project, BBT organized Sustainability Committee and set targets following the gap analysis, prioritization survey and interviews conducted by Escarus Sustainability Consultancy, the United Nations Sustainable Development Goals.

Contact Details

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Thank you

