

# BURGAN BANK GROUP

## INVESTOR PRESENTATION

### Q1 2023 FINANCIAL RESULTS

10<sup>TH</sup> MAY 2023



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# Overview and Operating Strategy

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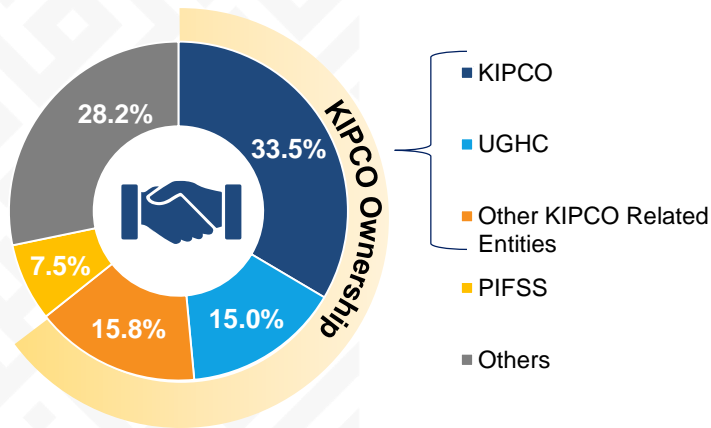


# BURGAN AT A GLANCE

## About Us

- Established in 1977 as Joint Stock Company by the Government of Kuwait and privatized in 1997.
- Listed on Bursa Kuwait in 1984 and grew to be one of the leading conventional banks in Kuwait (in terms of total assets)<sup>(1)</sup>, with a market capitalization of KD 727 million<sup>(2)</sup>.
- Has one of the largest regional networks of 127 branches and 287 ATMs <sup>(1)</sup>.

## Ownership Structure<sup>(1),(3)</sup>

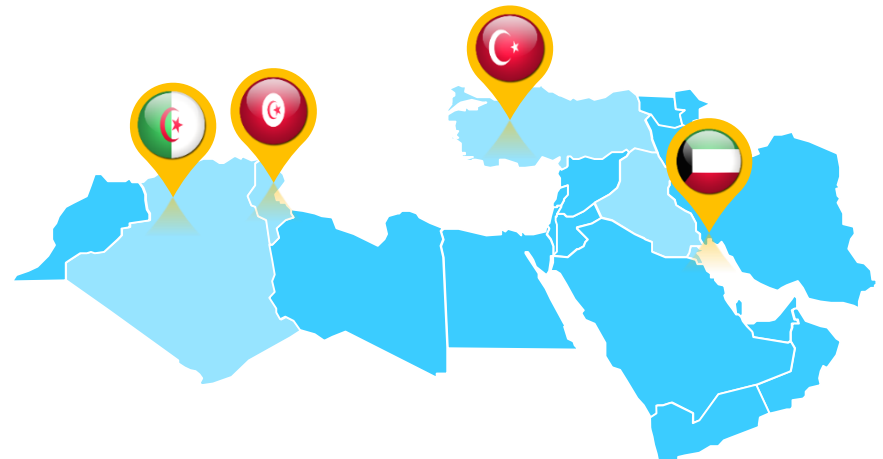


Notes: (1) As of 31<sup>st</sup> March 2023; (2) Based on share price as at 30<sup>th</sup> March 2023 (Source: Kuwait Boursa); (3) KIPCO: Kuwait Projects Company Holding K.S.C.P., UGHC: United Gulf Holding Company B.S.C. and PIFSS: Public Institution for Social Security





## Credit Ratings

	Rating <sup>(1)</sup>
<b>Fitch Ratings</b>	<b>A</b> (Outlook: Stable)
<b>MOODY'S</b>	<b>Baa1</b> (Outlook: Stable)
<b>S&amp;P Global</b>	<b>BBB+</b> (Outlook: Stable)

## Our Presence



# KUWAIT FOCUSED BANK WITH REGIONAL DIVERSIFICATION

Franchises	Ownership	Domestic Market Position <sup>(1)</sup>	Business Model	% of Group Assets <sup>(1),(3)</sup>
<b>Burgan Bank Kuwait</b> 	N/A	One of the top three conventional Banks <sup>(2)</sup>	Corporate banking is the key business; Retail Banking growth is a focus area	76%
<b>Burgan Bank Turkey</b> 	99.7%	Niche Player	Corporate and Commercial clients are key segments; One of the best digital banking platform; individual clients focus increased	12%
<b>Gulf Bank Algeria</b> 	86.0%	Growing Private sector Bank	Focused on Trade Finance & Corporate Banking segment; Growing retail franchise	10%
<b>Tunis International Bank</b> 	86.7%	Offshore Bank	Focused on Trade Finance and Financial Institutions business	2%

