

BURGAN BANK GROUP

INVESTOR PRESENTATION

FIRST HALF 2019 FINANCIAL RESULTS

JULY 2019

بنک
برقان

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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 First Half of 2019 include **only five months (i.e. January to May 2019) performance** of the subsidiaries instead of six months, as included in the prior periods.

H1'19 PERFORMANCE HIGHLIGHTS

Consistent Returns

- » Return on Equity of 10.7%
- » Consistent generation of double-digit returns due to:
 - ❖ Stable Margins with NIM of 2.8%
 - ❖ Lower Cost of Credit of 0.8%

Optimal Capital Levels

- » CET1 Ratio of 11.6%
- » High CAR levels at 17.0%
- » Strong capital buffers to support future growth

Balanced Operating Performance

Stronger Asset Quality

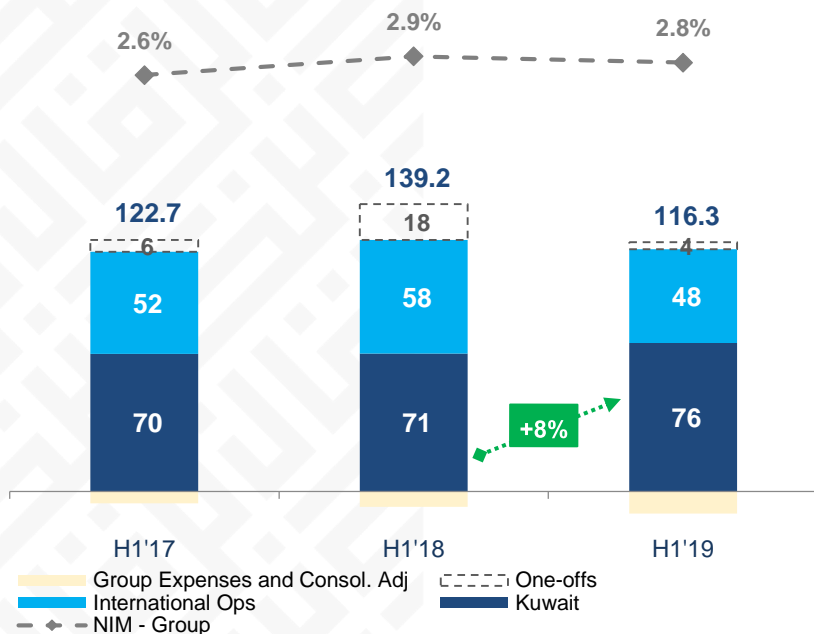
- » Kuwait NPL Ratio further improved to 1.5%
- » Group NPL Ratio stable at 2.7%
- » Group NPL Coverage Ratio increased to 175%

High Liquidity Levels

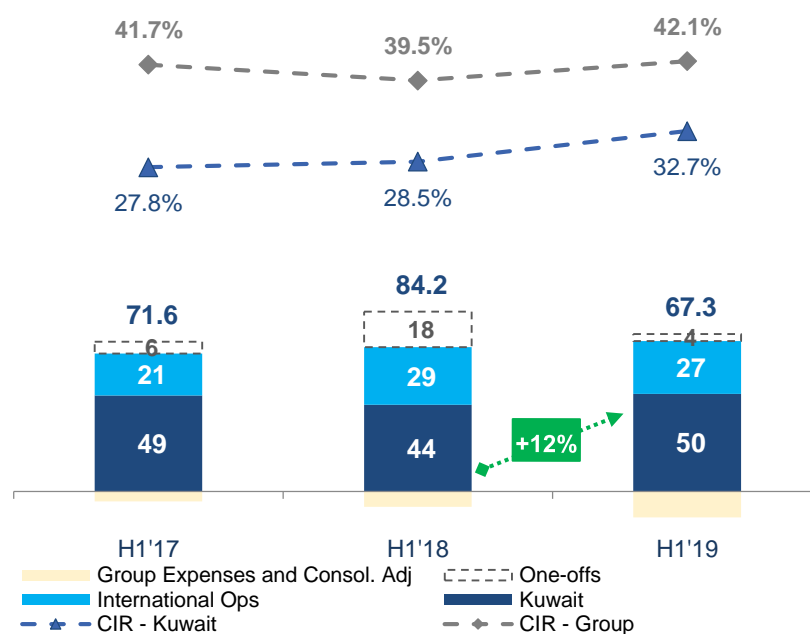
- » Consistently high BASEL-III liquidity ratios:
 - ❖ NSFR of 115.8%
 - ❖ LCR of 159.5%
- » Reflects strong access to short & long term liquidity across the Group

