

BURGAN BANK GROUP

INVESTOR PRESENTATION

FY 2019 FINANCIAL RESULTS

11TH MARCH 2020

بنك
برقان

TABLE OF CONTENTS

Contents	Page
FY2019 Key Achievements	4
Key P&L Metrics	5
Asset Quality	7
Key Balance Sheet Metrics	8
Capital & Liquidity	9
FY'19 Performance by Entities	10
Sale of BoB: Rationale & Impacts	11
Summary	12

CHANGE IN FINANCIAL STATEMENTS' CLOSING PROCESS

- ☞ Beginning this year, the Bank 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.
- ☞ Accordingly, Burgan's reported financial results of FY 2019 include **only eleven months (i.e. January to November 2019) performance** of the subsidiaries instead of full twelve months, as included in the prior periods.

FY2019 KEY ACHIEVEMENTS



High Shareholder Returns

- Net Income:- KD 84.7mn (+3% vs '18)
- Return on Equity:- 10%
- Cash Dividend (*Recommended*):- 12 fils per share



Improved Asset Quality

- NPL Ratio:- Kuwait: 1.6% (1.6% in '18); Group: 2.5% (2.7% in '18)
- Cost of Credit:- Kuwait: 0.5% (1.1% in '18); Group: 1.1% (1.4% in '18)



Higher Growth

- Loans:- Kuwait: +8% (+2% in '18); International[^]: -12% (-12% in '18); Group: +1% (-3% in '18)
- Deposits:- Kuwait: +19% (-10% in '18); International[^]: -4% (-11% in '18); Group: +6% (-9% in '18)



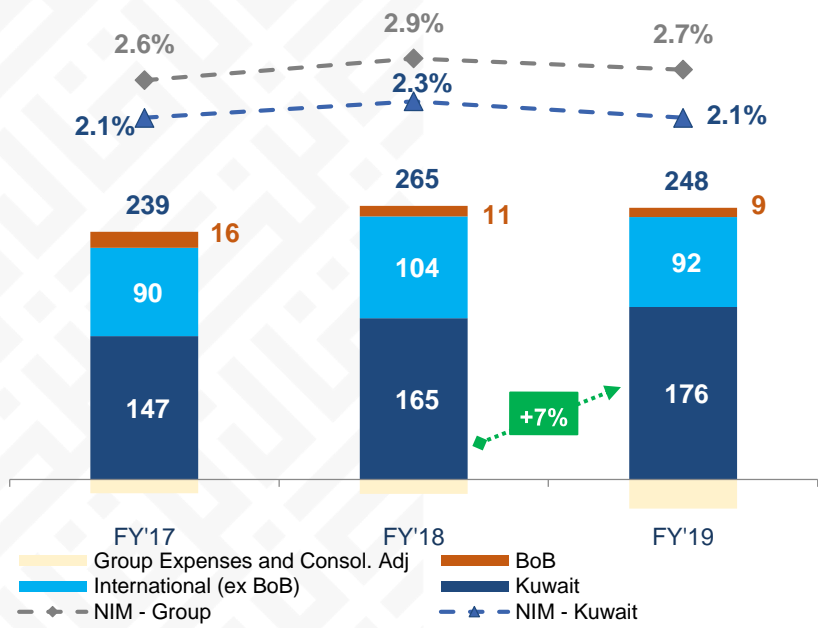
Learner & Focussed Structure

- Entered into agreement to sell stake in Bank of Baghdad
- Enables focus on core businesses

