



Burgan Bank A.Ş. Turkey (BBT)

**September 2020 Presentation
(BRSA Consolidated)**

Operating Environment

Macro Economic Outlook – Turkey

Ratings	Fitch	Moody's	S&P
Long Term FC Rating	BB-	B2	B+
Outlook	Stable	Negative	Stable

Key Indicators	2020(*)	2021F(*)	2022F(*)
Nominal GDP (USD bn)	690	700	750
Population (mn, mid-year)	83.4	84.4	85.4
GDP per capita (USD)	8,250	8,250	8,750
Real GDP (% change)	-1.5	3.7	4.0
CPI Inflation (year-end)	13.0	10.5	9.0
Gen. Gov. Budget Bal. / GDP	-5.5	-4.5	-3.5
Gov. Debt / GDP	42.0	42.0	42.0
Current Account Bal. / GDP	-4.0	-3.0	-2.5
Forex Reserves (USD bn)	89.0	100.0	110.0
Trade Balance (USD bn)	-46.0	-50.0	-60.0
Export (USD bn)	167.0	175.0	185.0
Imports (USD bn)	213.0	225.0	245.0

(*) Source: Burgan Bank Macroeconomic Research

Recent Developments

Hit by the first wave of Covid-19 pandemic and partial lockdowns to contain the virus in April-May period, the Turkish economy has contracted by 9.9% yoy in 2Q20. Yet, it recovered rather quickly in 3Q20, thanks to the extensive monetary and fiscal stimulus, including massive credit expansion by state banks. Industrial production has risen by 8% yoy in 3q20, after having contracted by 17% yoy in 2q20.

Total measures to counter the effect of Covid-19 reportedly rose to TRL573 billion (roughly 12.8% of GDP), including loan guarantees to firms and households (6.8% of GDP) and deferred loan payments (1.5% of GDP). The policy measures have supported domestic demand in 2H20. However, inflation remains elevated at 11.9% as of October and current account deficit has widened to US\$28bn as of September amid rising imports, subdued exports and zero tourism revenue.

To restore both the financial and price stability, the CBT hiked the policy rate to 15% in November – implying 675 bps increase ytd- and switched to a more orthodox monetary framework. Moreover, there has been a reshuffle in the economy administration in November, with a signal to normalize economy policies and return to the reform agenda.

In parallel to the experience in other countries, the number of Covid-19 cases in Turkey have been increasing rapidly since September and partial lockdowns have resumed as of November. Both partial lockdowns and tighter policies are expected to slowdown economic activity in 4Q20 and 1Q21.

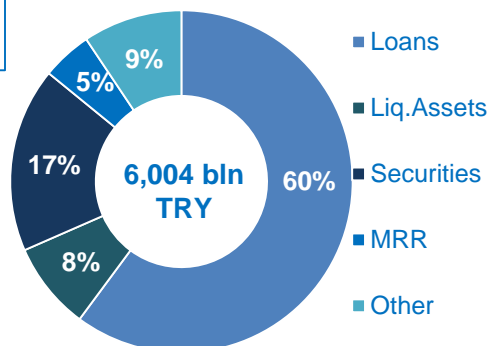
Operating Environment Turkish Banking Sector

Number of Banks: 54 (Including 6 Participation Banks)

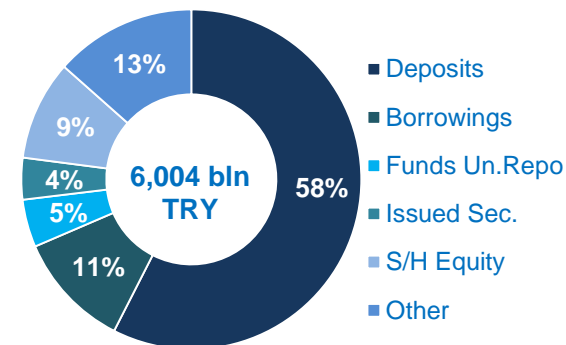
➤ Number of Depository Banks: 34

Growth (billionTRY)	Q32019	2019	Q32020	YoY	YTD
Total Assets	4,273	4,491	6,004	33.7%	40.5%
Total Deposits	2,376	2,576	3,452	34.0%	45.3%
Total Loans,net	2,612	2,739	3,611	31.9%	38.3%
Net Profit	36.2	49.0	46.3	25.8%	27.9%

Total Assets (blnTRY)



