

BURGAN BANK GROUP

INVESTOR PRESENTATION

FY 2022 FINANCIAL RESULTS

14TH FEBRUARY 2023



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At a Glance, Group Overview and Operating Strategy

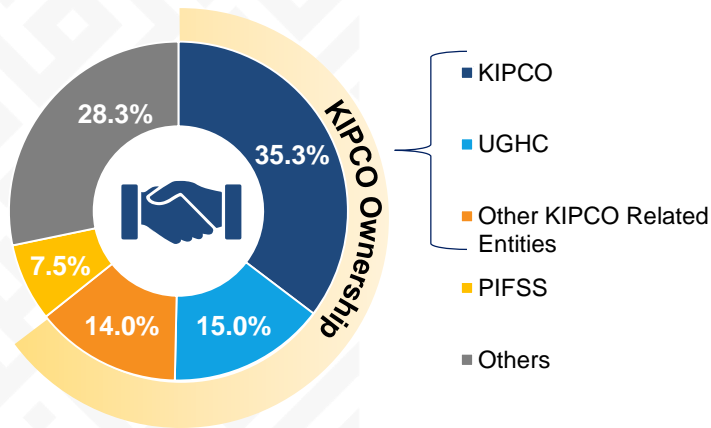


BURGAN AT A GLANCE

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)⁽¹⁾, with a market capitalization of KD 720 million⁽²⁾.
- Has one of the largest regional networks of 127 branches and 284 ATMs ^{(1),(3)}

Ownership Structure^{(1),(4)}



Notes: (1) As of 31st Dec 2022; (2) Based on share price as at 29th Dec 2022; (3) Excluding Bank of Baghdad as it has been classified as held for sale; (4) 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 ⁽¹⁾
Fitch Ratings	A (Outlook: Stable)
MOODY'S	Baa1 (Outlook: Stable)
S&P Global	BBB+ (Outlook: Stable)

Our Presence



KUWAIT FOCUSED BANK WITH REGIONAL DIVERSIFICATION

Franchises	Ownership	Domestic Market Position ⁽¹⁾	Business Model	% of Group Assets ^{(1),(3)}
Burgan Bank Kuwait 	N/A	One of the top three conventional Banks ⁽²⁾	Corporate banking is the key business; Retail Banking growth is a focus area	71%
Burgan Bank Turkey 	99.7%	Niche Player	Corporate and Commercial clients are key segments; One of the best digital banking platform; individual clients focus increased	13%
Gulf Bank Algeria 	86.0%	Growing Private sector Bank	Focused on Trade Finance & Corporate Banking segment; Growing retail franchise	9%
Tunis International Bank 	86.7%	Offshore Bank	Focused on Trade Finance and Financial Institutions business	2%
Bank of Baghdad⁽⁴⁾ 	51.8%	One of the first licensed private sector banks	Leading private sector bank in Iraq with access to ample liquidity and a leader in FX and payments business	5%

Notes: (1) As at 31st Dec 2022; refer to effective shareholding; (2) Based on total assets of Burgan Bank Group; (3) Based on total assets excluding consolidation adjustments; (4) Bank of Baghdad has been classified as held for sale.

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

Business Update

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KEY BUSINESS UPDATES

1 “Retail Transformation” in Kuwait yielding results

- **Retail business in Kuwait** has had a **strong 2022**
- **Client acquisitions are up, asset & liability product sales are growing**
- Produced **solid growth in Top line & Bottom line**
- **Key Impacts:**
 - ✓ *Kuwait Retail banking Revenues: 25% y-o-y*
 - ✓ *Kuwait Retail banking Loan Growth: 22% y-o-y*

2 Turnaround in Burgan Bank Turkey’s performance





- Our strategy of **lower loan growth, tighter underwriting & focused efforts on recoveries** started **yielding results** for our Turkish franchise – BBT
- **Key Impacts for BBT standalone:**
 - ❖ *Operating Performance⁽¹⁾:*
 - ✓ *Revenues +71% y-o-y; Net Income + 472% y-o-y; RoE (FY'22) 54%*
 - ❖ *Asset Quality:*
 - ✓ *CoC -0.2% (FY'21: 4.0%); NPL Ratio 4.2% (FY'21: 6.7%)*

3 BOB Sale

- **All regulatory approvals in place**
- Sale consideration of **USD 125mn**
- **Transaction terms agreed**, expected to complete Iraq Stock Exchange requirements soon
- **Key Impact:**
 - ✓ *CET1 Ratio: Improves CET1 by 70bps+*
 - ✓ *NPL Ratio: Protection of ~60bps*

Notes: (1) Excluding Net Monetary Losses (IAS 29); RoE has been calculated on opening equity.