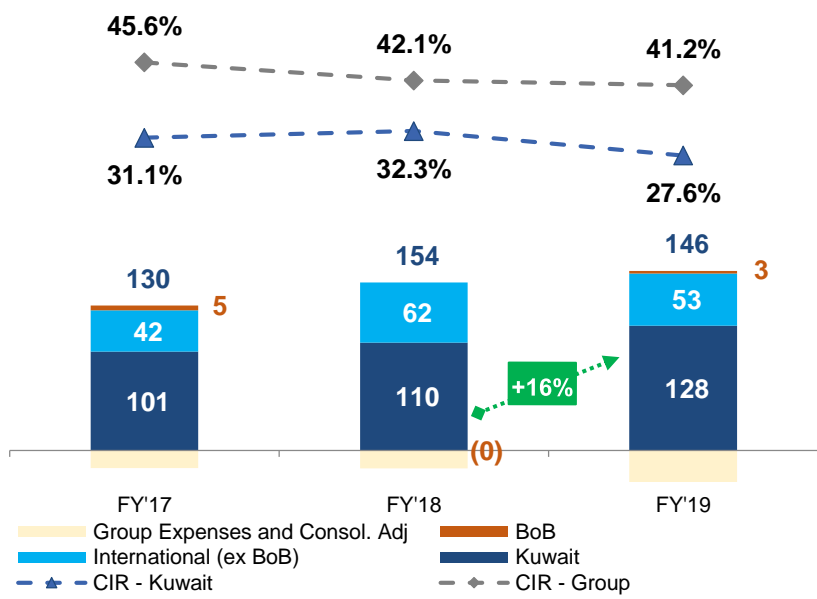
[^] Refers to BB Group's Subsidiaries namely, Burgan Bank Turkey, Gulf Bank of Algeria & Tunis International Bank; Exclude Bank of Baghdad

ROBUST REVENUE BASE WITH IMPROVED EFFICIENCIES...

Revenue & Margins⁽¹⁾ | KD mn, %



Operating Profit & Cost to Income Ratio⁽²⁾ | KD mn, %



Kuwait

- ❖ Kuwait Revenue growth of 7% despite rate cuts
- ❖ Cost-to-income ratio of 27.6% due to lower operating expenses

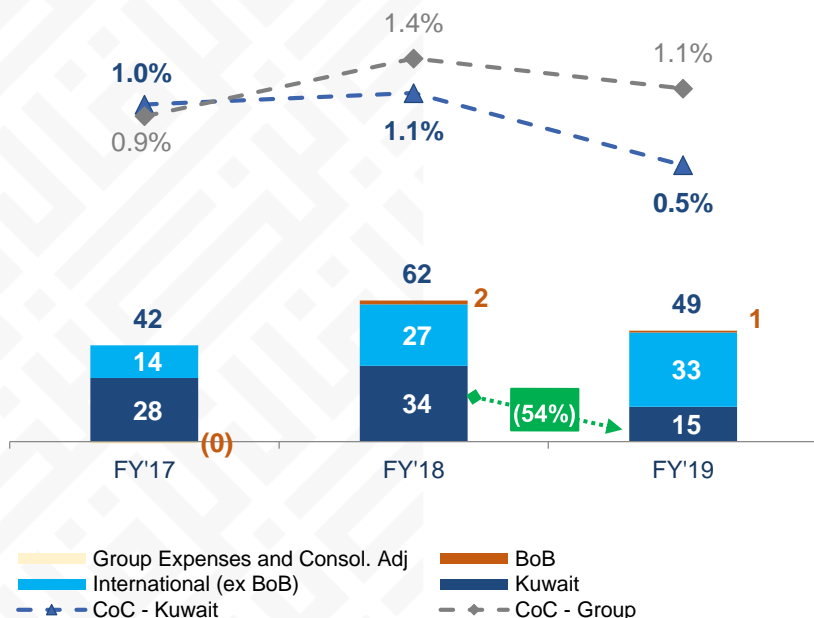
Group

- ❖ Group's Revenue lower primarily due to one-month lag in subsidiaries reporting & deliberate reduction in its Turkish operations
- ❖ Group's efficiency improved by 90bps due to lower operating expenses