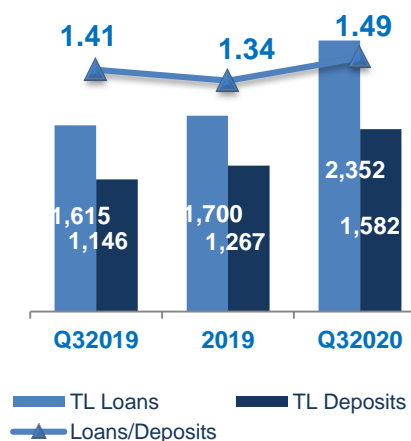
Total Liabilities



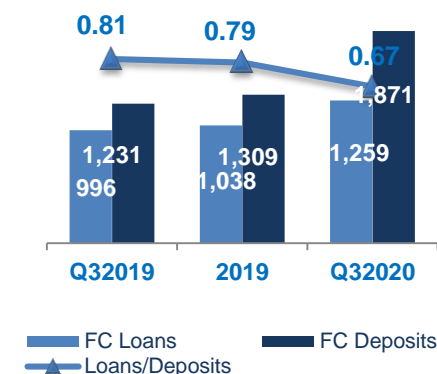
Key B/S Ratios(%)	Q32019	2019	Q32020
ROA	1.2%	1.2%	1.2%
ROE	11.0%	10.9%	11.6%
NPL	4.8%	5.2%	4.0%
CAR	18.4%	18.4%	19.4%
NIM	4.2%	4.4%	4.8%
Coverage	65.6%	65.1%	72.2%
Loan/Deposit	109.9%	106.0%	105.8%
Total Assets/GDP	99.8%	104.9%	120.7%
Total Loans/GDP	61.0%	64.0%	72.6%
Total Deposits/GDP	55.5%	60.2%	69.4%

mioTL

TL Loans & TL Deposits



FC Loans & FC Deposits



Source: BRSA

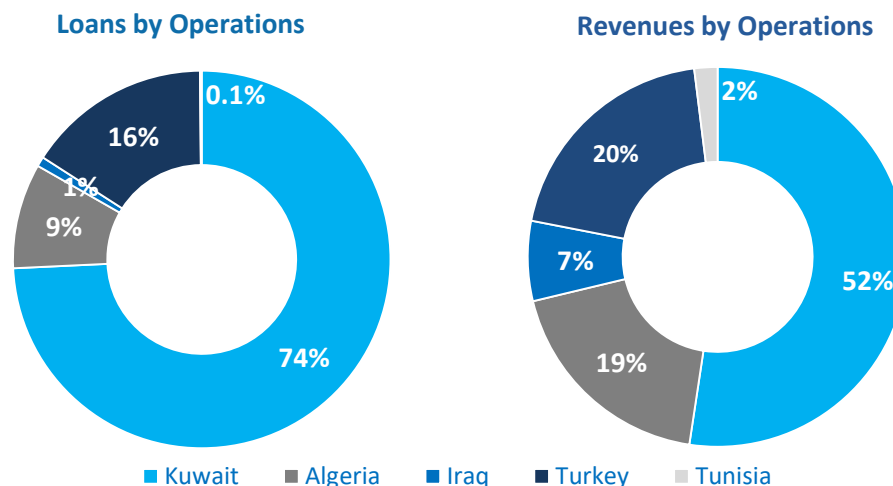
Burgan Bank K.P.S.C.

Sound and Consistent Financial Performance

- 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\$ 1.732 billion⁽¹⁾
- Has a strong domestic franchise with 14.5% 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	A1
S&P	BBB+	AA-
Fitch	A+	AA

Financial Performance	YTD 9M 2020
Revenue in US\$ million	536.5
Net Profit in US\$ million ⁽³⁾	106.2
Cost to Income Ratio	41.9%
Gross Loans to Cust. Deposits	102.6%
Liquidity Ratio ⁽⁴⁾	22.8%
NPA Ratio	3.7%
NPA net of Collateral Ratio	1.0%



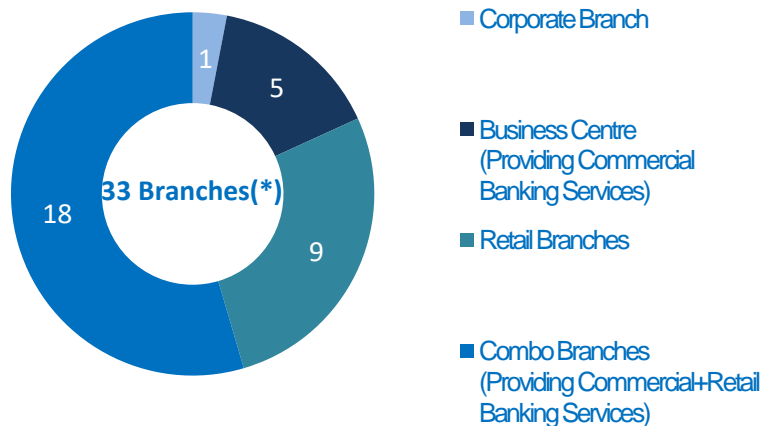
- International operations contributing 26% in Loans and 48% in Revenues
- Burgan Bank, Turkey is one of the key contributor among Burgan Subsidiary Banks in loans share as well as revenue generation

