



Burgan Bank A.Ş. Turkey (BBT)

**June 2020 Presentation
(BRSA Consolidated)**

Operating Environment

Macro Economic Outlook - Turkey

Ratings	Fitch	Moody's	S&P
Long Term FC Rating	BB-	B1	B+
Outlook	Negative	Negative	Stable

Key Indicators	2019F(*)	2020F(*)	2021F(*)
Nominal GDP (USD bn)	754	700	735
Population (mn, mid-year)	82.6	83.4	84.4
GDP per capita (USD)	9,127	8,400	8,700
Real GDP (% change)	0.9	-2.8	4.0
CPI Inflation (year-end)	11.8	12.0	10.0
Gen. Gov. Budget Bal. / GDP	-2.9	-5.0	-3.5
Gov. Debt / GDP	33.1	38.5	37.5
Current Account Bal. / GDP	1.2	-3.0	-2.0
Forex Reserves (USD bn)	106.3	100.0	110.0
Trade Balance (USD bn)	-29.5	-25.0	-35.0
Export (USD bn)	180.8	165.0	175.0
Imports (USD bn)	210.3	190.0	215.0

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

After the substantial disruption of economic activity in March-May period, Turkey has gradually eased the targeted lockdowns and started to normalize its economy as of June. Industrial production has contracted by 16.8% yoy in 2Q20. However, PMI has recovered back to 56.9 in July, the highest level since 2011, from the lowest since 2008 crisis in April.

Total measures to counter the effect of Covid-19 reportedly rose to TRL498 billion (roughly 10.8% of GDP), including deferred loan payments. Rapid credit expansion led by state banks, expansionary fiscal and monetary policy has supported domestic demand so far; however, inflation remains elevated at 11.8% as of July and current account deficit has widened to US\$19.8bn in 1H20 amid subdued exports and zero tourism revenue.

The CBT holds the policy rate at 8.25%, yet it has started to tighten the liquidity conditions since early August as a response to higher TRY volatility.

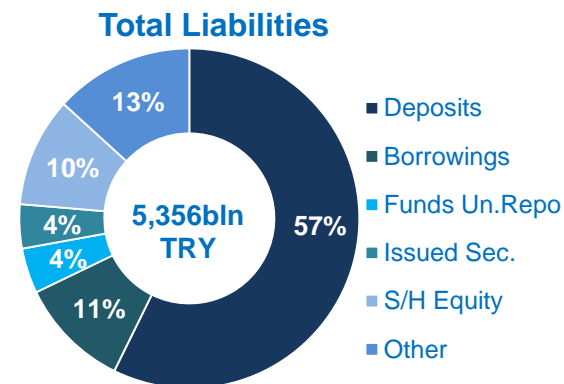
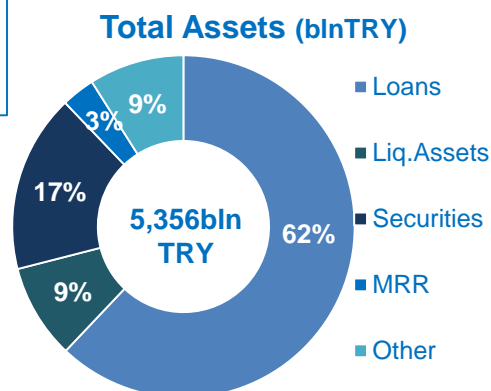
Turkey has managed the Covid-19 pandemic relatively successfully so far with high ratio of recovery and low ratio of death, and ranks 18th in the number of Covid-19 cases globally as of August. However, recently there is an uptick in reported Covid-19 cases which raises the uncertainty on economic outlook.

Operating Environment Turkish Banking Sector

Number of Banks: 54 (Including 6 Participation Banks)

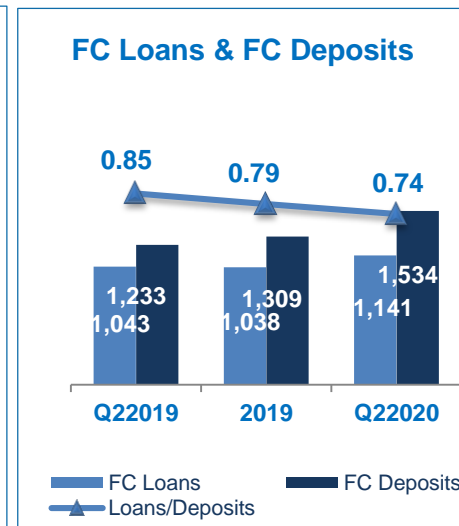
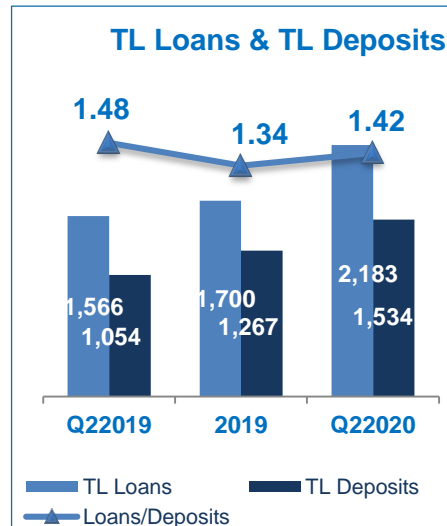
➤ Number of Depository Banks: 34