Notes: (1) As at 31<sup>st</sup> March 2023; refer to effective shareholding; (2) Based on total assets; (3) Total Assets excluding consolidation adjustments

# BURGAN'S LONG-TERM STRATEGIC PRIORITIES



## A. Strengthen Kuwait Business

- ☞ **Revitalize** key businesses in Kuwait *such as Retail banking*
- ☞ **Focus** on embedding ESG across businesses



## B. Strategic Asset Reallocation

- ☞ **Sale** of non-core assets
- ☞ **Pursue Cautious Growth** in subsidiaries
- ☞ **Increase** Kuwait's share of Group's assets



## C. Digital Transformation

- ☞ Delivering **Superior Customer Experience**
- ☞ Collaborative **Group-wide Digital Strategy**

Enablers



Culture Transformation



Enhancing Systems' Capabilities



Strengthening Risks and Controls

## Key Updates

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# KEY UPDATES

1

## Sales Process of “Bank of Baghdad” Completed

- **Capital benefit realized** due to release of RWAs of KD 342mn.
- **Transaction price ensured minimal P&L impact**, while recovering OCI loss of KD 6mn.
- All in all, **realized CET1 benefit of ~70bps**

2

## Our Strategy w.r.t BBT paying off

- **Growth contained** with BBT’s RWAs maintained below ~KD 1bn
- Built a strong digital platform **“ON”**, which has more than **419K users**, raised **TRY 6.1bn deposits** and lent **TRY 2.5bn loans**;
- **“ON”** awarded **“Best Digital Banking Platform”** by **Global Finance**
- **Focus on building trade finance & wealth management businesses** led to significant improvement in non-interest income
- **Effective cost control despite inflationary pressures** with Cost to Income Ratio consistently below 40% over the last few quarters
- **NPL stock significantly declined** from KD 95mn (FY’20) to KD 21mn (Mar’23) i.e, by 78%

3

## Tangible Progress in ESG Efforts

- The bank has been **increasing its focus on its ESG priorities** over the last 18 months.
- MSCI ESG rating for the bank **has now improved to “BB”**, reflecting the bank’s efforts
- **Sustainability report for 2022 published**
- **Additional work streams** underway to drive progress in the future



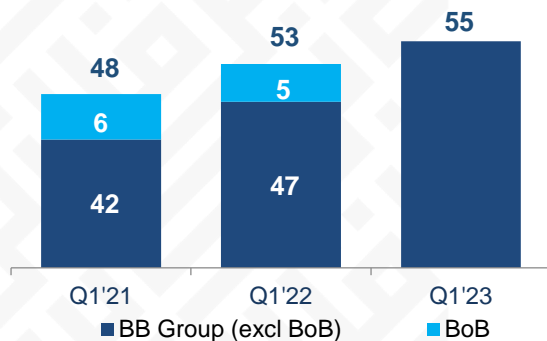
# Financial Review

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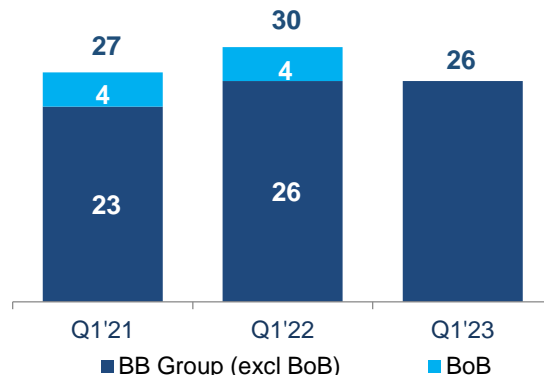
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# IMPROVED TOPLINE DUE TO HIGHER MARGINS