(1) Closing market capitalization on 30/09/2020 in Bursa Kuwait,
 (2) Based on latest Rating Reports; Moody's: 6th October 2020; S&P : July 22th 2020; Fitch: 28th August 2020.
 (3) Net Income attributed to equity holders
 (4) 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

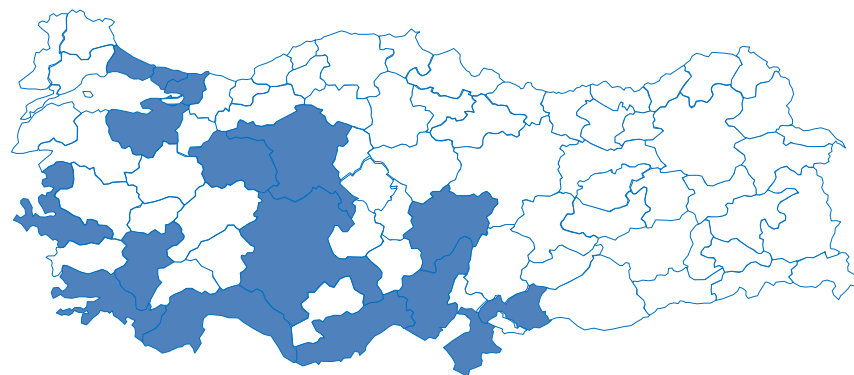
Burgan Bank A.Ş. At a Glance

- 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 (12.10.2020)**
Long Term Global Foreign Currency : B+
Outlook : Negative

Segment-wise Branch Distribution



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



(*) The current number of branches is 32.

2020 Achievements

Growth

- YTD total asset size increased by 27.5%. (banking sector : 33.7%)
- YTD the loan book(net) increased by 19.6%. (banking sector : 31.9%)

Asset Quality

- NPL ratio increased to 9.8 % as of September 2020. Banking sector NPL ratio realized to 4.0% and foreign private deposit banks' NPL ratio increased to 5.9% at the same period.

Funding

- Diversification of funding sources continued;
 - **USD 120mn** new funding generation from the international markets
- Sound customer deposit base, deposits account for 53% of total liabilities

Capital

- Well positioned Capital Base with a CAR of **21.12%** and Tier 1 Ratio of **10.27%** (all sub-debt from parent)

Profitability

- Net profit is 10.2 mio TL.
- 378 mio TL provision charge was booked as of September 2020. (September 2019 – 229 mio TL)

Others

- Continuous investment in Human Capital and Technology;
 - Employee Value Proposition Project has been launched
 - Success in digital channel customer acquisition

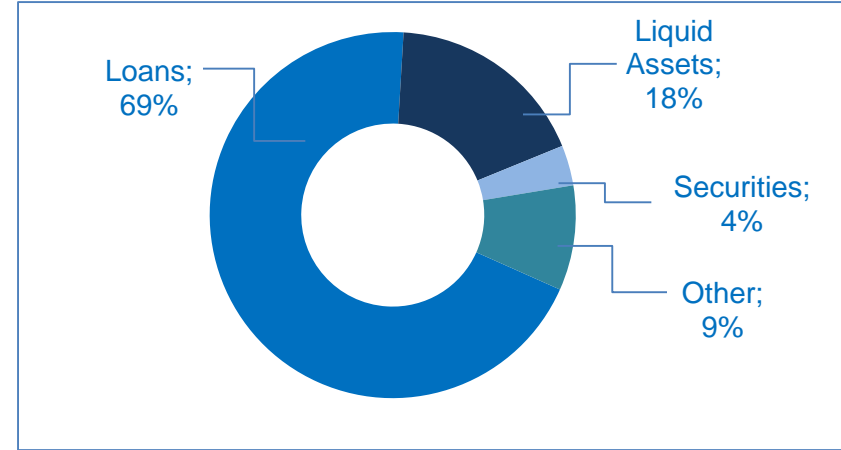
Performance Trends

Balance Sheet Growth

Balance Sheet (million TRY)

	Q32019	2019	Q32020	YoY	YTD
Total Assets	21,290	21,547	27,464	29.0%	27.5%
Loans(*)	15,214	15,911	19,027	25.1%	19.6%
Securities	689	636	979	42.0%	54.0%
Deposits	11,292	11,406	14,510	28.5%	27.2%
Borrowings	5,039	5,050	6,952	38.0%	37.7%
Subordinated Loan(***)	1,709	1,798	2,340	36.9%	30.2%
Shareholders' Equity	1,898	1,919	1,947	2.6%	1.5%