Growth (billionTRY)	H12019	2019	H12020	YoY	YTD
Total Assets	4,234	4,491	5,356	26.5%	19.3%
Total Deposits	2,288	2,576	3,068	34.1%	19.1%
Total Loans,net	2,609	2,739	3,324	27.4%	21.4%
Net Profit	24.8	49.2	30.9	24.6%	25.4%



Key B/S Ratios(%)	H12019	2019	H12020
ROA	1.2%	1.2%	1.3%
ROE	11.5%	10.9%	12.0%
NPL	4.3%	5.2%	4.3%
CAR	17.7%	18.4%	19.5%
NIM	4.1%	4.4%	5.0%
Coverage	67.6%	65.1%	71.3%
Loan/Deposit	114.4%	106.0%	109.1%
Total Assets/GDP	98.9%	104.9%	107.7%
Total Loans/GDP	61.0%	64.0%	66.8%
Total Deposits/GDP	53.5%	60.2%	61.7%

mioTL



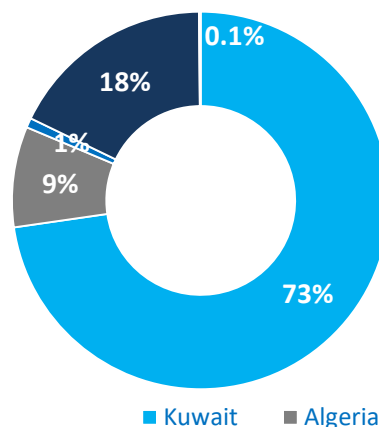
Source: BRSA

- 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\$ 1.672 billion⁽¹⁾
- Has a strong domestic franchise with 14.8% market share 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
 - Iraq – Bank of Baghdad
 - Tunisia – Tunis International Bank

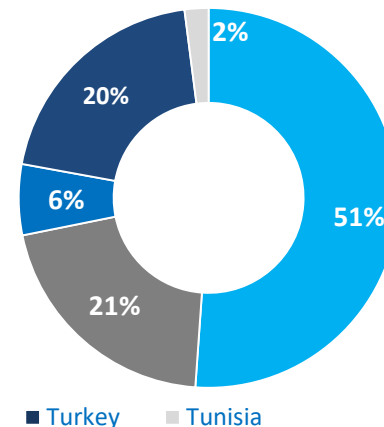
Ratings	Bank ⁽²⁾	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA-
Fitch	A+	AA

Financial Performance	H1 2020
Revenue in US\$ million	350.3
Net Profit in US\$ million ⁽³⁾	74.1
Cost to Income Ratio	43.4%
Gross Loans to Cust. Deposits	109.2%
Liquidity Ratio	23.4%
NPA Ratio	4.0%
NPA net of Collateral Ratio	1.2%

Loans by Operations



Revenues by Operations



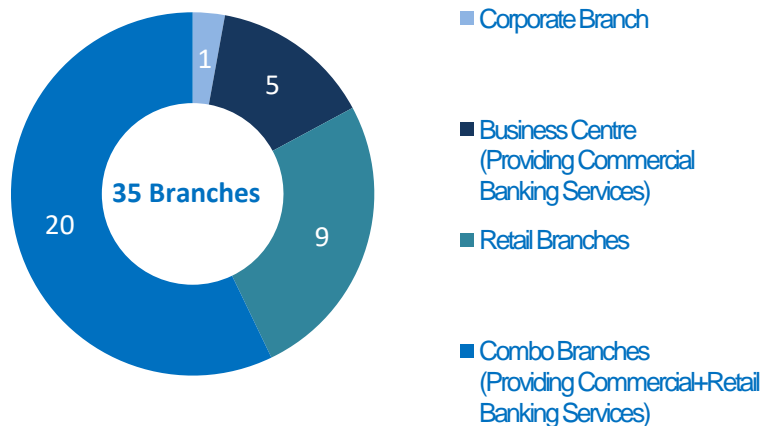
- International operations contributing 27% in Loans and 49% in Revenues
- Burgan Bank, Turkey is one of the key contributor among Burgan Subsidiary Banks in loans share as well as revenue generation

