

BURGAN BANK GROUP

INVESTOR PRESENTATION

9 MONTHS 2019 FINANCIAL RESULTS

28TH OCTOBER 2019

بنك
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 Nine Months of 2019 include **only eight months (i.e. January to August 2019) performance** of the subsidiaries instead of nine months, as included in the prior periods.

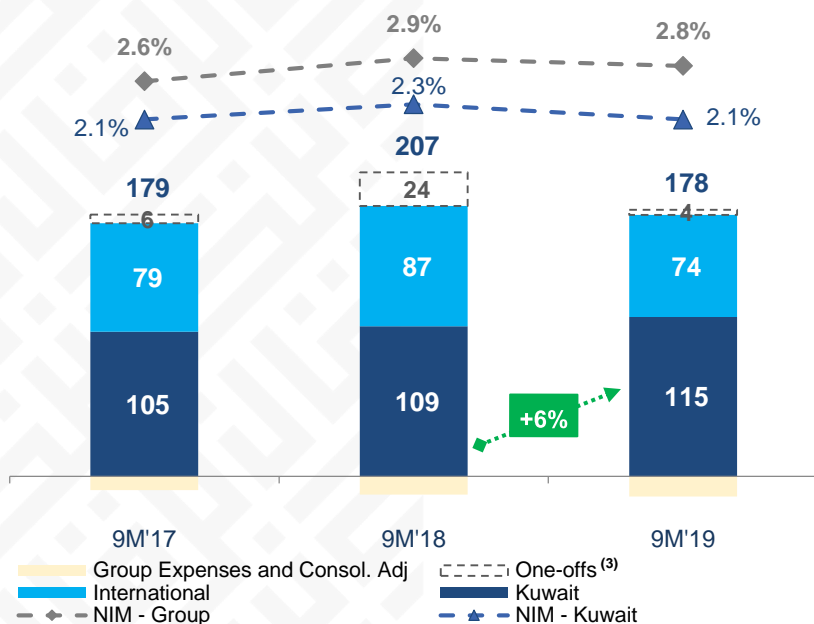
9M'19 PERFORMANCE HIGHLIGHTS

			9M 2019	9M 2018	TREND
PRUDENT GROWTH	Loan Growth	Kuwait	+7.7%	(4.8%)	
		Group	+1.5%	(6.6%)	
	Deposit Growth	Kuwait	+6.2%	(2.6%)	
		Group	+3.3%	(3.4%)	
STABLE MARGINS & LOWER COST OF CREDIT	Net Interest Margin	Kuwait	2.1%	2.3%	
		Group	2.8%	2.9%	
	Cost of Credit	Kuwait	0.3%	1.1%	
		Group	0.8%	1.4%	
PRODUCING DOUBLE DIGIT RETURNS	Return on Equity	Group	10.4%*	12.6%	

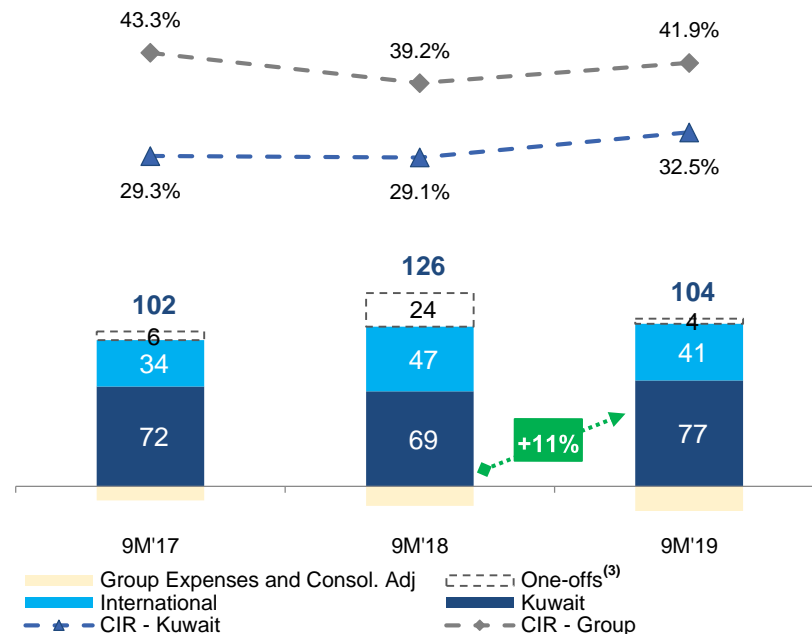
* Due to the impact of Capital Increase in Q4'18