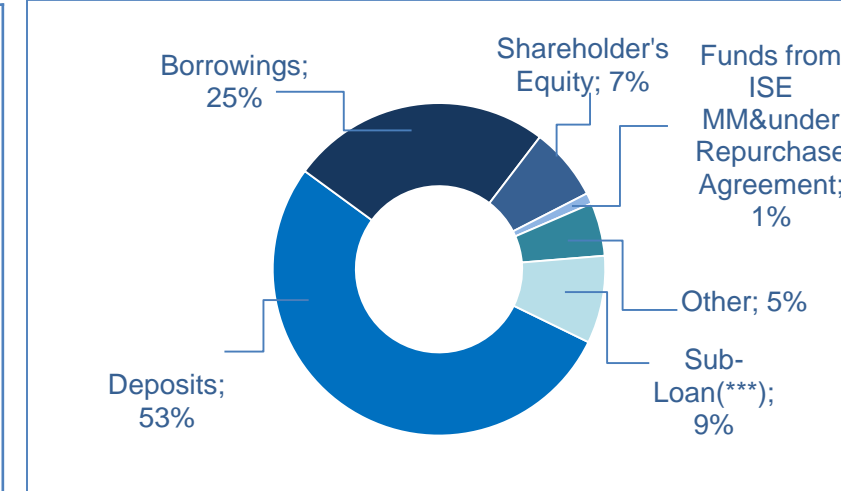
Total Assets – 30.09.2020



Balance Sheet Ratios

	Q32019	2019	Q32020
Loans / Assets	71%	74%	69%
Securities / Assets	3%	3%	4%
Loans / Deposits	135%	140%	131%
Loans / Deposits (Bank only)	109%	113%	108%
Loans / Deposits(**)	93%	96%	95%
ROE-with opening equity	8%	7%	1%

Total Liabilities – 30.09.2020



(*)Factoring and Leasing Receivables Included

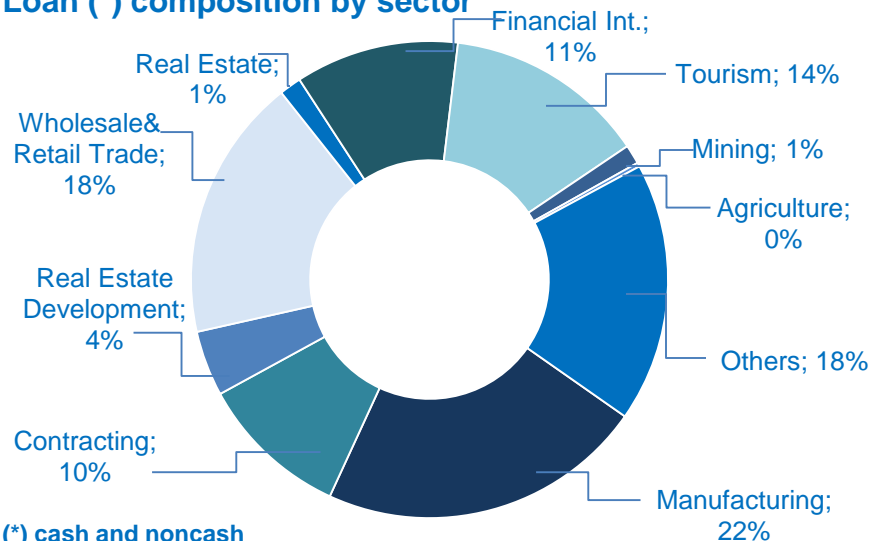
(**)Burgan Group borrowings and sub-loan included

(***)Burgan Group funding

Loan Growth

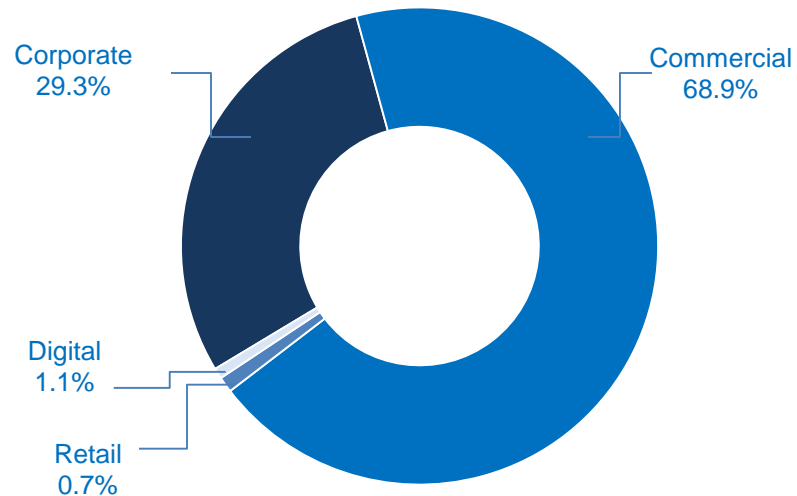
Commercial and Corporate Loans – the biggest contributor