- (1) Closing market capitalization on 30/06/2020 in Borsa Kuwait,
- (2) Based on latest Rating Reports; Moody's: 15th April 2020; S&P : July 22th 2020; Fitch: 15th November 2019.
- (3) Net Income attributed to equity holders and after AT1 cost
- (4) Opening equity methodology

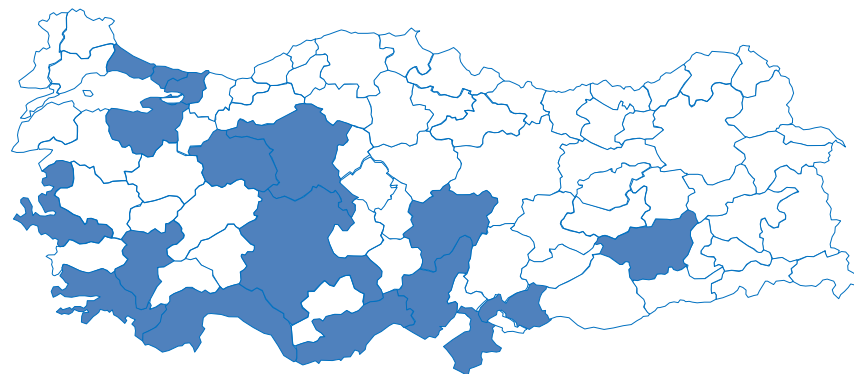
Burgan Bank A.Ş. At a Glance

- Incorporated in 1989 as Tekfen Yatırım Bankası AŞ
- Became a Burgan Group member as of December 2012. Burgan Bank K.P.S.C. acquired **99.26%** of its shares.
- Enables better service and strengthens client relationships through its subsidiaries*:
 - **Burgan Leasing**
 - **Burgan Securities**
- Rated by :
 - **Fitch Ratings (20.05.2020)**
Long Term Global Foreign Currency : **B+**
Outlook : **Negative**

Segment-wise Branch Distribution



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



(*) Burgan Wealth Limited Dubai has been liquidated on July 2020

2020 Achievements

Growth

- YTD total asset size increased by 13.7%.(banking sector : 19.3%)
- YTD the loan book(net) increased by 11.4%. (banking sector : 21.4%)

Asset Quality

- NPL ratio increased to 8.6% as of June 2020. Banking sector NPL ratio realized to 4.3% and foreign private deposit banks' NPL ratio increased to 6.2% at the same period.

Funding

- Diversification of funding sources continued;
 - **USD 72mn** new funding generation from the international markets
- Sound customer deposit base, deposits account for 50.25% of total liabilities

Capital

- Well positioned Capital Base with a CAR of **19.41%** and Tier 1 Ratio of **9.96%** (all sub-debt from parent)

Profitability

- Net profit is 3.2 mio TL.
- 221 mio TL provision charge was booked in H12020.(H12019 – 125 mio TL)

Others

- Continuous investment in Human Capital and Technology;
 - New internet and mobile banking application have been launched
 - Employee Value Proposition Project has been launched
 - Success in digital channel customer acquisition

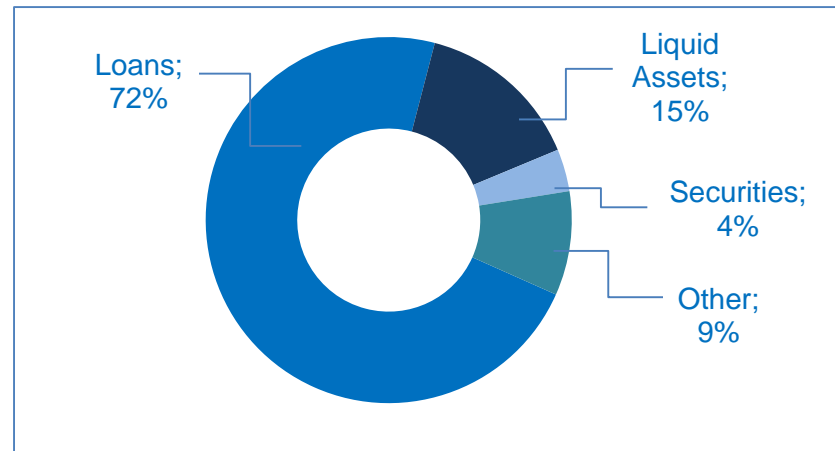
Performance Trends

Balance Sheet Growth

Balance Sheet (million TRY)

	Q22019	2019	Q22020	YoY	YTD
Total Assets	22,185	21,547	24,492	10.4%	13.7%
Loans(*)	16,901	15,911	17,729	4.9%	11.4%
Securities	691	636	915	32.5%	44.0%
Deposits	10,754	11,406	12,308	14.5%	7.9%
Borrowings	6,315	5,050	6,405	1.4%	26.8%
Subordinated Loan(***)	1,743	1,798	2,068	18.7%	15.0%
Shareholders' Equity	1,943	1,919	1,939	-0.2%	1.0%

