



Burgan Bank A.Ş. Turkey (BBT)

**March 2020 Presentation
(BRSA Consolidated)**

Operating Environment

Macro Economic Outlook - Turkey

Ratings	Fitch	Moody's	S&P
Long Term FC Rating	BB-	B1	B+
Outlook	Stable	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	9.0	9.5
Gen. Gov. Budget Bal. / GDP	-2.9	-5.0	-3.5
Gov. Debt / GDP	33.1	38.5	37.5
Current Account Bal. / GDP	1.1	-1.0	-2.0
Forex Reserves (USD bn)	106.3	100.0	110.0
Trade Balance (USD bn)	-29.5	-17.0	-35.0
Export (USD bn)	180.8	146.0	165.0
Imports (USD bn)	210.3	163.0	200.0

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

After the introduction of measures, including targeted and partial lockdowns, to contain the Covid-19 pandemic, normal economic activity has been disrupted substantially in Turkey as of March. Thanks to the strong trend growth in January-February, the Turkish economy has expanded by 4.5% yoy in the first quarter of 2020. However, industrial production contracted by 2% yoy in March, and leading indicators suggest larger contractions in April & May where global and local lockdowns were implemented widely. PMI has declined to historically lowest level of 33.4 in April, followed by some rebound to 40.9 in May.

Turkey ranks 11th in the number of Covid-19 cases globally as of end-May, yet has managed the pandemic relatively successfully with high ratio of recovery and low ratio of death. Hence, it plans to normalize life and economic activity to a large extent as of early June.

Turkish government announced a total package of TRL350bn (US\$50bn) so far including deferred loan payments. The CBT cut the policy rate further to 8.25% as of May, and initiated quantitative easing policies.

Inflation has slightly decelerated to 10.9% as of April, from 11.8% by end-2019. The CBT forecasts inflation to decline to 7.4% by end-2020.

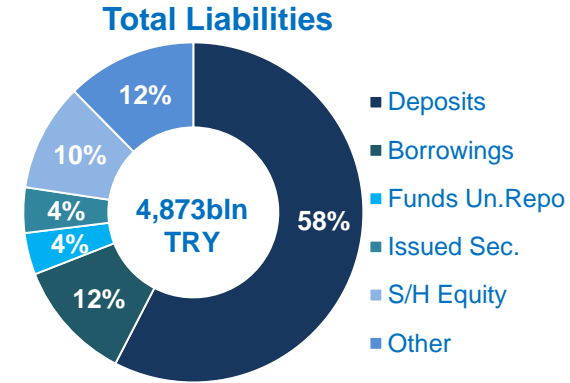
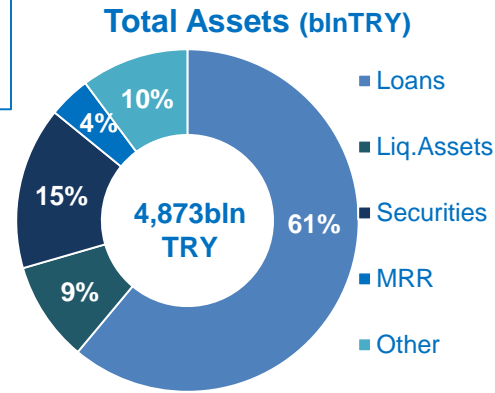
As exports and tourism revenues tend to fall larger than imports, current account deficit has started to widen notably as of March, while 12-m rolling balance still indicates a surplus of US\$1.5bn.

Operating Environment Turkish Banking Sector

Number of Banks: 53 (Including 6 Participation Banks)

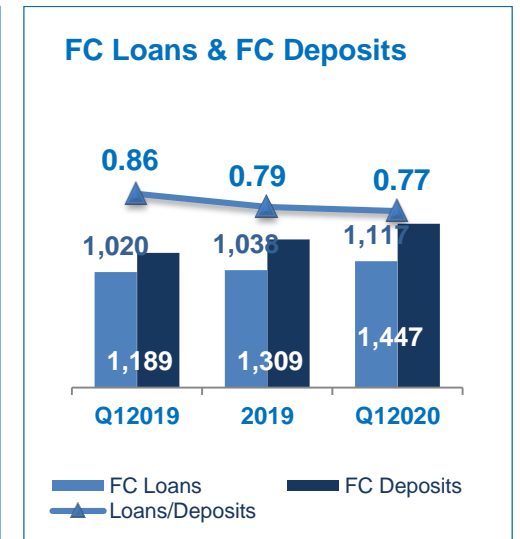
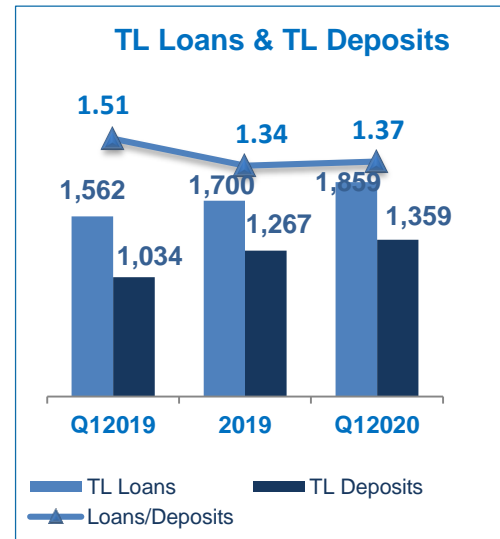
➤ Number of Depository Banks: 34

