

BURGAN BANK GROUP

INVESTOR PRESENTATION

Q1'20 & H1'20 FINANCIAL RESULTS

AUGUST 2020

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Burgan's Covid-19 Response



BURGAN'S SWIFT RESPONSE TO SUPPORT CUSTOMERS, COMMUNITY AND EMPLOYEES IN THESE DIFFICULT TIMES

1

Customers

KEY MEASURES

- ✓ **Loan Installments** for Retail Banking customers and SMEs **postponed for 6 months**
- ✓ **Corporate & Private customers personally contacted** to inform that limits are active
- ✓ Ensured **smooth functioning of all Client Channels**; 24/7 functioning of Call Center

2

Employees

- ✓ **COVID-19 response Team** formed to monitor on regular basis safety standards across the bank
- ✓ **Seamless Remote working** across functions & swift transition to 'work-from-home'
- ✓ **Staff training moved to online platform**– creating uninterrupted learning
- ✓ **Regular updates and support** provided by HR team

3

Community

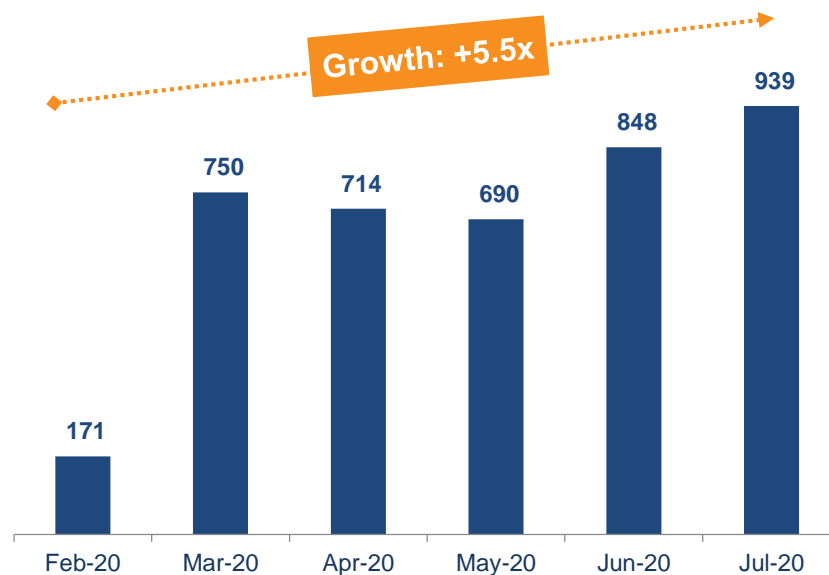
- ✓ **Significant contribution** made to support Covid-19 related relief measure
- ✓ **High Safety standards in place** for clients and employees at branches and ATMs
- ✓ **Free distribution** of protective materials (sanitizers / masks / gloves etc)

FAST-TRACKED DIGITAL ENHANCEMENTS

Customer registration^ on New Platform | # ('000s)



Client Activities Online | # ('000s)



KEY RECENT DEVELOPMENTS

- 👉 **Enhanced Omni channel Platform** launched in Feb 2020
- 👉 **Tijarat** app launched – first merchant only app in region
- 👉 **New & Improved WhatsApp business service** to accommodate general customer queries

^ Cumulative value

BoB Sale Cancellation

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BANK OF BAGHDAD (BoB) SALE TRANSACTION CANCELLED

Why was the BoB Sale Cancelled?

- ❖ The execution of the transaction was impacted due to **volatile and uncertain macroeconomic conditions** on account of the **COVID-19 pandemic**
- ❖ This rapidly changing situation caused the buyer to reconsider the transaction

What is the Financial Impact on Burgan?

- ❖ Burgan had booked **loss of KD 8.7mn** in Q4'19 due to the **lower Fair Valuation** of BoB (*& this is reflected in the lower carrying value*)
- ❖ **No Incremental P&L impact** due to cancellation of the sale
- ❖ Burgan's **NPL ratio increased by 70 bps**

What's next?