Loan (*) composition by sector

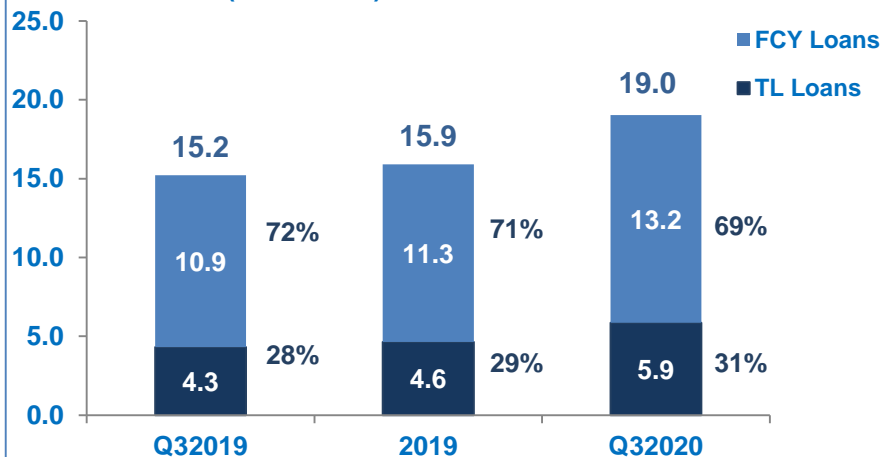


(*) cash and noncash

Loan composition by customer segment



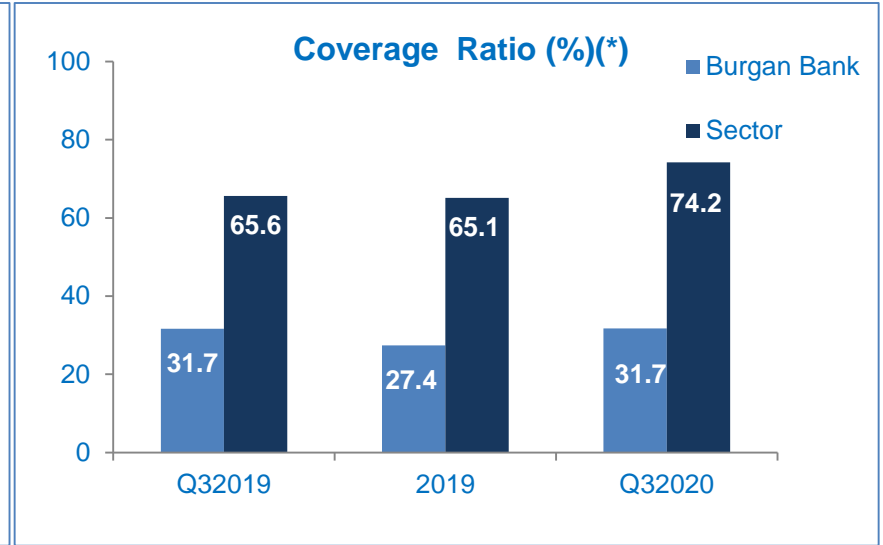
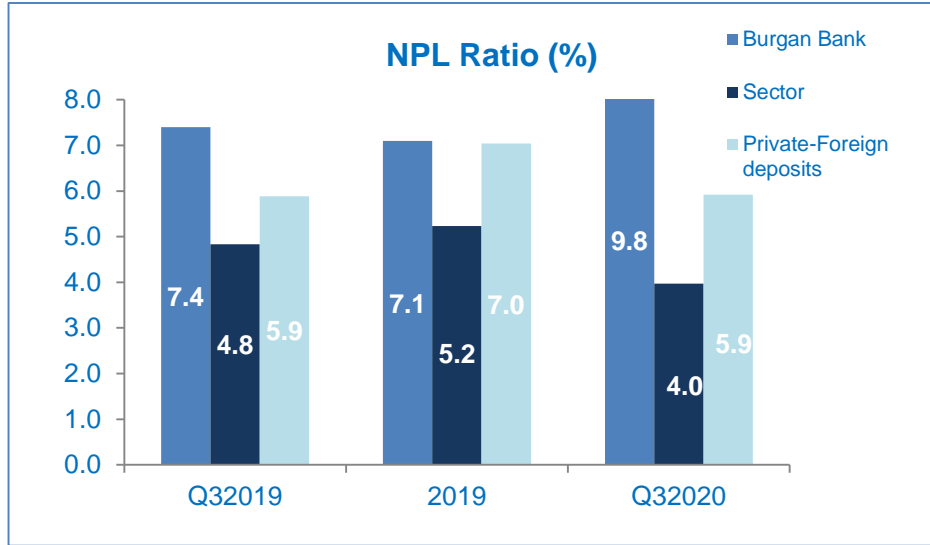
Loan Growth (billion TRY)



Performing Loans (Billion TRY)	Q32019	2019	Q32020	YTD
Sector	2,592	2,731	3,652	33.7%
State Deposit Banks	919	1,006	1,441	43.3%
Private Local Deposit Banks	786	801	996	24.3%
Foreign Deposit Banks	558	568	718	26.3%
Dev. & Inv. Banks	206	214	268	25.2%
Participation Banks	124	142	229	61.3%
Burgan Bank	15	16	18	18.3%