PERFORMANCE HIGHLIGHTS

	FY'22	Q4'22
 Improved Margins⁽¹⁾	2.4% <i>+30bps y-o-y⁽⁴⁾</i>	2.8% <i>+50bps y-o-y⁽⁵⁾</i>
 Reduced Credit Costs⁽²⁾	0.6% <i>(-)130bps y-o-y⁽⁴⁾</i>	1.1% <i>(-)220bps⁽⁵⁾</i>
 Healthy Bottomline⁽³⁾	KD 52mn <i>+15% y-o-y⁽⁴⁾</i>	KD 11mn <i>+113% y-o-y⁽⁵⁾</i>
 Growth in Dividends	<ul style="list-style-type: none"> • Dividend payout^{(6),(7)} : 61% (43% in FY'21) • Proposed Dividend⁽⁶⁾ : 8 fils (5 fils in FY'21) • Bonus Shares⁽⁶⁾ : 5% (5% in FY'21) 	

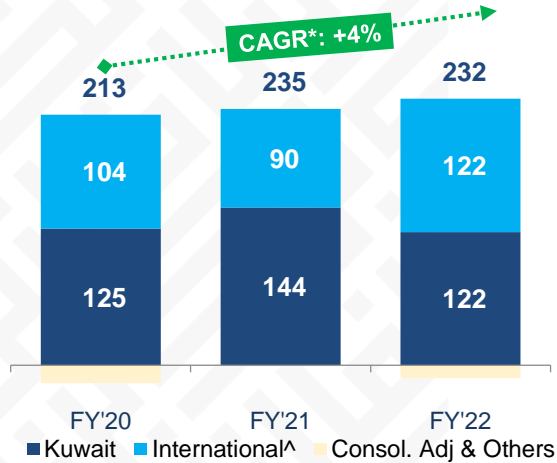
Notes: (1) Refers to Net Interest Margins; (2) Refer to Loan Loss Provisions; (3) Refers to Net Income attributed to equity holders of bank before perpetual cost; (4) Compared to FY'21; (5) Compared to Q4'21; (6) Approved by Board; subject to AGM approval (7) Dividend payout ratio has been calculated as Proposed Dividends / Net Income (post Perp cost).

Financial Review

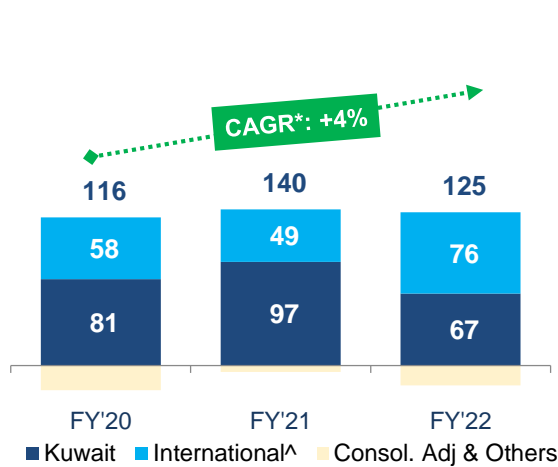
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PROFITABILITY DRIVEN BY HIGHER MARGINS