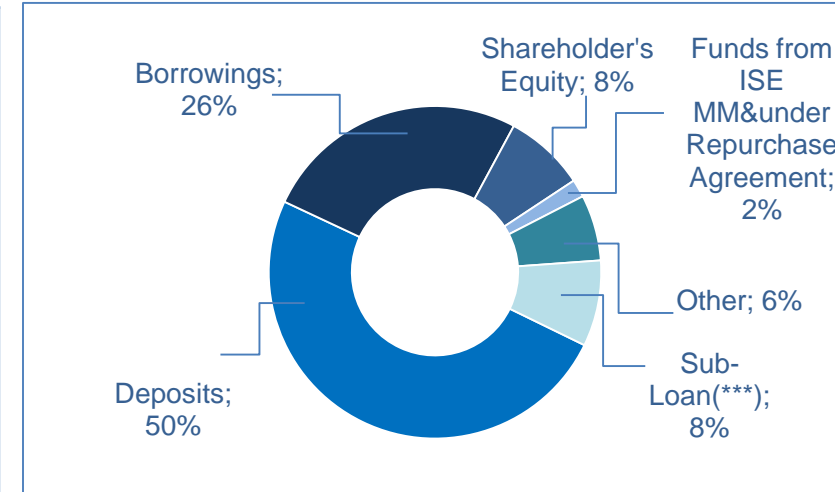
Total Assets – 30.06.2020



Balance Sheet Ratios

	Q22019	2019	Q22020
Loans / Assets	76%	74%	72%
Securities / Assets	3%	3%	4%
Loans / Deposits	157%	140%	144%
Loans / Deposits (Bank only)	128%	113%	119%
Loans / Deposits(**)	100%	96%	98%
ROE-with opening equity	11%	7%	0%

Total Liabilities – 30.06.2020



(*)Factoring and Leasing Receivables Included

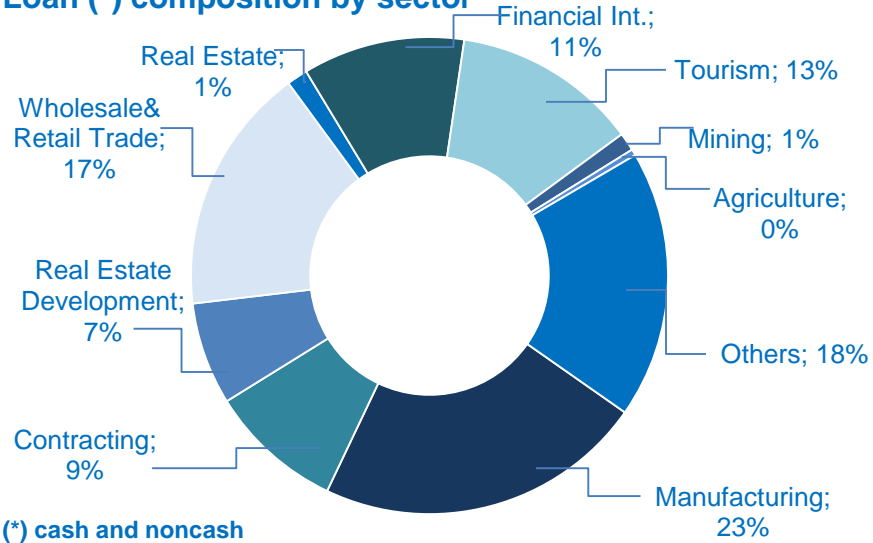
(**)Burgan Group borrowings and sub-loan included

