

BURGAN BANK GROUP

INVESTOR PRESENTATION

1ST QUARTER 2019 FINANCIAL RESULTS

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برقان

CHANGE IN FINANCIAL STATEMENTS' CLOSING PROCESS

- ☞ Beginning this year, Burgan has revised its financial statements' closing process by changing the **reporting date of its subsidiaries to one month earlier** than the Group's reporting date to **ensure earliest possible release of the Group's financial statements** to its stakeholders
- ☞ Accordingly, Burgan's Q1'19 financial results include **only two-month (Jan'19 & Feb'19) results** of its subsidiaries **instead of three months as included in the prior periods**

Q1'19 PERFORMANCE OVERVIEW

Earnings

☞ Net Income of **KD19.2mn**

☞ Key drivers:

- ✓ Continued **strong Kuwait franchise** performance
- ✓ **Lower cost of credit** at Group & Kuwait levels

Efficiency

☞ Further **improvement in Cost-to-Income Ratio (CIR)**; down to 41.8%

☞ **Kuwait franchise remains lean** with CIR of 28.4%

Capital

☞ CET1 levels **continue to be high** at 11.8%

☞ **Strong CAR levels** at 17.3%

☞ **Optimal capital buffers** to support future growth

Liquidity

☞ **High Basel III Liquidity ratios:**

✓ NSFR: 118.1%

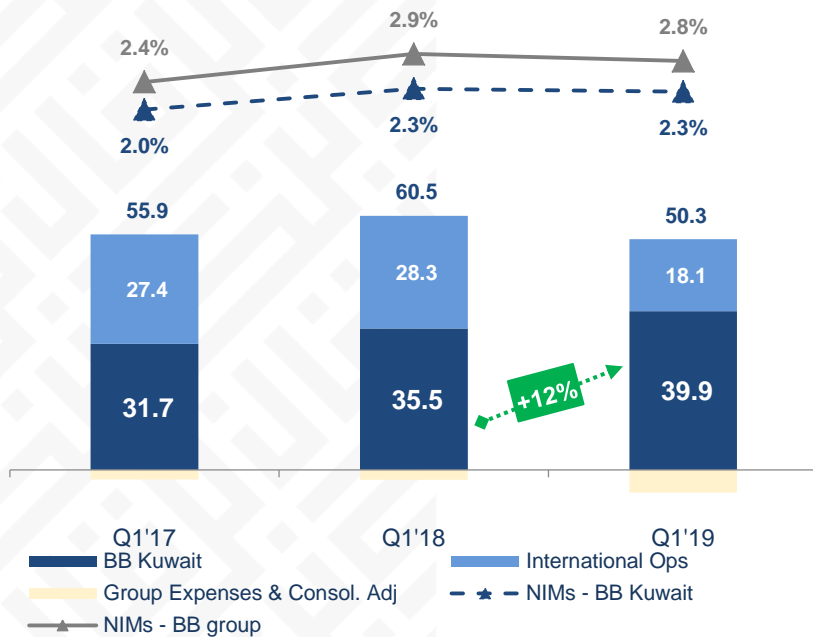
✓ LCR: 151.9%

☞ Kuwait franchise's **customer deposits** grew by 7%

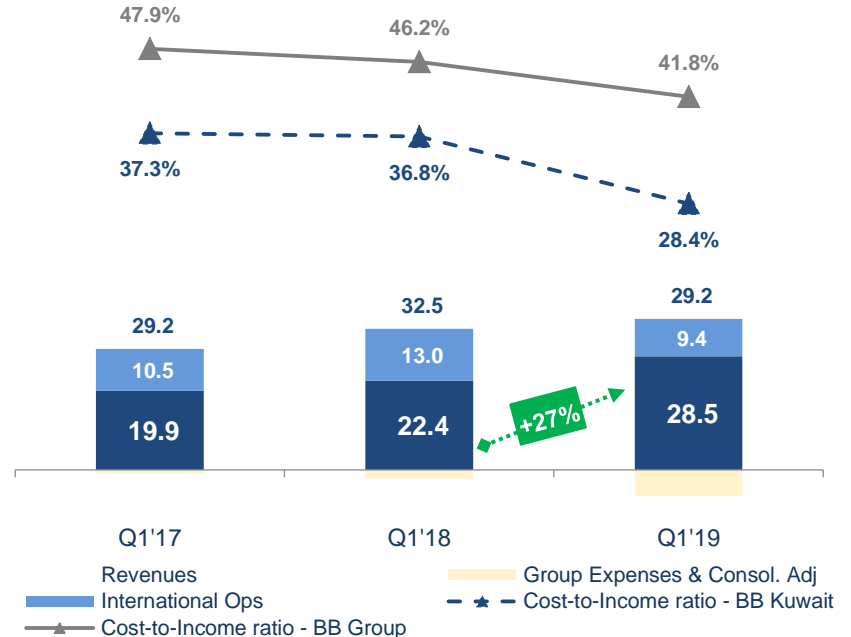


REVENUE AND OPERATING PROFITS

Revenue (KD mn)