KEY P&L METRICS (1/2)

Revenue & Margins⁽¹⁾ | KD mn, %



Operating Profit & Efficiency⁽²⁾ | KD mn, %



Kuwait

- ❖ Core Revenues grew by 8% Y-o-Y
- ❖ Stable Margins

Kuwait

- ❖ Cost-to-Income Ratio continues to be low
- ❖ Operating Expense level remained flat

Group

- ❖ **Total Core Revenue impacted by Subsidiaries' Reporting Cycle change & TRY devaluation**
- ❖ High margins maintained @ Group level

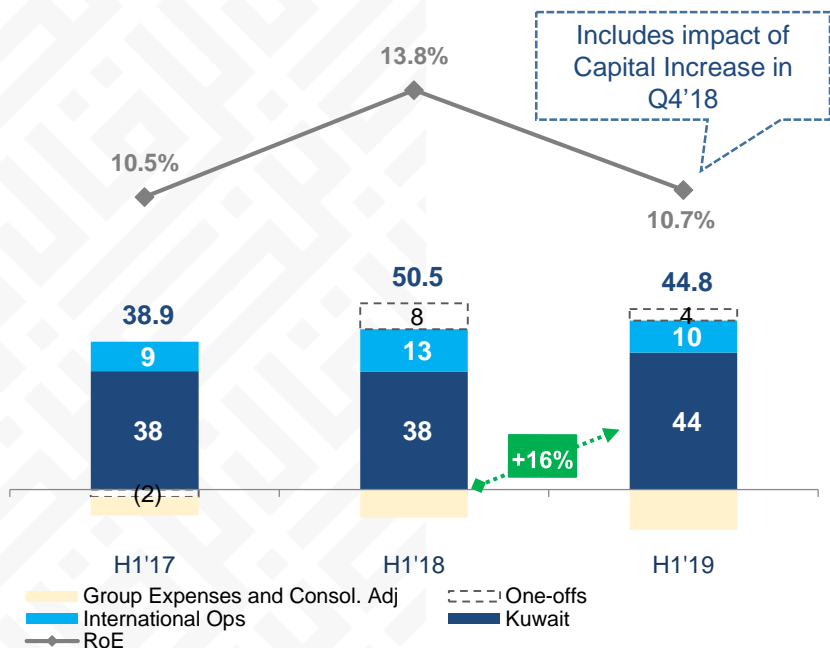
Group

- ❖ Cost to Income Ratio maintained in low 40s
- ❖ Continued focus on efficiency ensured reduction in Total Operating Expenses