(***)Burgan Group funding

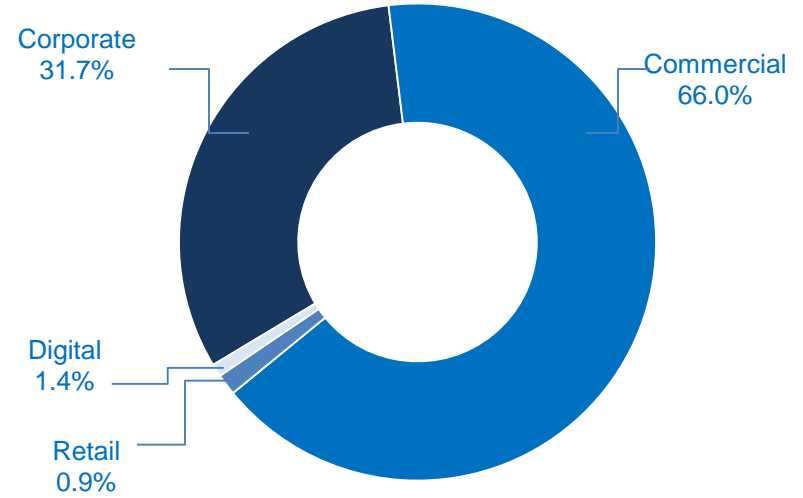
Loan Growth

Commercial and Corporate Loans – the biggest contributor

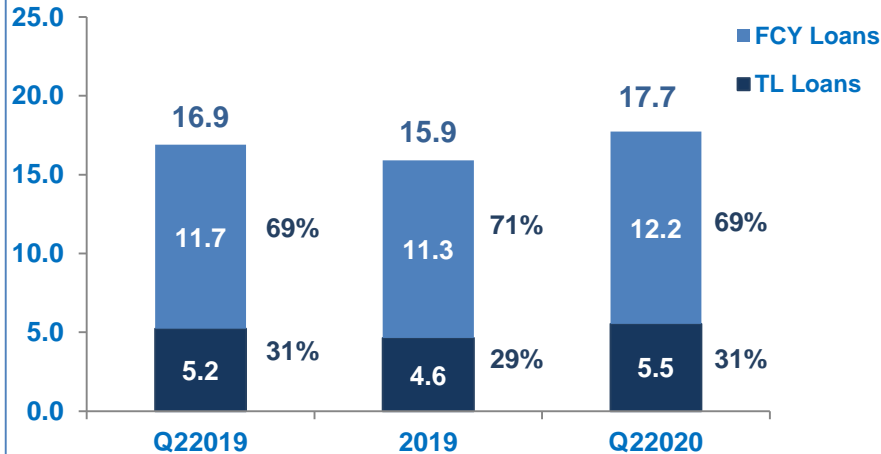
Loan (*) composition by sector



Loan composition by customer segment



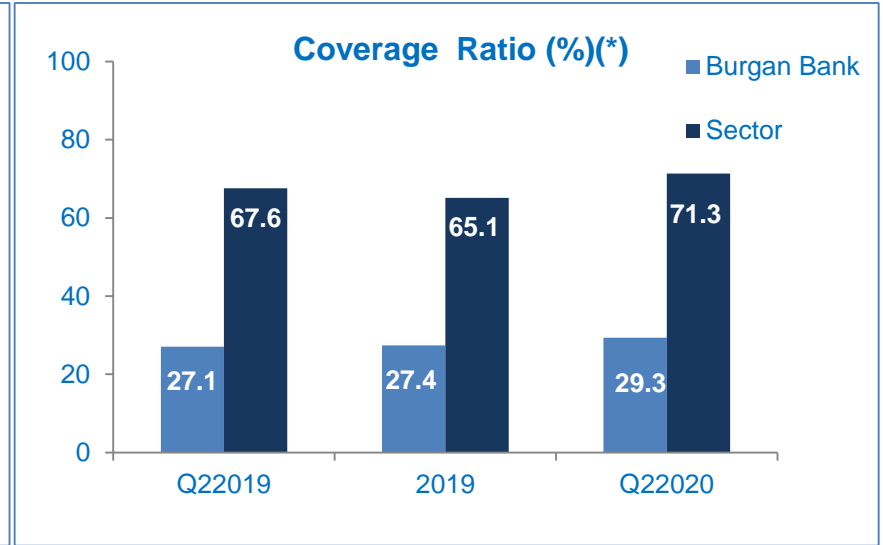
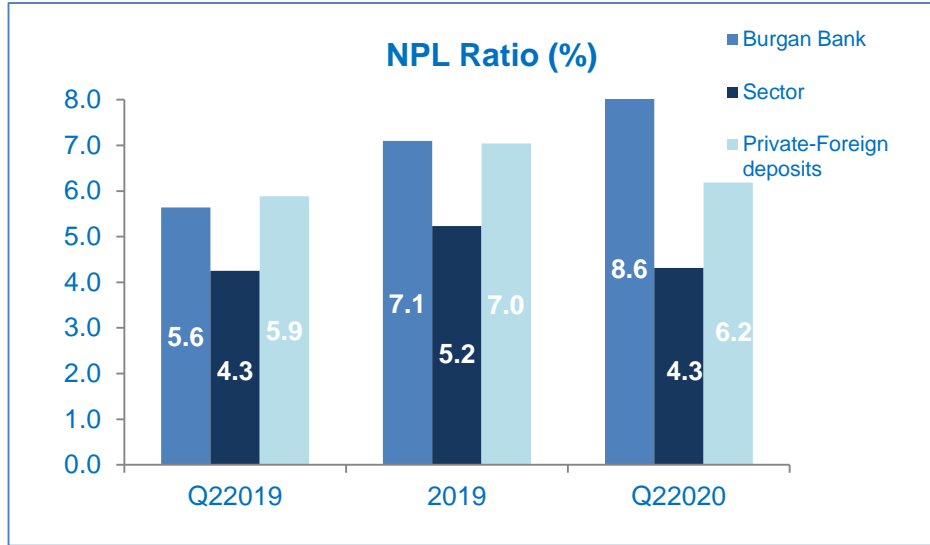
Loan Growth (billion TRY)