Growth (billionTRY)	Q12019	2019	Q12020	YoY	YTD
Total Assets	4,140	4,491	4,873	17.7%	8.5%
Total Deposits	2,223	2,576	2,806	26.2%	8.9%
Total Loans,net	2,582	2,739	2,976	15.2%	8.7%
Net Profit	12.5	49.2	15.8	26.5%	28.3%



Key B/S Ratios(%)	Q12019	2019	Q12020
ROA	2.0%	1.2%	1.4%
ROE	18.1%	10.9%	12.6%
NPL	3.9%	5.2%	4.8%
CAR	16.4%	18.4%	17.9%
NIM	6.2%	4.4%	5.3%
Coverage	68.8%	65.1%	68.6%
Loan/Deposit	116.6%	106.0%	106.2%
Total Assets/GDP	96.7%	104.9%	98.0%
Total Loans/GDP	60.3%	64.0%	59.8%
Total Deposits/GDP	51.9%	60.2%	56.4%

mioTL



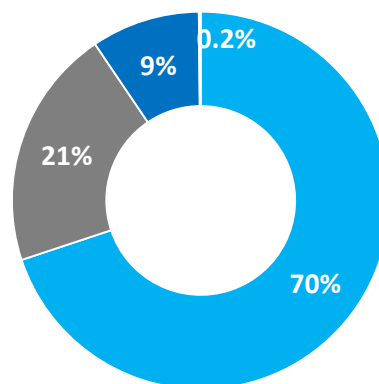
Source: BRSA

- 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\$ 2.633 billion⁽¹⁾
- Has a strong domestic franchise with 14.6% 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⁽²⁾
 - Tunis – Tunis International Bank

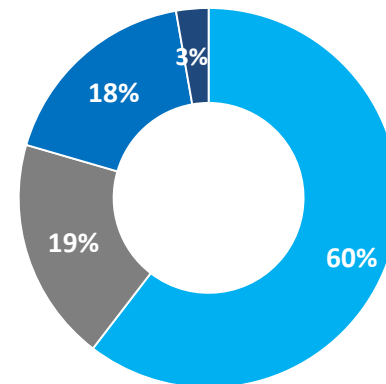
Ratings ⁽³⁾	Bank	Sovereign
Moody's	A3	Aa2
S&P	BBB+	AA
Fitch	A+	AA

Financial Performance	FY 2019(*)
Revenue in US\$ million	818.8
Net Profit in US\$ million ⁽⁴⁾	242.1
Cost to Income Ratio	41.2%
Gross Loans to Cust. Deposits	112.7%
Liquidity Ratio	22.7%
NPA Ratio	2.1%
NPA net of Collateral Ratio	0.4%
ROE ⁽⁴⁾⁽⁵⁾	9.8%

Loans by Operations⁽²⁾



Revenues by Operations



■ Kuwait ■ Turkey ■ Algeria ■ Tunisia

- International operations contributing 30% in Loans and 40% in Revenues
- Burgan Bank, Turkey is ranked as the biggest contributor among Burgan Subsidiary Banks in loans share as well as revenue generation

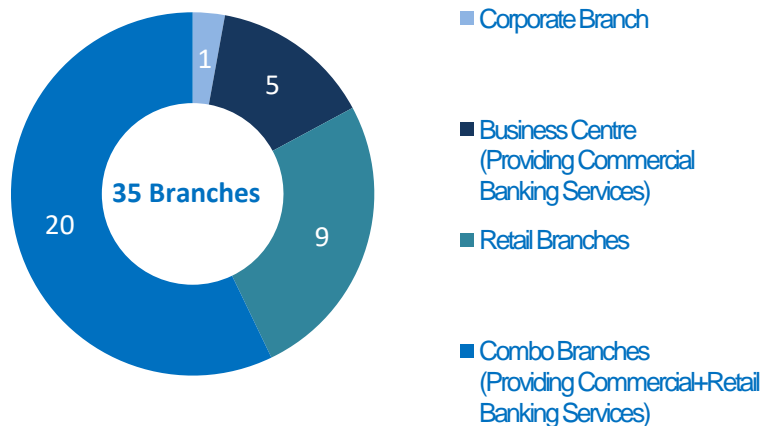
- (1) Closing market capitalization on 31/12/2019 in Boursa Kuwait,
- (2) Burgan Bank Group decided to sell its entire equity interest of 51.8% in Bank of Baghdad and classifies the exposure as "assets held for sale" on 31 Dec 2019.
- (3) Ratings as of 31st Dec 2019; In March 2020, S&P downgraded Sovereign ratings of Kuwait by one notch to AA- & Moody's has put its rating under view for a potential downgrade
- (4) Net Income attributed to equity holders and after AT1 cost
- (5) Open equity methodology