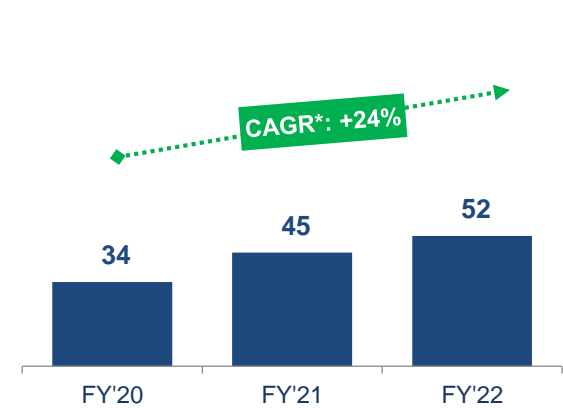
Revenue | KD mn



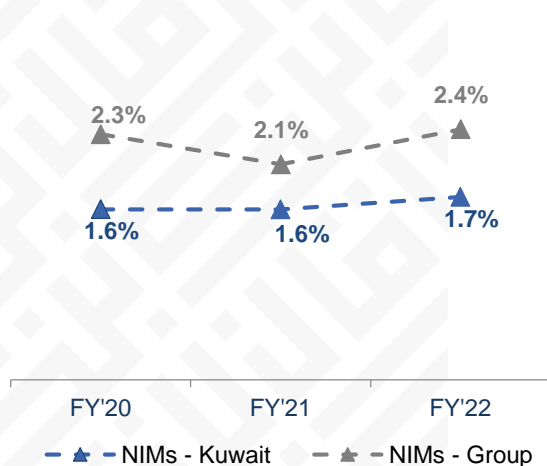
Operating Profit | KD mn



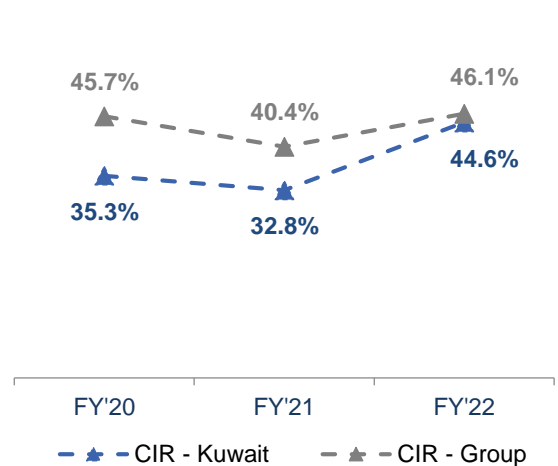
Net Income⁽¹⁾ | KD mn



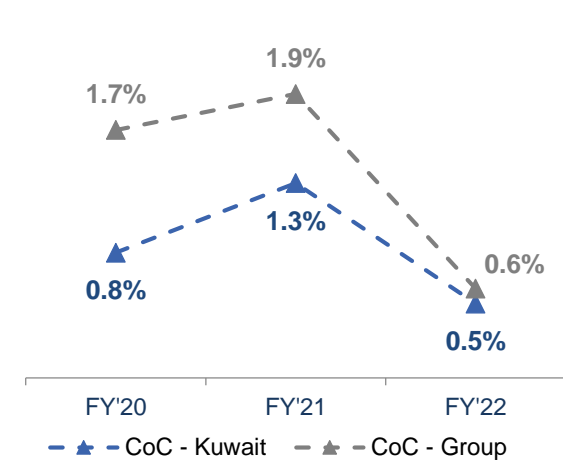
Net Interest Margins (NIMs) | %



Cost to Income Ratio (CIR) | %



Cost of Credit (CoC) ⁽²⁾ | %

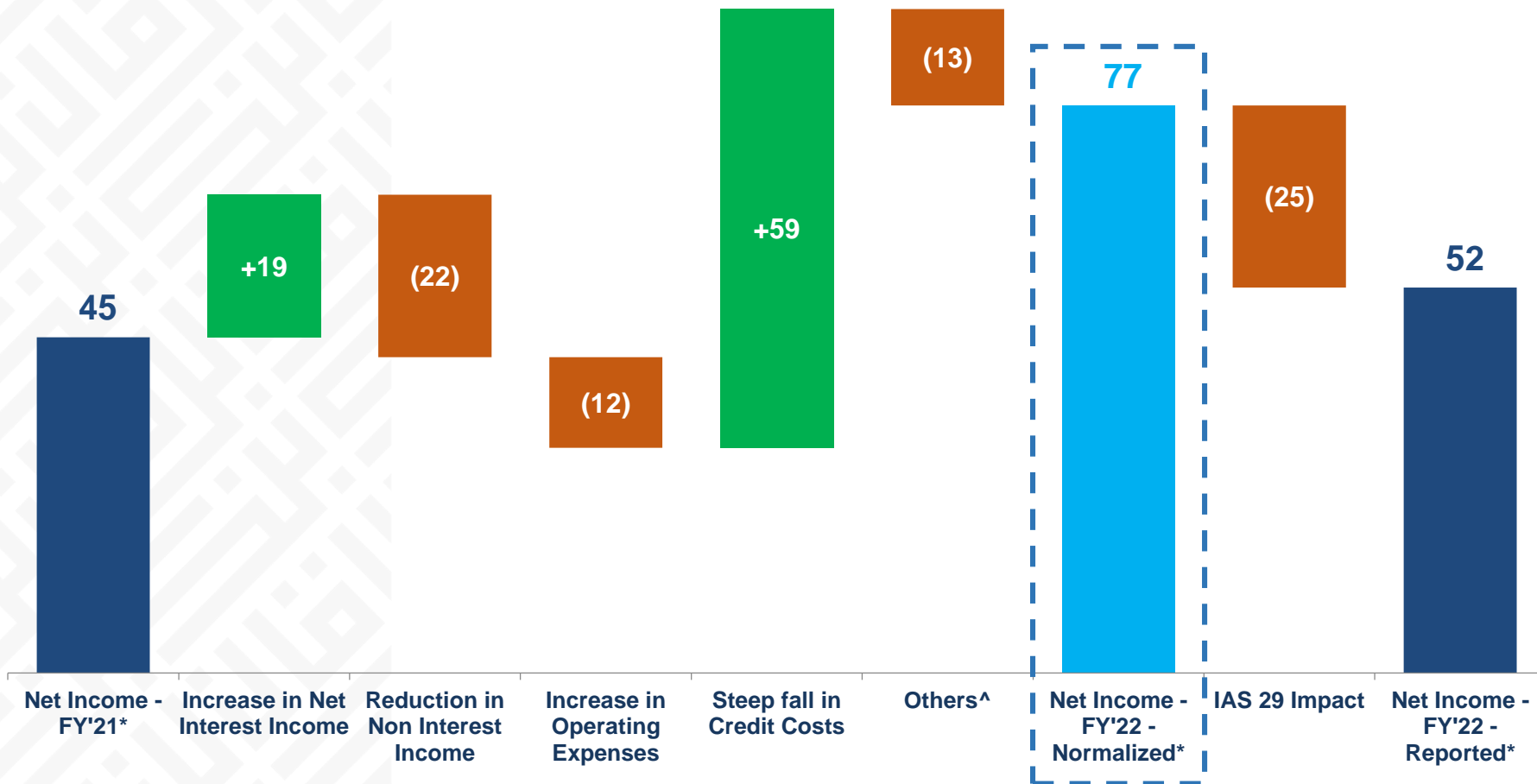


Notes: (1) Net Income attributed to equity holders of bank before perpetual cost (2) Cost of Credit based on Loan Loss Provisions over Gross Loans