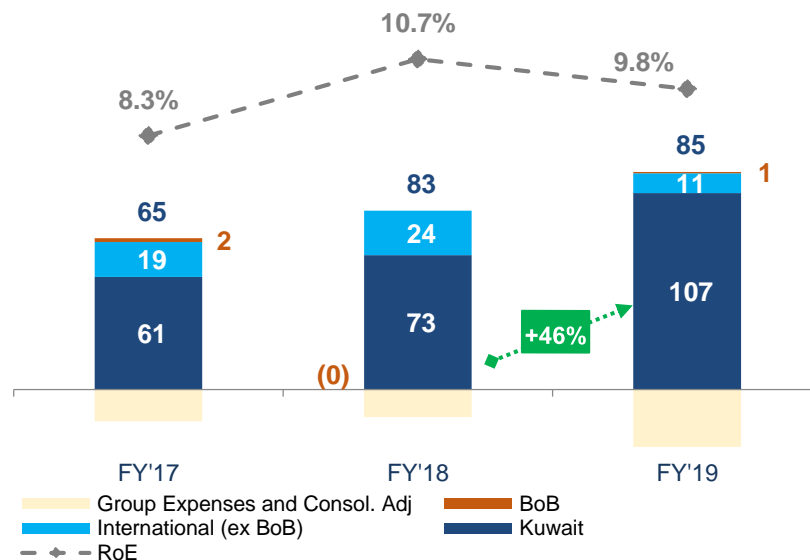
(1) FY'19 NIMs has been adjusted for one-month reporting lag in subsidiaries; (2) Cost to income ratio is calculated as Total Operating expenses / Total Revenues.

... AND LOWER CREDIT COSTS LEADING TO HIGHER NET INCOME

Cost of Credit⁽¹⁾ | KD mn, %



Net Income⁽²⁾ & Returns⁽³⁾ | KD mn, %



Kuwait

- ❖ Kuwait Credit Costs improved by 60bps
- ❖ Strong revenue growth, lower Opex and improved CoC led to higher Net income in Kuwait

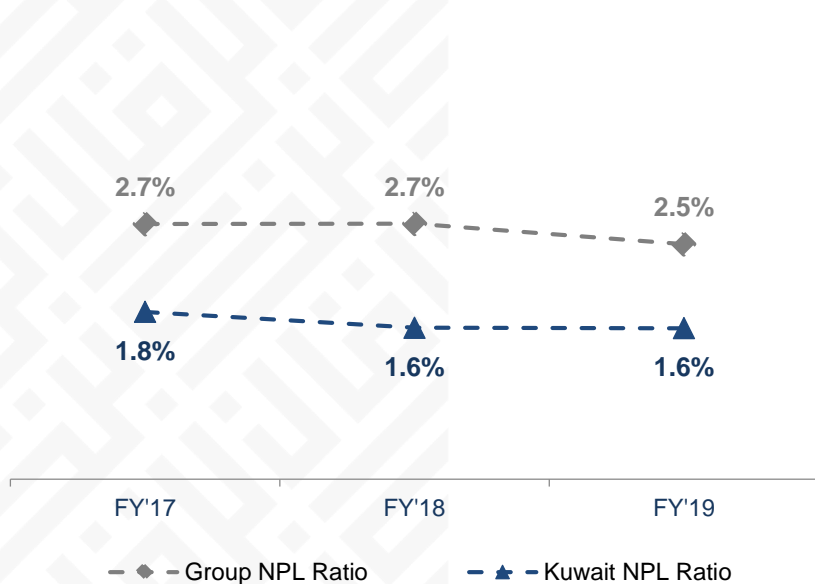
Group

- ❖ Group CoC lower by 30bps despite headwinds in key subsidiaries
- ❖ Group Net income grew by 3% in spite of one-month reporting lag