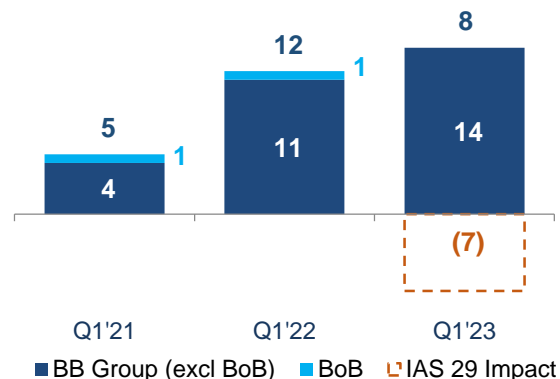
Revenue | KD mn



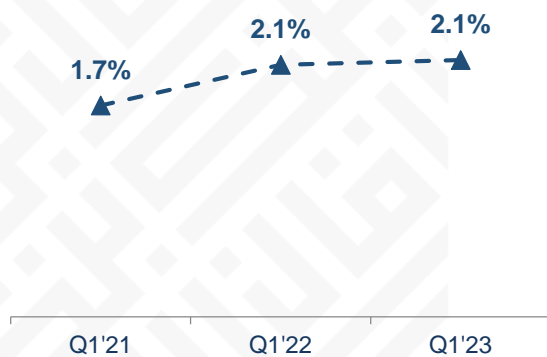
Operating Profit | KD mn



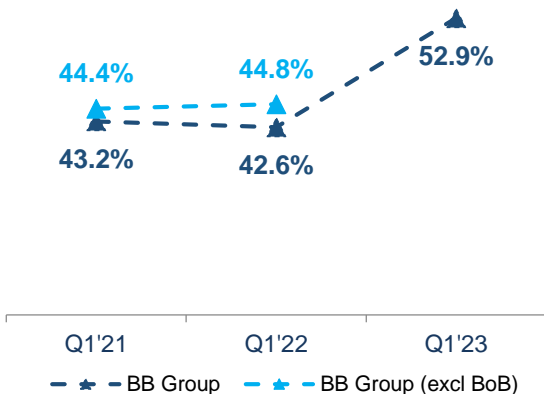
Net Income<sup>(1)</sup> | KD mn



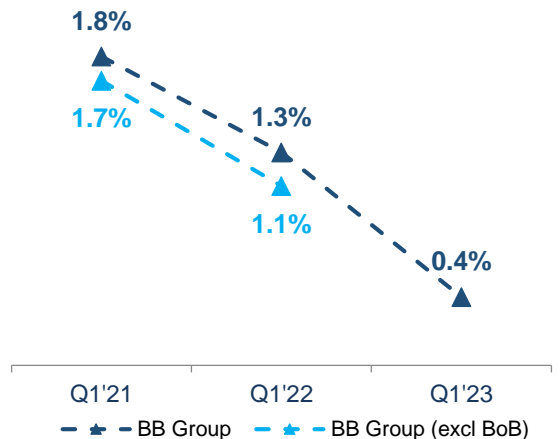
Net Interest Margin (NIM) | %



Cost to Income Ratio (CIR) | %



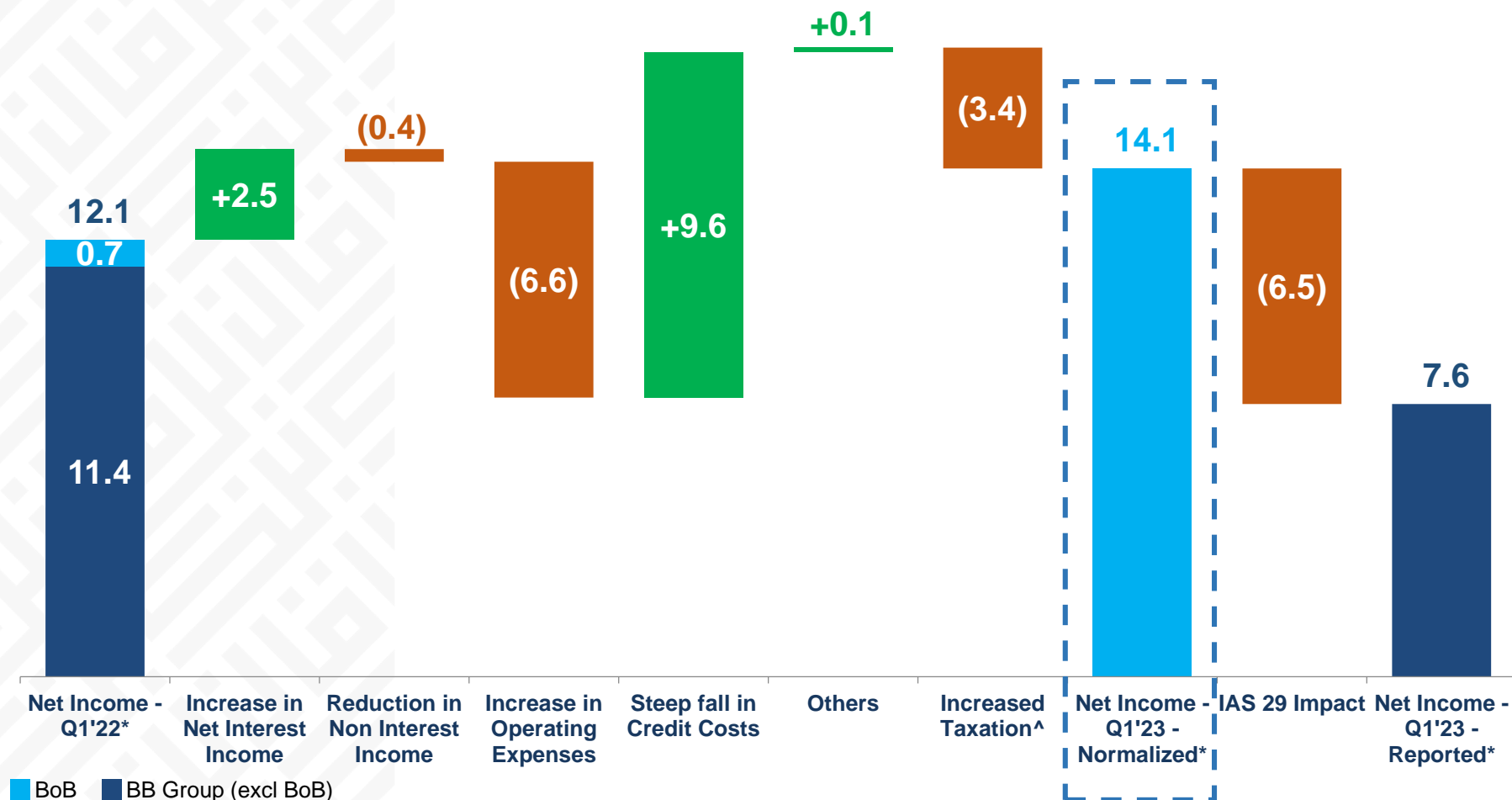
Cost of Credit (CoC)<sup>(2)</sup> | %



