

Date: 14/02/2023

Ref: 118/2023

الكويت في: 2023/02/14

إشارتنا: 2023/118

M/s Boursa Kuwait

السادة / شركة بورصة الكويت المحترمين،،،

Dear Sirs

تحية طيبة وبعد،،،

**Sub: Financial Analyst Conference for the  
Financial Year 2022**

**الموضوع: مؤتمر المحللين الماليين للسنة المالية 2022**

Reference is made to the above subject and in compliance with CMA's resolution number 40/2018 and the provisions of clause (4) of article (2-4-8) of Boursa Rule Book; we would like to inform you that Burgan Bank held the Financial Analyst Conference via phone at 2:00 pm, Tuesday, corresponding to 14/02/2023.

بالإشارة إلى الموضوع أعلاه، والتزاماً بقرار هيئة أسواق المال رقم 2018/40 وبأحكام البند (4) من المادة (2-4-8) من كتاب قواعد البورصة، نود إحاطتكم علماً بأن بنك بركان قد عقد مؤتمر المحللين الماليين عبر الهاتف في تمام الساعة الثانية من بعد ظهر يوم الثلاثاء، الموافق 2023/02/14.

We hereby confirm that no significant information was discussed during the Conference Call.

علماً بأنه لم يتم تداول اية معلومات جوهرية خلال المؤتمر.

In the meantime, we hereby enclose the presentation for investors for the Financial Year 2022.

هذا، ونرفق لكم طيه العرض التقديمي للمستثمرين للسنة المالية 2022.

Best regards,

وتفضلوا بقبول فائق الاحترام،،،

  
خالد فهد الزومان

**Khalid Fahad Al-Zouman**

رئيس المدراء الماليين للمجموعة

Group Chief Financial Officer

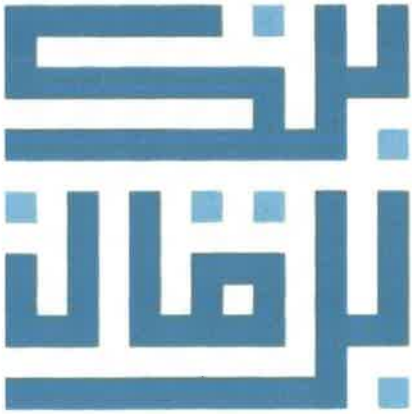


# BURGAN BANK GROUP

## INVESTOR PRESENTATION

### FY 2022 FINANCIAL RESULTS

14<sup>TH</sup> FEBRUARY 2023



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## Overview and Operating Strategy

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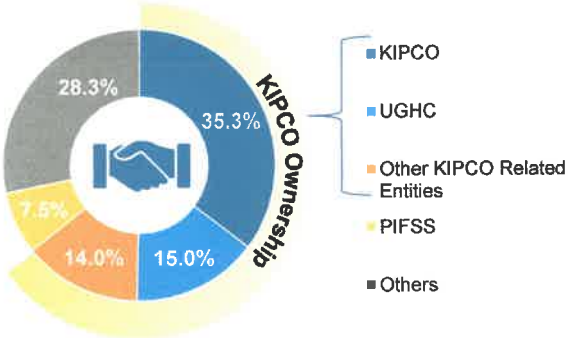


# BURGAN AT A GLANCE

## 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)<sup>(1)</sup>, with a market capitalization of KD 720 million<sup>(2)</sup>.
- Has one of the largest regional networks of 127 branches and 284 ATMs <sup>(1),(3)</sup>

## Ownership Structure<sup>(1),(4)</sup>



## Credit Ratings



	Rating <sup>(1)</sup>
<b>FitchRatings</b>	<b>A</b> (Outlook: Stable)
<b>MOODY'S</b>	<b>Baa1</b> (Outlook: Stable)
<b>S&amp;P Global</b>	<b>BBB+</b> (Outlook: Stable)

## Our Presence



Notes: (1) As of 31<sup>st</sup> Dec 2022; (2) Based on share price as at 29<sup>th</sup> 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