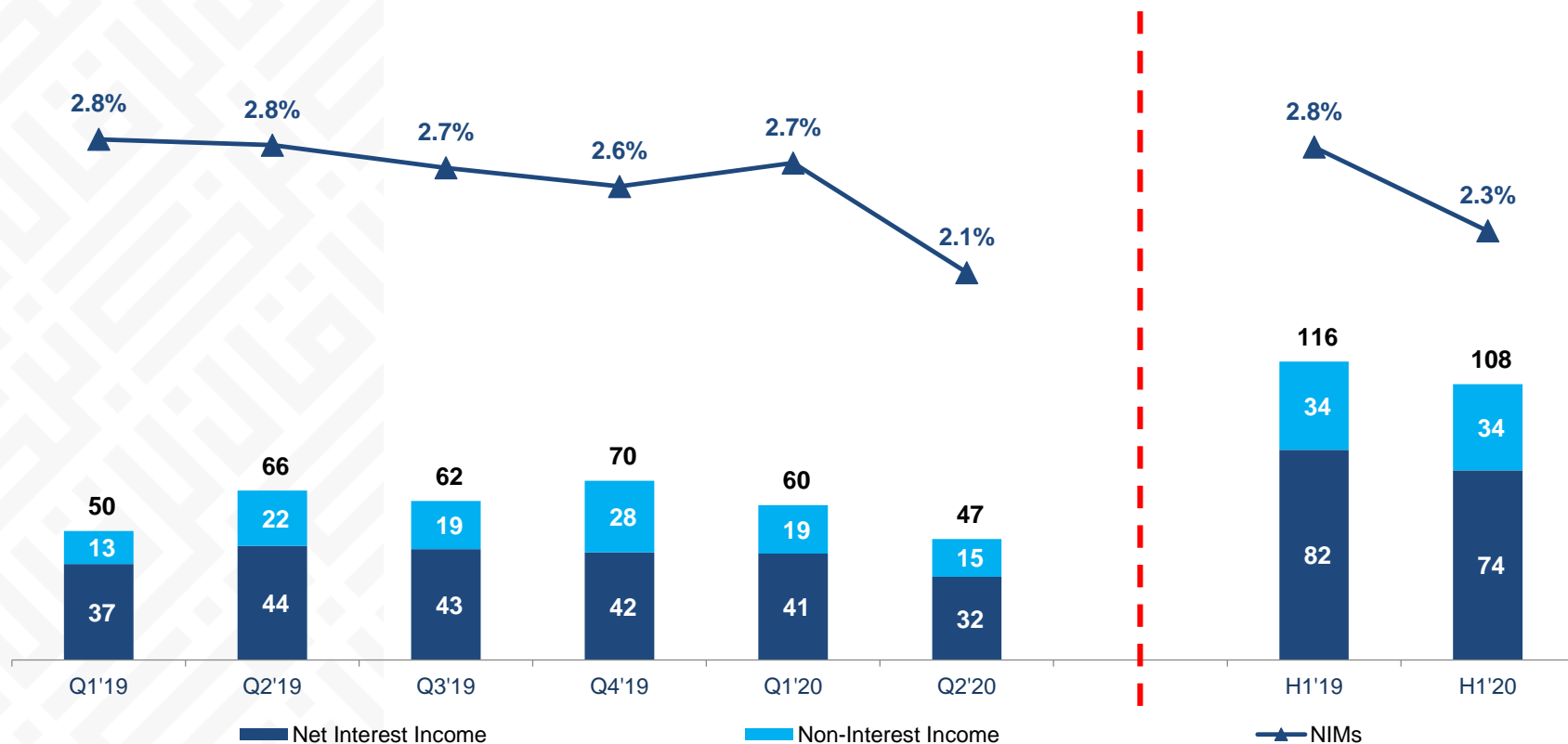
- ❖ Burgan remains **open to the sale of BoB**

Q1'20 & H1'20 Financial Performance Review

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REVENUE IMPACTED BY RATE CUTS...