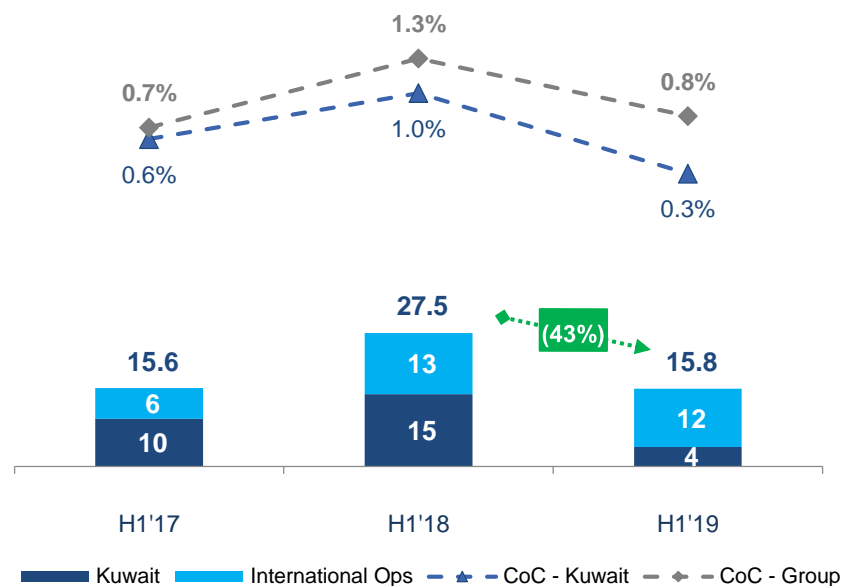
(1) NIMs have been annualized; H1'19 NIMs has been adjusted for one-month reporting lag in subsidiaries; (2) Cost to Income Ratio (CIR) have not been adjusted for one-offs.

KEY P&L METRICS (2/2)

Net Income⁽¹⁾ & Returns⁽²⁾ | KD mn, %



Cost of Credit⁽³⁾ | KD mn, %



Kuwait

- ❖ Net Income (normalized) grew by 16% YoY
- ❖ Kuwait franchise continues to be very profitable

Kuwait

- ❖ CoC dropped by 73% (down to KD 4mn)
- ❖ CoC of 0.3% reflects strong portfolio quality

Group

- ❖ Net Income declined slightly to KD 45 million
- ❖ Decline primarily due to Lower One-offs & Reporting Cycle change
- ❖ RoE maintained in double-digits despite capital increase