## KUWAIT FOCUSED BANK WITH REGIONAL DIVERSIFICATION

Franchises	Ownership	Domestic Market Position <sup>(1)</sup>	Business Model	% of Group Assets <sup>(1),(3)</sup>
<b>Burgan Bank Kuwait</b> 	N/A	One of the top three conventional Banks <sup>(2)</sup>	Corporate banking is the key business; Retail Banking growth is a focus area	71%
<b>Burgan Bank Turkey</b> 	99.7%	Niche Player	Corporate and Commercial clients are key segments; One of the best digital banking platform; individual clients focus increased	13%
<b>Gulf Bank Algeria</b> 	86.0%	Growing Private sector Bank	Focused on Trade Finance & Corporate Banking segment; Growing retail franchise	9%
<b>Tunis International Bank</b> 	86.7%	Offshore Bank	Focused on Trade Finance and Financial Institutions business	2%
<b>Bank of Baghdad<sup>(4)</sup></b> 	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 31<sup>st</sup> 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



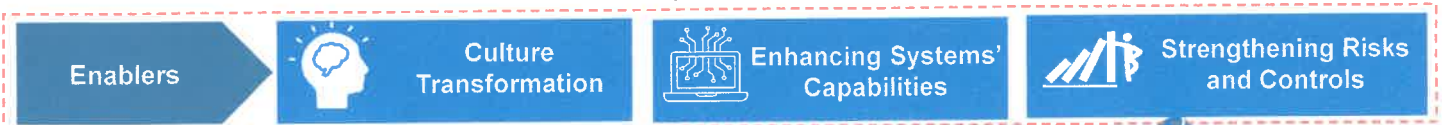
## B. Strategic Asset Reallocation

- ☞ 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



## Business Update

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## KEY 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 for Kuwait Retail banking:**
  - ✓ *Revenues: 25% y-o-y*
  - ✓ *Loan Growth: 22% y-o-y*