CONSISTENT REVENUE LEVELS DRIVEN BY STABLE MARGINS

Revenue & Margins⁽¹⁾ | KD mn, %



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



Kuwait

- ❖ Kuwait's revenue continue to grow consistently
- ❖ Kuwait remains an efficient entity

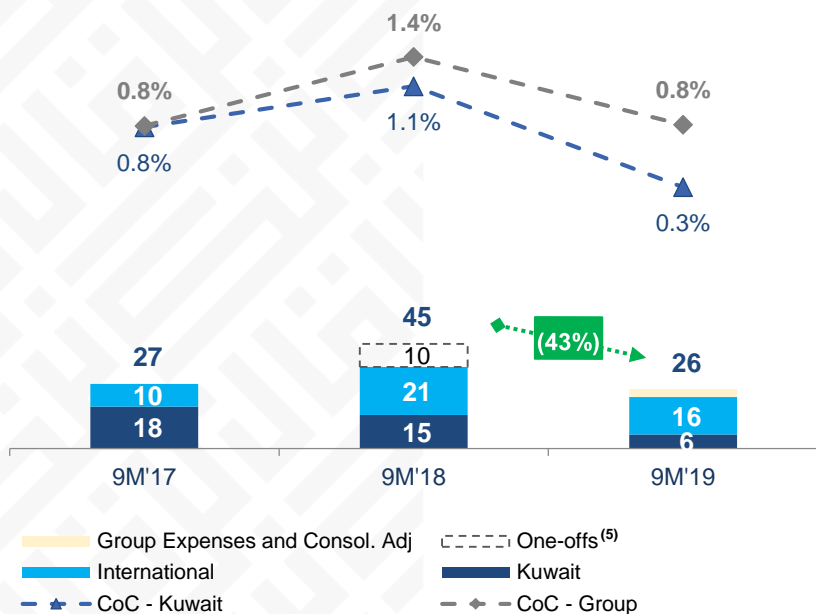
Group

- ❖ Group's revenue impacted by one-month lag and TRY devaluation
- ❖ Margins continue to be stable
- ❖ Lower Opex at Group Level

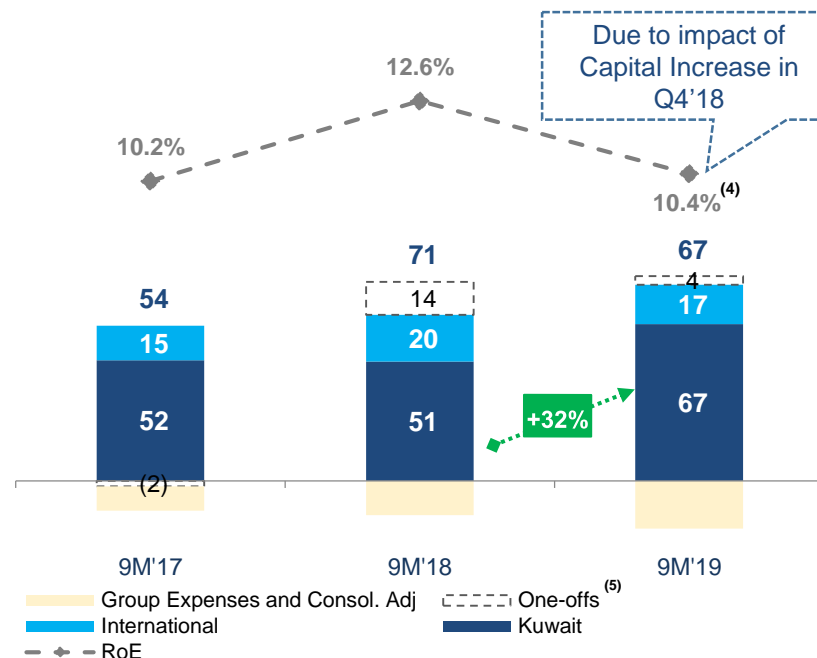
(1) NIMs have been annualized; 9M'19 NIMs has been adjusted for one-month reporting lag in subsidiaries; (2) Cost to Income Ratio (CIR) have not been adjusted for one-offs; (3) Refer to one-off Recoveries and Dividends.