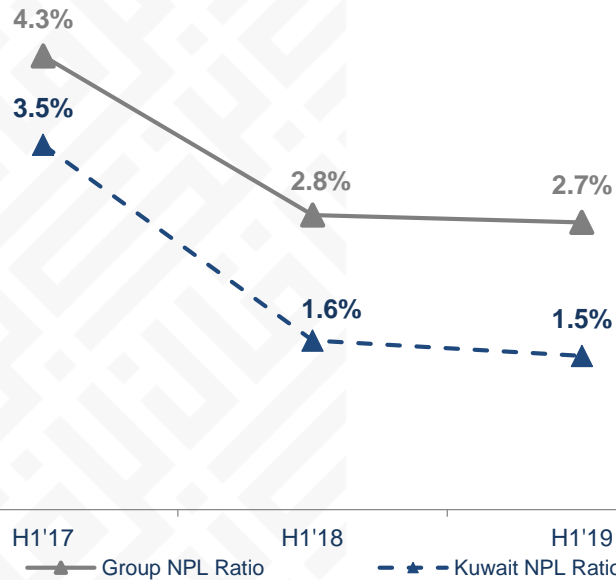
Group

- ❖ CoC reduced by 43% to 0.8%

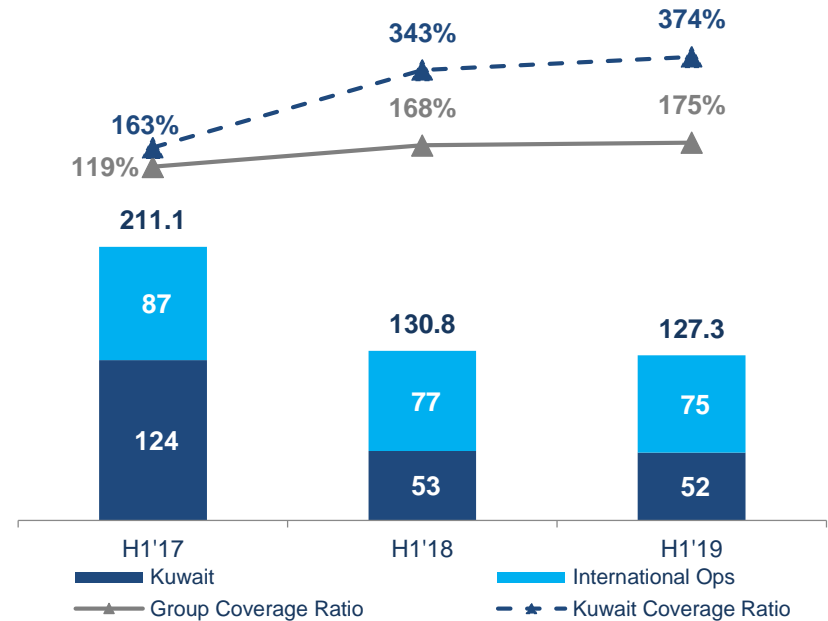
(1) Net Income attributed to equity holders of bank before perpetual cost; (2) ROE is based on Net Income after perpetual cost and based on open equity methodology; (3) Cost of Credit based on Loan Loss Provisions over Gross Loans.

ASSET QUALITY

NPL Ratios (%)



NPLs (KD mn) & Coverage (%)



Key Comments

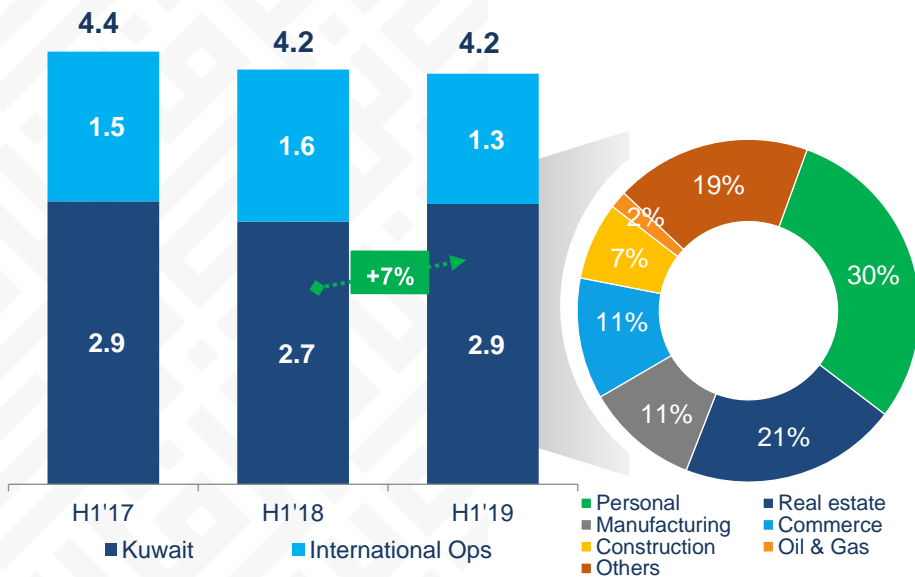
- ❖ Asset Quality continues to improve at Group and Kuwait
- ❖ Reflective of focus on strong Risk framework across the Group