Notes: (1) Net Income attributed to equity holders of bank (2) Cost of Credit based on Loan Loss Provisions over Gross Loans.

# UNDERLYING NET INCOME “HIGHER”

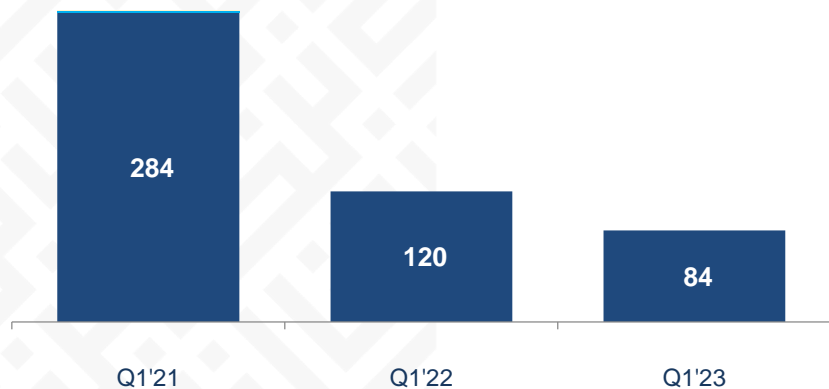
Net Income Evolution – Q1'23 vs Q1'22 | KD mn



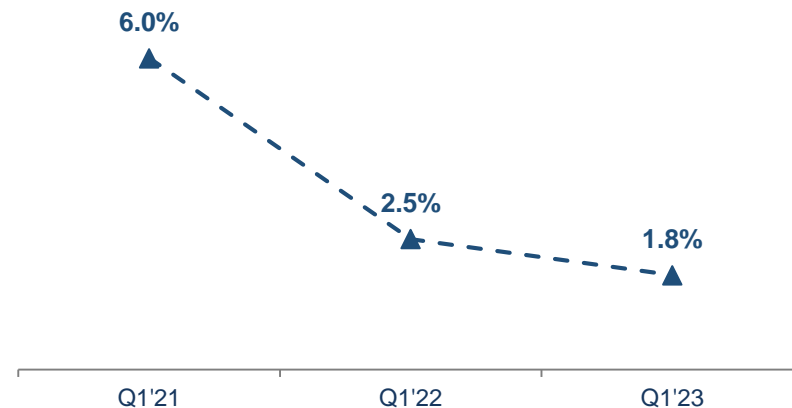
\* Net Income attributable to equity shareholders; ^ Due to higher contribution from BBT.