Performing Loans (Billion TRY)	Q22019	2019	Q22020	YTD
Sector	2,617	2,731	3,348	22.6%
State Deposit Banks	937	1,006	1,325	31.7%
Private Local Deposit Banks	786	801	915	14.2%
Foreign Deposit Banks	551	568	662	16.4%
Dev. & Inv. Banks	212	214	248	16.1%
Participation Banks	131	142	198	39.4%
Burgan Bank	17	16	17	10.8%

Asset Quality

NPL ratio



	Q22019	2019	Q22020
Gross Loans (million TRY)	17,708	16,807	18,932
NPL's (million TRY)	998	1,193	1,628
NPL Ratio	5.6%	7.1%	8.6%
NPL coverage (*)	27.1%	27.4%	29.3%
Total coverage (**)	80.9%	75.2%	74.0%

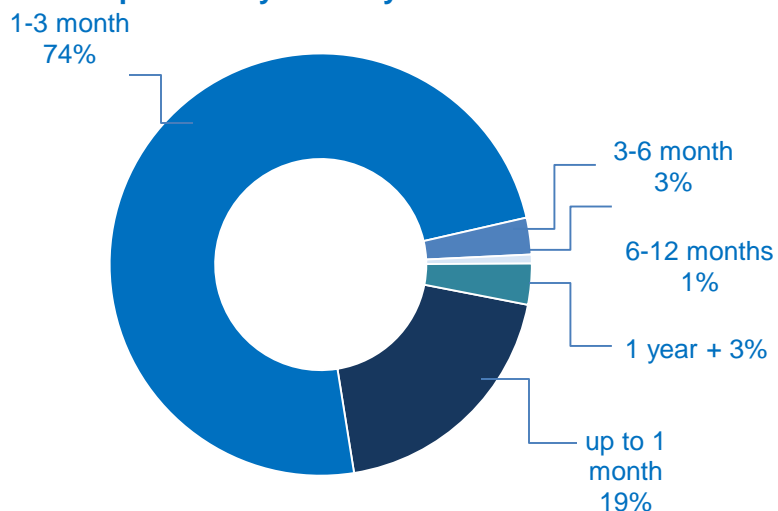
- Provisioning is in line with BRSA rules and regulations.
- Coverage ratio is below sector average due to the collateral structure of the Loan portfolio.
- The Bank has revised its macroeconomic expectations due to the possible effects of the COVID-19 epidemic. Expected credit loss provision had been increased by updating this macroeconomic and additional provision had been taken in to account.

(*) Including stage3 provisions

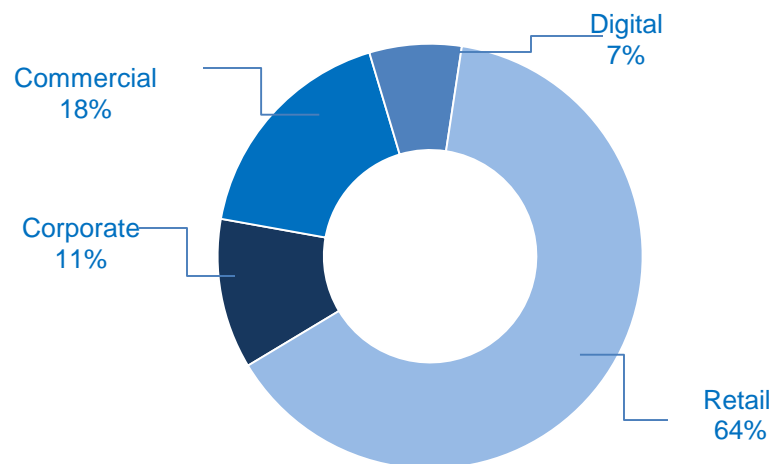
(**) Including stage1 and stage2 provisions