LOWER COST OF CREDIT RESULTING IN BETTER EARNINGS

Cost of Credit⁽¹⁾ | KD mn, %



Net Income⁽²⁾ & Returns⁽³⁾ | KD mn, %



Kuwait

- ❖ Kuwait's CoC reduced by 59% YoY to 30bps
- ❖ Growth in non-interest income, lower Opex and reduced CoC led to 32% Net Income growth YoY

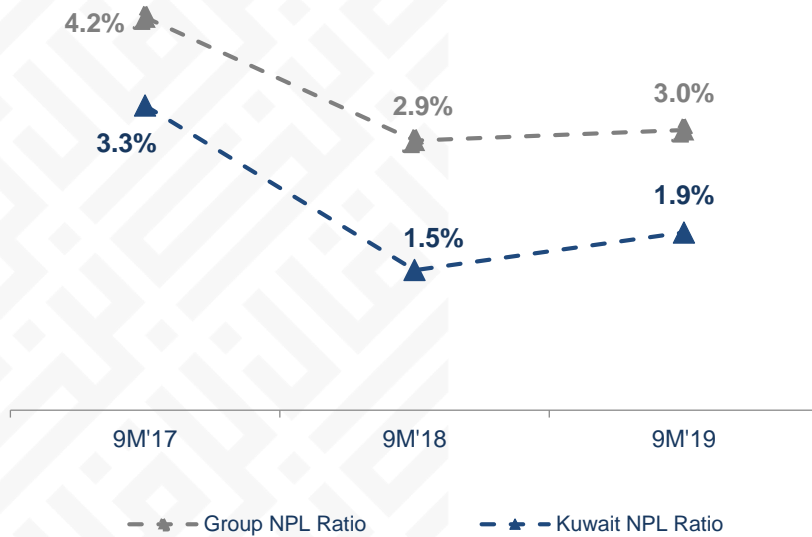
Group

- ❖ Group Net Income levels impacted by one-month lag
- ❖ Group returns healthy at 10.4%⁽⁶⁾

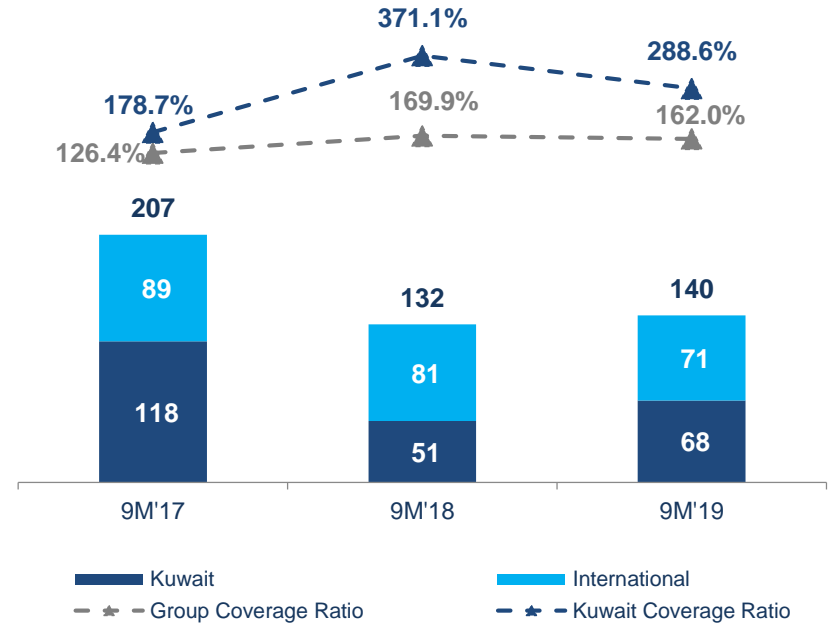
(1) Cost of Credit based on Loan Loss Provisions over Gross Loans; (2) Net Income attributed to equity holders of bank before perpetual cost; (3) ROE is based on Net Income after perpetual cost and based on open equity methodology; (4) Equity adjustments due to repayment of Perp has not been considered in the calculation of RoE for 9M 2019; (5) Refer to one-off Recoveries and Dividends; (6) In spite of Capital increase in Q4'18.