### 2 Turnaround in Burgan Bank Turkey's performance

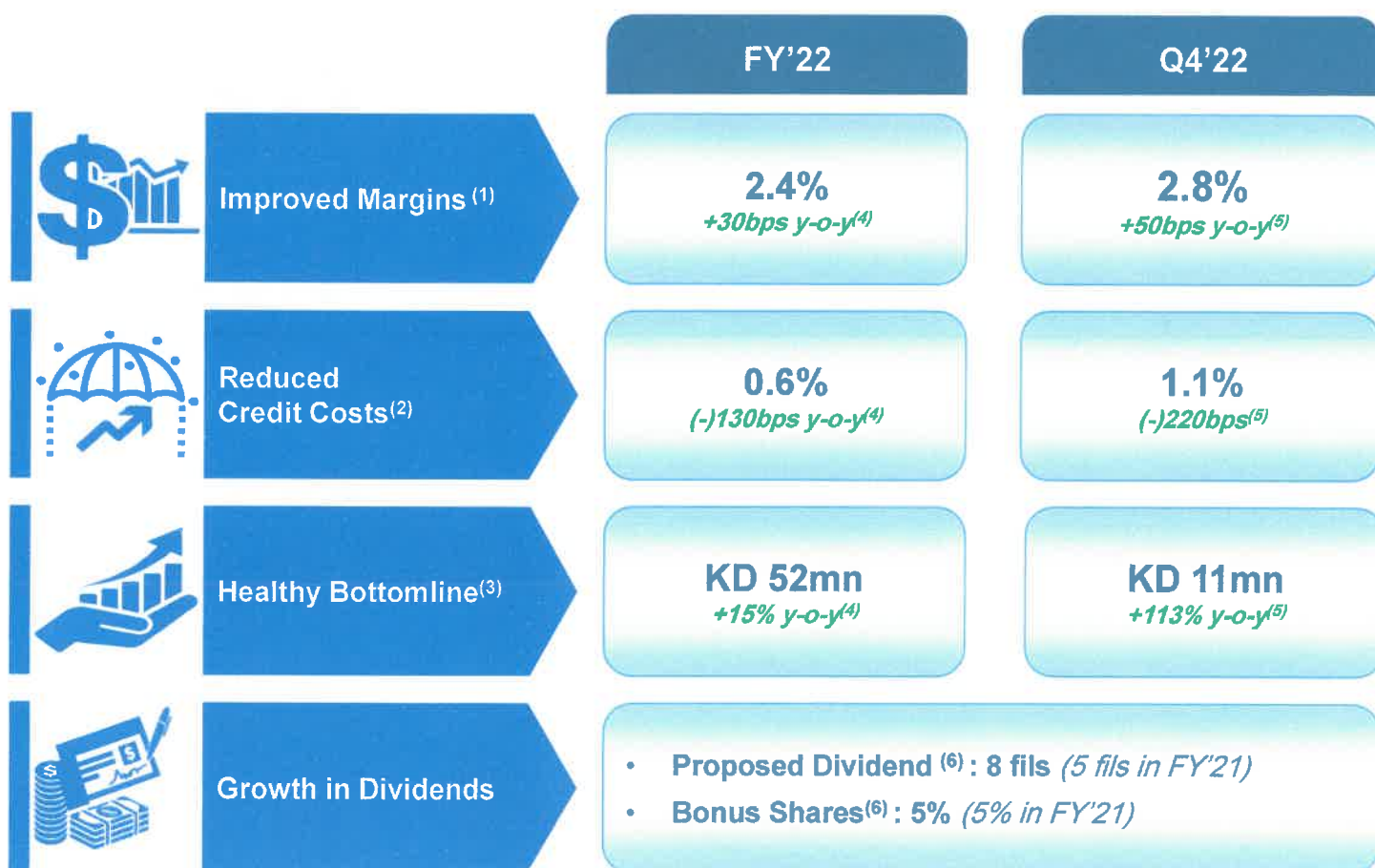
- Our strategy of **lower loan growth, tighter underwriting & focused efforts on recoveries** started **yielding results** for our Turkish franchise – BBT
- **Key Impacts for BBT standalone:**
  - ❖ *Operating Performance<sup>(1)</sup>:*
    - ✓ *Revenues +71% y-o-y; Net Income + 472% y-o-y; RoE (FY'22) 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**, expect 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



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.

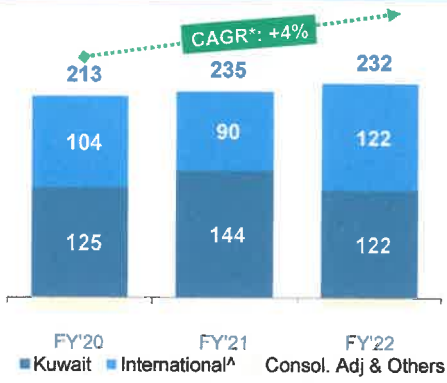
## Financial Review

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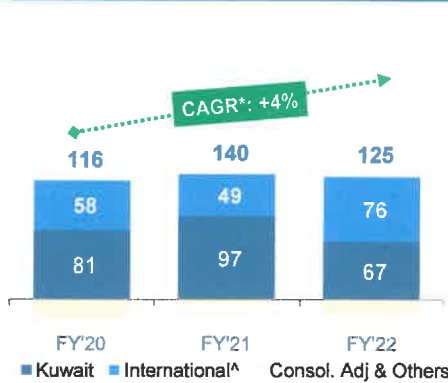