[^] International Includes BoB; *CAGR: FY'20-22

NET INCOME EVOLUTION – FY'22 vs FY'21

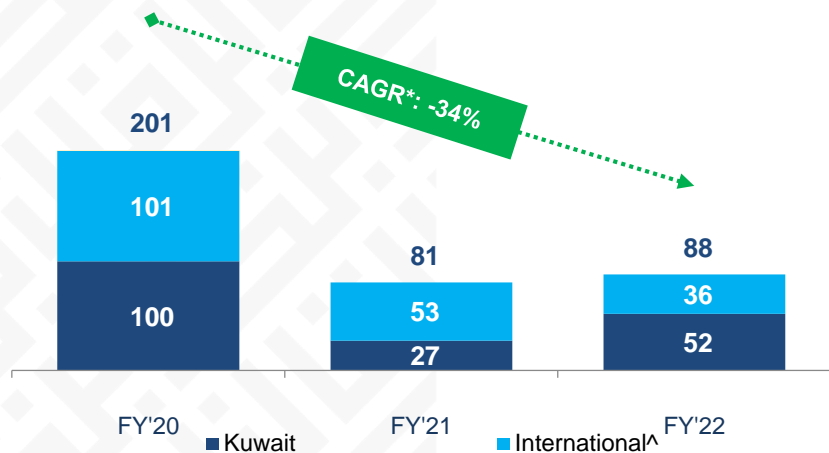
Net Income Evolution – FY'22 vs FY'21 | KD mn



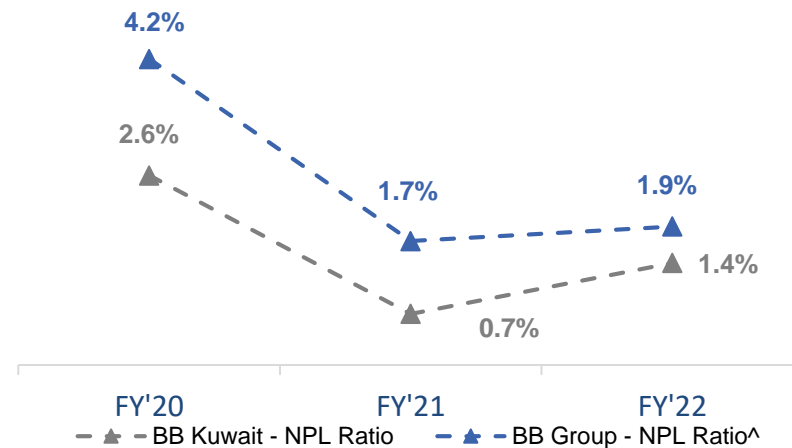
* Net Income attributable to equity shareholders; ^ Includes impacts of taxation & Minority share of results