Asset Quality

NPL ratio



	Q32019	2019	Q32020
Gross Loans (million TRY)	16,104	16,807	20,485
NPL's (million TRY)	1,192	1,193	2,013
NPL Ratio	7.4%	7.1%	9.8
NPL coverage (*)	31.7%	27.4%	31.7%
Total coverage (**)	74.8%	75.2%	72.5%

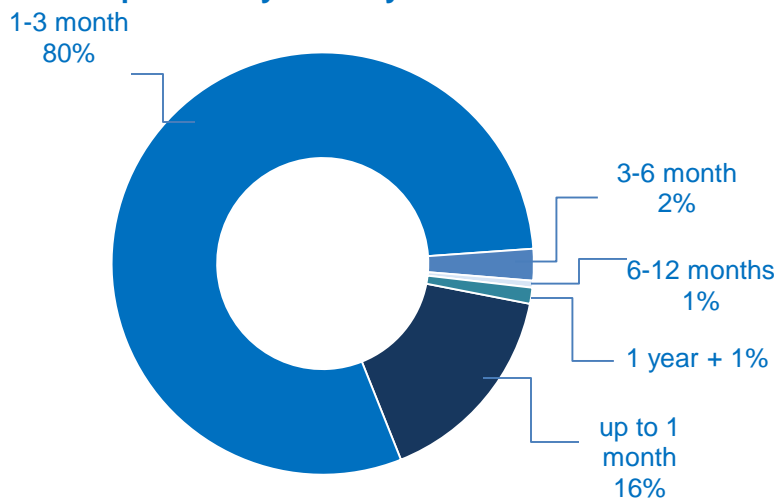
- Provisioning is in line with BRSA rules and regulations.
- Coverage ratio is below sector average due to the collateral structure of the Loan portfolio.

(*) Including stage3 provisions

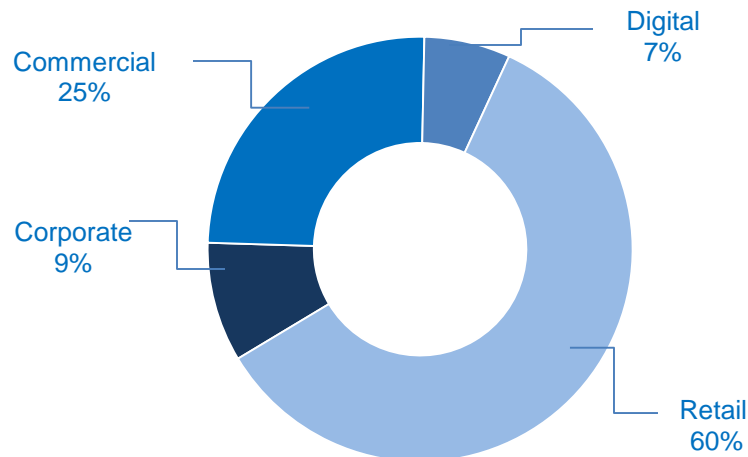
(**) Including stage1 and stage2 provisions

Deposits are the Main Funding Source

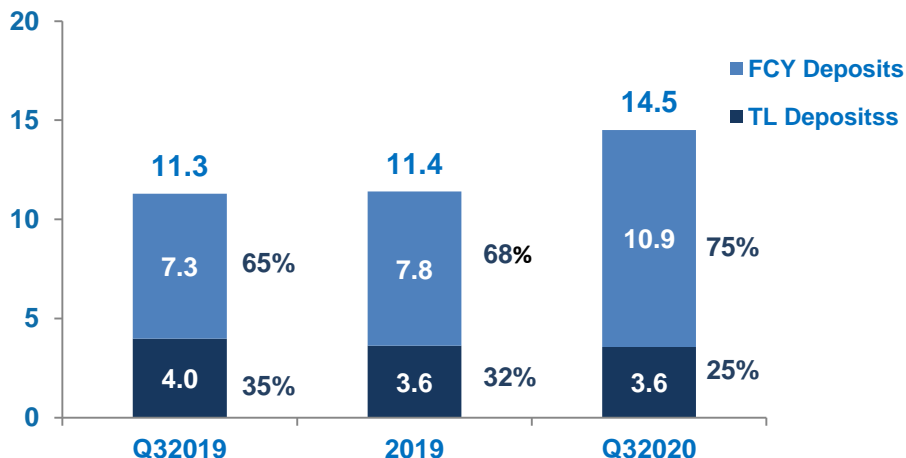
Deposit composition by maturity



Deposit composition by customer segment



Deposit Growth(billion TRY)