# SOLID ASSET QUALITY MAINTAINED

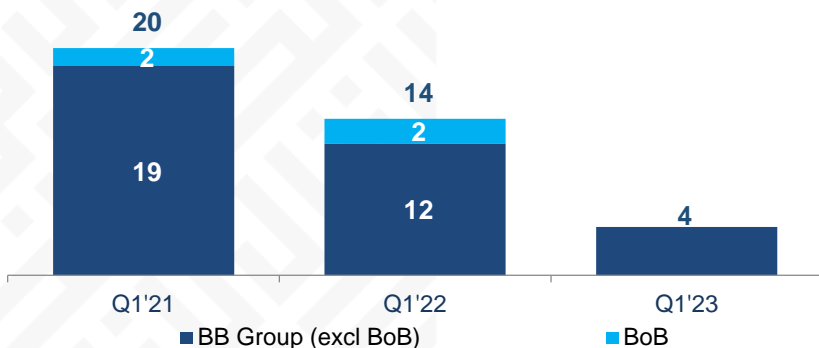
## Non-Performing Loans (NPLs) | KD mn



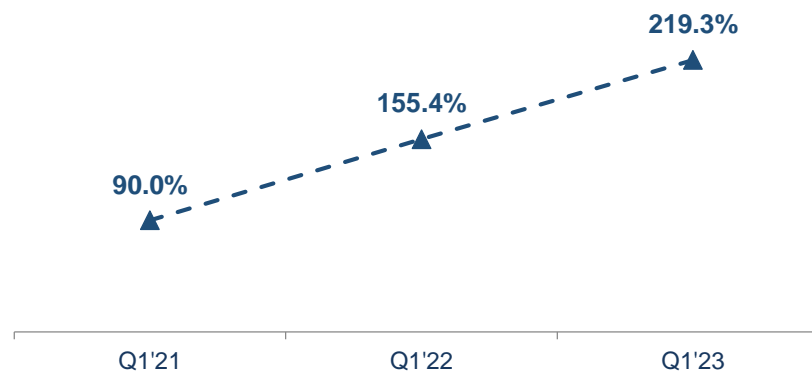
## NPL Ratio | %



## Provision Charge<sup>(1)</sup> | KD mn



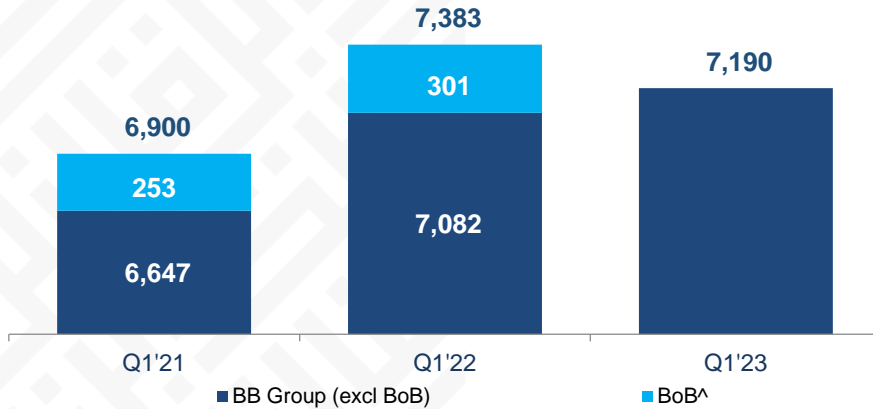
## Provisions Coverage Ratio<sup>(2)</sup> | %



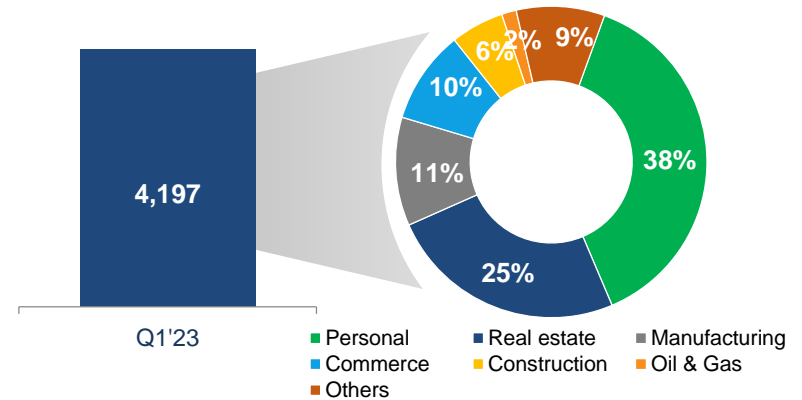
Notes: (1) Loan loss provision only; (2) NPL coverage ratio calculated as cash provision/NPLs