# PROFITABILITY DRIVEN BY HIGHER MARGINS

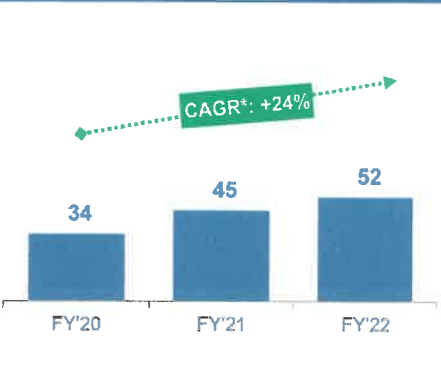
Revenue | KD mn



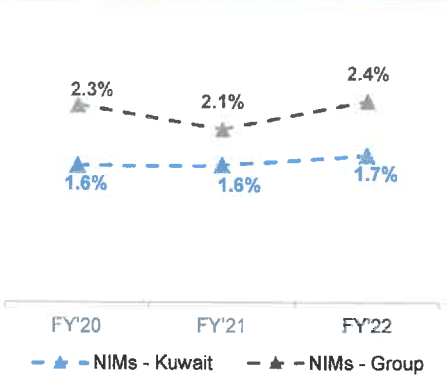
Operating Profit | KD mn



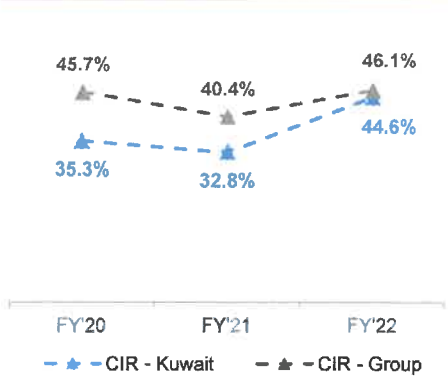
Net Income<sup>(1)</sup> | KD mn



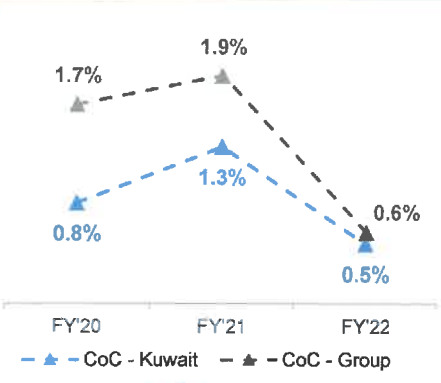
Net Interest Margins (NIMs) | %



Cost to Income Ratio (CIR) | %



Cost of Credit (CoC) <sup>(2)</sup> | %



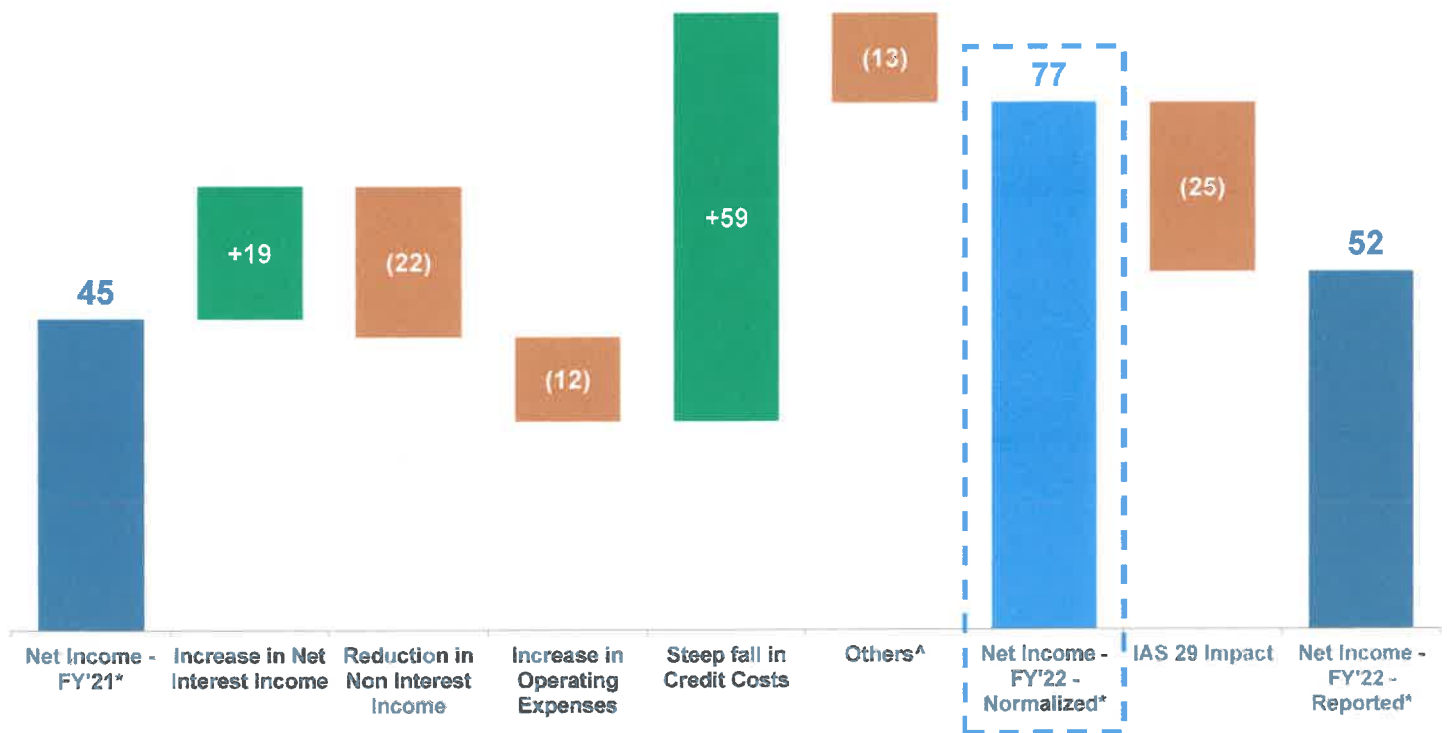
Notes: (1) Net Income attributed to equity holders of bank before perpetual cost (2) Cost of Credit based on Loan Loss Provisions over Gross Loans