MARGINAL INCREASE IN NPLS

NPL Ratio (%)



NPLs (KD mn) & Coverage (%)



Kuwait

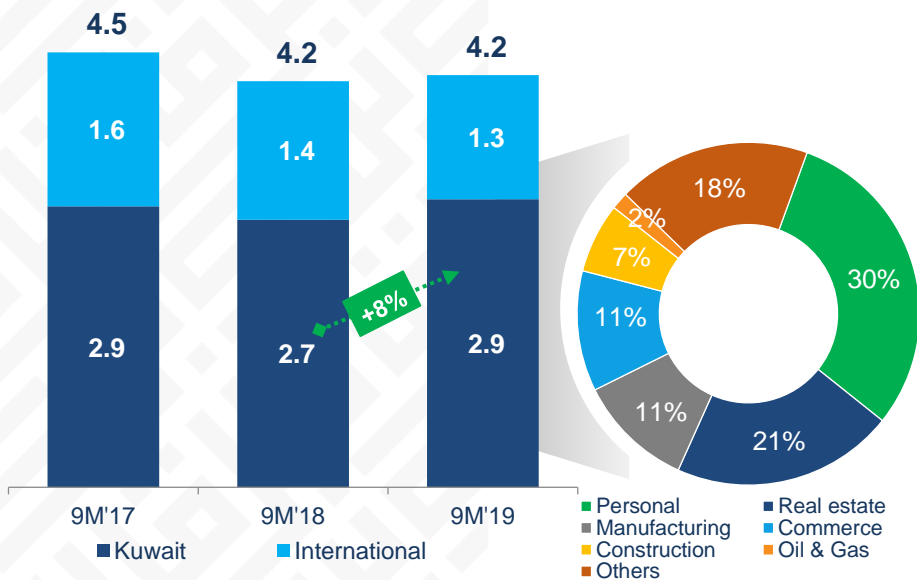
- ❖ Kuwait NPL ratio increased moderately; remains below 2%
- ❖ Kuwait's Coverage continue to be strong at 289%