(*)Burgan Bank K.P.S.C. has not yet announced its Q12020 results.

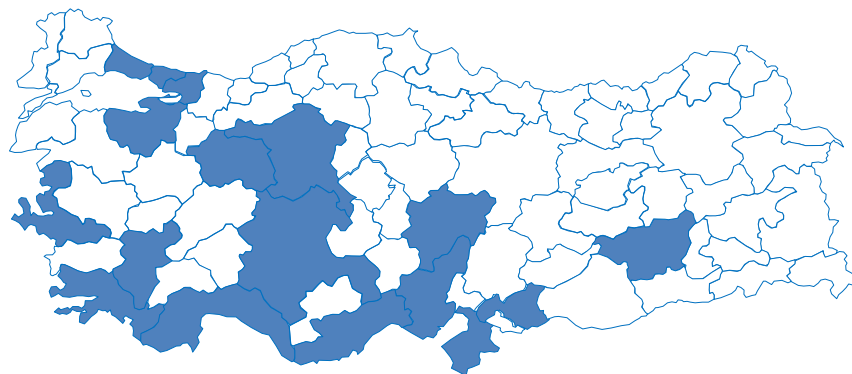
Burgan Bank A.Ş. At a Glance

- 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**
 - **Burgan Wealth Limited Dubai**
- 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 78% of loans&deposits of the whole sector are held.



2020 Achievements

Growth

- YTD total asset size increased by 13.0%.(banking sector : 8.5%)
- YTD the loan book increased by 10.2%. (banking sector : 8.7%)

Asset Quality

- NPL ratio increased in line with the sector to 6.5% as of March 2020. Banking sector NPL ratio increased to 4.8% and foreign private deposit banks' NPL ratio increased to 6.6% at the same period.

Funding

- Diversification of funding sources continued;
 - **USD 136mn** new funding generation from the international markets
- Sound customer deposit base, deposits account for 52.5% of total liabilities

Capital

- Well positioned Capital Base with a CAR of **18.06%** and Tier 1 Ratio of **9.39%** (all sub-debt from parent)

Profitability

- Net profit reached to 12.4 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

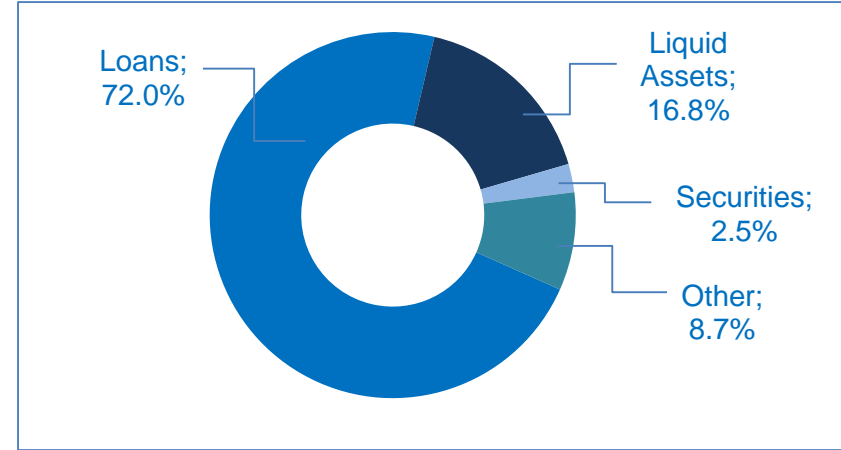
Performance Trends

Balance Sheet Growth

Balance Sheet (million TRY)

	Q12019	2019	Q12020	YoY	YTD
Total Assets	21,672	21,547	24,346	12.3%	13.0%
Loans(*)	16,585	15,911	17,527	5.7%	10.2%
Securities	688	636	610	-11.3%	-4.0%
Deposits	9,083	11,406	12,783	40.7%	12.1%
Borrowings	7,271	5,050	6,181	-15.0%	22.4%
Subordinated Loan(***)	1,705	1,798	1,987	16.5%	10.5%
Shareholders' Equity	1,936	1,919	1,937	0.1%	0.9%