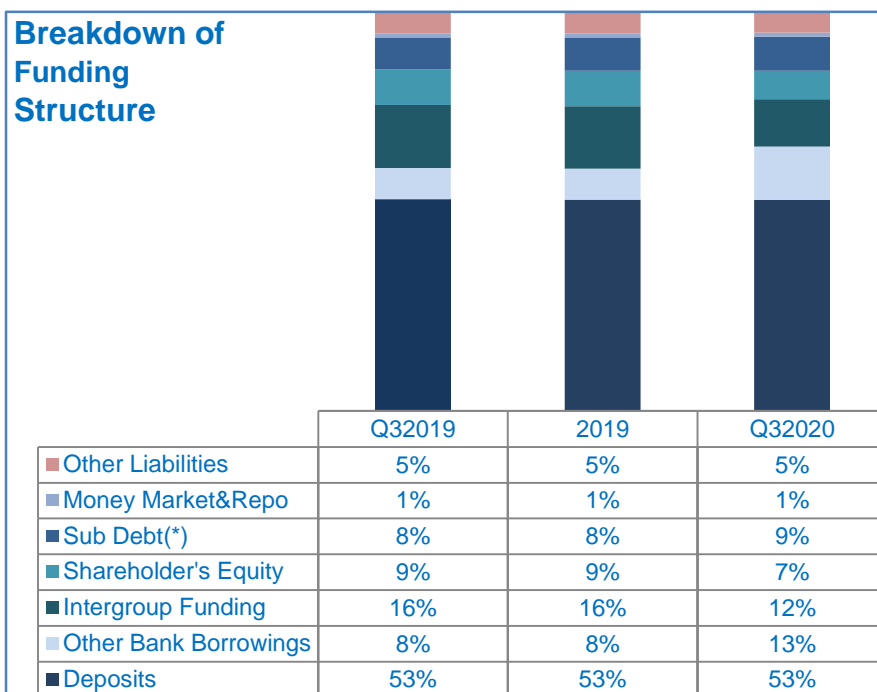
- **Retail deposits** continue to be the major contributor in the deposit composition.
- YTD total Deposits increased by **27.2%**(fx adjusted **3.5%**) Deposit growth in the Banking sector is **34.0%**(fx adjusted **18.2%**).
- **Digital banking deposits** contribution has been reached to **6.6%**.
- The Total of Top 20 deposits receives a share of **21.3%** (2019-19%) out of Total Deposits.

Solid Funding Base with strong support from Parent

Funding structure (million TRY)

	Q32019	2019	Q32020	YoY	YTD
Deposits	11,292	11,406	14,510	28.5%	27.2%
Borrowings	5,039	5,050	6,952	38.0%	37.7%
Intergroup Funding	3,376	3,374	3,271	-3.1%	-3.1%
Other Bank Borrowings	1,624	1,628	3,636	123.9%	123.3%
Eximbank	39	48	45	15.0%	-5.4%
Sub Debt(*)	1,709	1,798	2,340	36.9%	30.2%
Money Market&Repo	202	212	289	43.4%	36.7%
Other Liabilities	1,151	1,162	1,425	23.8%	22.6%
Shareholder's Equity	1,898	1,919	1,947	2.6%	1.5%