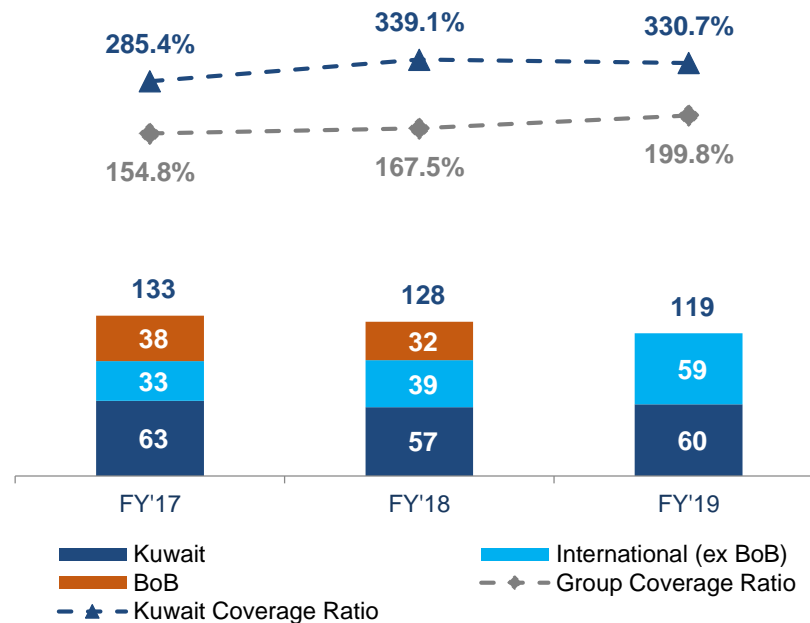
(1) Cost of Credit (CoC) based on Loan Loss Provisions over Gross Loans; (2) Net Income attributed to equity holders of bank before perpetual cost; (3) ROE is based on Net Income after perpetual cost and calculated on opening equity.

CONTINUING TO MAINTAIN STRONG ASSET QUALITY

NPL Ratio (%)



NPLs (KD mn) & Coverage (%)



Kuwait

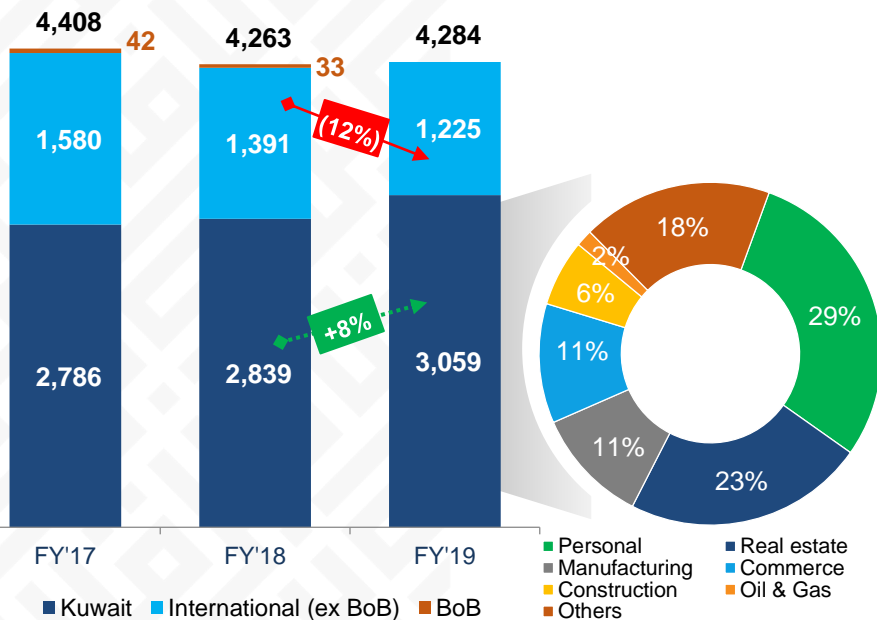
- ❖ NPL Ratio at Kuwait remains consistently low at 1.6%
- ❖ Kuwait Coverage levels strong at 331%