Group

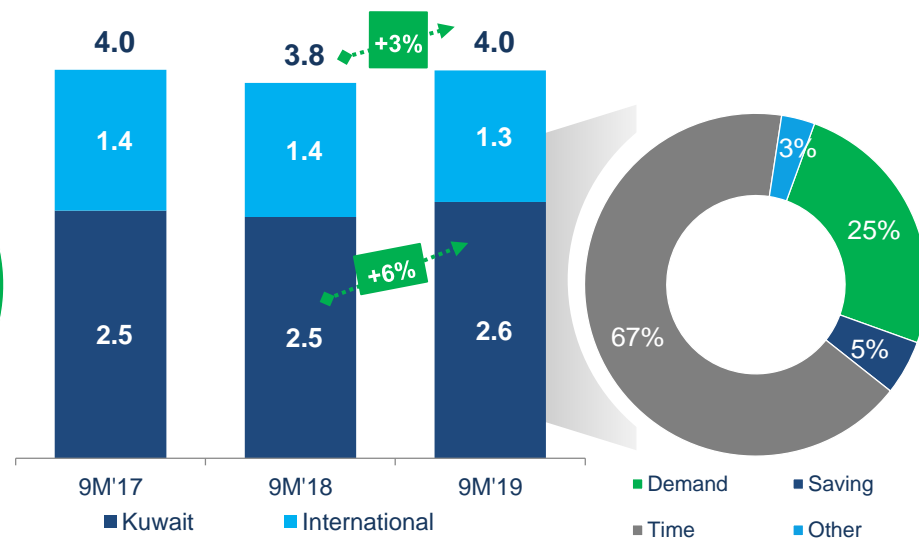
- ❖ Group's NPL Ratio increased marginally by 10bps inspite of headwinds in certain market
- ❖ Group's coverage remains stable @ 162%

STRONG GROWTH IN KUWAIT BALANCE SHEET

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



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



Kuwait

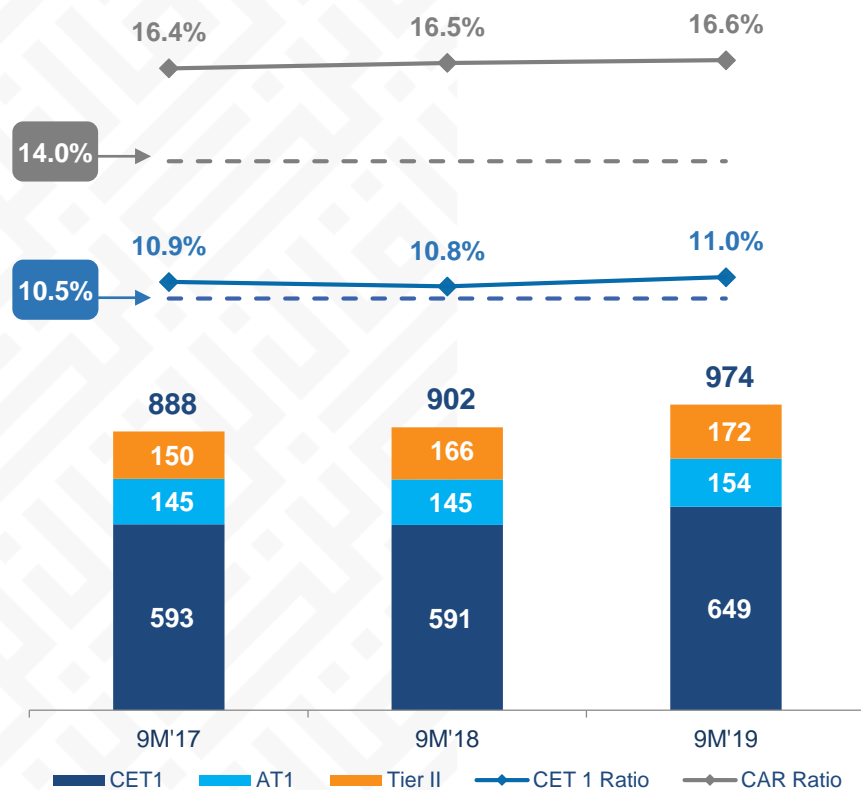
- ❖ Kuwait's Loan portfolio grew by 8% YoY
- ❖ Kuwait's Customer deposit base grew by 6% YoY