<sup>^</sup> International Includes BoB; \*CAGR: FY'20-22



## NET INCOME EVOLUTION – FY'22 vs FY'21

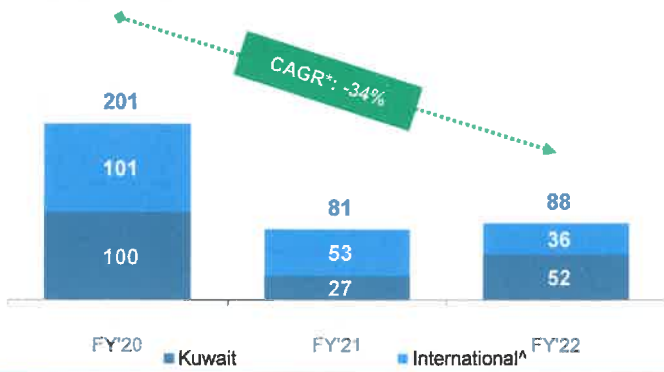
Net Income Evolution – FY'22 vs FY'21 | KD mn



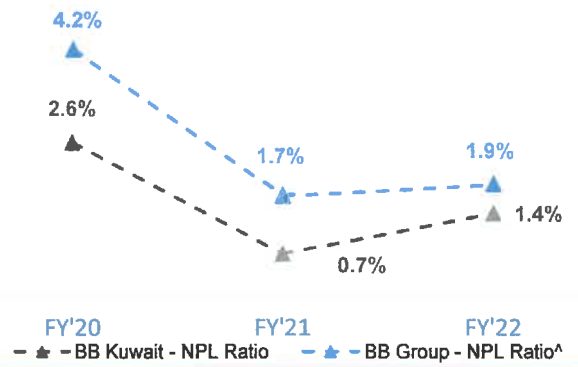
\* Net Income attributable to equity shareholders; ^ Includes impacts of taxation & Minority share of results