Operating Profit (KD mn)



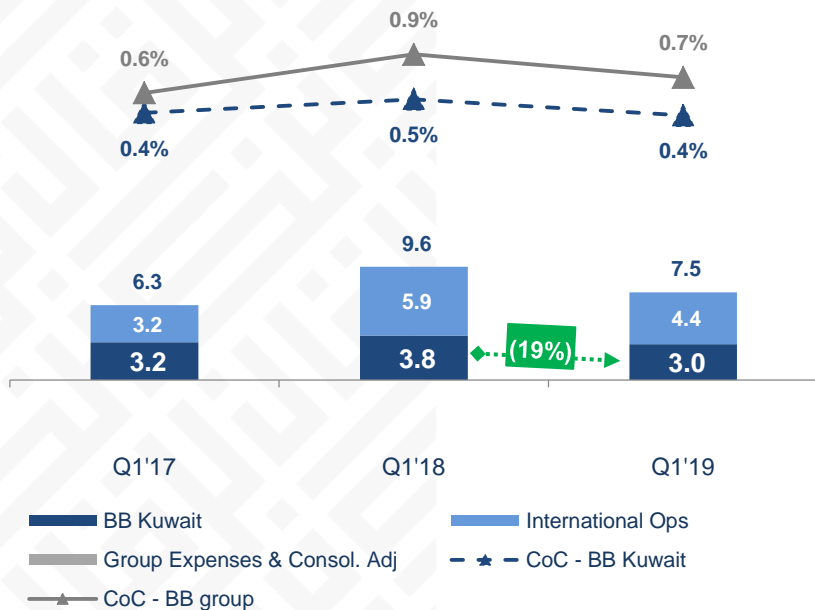
1 **Kuwait: Revenues grew by 12% vs Q1'18 with Stable NIMs**
Group: Lower revenues, primarily due to reporting cycle change

2 **Kuwait: CIR continues to trend positively; down to 28.4%**
Group: Further improvement with CIR reducing to 41.8%

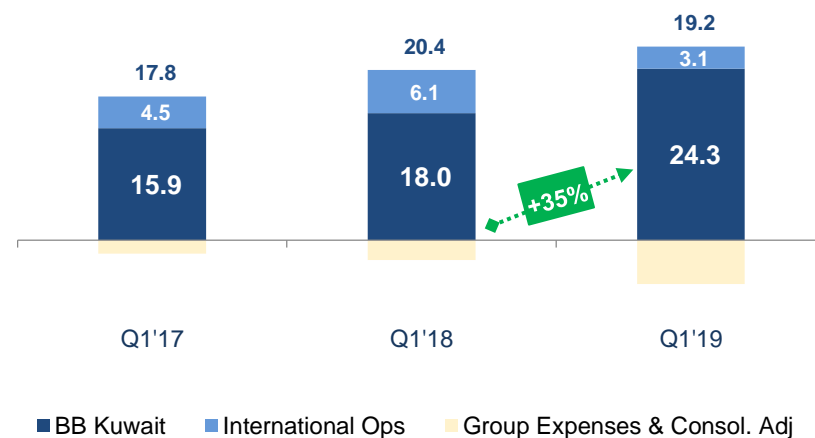
Note: NIMs have been annualized; Q1'19 NIMs has been adjusted for one-month reporting lag in subsidiaries.