Revenue & Margins[^] | KD mn, %

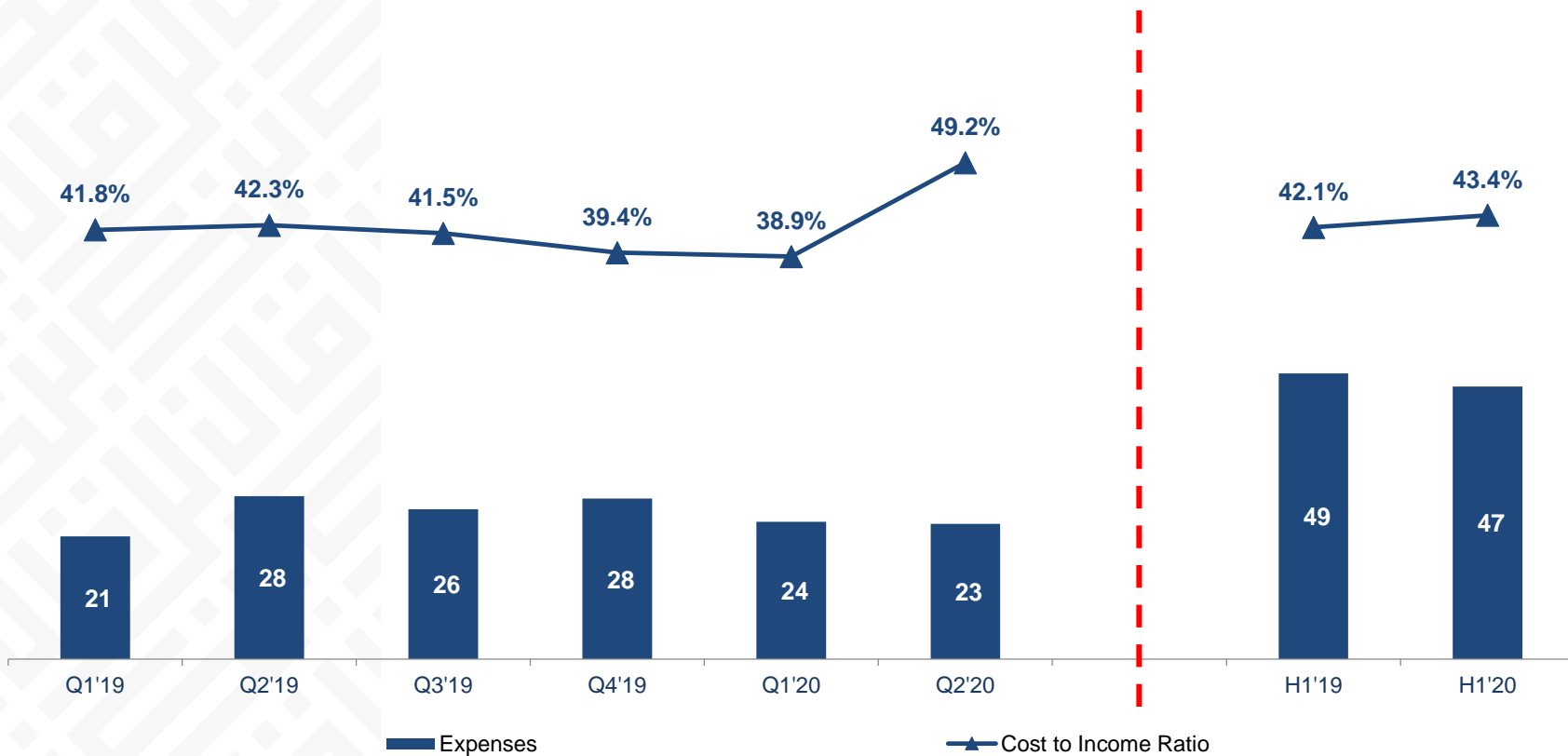


- ❖ CBK DR reduction of 125 bps drove the margins lower
- ❖ Subdued economic activity and trade volumes led to lower non-interest income

[^] Q1-2019 & H1-2019 NIMs has been adjusted for one-month reporting lag in subsidiaries;

...FOCUS ON OPERATING EXPENSES REDUCTION...

Operating Expenses & Efficiency | KD mn, %

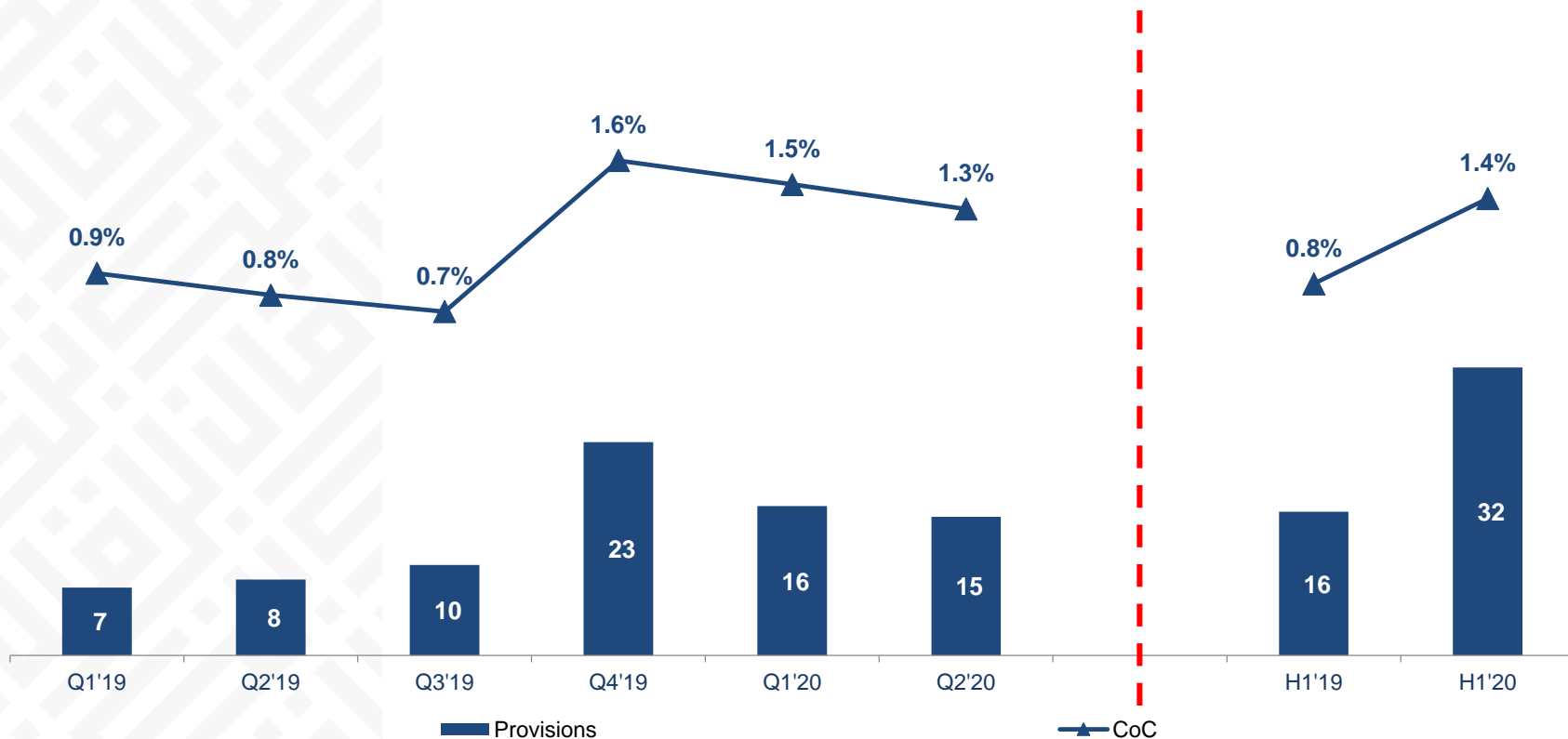


- ❖ Cost Optimization measures implemented across the Group (*H1'20 exp. lower by KD 5.8mn[^]*)
- ❖ Cost-to-Income impacted largely by lower revenues

[^] Excluding the impact of 1-month reporting lag

... PRUDENT PROVISIONING ...