# WELL-DIVERSIFIED & LIQUID ASSET BASE

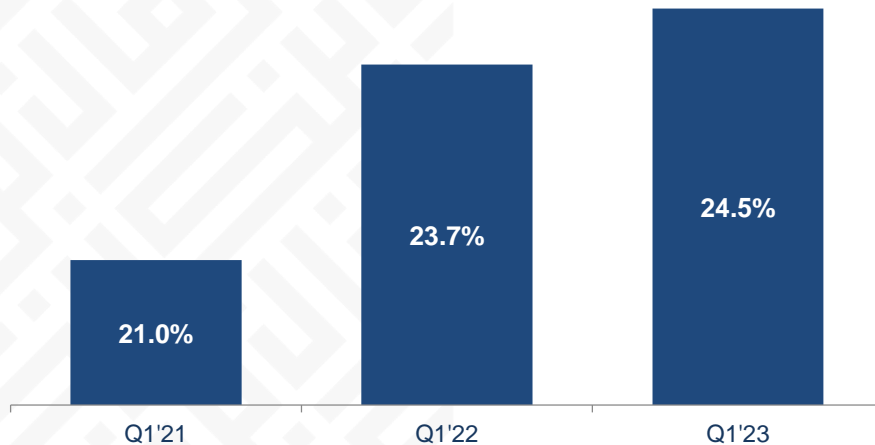
## Total Assets | KD mn



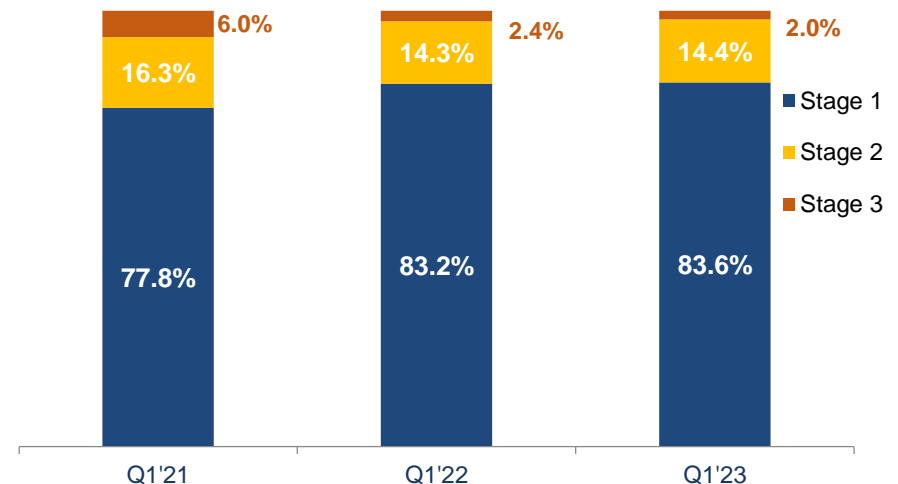
## Customer Loan & Sector Concentration | KD mn



## Liquid Asset Ratio<sup>(1)</sup> | %



## Loans by Stages<sup>(2)</sup> | %

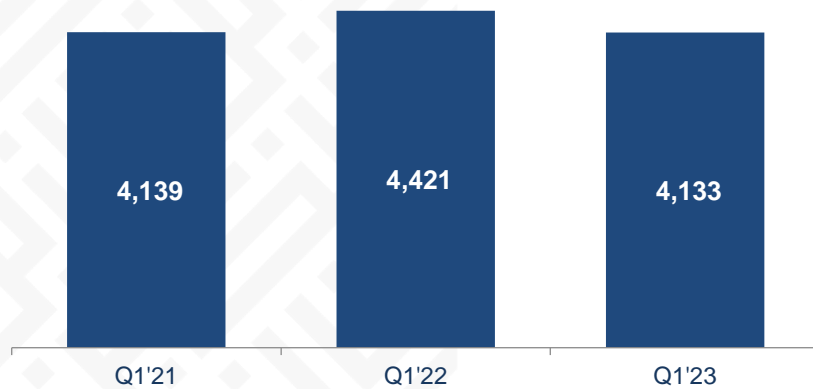


Notes: (1) Liquid Asset Ratio has been computed as Liquid Assets (Cash & cash Equ.+ T-bills / bonds+ Dues from Banks & OFIs) / Total Assets excl BoB; (2) Represents IFRS 9 classification.