Group

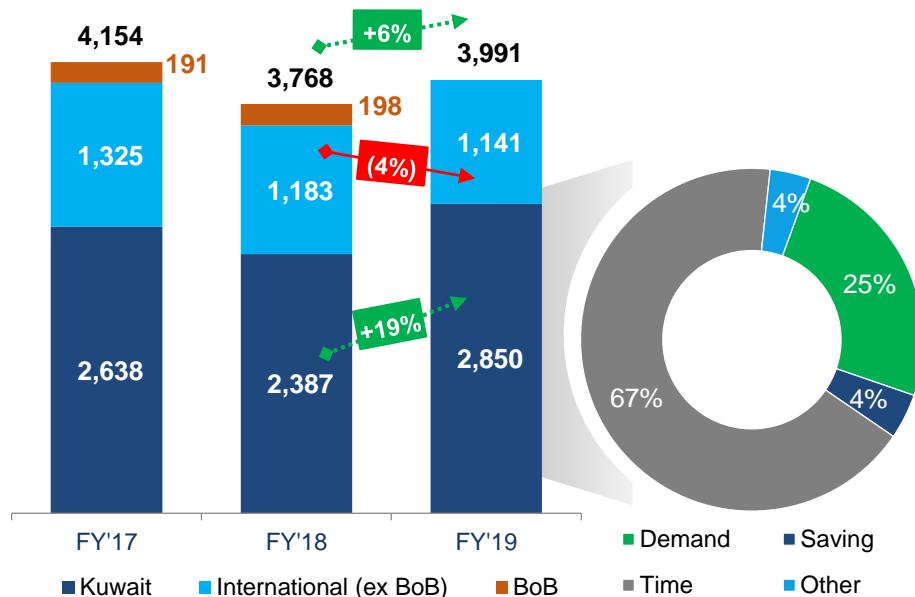
- ❖ Group NPL Ratio improved by 20bps
- ❖ Group coverage further strengthened to 200%

GROWTH LED BY KUWAIT

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



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



Kuwait

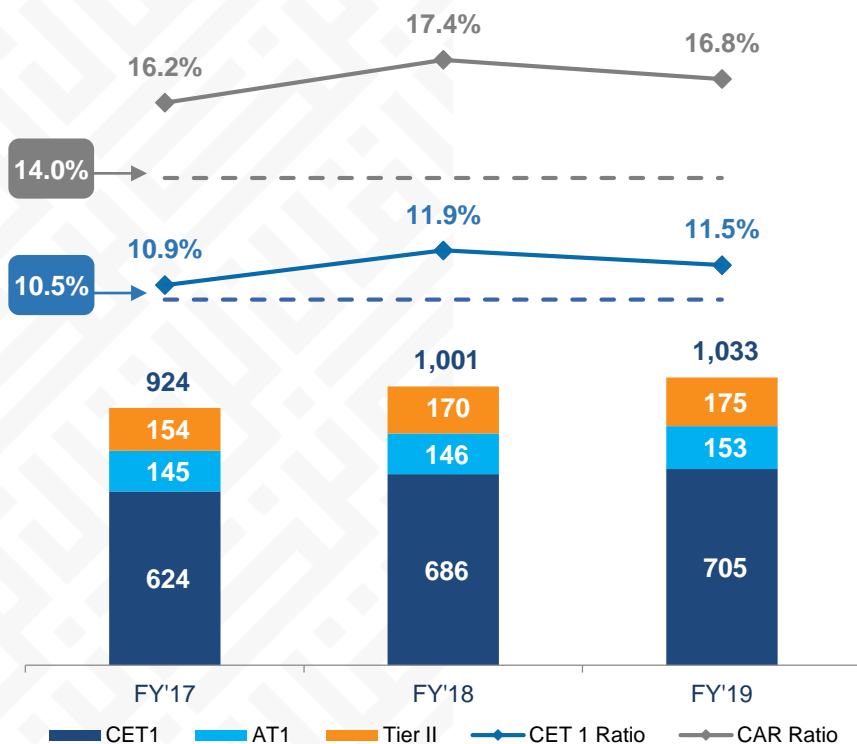
- ❖ Kuwait Loan portfolio grew by 8%
- ❖ Kuwait deposits grew by 19%