Cost of Credit[^] | KD mn, %

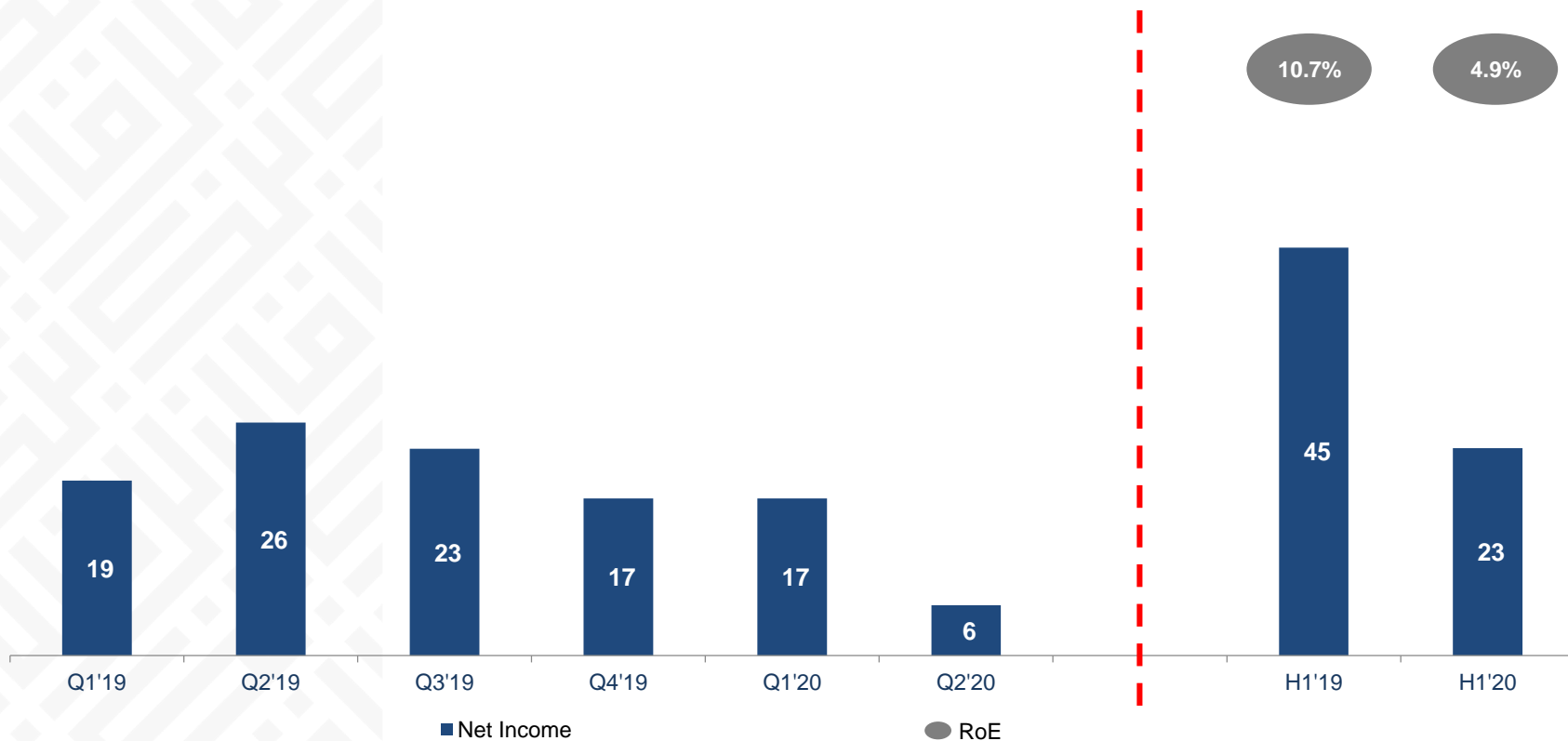


❖ KD 10mn of precautionary provisions booked in Q2'20

[^] Cost of Credit based on Loan Loss Provisions over Gross Loans; Q1-2019 & H1-2019 CoCs has been adjusted for one-month reporting lag in subsidiaries;

...LEADING TO REASONABLE NET INCOME LEVELS...