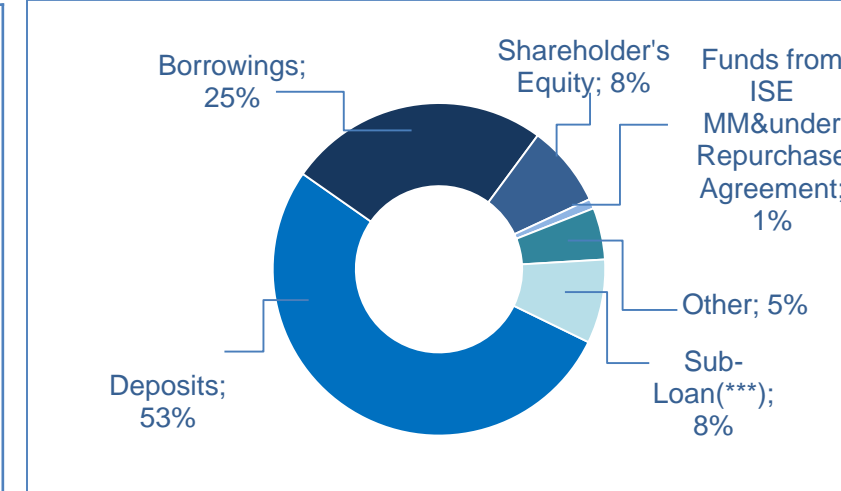
Total Assets – 31.03.2020



Balance Sheet Ratios

	Q12019	2019	Q12020
Loans / Assets	77%	74%	72%
Securities / Assets	3%	3%	3%
Loans / Deposits	183%	140%	137%
Loans / Deposits (Bank only)	150%	113%	113%
Loans / Deposits(**)	111%	96%	96%
ROE-with opening equity	7%	7%	3%

Total Liabilities – 31.03.2020



(*)Factoring and Leasing Receivables Included

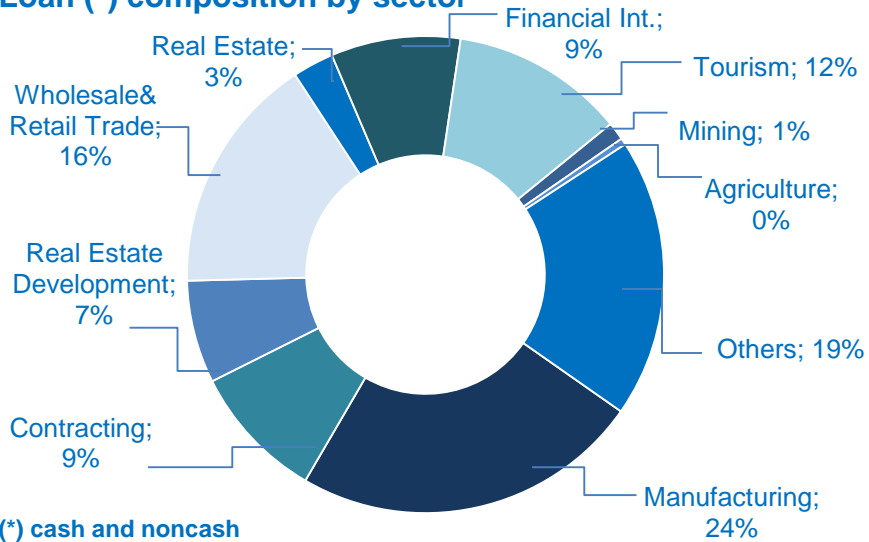
(**)Burgan Group borrowings and sub-loan included