## STABLE ASSET QUALITY

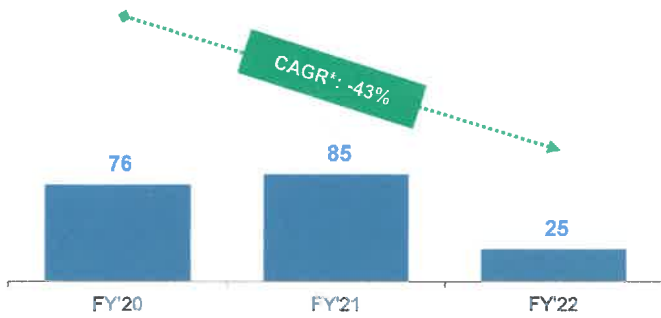
Non-Performing Loans (NPLs) | KD mn



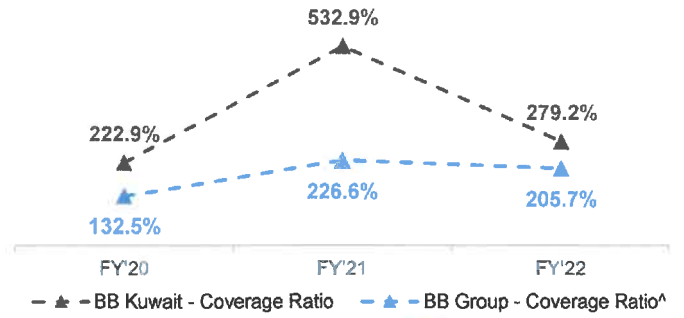
NPL Ratio | %



Provision Charge<sup>(1)</sup> | KD mn



Provisions Coverage Ratio<sup>(2)</sup> | %

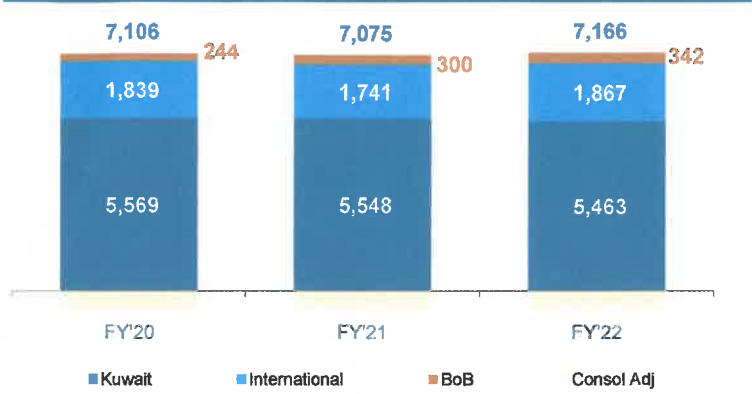


Notes: (1) Loan loss provision only; (2) NPL coverage ratio calculated as cash provision/NPLs.

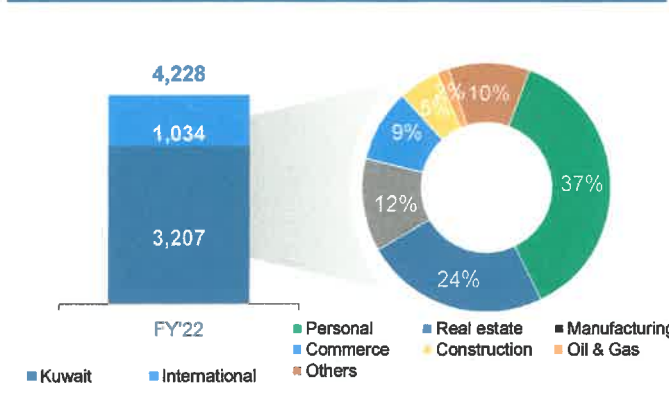
<sup>^</sup> Excludes BoB; \*CAGR: FY'20-22