Net Income & Returns^ | KD mn, %

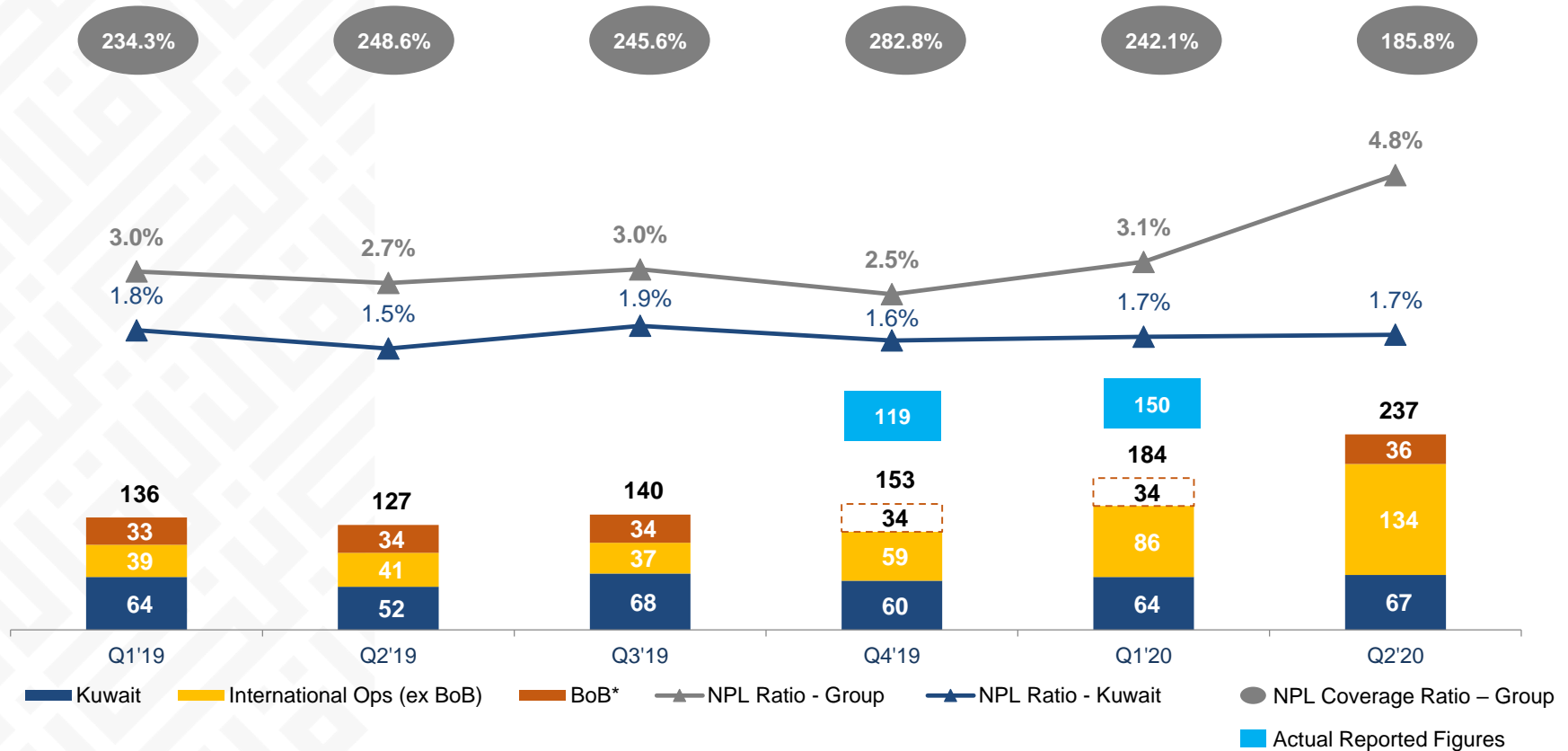


❖ Lower Revenue along with Prudent Provision levels impacted the H1'20 Net Income

^ ROE is based on Net Income after perpetual cost and based on open equity methodology

.. WITH IMPACT ON ASSET QUALITY...

NPLs & Coverage^ | KD mn, %



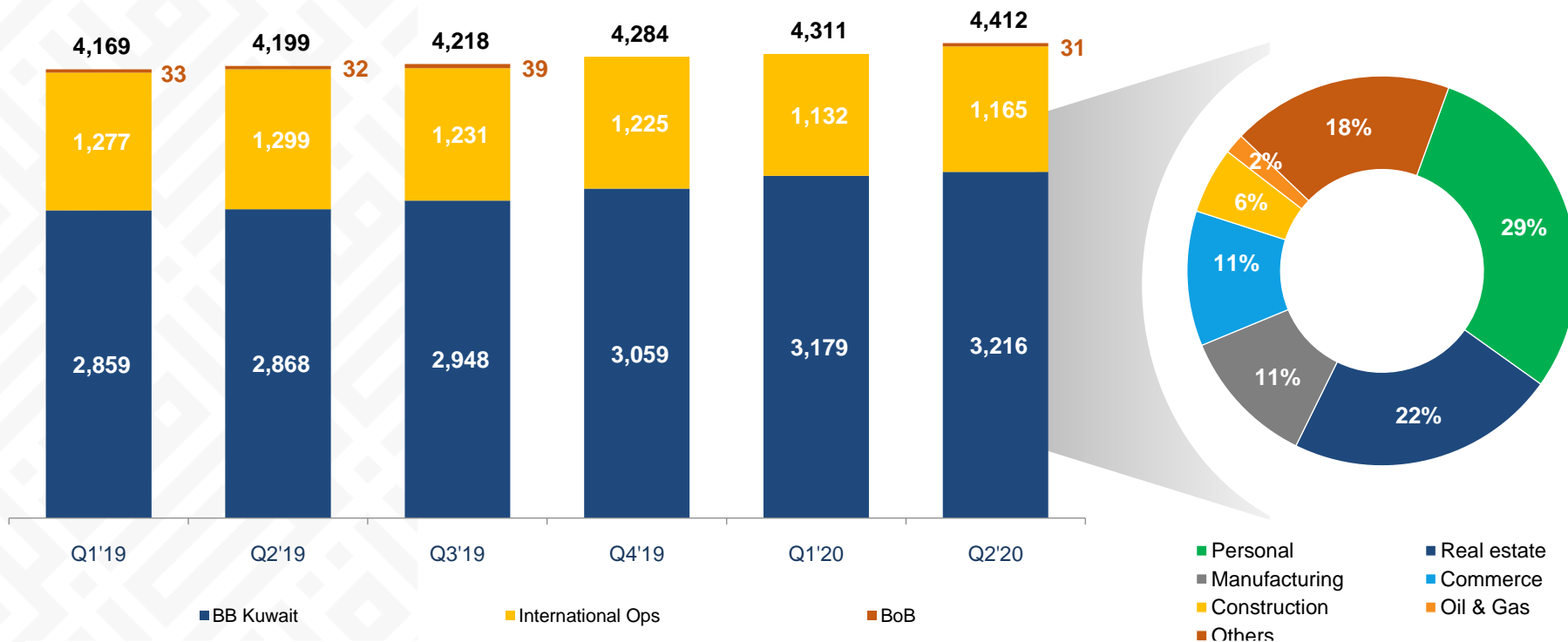
❖ Coverage ratio continues to be strong; Group NPL ratio increase in Q2'20 also due to re-inclusion of BoB

❖ Kuwait portfolio continues to be stable with low NPL ratio

^ Coverage ratio calculated as (Cash Provision + Collaterals) / NPLs; * BoB Was Classified as "Held for Sale" during Q4'19 and Q1'20

...LOAN BOOK REMAINS WELL-DIVERSIFIED ...