Group

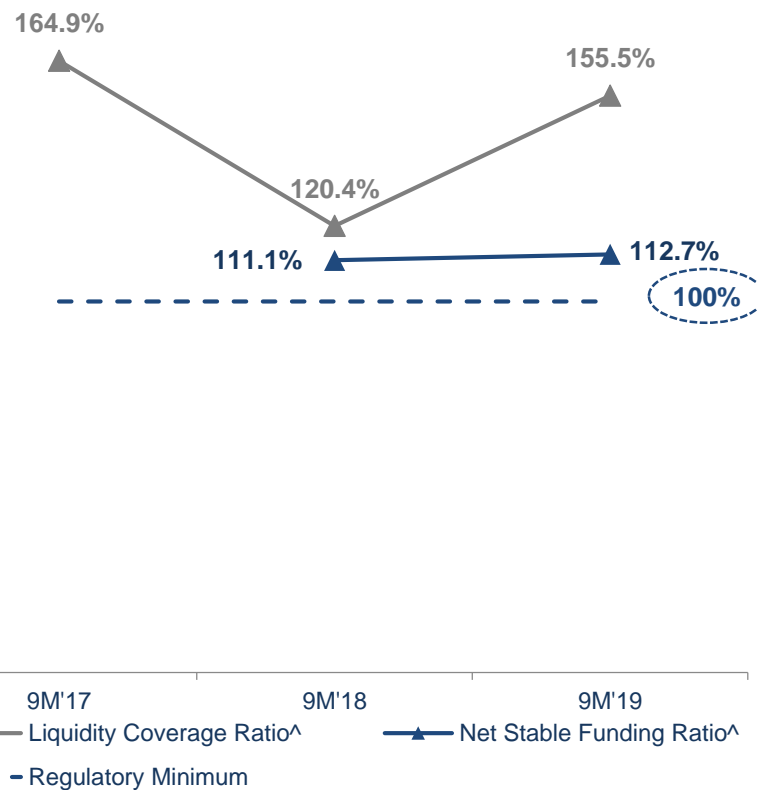
- ❖ At Group Level, loan book remain steady
- ❖ Group's customer deposits stable; CASA balances @ 30% of deposits

OPTIMAL CAPITAL AND HIGH LIQUIDITY LEVELS

Regulatory Capital (KD mn)



Regulatory Liquidity Metrics (%)



^ Represents daily average ratios for the quarters (i.e. Q3'17, Q3'18 and Q3'19).

IMPROVING TRENDS IN CRITICAL KPIs

Country	CONTRIBUTION ^{(1), (2)}			GROWTH ⁽³⁾	KPI's ^{(4),(5),(6)}							
	ASSETS	REVENUES	NET INCOME	LOANS	NIM	Δ%	CI RATIO	Δ%	CoC	Δ%	NPL RATIO	Δ%
Kuwait	71%	59%	79%	+8%	2.1%	(20 bps)	32.5%	+340 bps	0.3%	(87 bps)	1.9%	+40 bps
Turkey	15%	19%	7%	(13%)	4.5%	+67 bps	46.8%	+634 bps	1.8%	+11 bps	3.5%	↔
Algeria	8%	17%	11%	(6%)	7.2%	+55 bps	35.7%	(274 bps)	1.9%	↔	1.7%	(103 bps)
Iraq	4%	3%	0.4%	+17%	1.0%	(52 bps)	71.7%	(56.0 pps)	2.2%	(373 bps)	80.0%	+200 bps
Tunisia	2%	2%	2%	+5%	2.7%	+18 bps	44.1%	(945 bps)	0.0%	(359 bps)	0.5%	+50 bps

(1) 9M'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 9M'19 over 9M'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

STRONG Q3'19 PERFORMANCE

BB Group Key Metrics	Q3'19 (KD mn)	Q3'18 (KD mn)	Q3'17 (KD mn)	CAGR (%)
Revenue	61.9	67.5	56.6	+4.6%
OPEX	(25.7)	(25.9)	(26.5)	(1.5%)
Operating Profit	36.3	41.5	30.2	+9.6%
Provisions	(9.5)	(17.7)	(11.7)	(9.9%)
Net Income*	22.7	20.5	15.0	+22.9%

* Attributable to equity shareholders

SUMMARY

1 Solid financial performance amidst challenging operating environment

2 Asset Quality remains stable however risk management continues to be a key focus area

3 Burgan delivered yet another quarter with strong and consistent earnings

Thank You

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