Group

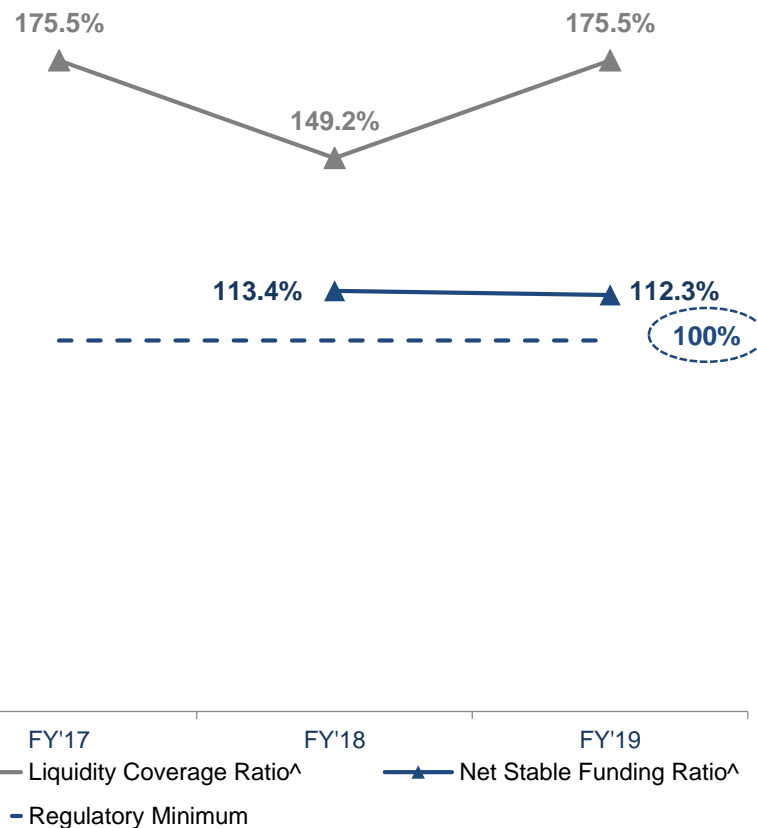
- ❖ Group's loan book flat due to deliberate cautious approach to growth in subsidiaries
- ❖ Group remains liquid with strong access to customer deposits

OPTIMAL CAPITAL LEVELS WITH HIGH LIQUIDITY

Regulatory Capital (KD mn)