(***)Burgan Group funding

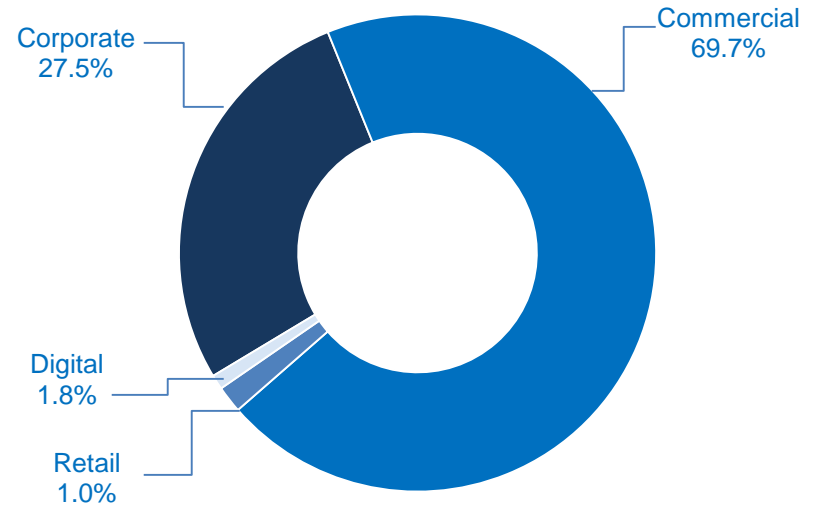
Loan Growth

Commercial and Corporate Loans – the biggest contributor

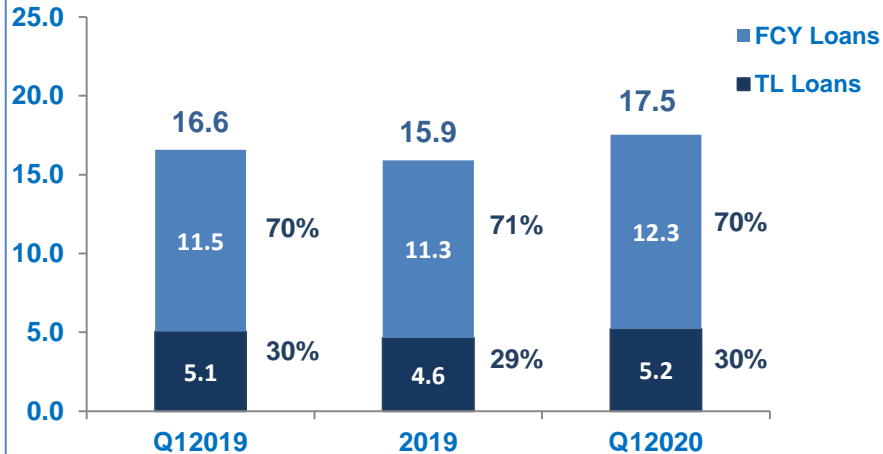
Loan (*) composition by sector



Loan composition by customer segment



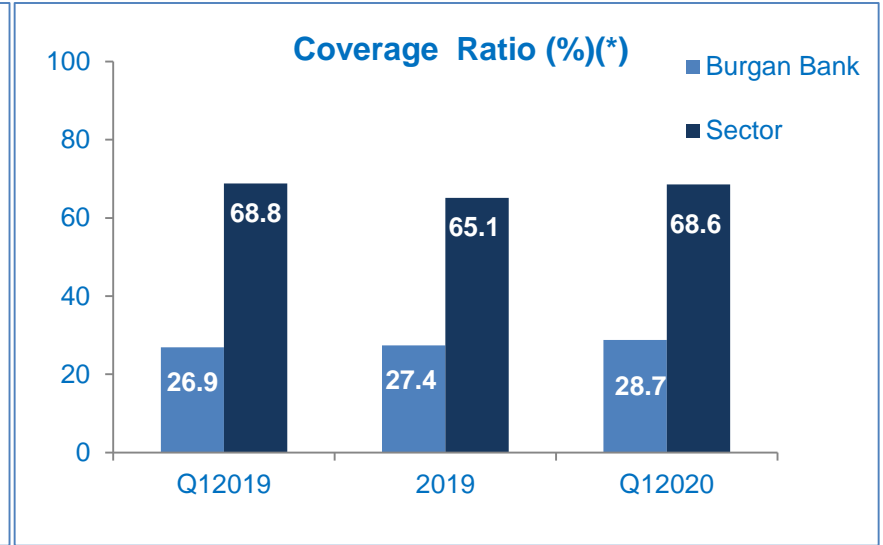
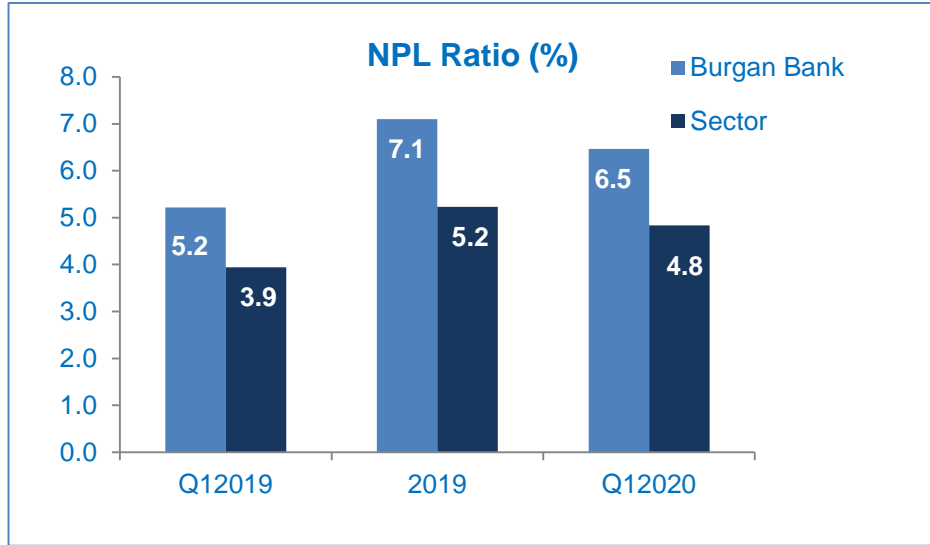
Loan Growth (billion TRY)