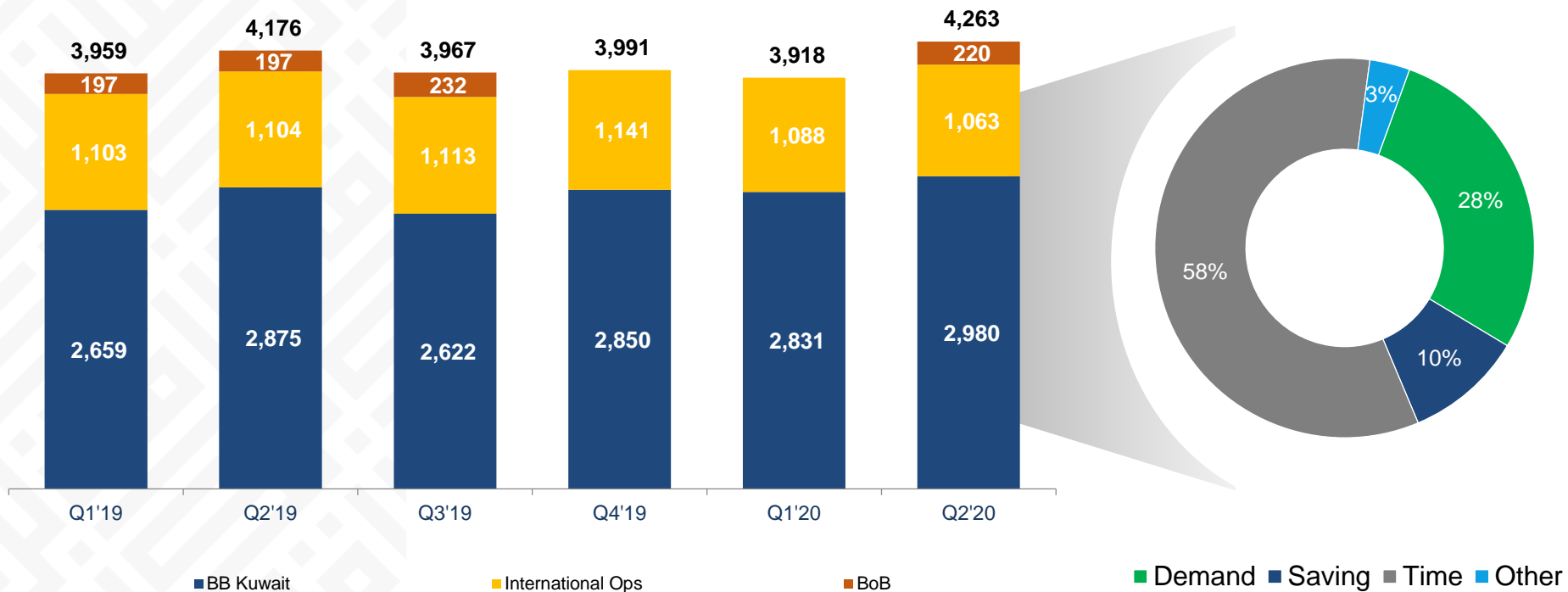
Customer Loans & Sector Concentration | KD mn , %



❖ Kuwait remains key growth driver for the Group (*Growth of 5.1% in H1'20*)

... CONTINUED ACCESS TO STABLE DEPOSIT BASE ...