Key Comments

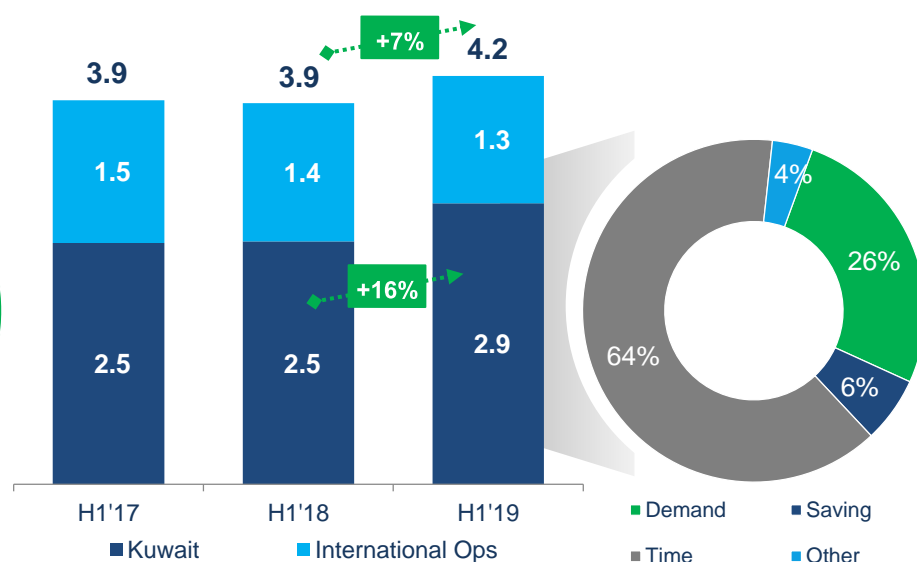
- ❖ NPL stock reduced further
- ❖ NPL Coverage increased to 374% at Kuwait level and 175% at Group level
- ❖ Collaterals against these NPLs are additional buffers

KEY BALANCE SHEET METRICS

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



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



Kuwait

❖ Loan portfolio grew by 7% YoY

Kuwait

❖ Deposits grew by 16% YoY

Group

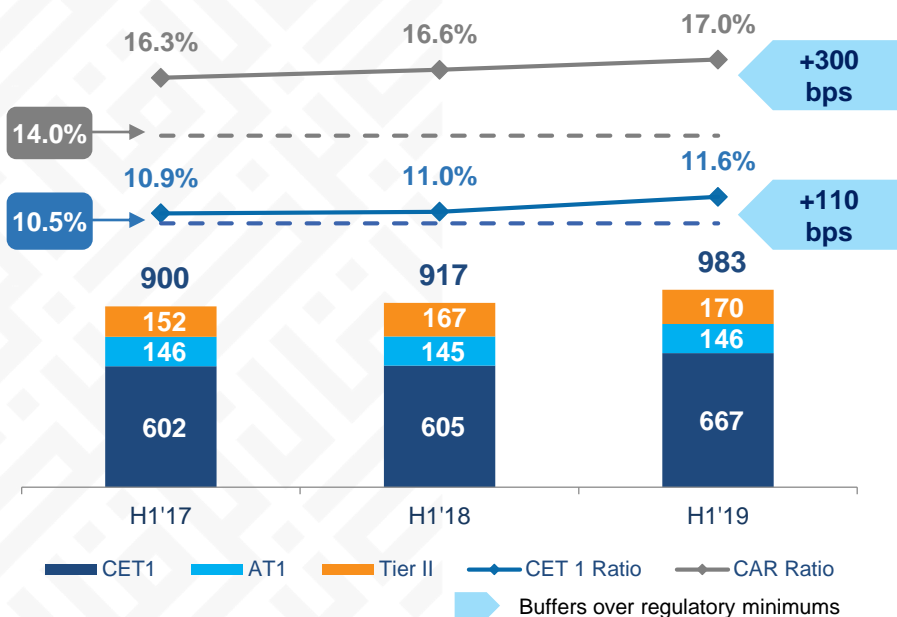
❖ Loan book levels stable
❖ Portfolio remains well diversified