COST OF CREDIT AND NET INCOME

Cost of Credit^ (KD mn)



Net Income (KD mn)



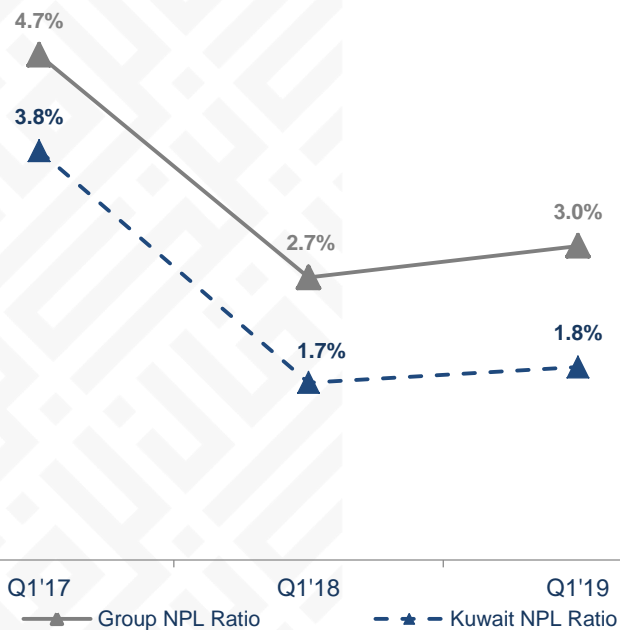
- Kuwait:** CoC very low at 0.4%
 - Group:** CoC further improved to 0.7%

- Kuwait:** Net Income up by 35% vs Q1'18
 - Group:** Net Income slightly lower primarily due to the reporting cycle change

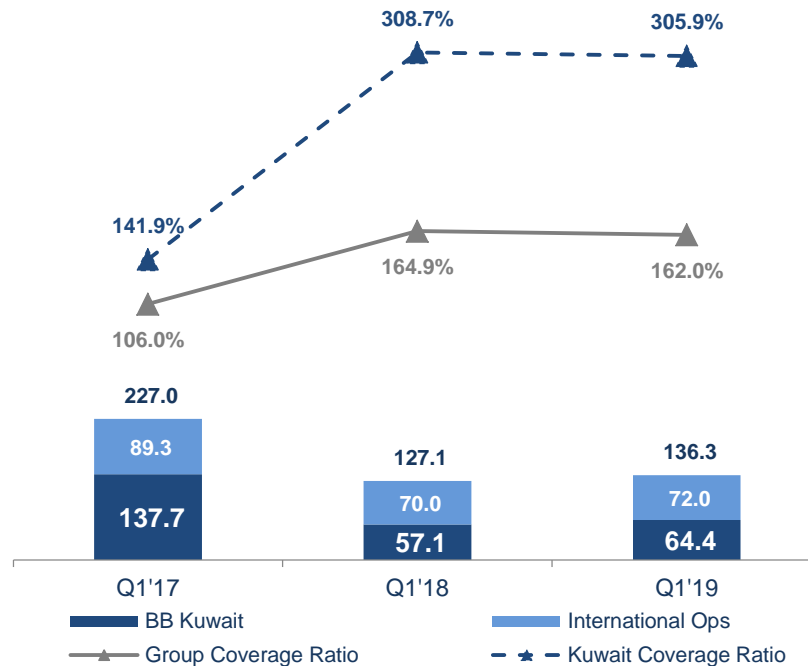
^Cost of Credit has been computed as Loan Loss Provisions / Gross Loans.

NPL RATIO AND COVERAGE

NPL Ratios (%)



NPLs (KD mn) & Coverage (%)



- Kuwait:** NPL ratio remains at healthy levels
 - Group:** Higher by 30bps, due to international operations

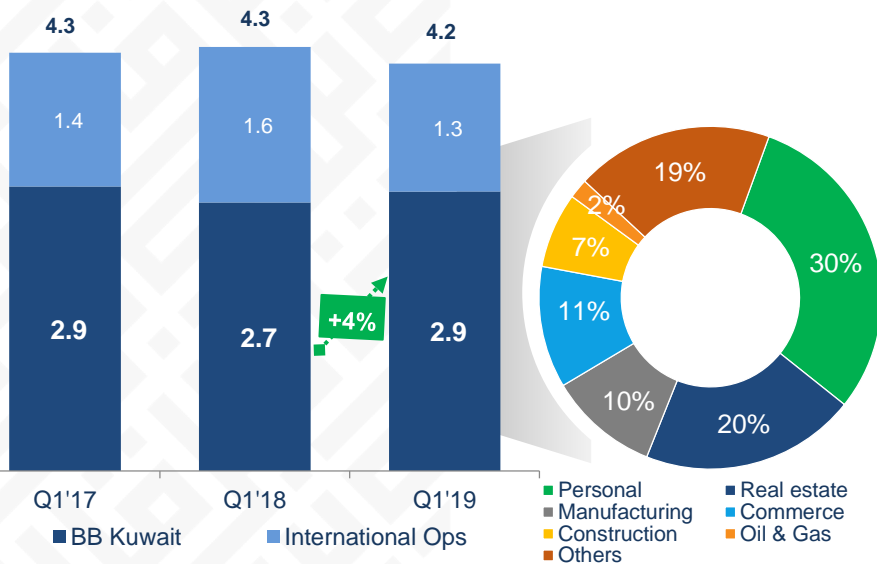
- Kuwait:** Coverage robust at 300%+
 - Group:** Coverage at healthy levels of 160%+

* Coverage Ratios have been computed as Cash Provisions / NPLs.