Breakdown of Funding Structure

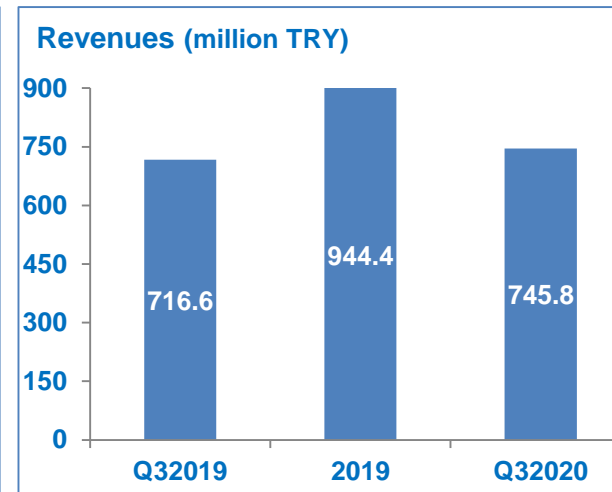
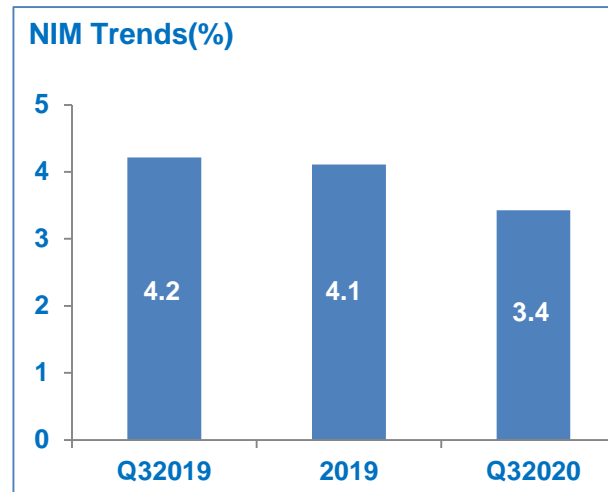
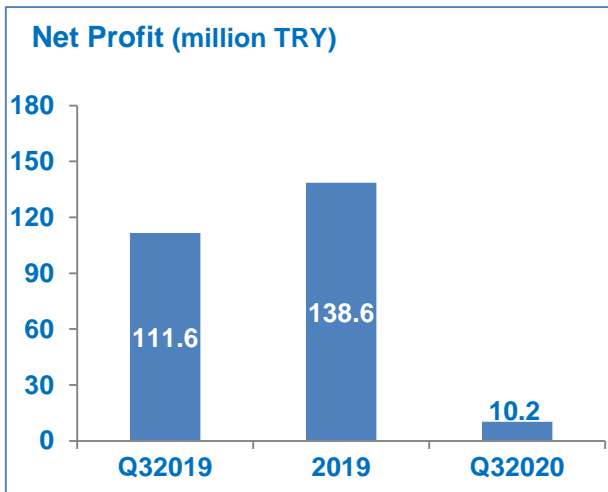
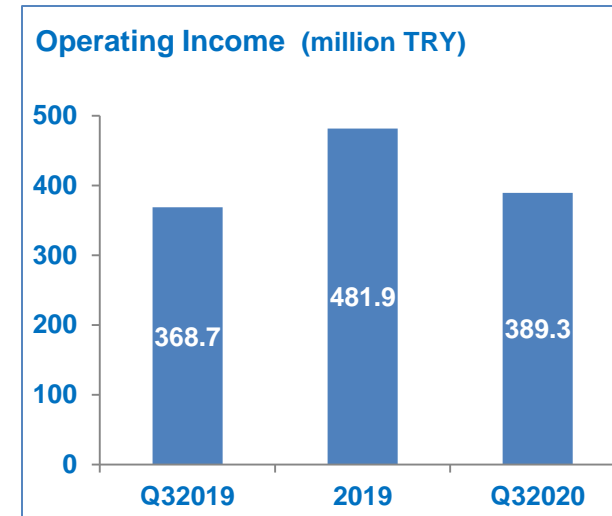


- Burgan Bank K.P.S.C. continues with a balance of **724 mio USD** in intergroup funding including sub-debt.
- Third party funding sources continues through strong cooperation with Correspondent Banks.

(*) Burgan group

Progress in Earnings

(million TRY)	032019	2019	032020	YoY	YTD
Total Interest Income	1,914.5	2,413.1	1,382.1	-27.8%	-23.6%
Total Interest Expense	1,286.7	1,600.4	830.0	-35.5%	-30.8%
Net Interest Income	627.8	812.6	552.0	-12.1%	-9.4%
Total Revenues	716.6	944.4	745.8	4.1%	5.3%
Total Operating Expenses	347.9	462.5	356.4	2.4%	2.8%
Operating Income	368.7	481.9	389.3	5.6%	7.7%
Provision	228.6	307.7	378.4	65.5%	64.0%
Net Profit	111.6	138.6	10.2	-90.8%	-90.2%



➤ The bank's cost to income ratio decreased to **47.8%** as of September 2020 from **49.0%** as of December 2019.

Strong Capitalization

	Q32019	2019	Q32020
Shareholder's Equity (million TRY)	1,898	1,919	1,947
Capital Base Inc. Sub-Debt (million TRY)	3,688	3,622	4,034
CAR Ratio (%)	20.4	18.9	21.1
Tier 1 Ratio (%)	10.8	10.3	10.3

➤ 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

Contact Details

Treasury, Capital Markets and Financial Institutions Group

Mr. Mutlu Akpara
Executive Vice President
+90 212 371 36 70
makpara@burgan.com.tr

Financial Institutions

Ms. Şehnaz Günay, Head of FI
+90 212 371 37 40
sgunay@burgan.com.tr

Ms. Inci Yılmaz, Unit Manager
+90 212 371 37 41
iyilmaz@burgan.com.tr

Ms. Ezgi Yıldırım, Unit Manager
+90 212 371 37 42
eyildirim@burgan.com.tr

Treasury & Capital Markets

Mr. Arda Türerer, Head of Trading & ALM
+90 212 371 36 42
aturerer@burgan.com.tr

Mr. Onur Şişmangil, Head of Sales
+90 212 371 36 87
osismangil@burgan.com.tr

Mr. Bilge Gönen, Head of FX Desk
+90 212 371 36 76
bgonen@burgan.com.tr

Maslak Mahallesi, Eski Büyükdere Caddesi No:13

34485 Sarıyer İstanbul – Turkey

Swift: TEKFTRIS

Reuters: BRGN

www.burgan.com.tr

Thank you