Performing Loans (Billion TRY)	Q12019	2019	Q12020	YTD
Sector	2,592	2,731	2,981	9.1%
State Deposit Banks	919	1,006	1,115	10.8%
Private Local Deposit Banks	786	801	860	7,3%
Foreign Deposit Banks	558	568	614	8.0%
Dev. & Inv. Banks	206	214	222	4.0%
Participation Banks	124	142	170	19.6%
Burgan Bank	17	16	17	11.2%

Asset Quality

NPL ratio



	Q12019	2019	Q12020
Gross Loans (million TRY)	17,322	16,807	18,567
NPL's (million TRY)	903	1,193	1,201
NPL Ratio	5.2%	7.1%	6.5%
NPL coverage (*)	26.9%	27.4%	28.7%
Total coverage (**)	81.8%	75.1%	86.6%

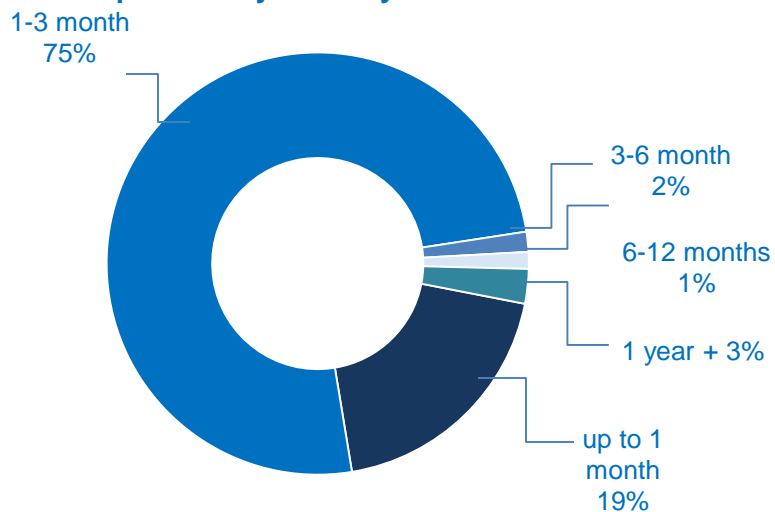
- Asset quality remains sound with NPL ratio of **6.5 %**.
- Provisioning is in line with BRSA rules and regulations.
- Coverage ratio is below sector average due to the collateral structure of the Loan portfolio.

(*) Including stage3 provisions

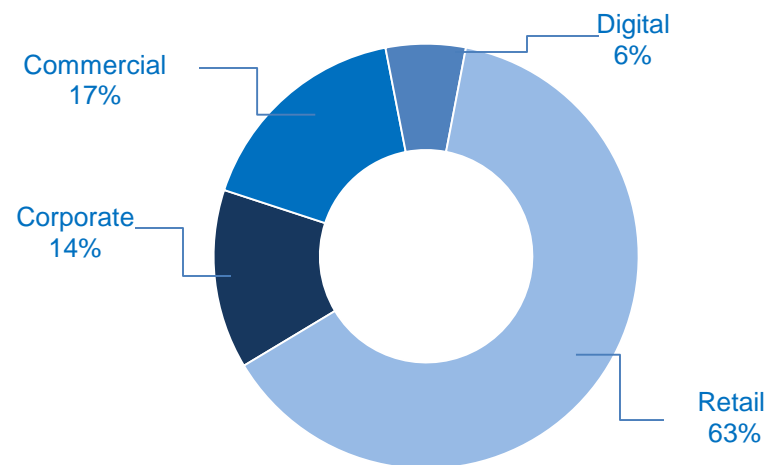
(**) Including stage1 and stage2 provisions

Deposits are the Main Funding Source

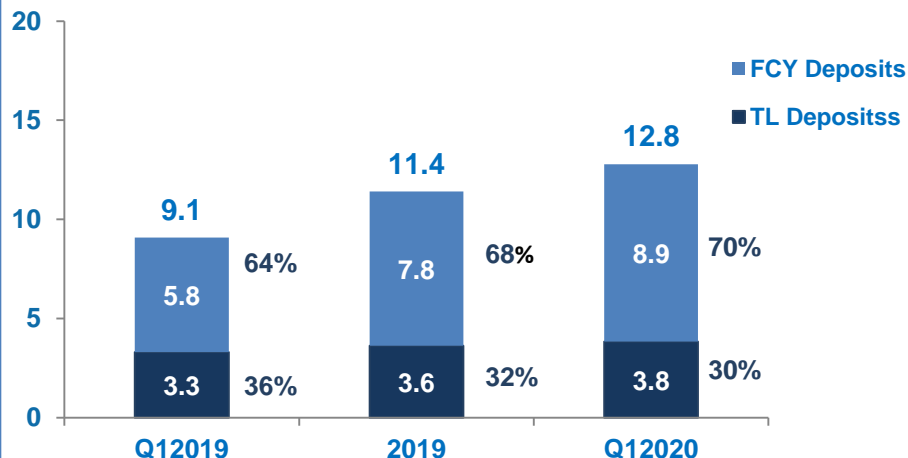
Deposit composition by maturity



Deposit composition by customer segment



Deposit Growth(billion TRY)