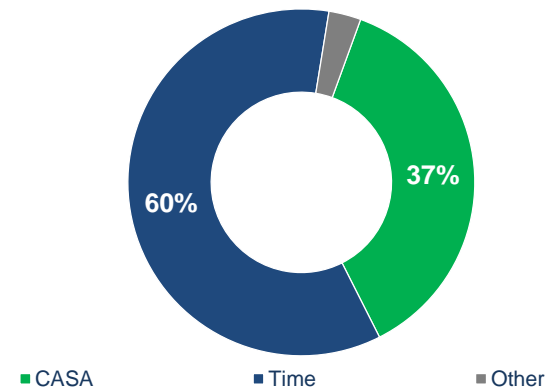
^ BoB was reported as "Held for Sale" investment during Q1'21 and Q1'22

# LIQUIDITY RATIOS STRONG

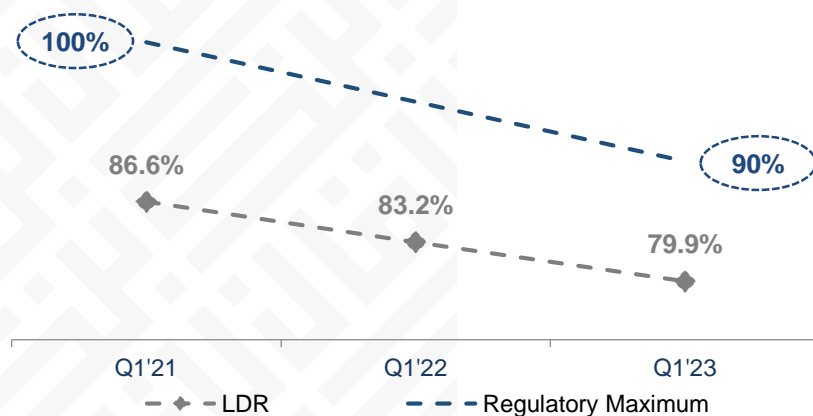
## Customer Deposits | KD mn



## Deposits by Type – Q1'23 | %

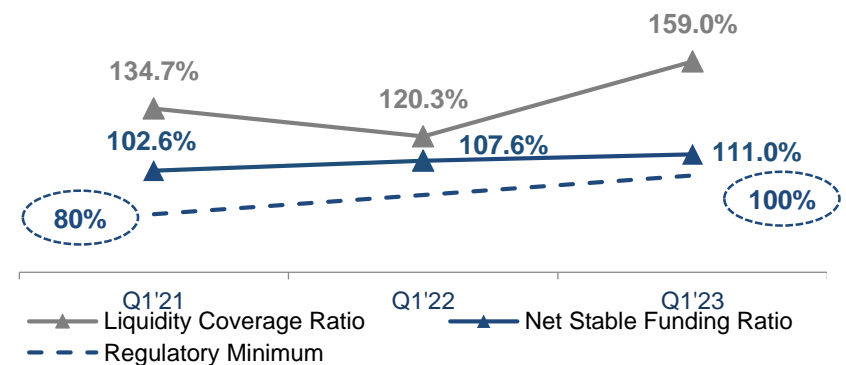


## Loan to Deposit Ratio (LDR) | %



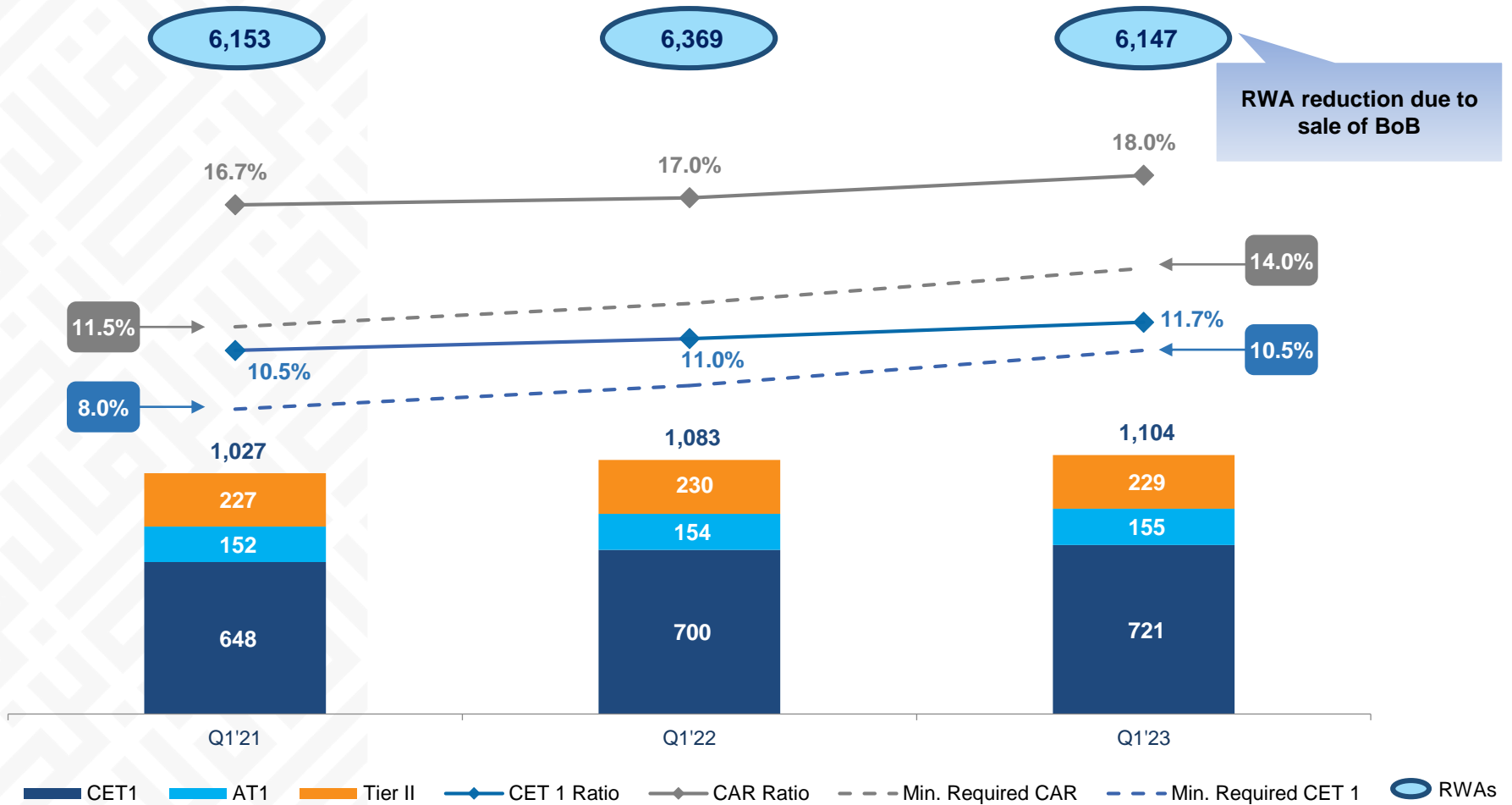
^ Represents daily average ratios for the quarters