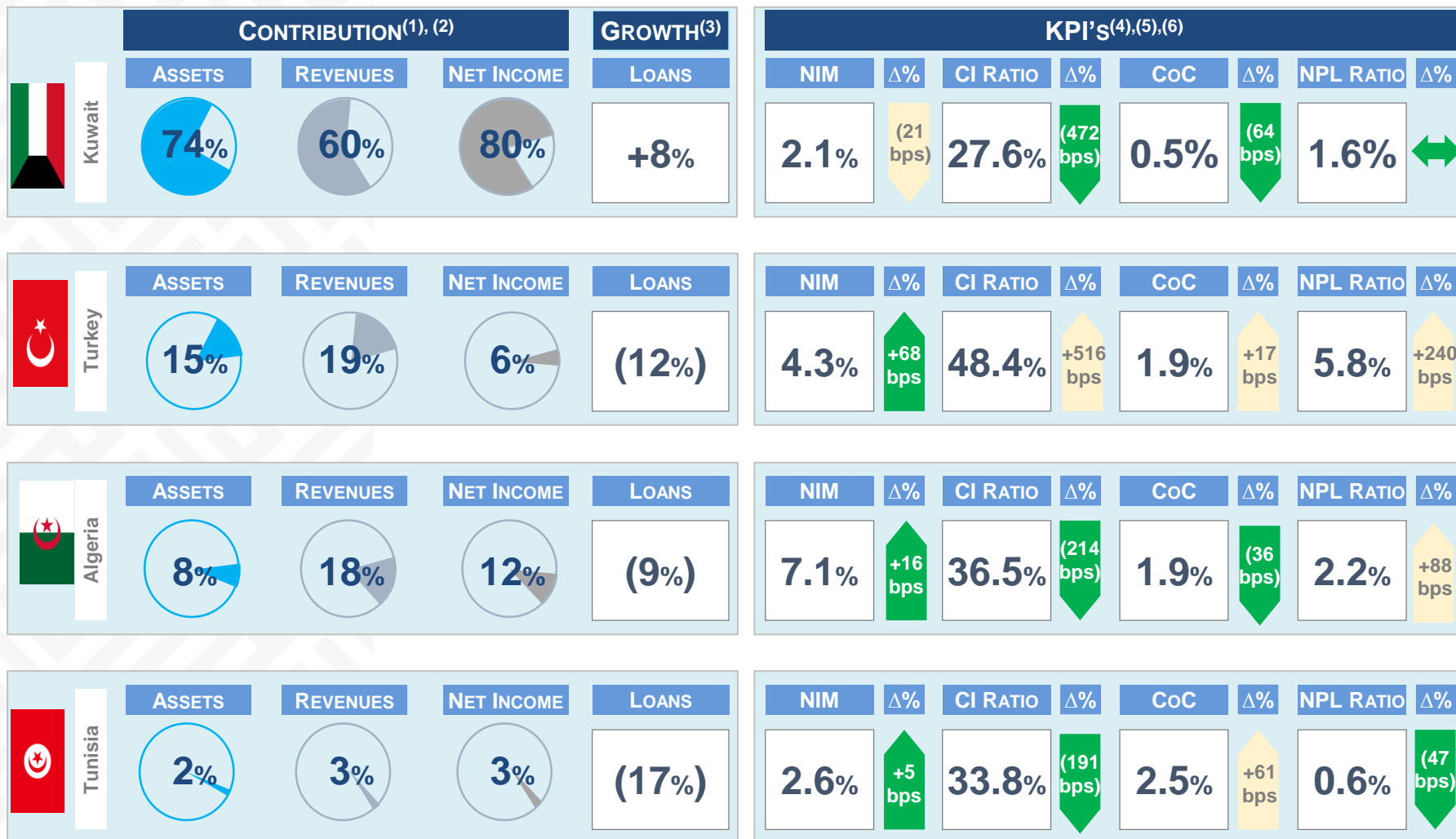


Regulatory Liquidity Metrics (%)



^ Represents daily average ratios for the quarters (i.e. Q4'17, Q4'18 and Q4'19).

STABLE CONSISTENT TRENDS IN KPIS ACROSS GROUP



(1) Contributions in KDs; (2) Contributions adjusted for one-month lag in subsidiaries reporting; (3) Growth year on year in KD; (4) NIMs and CoCs have been adjusted for one-month reporting lag for subsidiaries; (5) Deltas are for FY'19 over FY'18; (6) Loan Loss Provisions on Gross Loans;

Note: Contribution percentages are rounded figures and are before consolidation adjustments.

* bps: Basis point; pps: Percentage Point

SALE OF BOB : KEY RATIONALE & IMPACT

Rationale for Sale

- ☞ Focus on core Businesses
- ☞ Tough operating environment in Iraq
- ☞ Improved asset quality;
- ☞ Simpler structure; Enables capital to be deployed to core markets

Onetime loss due to accounting
reclassification
(booked in Q4'19)
KD 8.7mn



Expected Gain in FY'20 upon completion
of sale
KD 4.5mn

Impacts

SUMMARY

☞ Burgan delivered strong performance in FY'19, **generating double-digit shareholders returns**

☞ **Burgan's strong risk management framework** ensures consistently improving asset quality & lower credit costs

☞ **Looking ahead, Burgan is prioritizing execution of its Digital Strategy** to better serve its customers while generating further efficiencies

Thank You

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