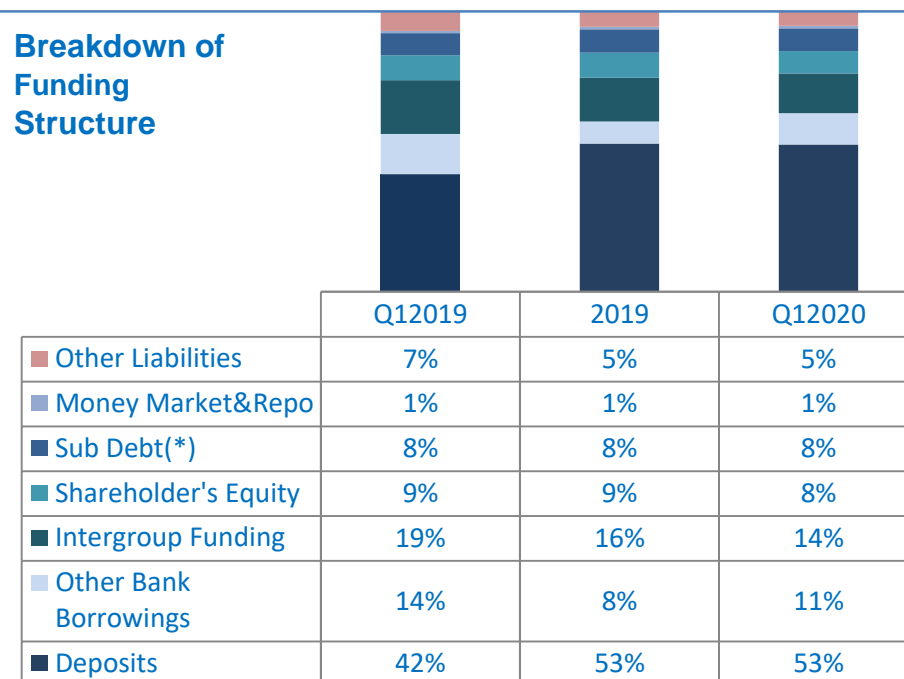
- **Retail deposits** continue to be the major contributor in the deposit composition.
- **YTD total Deposits** increased by **12.1%**(fx adjusted 6.5%)
Deposit growth in the Banking sector is 8.9%(fx adjusted -1.5%).
- **Digital banking deposits** contribution has been reached to 6%.
- The Total of Top 20 deposits receives a share of **23.4%** (2019-19%) out of Total Deposits.

Solid Funding Base with strong support from Parent

Funding structure (million TRY)

	Q12019	2019	Q12020	YoY	YTD
Deposits	9,083	11,406	12,783	40.7%	12.1%
Borrowings	7,271	5,050	6,181	-15.0%	22.4%
Intergroup Funding	4,142	3,374	3,444	-16.9%	2.1%
Other Bank Borrowings	3,059	1,628	2,676	-12.5%	64.4%
Eximbank	69	48	61	-12.6%	26.5%
Sub Debt(*)	1,705	1,798	1,987	16.5%	10.5%
Money Market&Repo	189	212	231	22.2%	9.3%
Other Liabilities	1,488	1,162	1,227	-17.6%	5.6%
Shareholder's Equity	1,936	1,919	1,937	0.1%	0.9%