CUSTOMER LOANS AND DEPOSITS

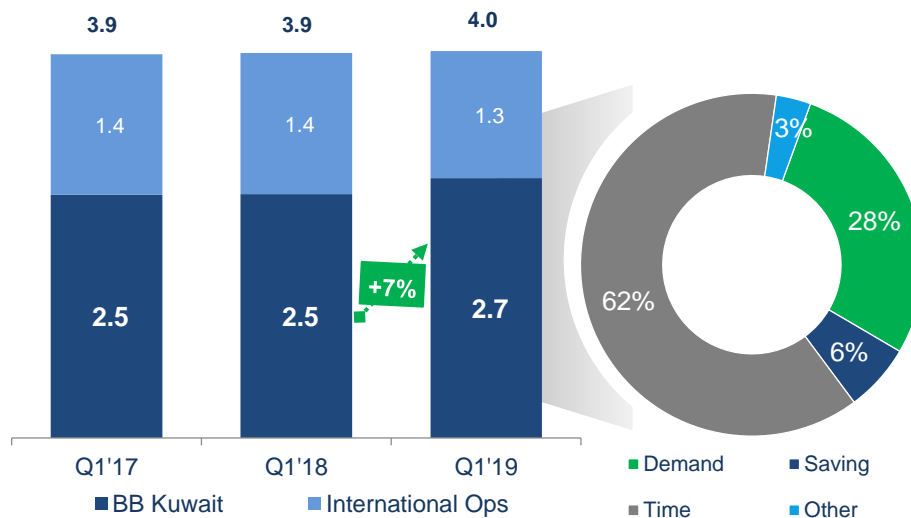
Customer Loans (KD bn) & Sector Concentration (%)

Q1'19 (%)



Customer Deposits (KD bn) & Deposits by Type (%)

Q1'19 (%)



1 **Kuwait:** Loan Book grew by 4%

Group: Loan growth flat, due to proactive strategy of “no growth” in Turkey

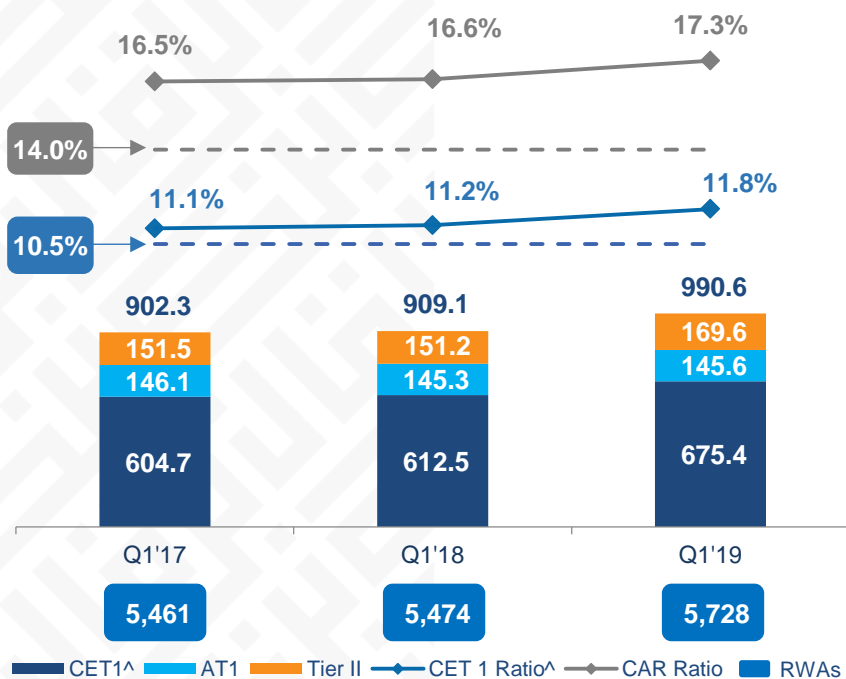
2 **Kuwait:** Deposits grew by 7%

Group:

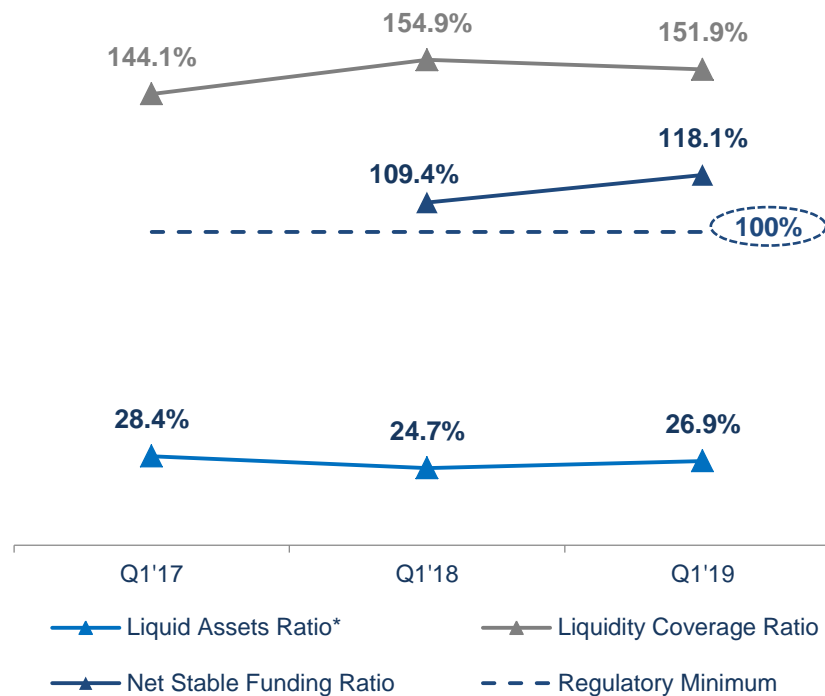
- Deposit grew marginally by 0.5%
- CASA balances at 1/3rd of deposits

CAPITAL AND LIQUIDITY

Regulatory Capital (KD mn)



Liquidity Metrics (%)


















1 Capital Levels well above Regulatory requirements

2 Strong NSFR and LCR ratios emphasize Burgan's high liquidity levels

^ CET1 include retained earnings after dividends; * Liquid assets ratio has been calculated as (Cash & Cash Equivalents + Treasury Bills & Bonds + Due From Banks and OFIs) / Total Assets.

Q1'19 PERFORMANCE BY ENTITIES

	CONTRIBUTION ⁽¹⁾		GROWTH YoY ⁽²⁾	KPIs					
	LOANS	REVENUES	LOANS	NIM ⁽³⁾	Δ%	CI RATIO	Δ%	CoC ⁽⁴⁾	Δ%
 Kuwait	 67%	 56%	+4%	2.3%	↔	28.4%	(840 bps)	0.4%	(10 bps)
 Turkey	 21%	 19%	(27%)	4.1%	+40 bps	55.3%	(11 pps) ⁽⁵⁾	1.9%	+90 bps
 Algeria	 10%	 19%	+8%	7.0%	+40 bps	33.1%	(650 bps)	2.1%	+70 bps
 Iraq	 1%	 3%	(2%)	1.8%	(50 bps)	75.2%	(81 pps) ⁽⁵⁾	2.8%	(13 pps) ⁽⁵⁾
 Tunisia	 0.2%	 2%	+16%	2.5%	+20 bps	41.5%	(940 bps)	5.6%	+560 bps

-  Q1'19 Loans Contribution in KD
-  Q1'19 Revenues Contribution in KD

(1) Contribution on adjusted basis – includes two month results(YTD Feb) for all entities; (2) Growth year on year in KD; (3) NIM figures are annualized; (4) Loan Loss Provisions on Gross Loans;(5) Represents percentage points.
 Note: Contribution percentages are rounded figures and before consolidation adjustments.

IN SUMMARY

- STABLE EARNINGS UNDERSCORE STRENGTH AND RESILIENCE OF BURGAN'S BUSINESS MODEL

- HEALTHY CAPITAL LEVELS WILL ENABLE BURGAN TO PURSUE PRUDENT GROWTH IN ITS KEY MARKETS

- KUWAIT WILL CONTINUE TO BE THE KEY MARKET FOR GROUP'S GROWTH

THANK YOU

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