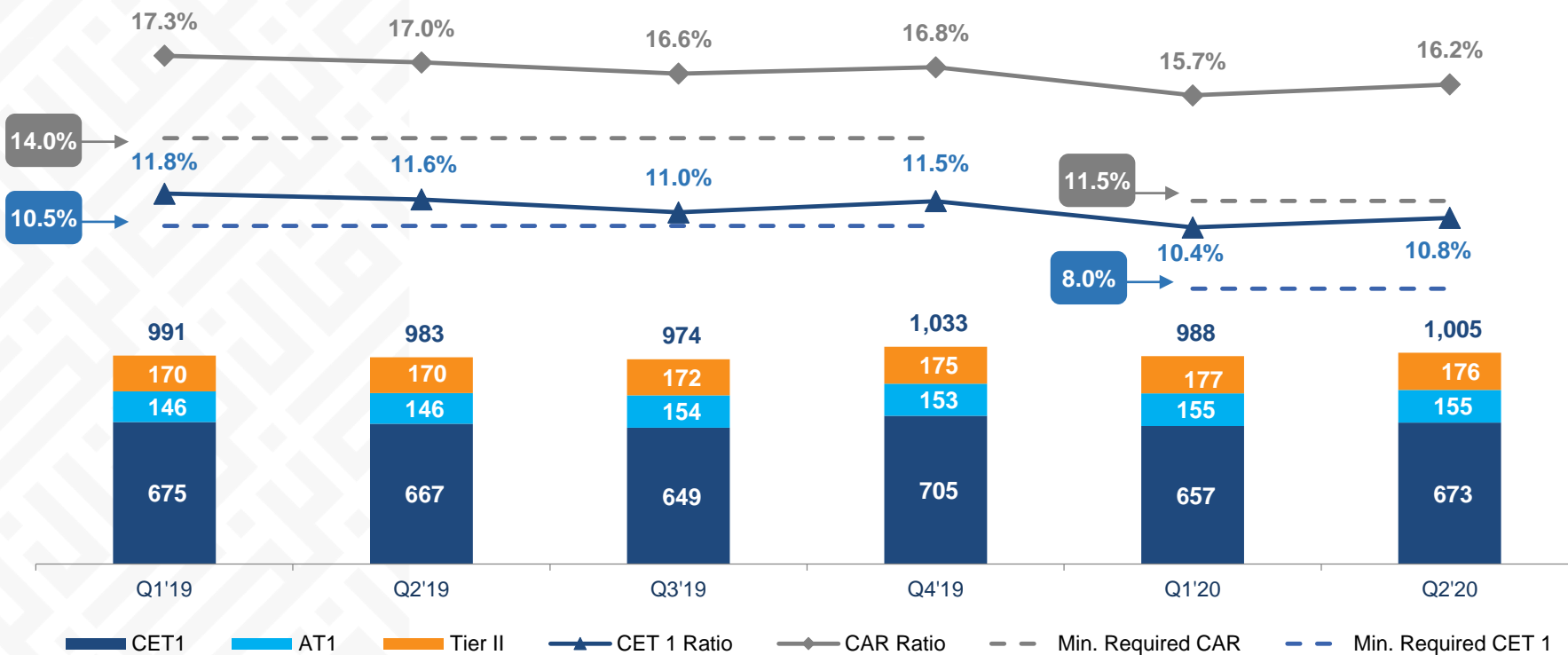
Customer Deposits & Deposits by Type | KD mn, %



❖ CASA balances healthy at 38% of deposits

... SUPPORTED BY OPTIMAL CAPITAL LEVELS...