Breakdown of Funding Structure

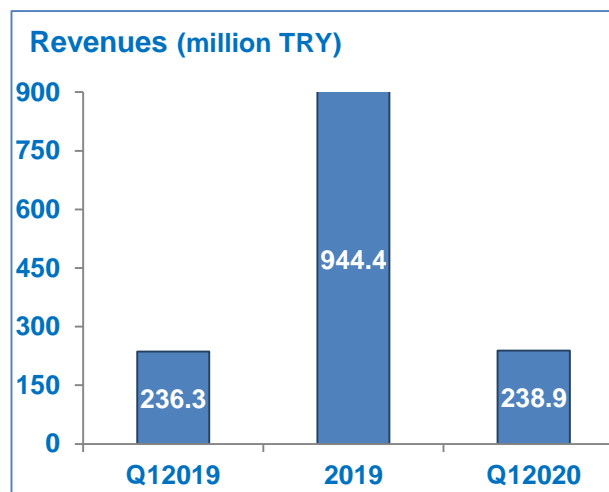
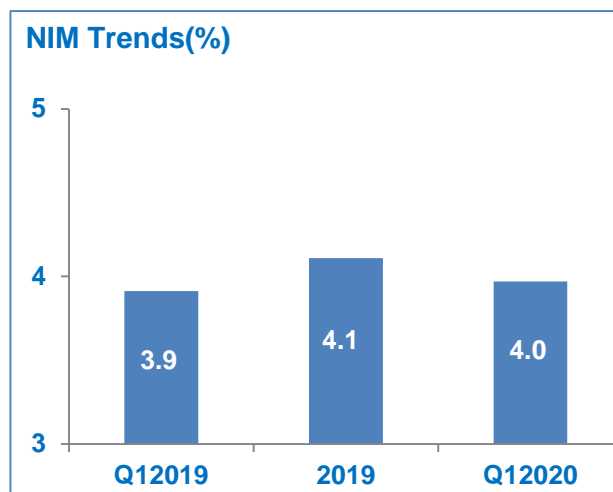
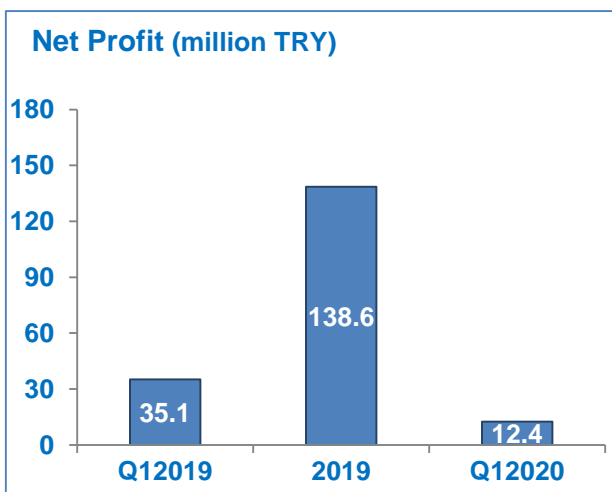
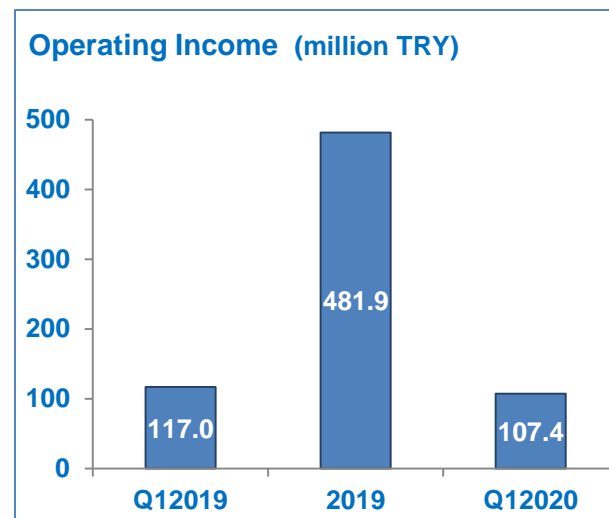


- Burgan Bank K.P.S.C. continues with a balance of **827 mio USD** in intergroup funding including sub-debt.
- Third party funding sources continues through strong cooperation with Correspondent Banks.

(*) Burgan group

Progress in Earnings

(million TRY)	Q12019	2019	Q12020	YoY	YTD
Total Interest Income	661.3	2,413.1	466.9	-29.4%	-22.6%
Total Interest Expense	466.7	1,600.4	270.4	-42.1%	-32.4%
Net Interest Income	194.6	812.6	196.4	0.9%	-3.3%
Total Revenues	236.3	944.4	238.9	1.1%	1.2%
Total Operating Expenses	119.3	462.5	131.4	10.2%	13.7%
Operating Income	117.0	481.9	107.4	-8.2%	-10.8%
Provision	72.9	307.7	91.7	25.8%	19.2%
Net Profit	35.1	138.6	12.4	-64.7%	-64.2%



➤ The bank's cost to income ratio increased to **55.0%** as of March 2020 from **49.0%** as of December 2019.

Strong Capitalization

	Q12019	2019	Q12020
Shareholder's Equity (million TRY)	1,936	1,919	1,937
Capital Base Inc. Sub-Debt (million TRY)	3,609	3,622	3,780
CAR Ratio (%)	18.9	18.9	18.1
Tier 1 Ratio (%)	9.8	10.3	9.4

➤ 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 loans and deposits will increase through new alternative channels & digital banking

Profitability

- Focus on NIM
- Focus on efficiency
- 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