STABLE ASSET QUALITY

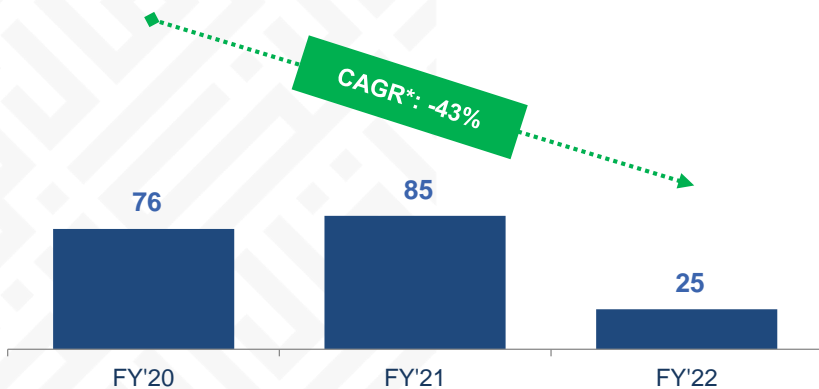
Non-Performing Loans (NPLs) | KD mn



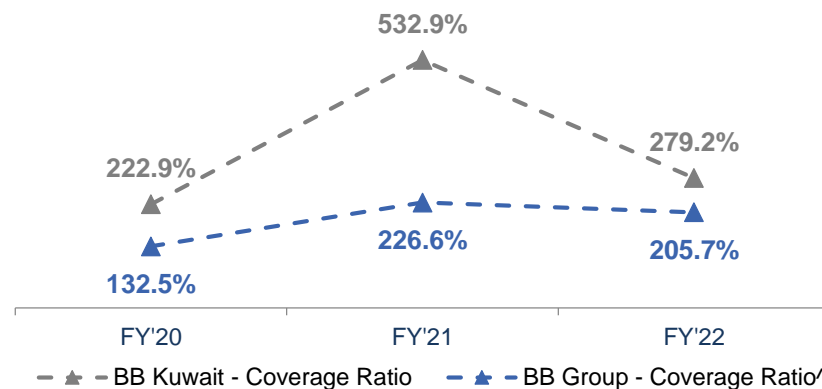
NPL Ratio | %



Provision Charge⁽¹⁾ | KD mn



Provisions Coverage Ratio⁽²⁾ | %

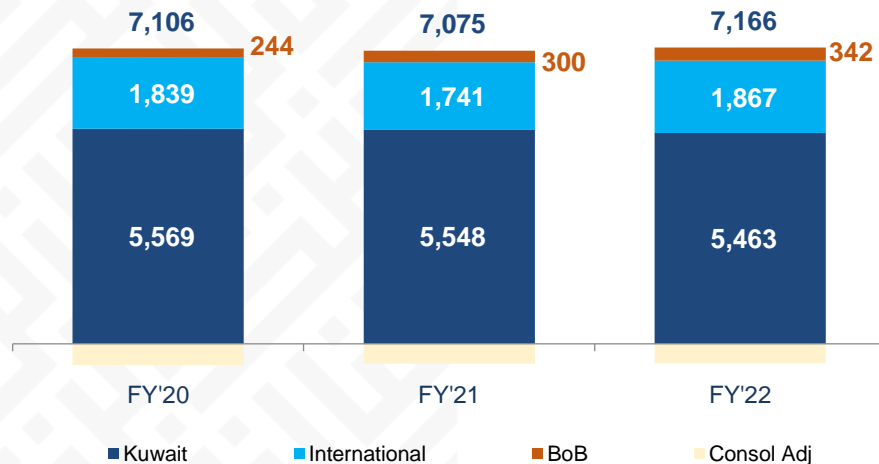


Notes: (1) Loan loss provision only; (2) NPL coverage ratio calculated as cash provision/NPLs,