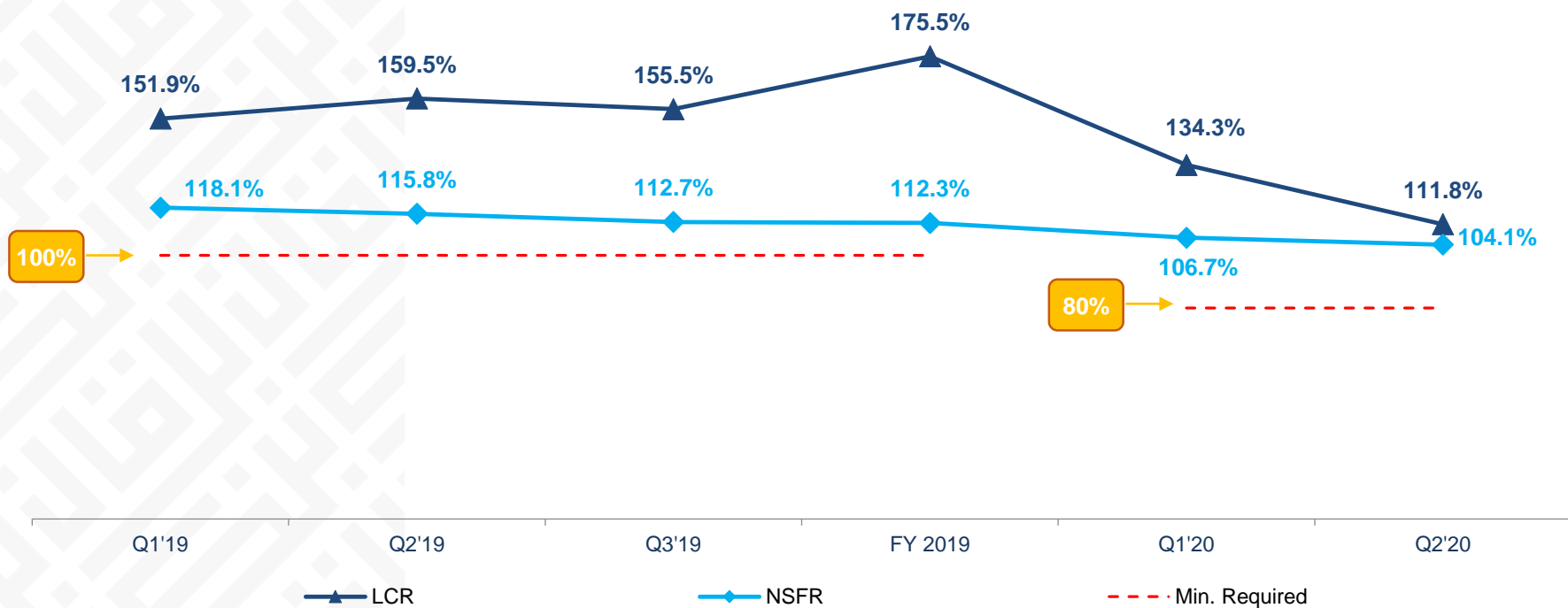
Regulatory Capital | KD mn, %



❖ Capital ratios well above regulatory requirements

... HIGH LIQUIDITY LEVELS

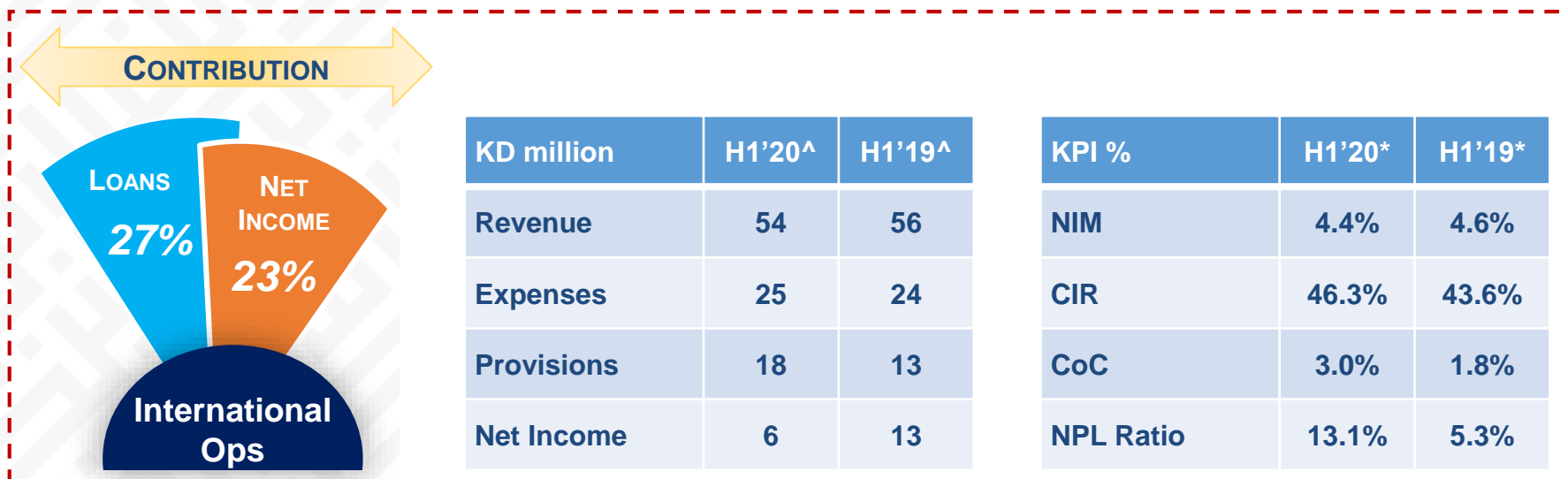
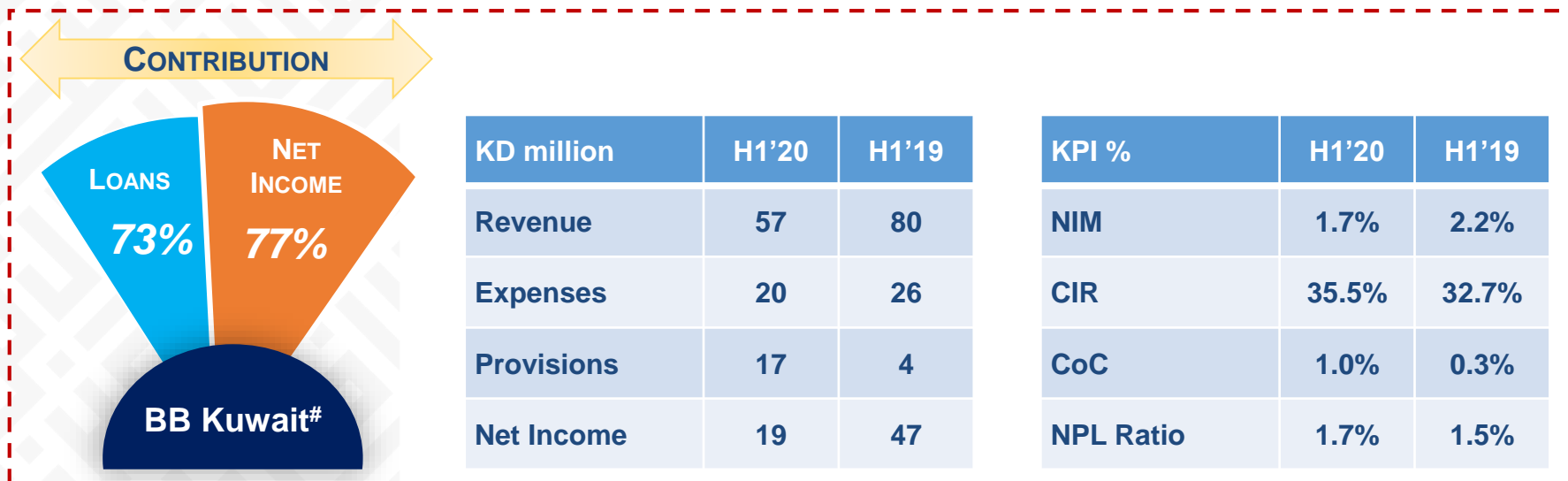
Liquidity Coverage Ratio (LCR) & Net Stable Funding Ratio (NSFR) ^ | %



❖ Key BASEL –III liquidity ratios well above regulatory requirement

^ Represents daily average ratios for the quarters

H1'20 PERFORMANCE (KUWAIT & INTERNATIONAL OPERATIONS)



#BB Kuwait Represents MIS view; ^ H1'19 has been adjusted to include 6 months of Subsidiaries financials (Actual reporting consisted of only 5 months of Subsidiaries financials); * H1'19 NIMs & CoC have been adjusted for one month reporting lag.

Note: Figures excludes consolidation Adjustments

Summary

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SUMMARY

1

H1'20 results reflect impact of the pandemic on Burgan

2

Prudent risk management and strong cost control enabled Burgan to generate positive returns

3

Burgan is liquid and well-capitalized to weather the current global crisis

Thank You

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