Deposits are the Main Funding Source

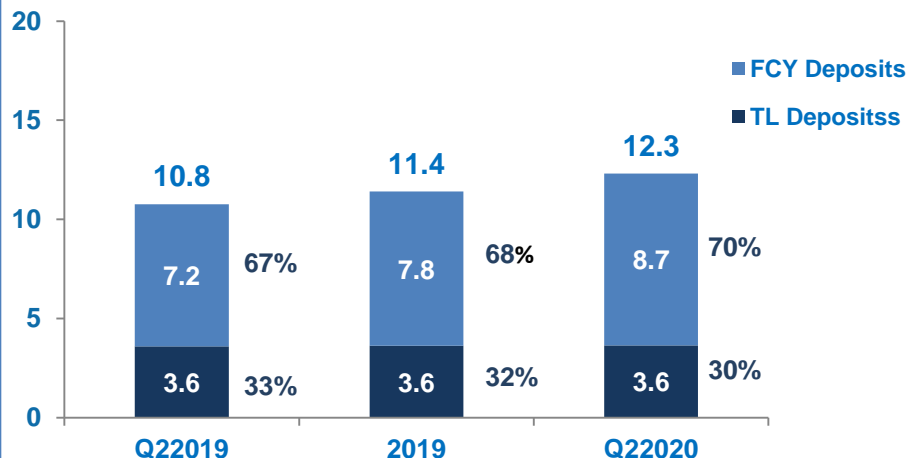
Deposit composition by maturity



Deposit composition by customer segment



Deposit Growth(billion TRY)



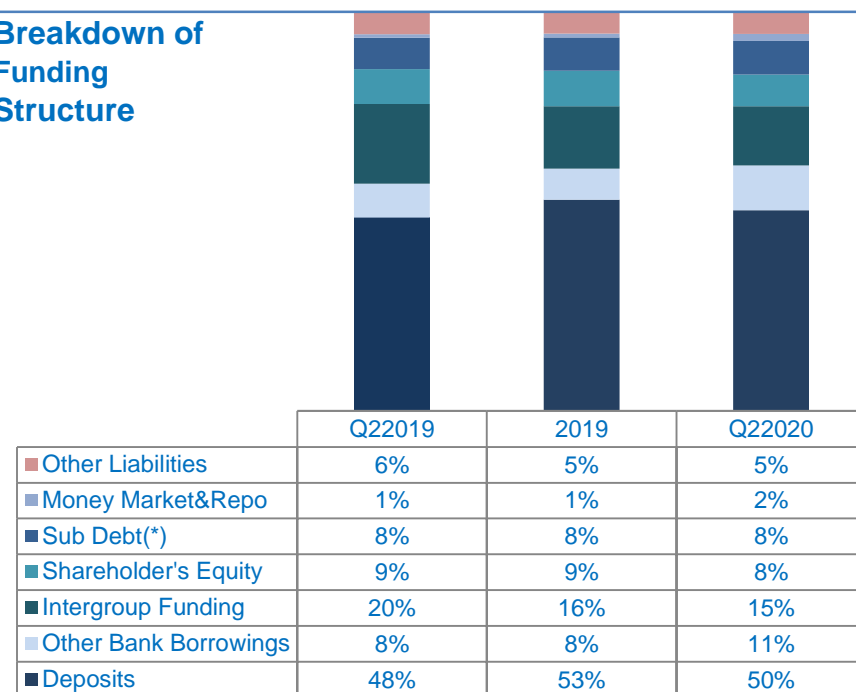
- **Retail deposits** continue to be the major contributor in the deposit composition.
- YTD total Deposits increased by 7.9%(fx adjusted -3.3%)
Deposit growth in the Banking sector is 19.1%(fx adjusted 3.4%).
- **Digital banking deposits** contribution has been reached to 7%.
- The Total of Top 20 deposits receives a share of **17.9%** (2019-19%) out of Total Deposits.

Solid Funding Base with strong support from Parent

Funding structure (million TRY)

	Q22019	2019	Q22020	YoY	YTD
Deposits	10,754	11,406	12,308	14.5%	7.9%
Borrowings	6,315	5,050	6,405	1.4%	26.8%
Intergroup Funding	4,441	3,374	3,642	-18.0%	7.9%
Other Bank Borrowings	1,824	1,628	2,717	49.0%	66.9%
Eximbank	50	48	46	-7.8%	-3.9%
Sub Debt(*)	1,743	1,798	2,068	18.7%	15.0%
Money Market&Repo	197	212	429	117.9%	102.8%
Other Liabilities	1,233	1,162	1,343	8.9%	15.6%
Shareholder's Equity	1,943	1,919	1,939	-0.2%	1.0%