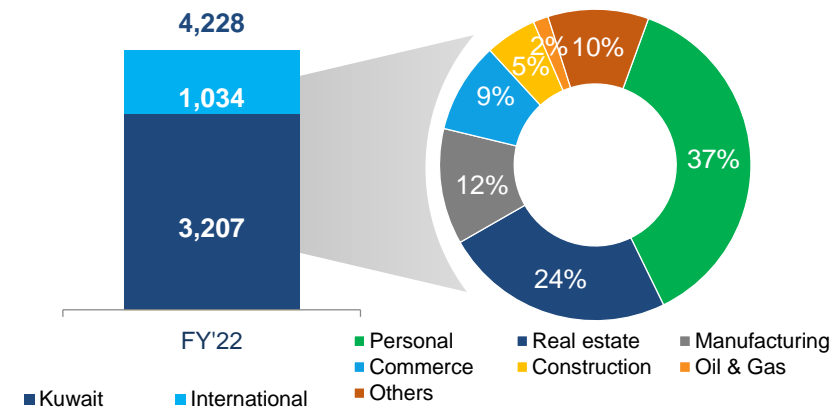
^ Excludes BoB; *CAGR: FY'20-22

ASSETS & LOANS

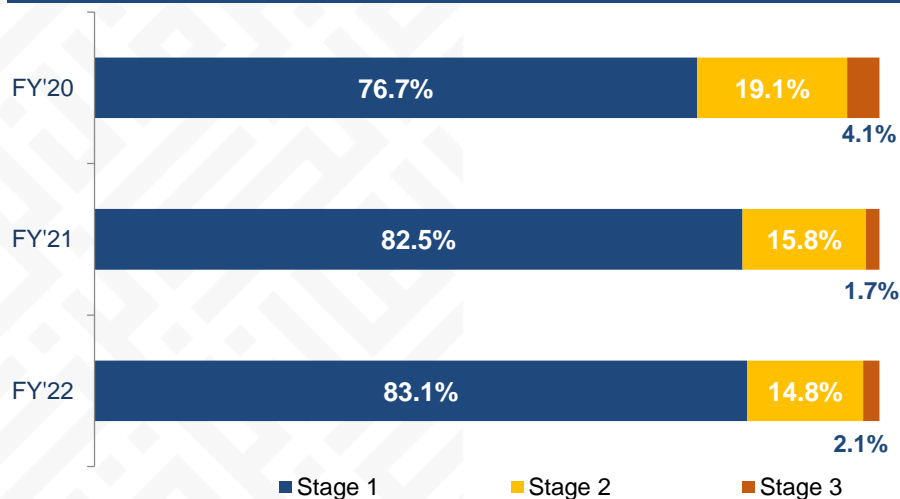
Total Assets⁽¹⁾ | KD mn



Customer Loan⁽¹⁾ & Sector Concentration | KD mn



Loans by Stages⁽²⁾ | %

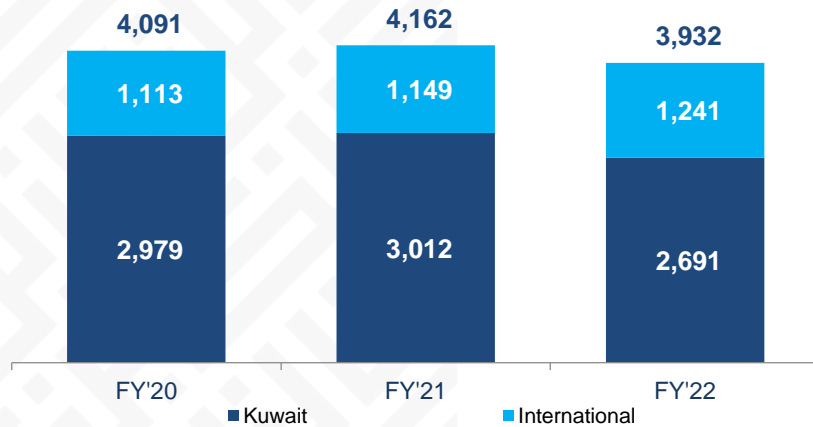


Loan Staging by Entity – FY'22	Kuwait	International
	Stage I	84.2%
Stage II	14.1%	17.2%
Stage III	1.7%	3.3%

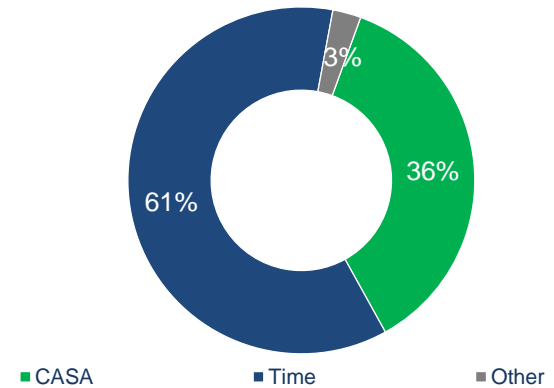
Notes: (1) BB Kuwait numbers are as per MIS view; International doesn't include BoB as it has been classified as "Held for Sale"; (2) Represents IFRS 9 classification.