## Regulatory Liquidity Metrics^ | %



# IMPROVED CAPITAL LEVELS

Regulatory Capital | KD mn, %



# INTERNATIONAL FRANCHISES CONTINUE IMPROVING

CONTRIBUTION <sup>(1)</sup>		KPIs <sup>(2)</sup>							
 Kuwait	<b>ASSETS</b>  76%	<b>NIM</b>	<b>Δ%</b>	<b>CI RATIO</b>	<b>Δ%</b>	<b>CoC<sup>(3)</sup></b>	<b>Δ%</b>	<b>NPL RATIO</b>	<b>Δ%</b>
		1.7%	+31 bps	56.1%	+18.5 pps	1.0%	+29 bps	1.4%	(49 bps)
 Turkey	<b>ASSETS</b>  12%	<b>NIM</b>	<b>Δ%</b>	<b>CI RATIO</b>	<b>Δ%</b>	<b>CoC<sup>(3)</sup></b>	<b>Δ%</b>	<b>NPL RATIO</b>	<b>Δ%</b>
		3.8%	+57 bps	33.2%	(6.8 pps)	-3.0%	(5.1 pps)	3.9%	(230 bps)
 Algeria	<b>ASSETS</b>  10%	<b>NIM</b>	<b>Δ%</b>	<b>CI RATIO</b>	<b>Δ%</b>	<b>CoC<sup>(3)</sup></b>	<b>Δ%</b>	<b>NPL RATIO</b>	<b>Δ%</b>
		5.6%	(160 bps)	50.2%	+6.6 pps	0.4%	(149 bps)	2.5%	(7 bps)
 Tunisia	<b>ASSETS</b>  2%	<b>NIM</b>	<b>Δ%</b>	<b>CI RATIO</b>	<b>Δ%</b>	<b>CoC<sup>(3),(4)</sup></b>	<b>Δ%</b>	<b>NPL RATIO</b>	<b>Δ%</b>
		3.6%	+148 bps	31.4%	(12.5 pps)	1.1%	(186 bps)	0.3%	↔

Notes : (1) Contribution percentages are rounded figures and are before consolidation adjustments ; Contributions in KD; (2) Deltas are for Q1'23 over Q1'22; (3) CoC computed as loan loss provisions on Gross loans; (4) TIB's CoC computed as loan loss provisions on Gross loans + Dues from banks and OFI's

\* bps: Basis point; pps: Percentage Point



## Summary

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## SUMMARY

☞ **Underlying Bottomline grew; reported Net Income impacted by IAS29**

☞ **Credit costs stabilizing & overall asset quality remains very strong**

☞ **International operations' contribution continues to increase**

Thank You

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