Group

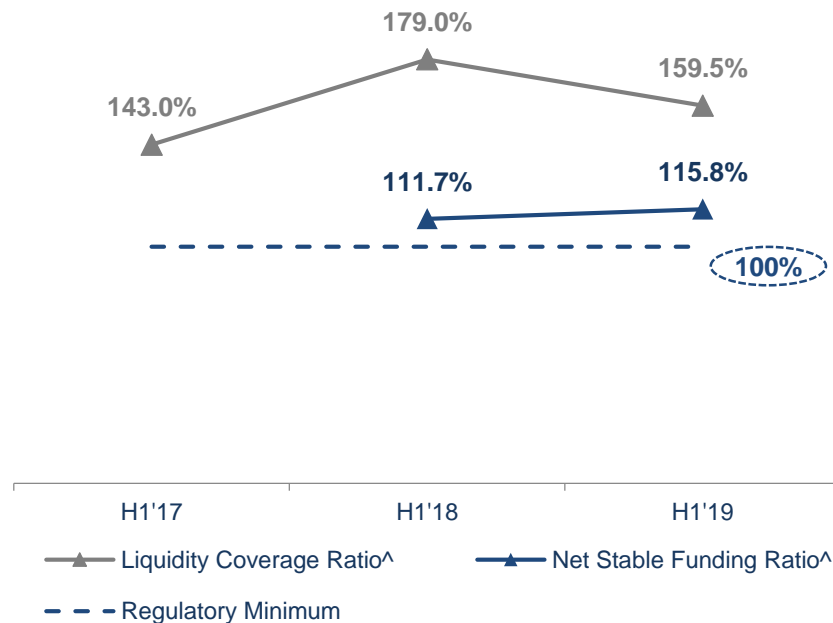
❖ Deposit growth reflective of strong access to liquidity across the Group
❖ CASA balances healthy at 32% of deposits

CAPITAL AND LIQUIDITY

Regulatory Capital (KD mn)



Regulatory Liquidity Metrics (%)



Capital






- ❖ Regulatory Capital at healthy levels
- ❖ CAR levels continue to be high @ 17%

Liquidity

- ❖ Basel III liquidity ratios well above regulatory requirements
- ❖ These high ratios emphasize high liquidity levels across the Group

[^] Represents daily average ratios for the quarters (i.e. Q2'17, Q2'18 and Q2'19).

H1'19 PERFORMANCE BY ENTITIES

Entity	CONTRIBUTION ^{(1), (2)}			GROWTH ⁽³⁾	KPI's ^{(4),(5),(6)}							
	LOANS	REVENUES	NET INCOME	LOANS	NIM	Δ%	CI RATIO	Δ%	CoC	Δ%	NPL RATIO	Δ%
 Kuwait	67%	59%	81%	+7%	2.2%	(16 bps)	32.7%	+414 bps	0.3%	(78 bps)	1.5%	(15 bps)
 Turkey	22%	19%	7%	(20%)	4.5%	+75 bps	45.7%	+347 bps	2.0%	+63 bps	3.9%	+119 bps
 Algeria	10%	17%	10%	+1%	7.3%	+72 bps	34.3%	(584 bps)	2.2%	+52 bps	1.3%	(149 bps)
 Iraq	1%	3%	0.4%	(4%)	1.2%	(65 bps)	71.7%	(65.1 pps)	4.3%	(401 bps)	79.4%	(27 bps)
 Tunisia	0.2%	2%	2%	(7%)	2.6%	+18 bps	44.6%	(64 bps)	0.0%	(83 bps)	1.0%	+101 bps

(1) H1'19 Contributions in KDs; (2) Contributions adjusted for one-month lag in subsidiaries reporting; (3) Growth year on year in KD; (4) NIM figures are annualized; (5) Deltas are for H1'19 over H1'18; (6) Loan Loss Provisions on Gross Loans;
Note: Contribution percentages are rounded figures and are before consolidation adjustments.

* bps: Basis point; pps: Percentage Point

SUMMARY

1

Kuwait business continues to perform strongly

2

Our international businesses are stable and we continue to adopt cautious growth strategy

3

Burgan's asset quality continues to improve and we are focused on continuing to drive further improvement

4

Burgan's optimal capital levels will allow the franchise to pursue its prudent growth plans

Thank You

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