ACCESS TO LIQUIDITY REMAINS STRONG

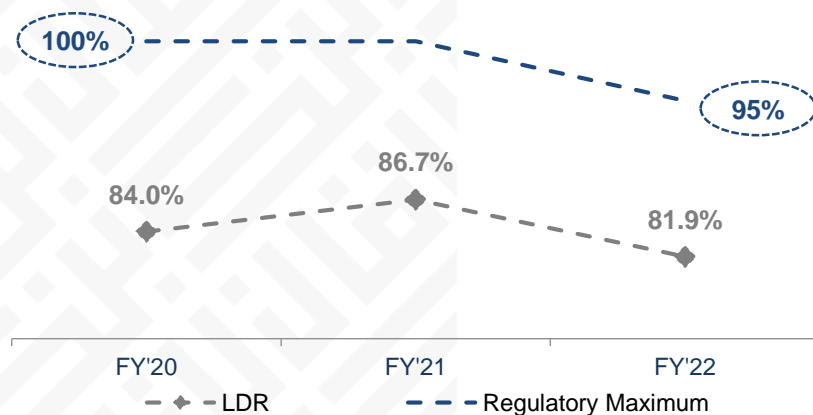
Customer Deposits⁽¹⁾ | KD mn



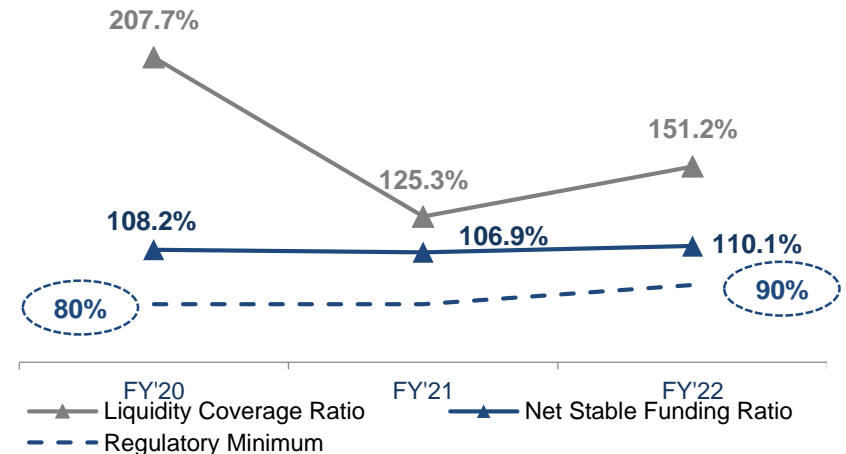
Deposits by Type – FY'22 | %



Loan to Deposit Ratio (LDR) | %



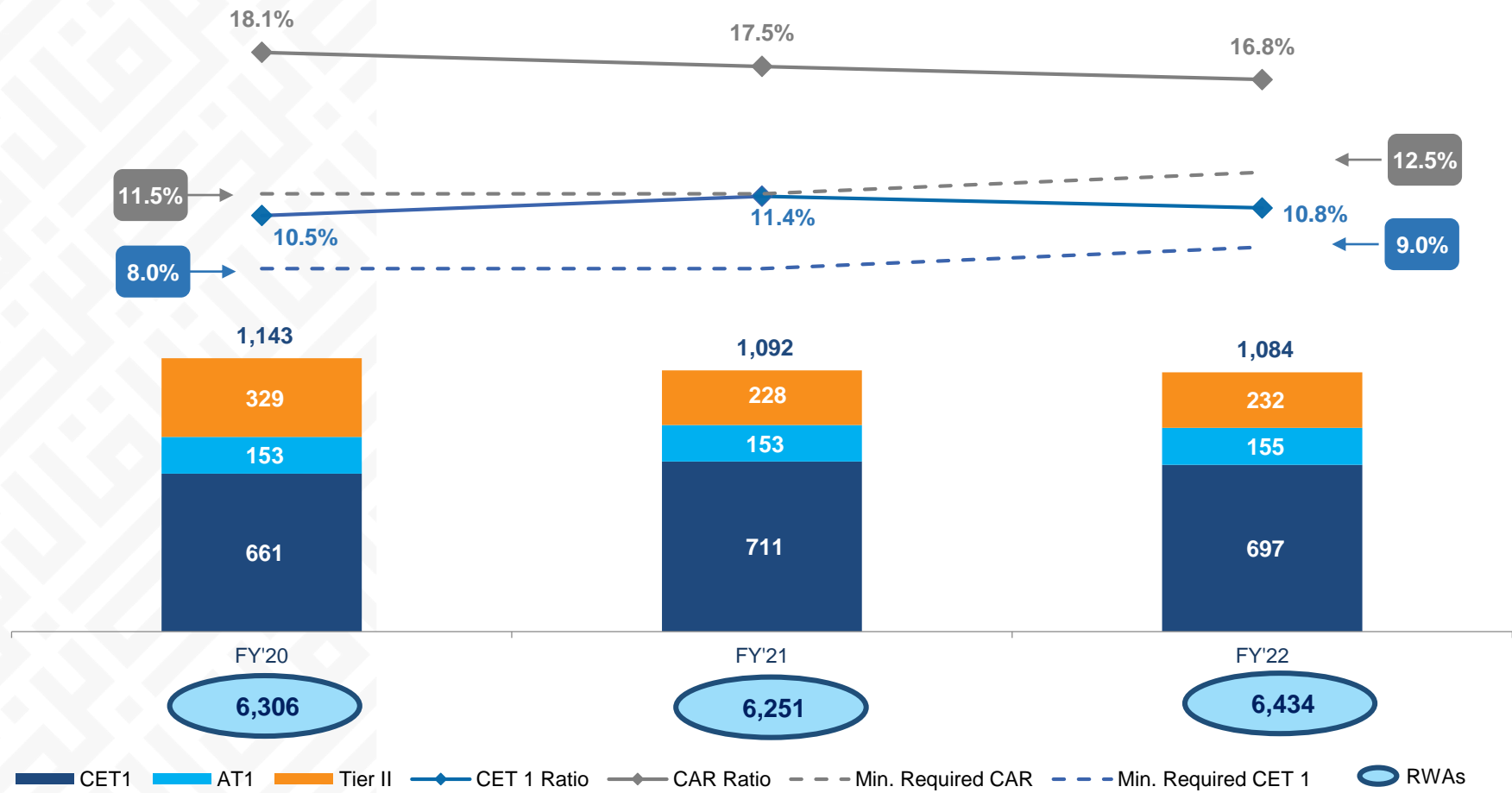
Regulatory Liquidity Metrics⁽²⁾ | %



Notes: (1) BB Kuwait numbers are as per MIS view; International doesn't include BoB as it has been classified as "Held for Sale"; (2) Represents daily average ratios for the quarters.

OPTIMAL CAPITAL LEVELS

Regulatory Capital | KD mn, %



IMPROVING PERFORMANCE ACROSS INTERNATIONAL OPERATIONS

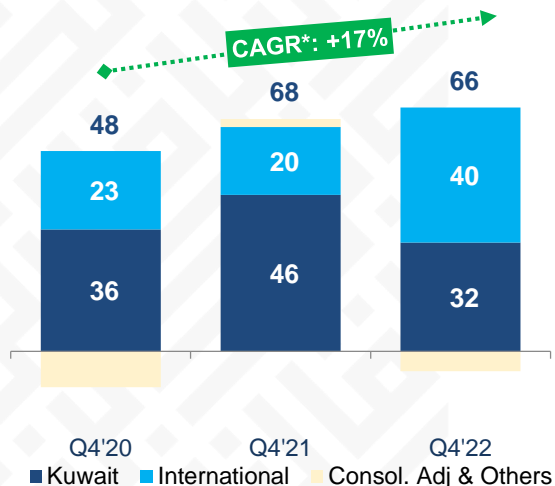


Notes : (1) Contribution percentages are rounded figures and are before consolidation adjustments ; Contributions in KD; (2) Growth vs FY'21 figures in KD terms; (3) Deltas are for FY'22 over FY'21; (4) COC computed as loan loss provisions on Gross loans + Dues from banks and OFI's; (5) Excludes net monetary losses (IAS 29)