Breakdown of Funding Structure

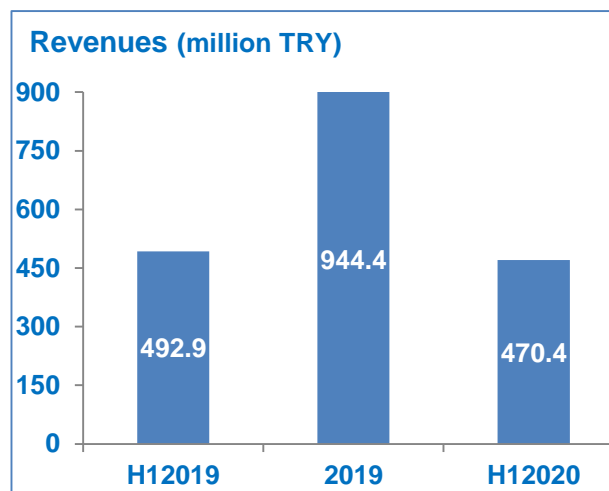
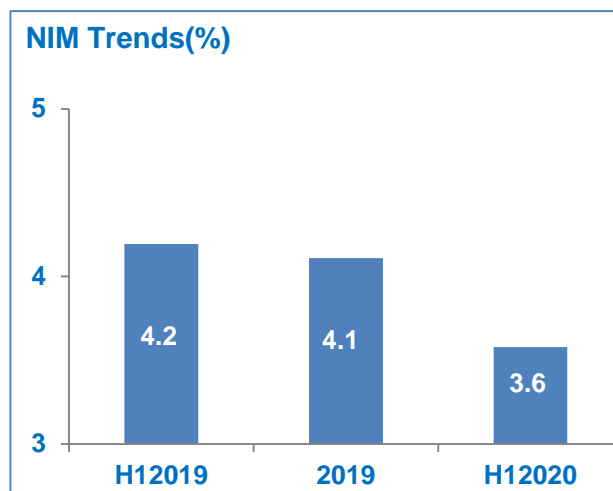
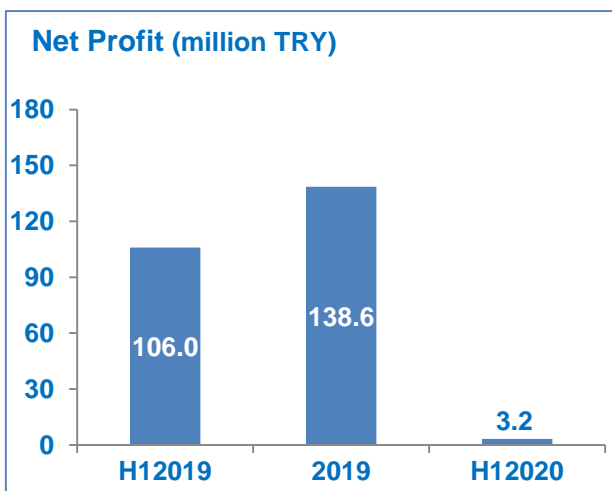
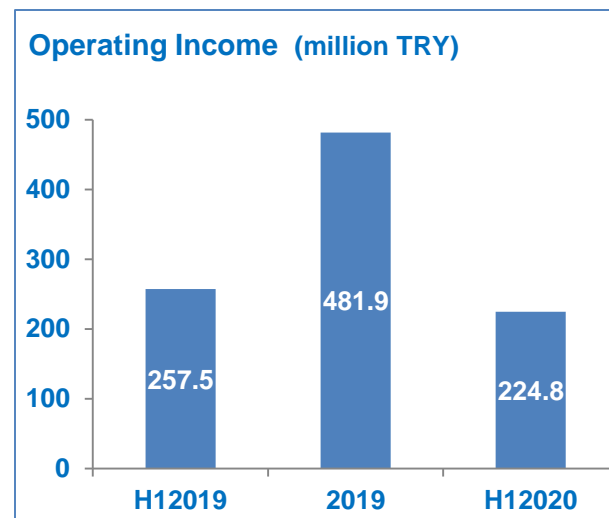


- Burgan Bank K.P.S.C. continues with a balance of **834 mio USD** in intergroup funding including sub-debt.
- Third party funding sources continues through strong cooperation with Correspondent Banks.

(*) Burgan group

Progress in Earnings

(million TRY)	H12019	2019	H12020	YoY	YTD
Total Interest Income	1,315.7	2,413.1	933.2	-29.1%	-22.7%
Total Interest Expense	892.4	1,600.4	560.5	-37.2%	-30.0%
Net Interest Income	423.3	812.6	372.7	-12.0%	-8.3%
Total Revenues	492.9	944.4	470.4	-4.6%	-0.4%
Total Operating Expenses	235.4	462.5	245.6	4.3%	6.2%
Operating Income	257.5	481.9	224.8	-12.7%	-6.7%
Provision	125.0	307.7	221.2	76.9%	43.8%
Net Profit	106.0	138.6	3.2	-96.9%	-95.3%



➤ The bank's cost to income ratio increased to **52.2%** as of June 2020 from **49.0%** as of December 2019.

Strong Capitalization

	Q22019	2019	Q22020
Shareholder's Equity (million TRY)	1,943	1,919	1,939
Capital Base Inc. Sub-Debt (million TRY)	3,735	3,622	3,825
CAR Ratio (%)	18.5	18.9	19.4
Tier 1 Ratio (%)	9.7	10.3	10.0

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

Outlook for 2020

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 RWA consumption

Human Capital

- Invest in human capital through EVP 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

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Thank you