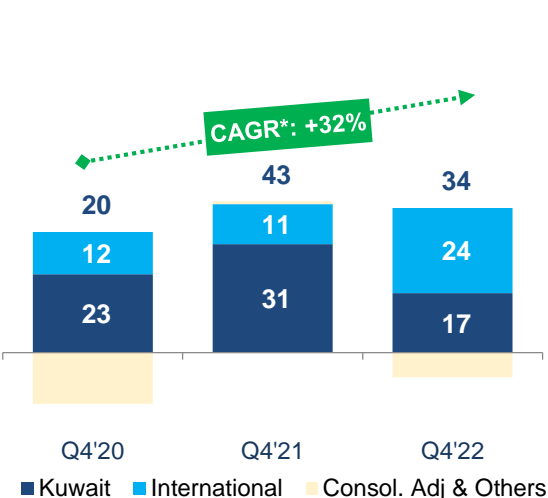
* bps: Basis point; pps: Percentage Point

Q4'22 EARNINGS UPDATE

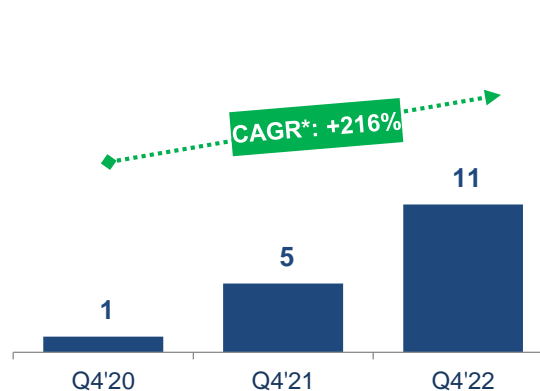
Revenue | KD mn



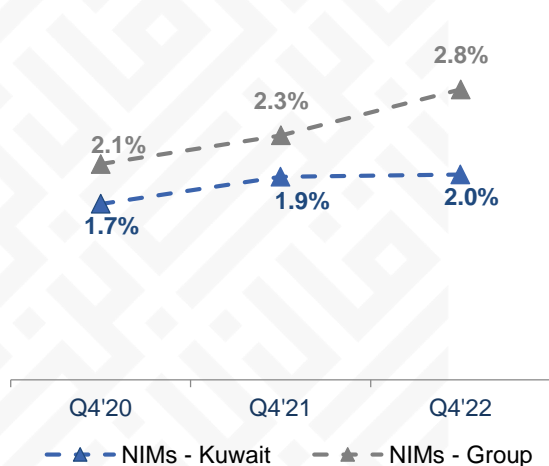
Operating Profit | KD mn



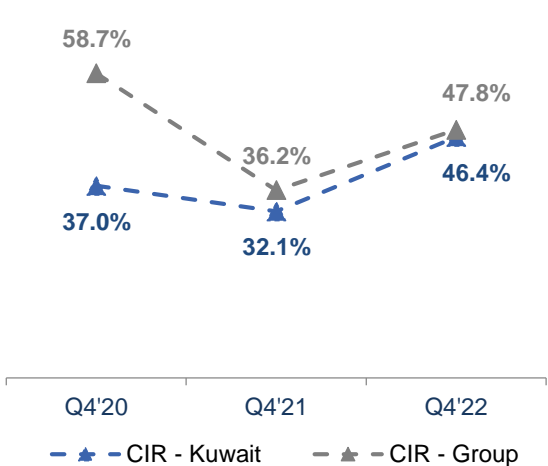
Net Income⁽¹⁾ | KD mn



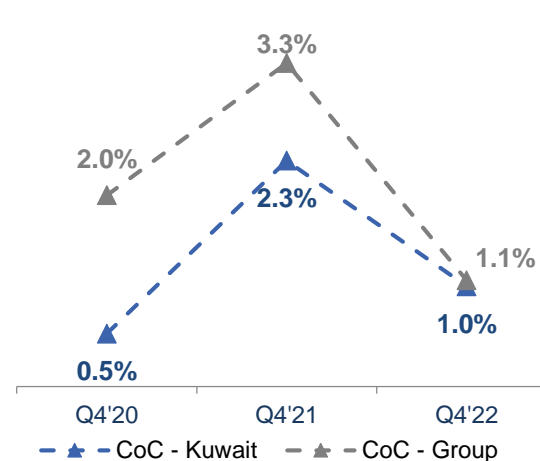
Net Interest Margins (NIMs)⁽²⁾ | %



Cost to Income Ratio (CIR) | %



Cost of Credit (CoC)^{(2),(3)} | %



Note: (1) Net Income attributed to equity holders of bank before perpetual cost; (2) Annualized; (3) Cost of Credit based on Loan Loss Provisions over Gross Loans.

*CAGR: FY'20-22

Summary

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SUMMARY

☞ **Burgan has made significant progress in key strategic initiatives in FY'22:**

- ❖ **Sale of Bank of Baghdad**
- ❖ **Risk mitigation measures' implementation in Turkey**
- ❖ **Retail banking business transformation in Kuwait**

☞ **We expect the following trends to continue:**

- ❖ **Margins to stabilize**
- ❖ **Credit costs to continue at normalized levels**

☞ **But, macro headwinds and risks remain:**

- ❖ **Likelihood of global recession could impact credit costs**
- ❖ **Run-up to elections in Turkey likely to be volatile**

Thank You

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