# ASSETS & LOANS

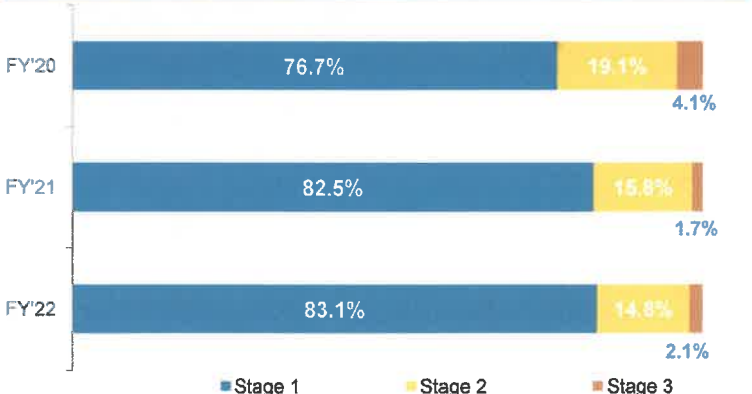
Total Assets<sup>(1)</sup> | KD mn



Customer Loan<sup>(1)</sup> & Sector Concentration | KD mn



Loans by Stages<sup>(2)</sup> | %



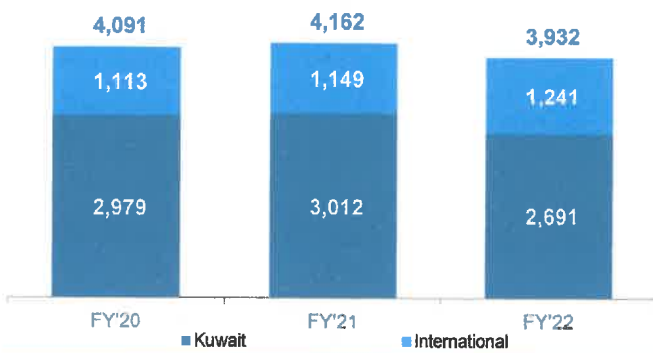
Loan Staging by Entity – FY'22<sup>(2)</sup> | %

	Kuwait	International
Stage 1	84.2%	79.6%
Stage 2	14.1%	17.2%
Stage 3	1.7%	3.3%

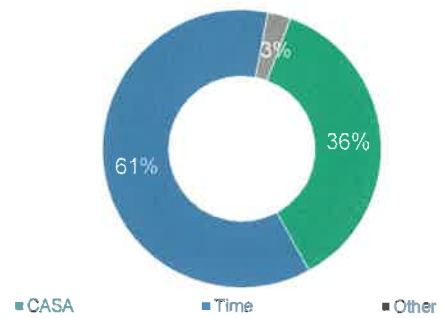
Notes: (1) BB Kuwait numbers are as per MIS view; International doesn't include BoB as it has been classified as "Held for Sale"; (2) Represents IFRS 9 classification.

## ACCESS TO LIQUIDITY REMAINS STRONG

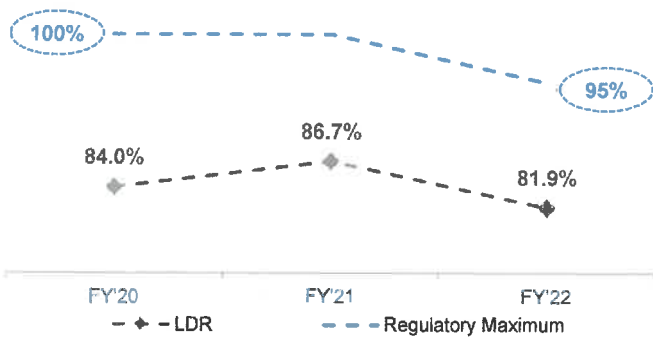
Customer Deposits<sup>(1)</sup> | KD mn



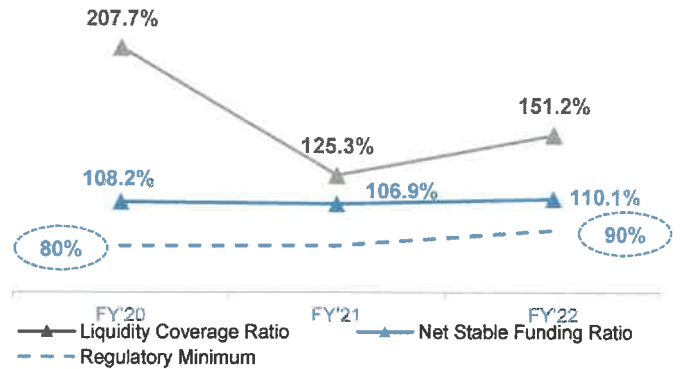
Deposits by Type – FY'22 | %



Loan to Deposit Ratio (LDR) | %



Regulatory Liquidity Metrics<sup>(2)</sup> | %

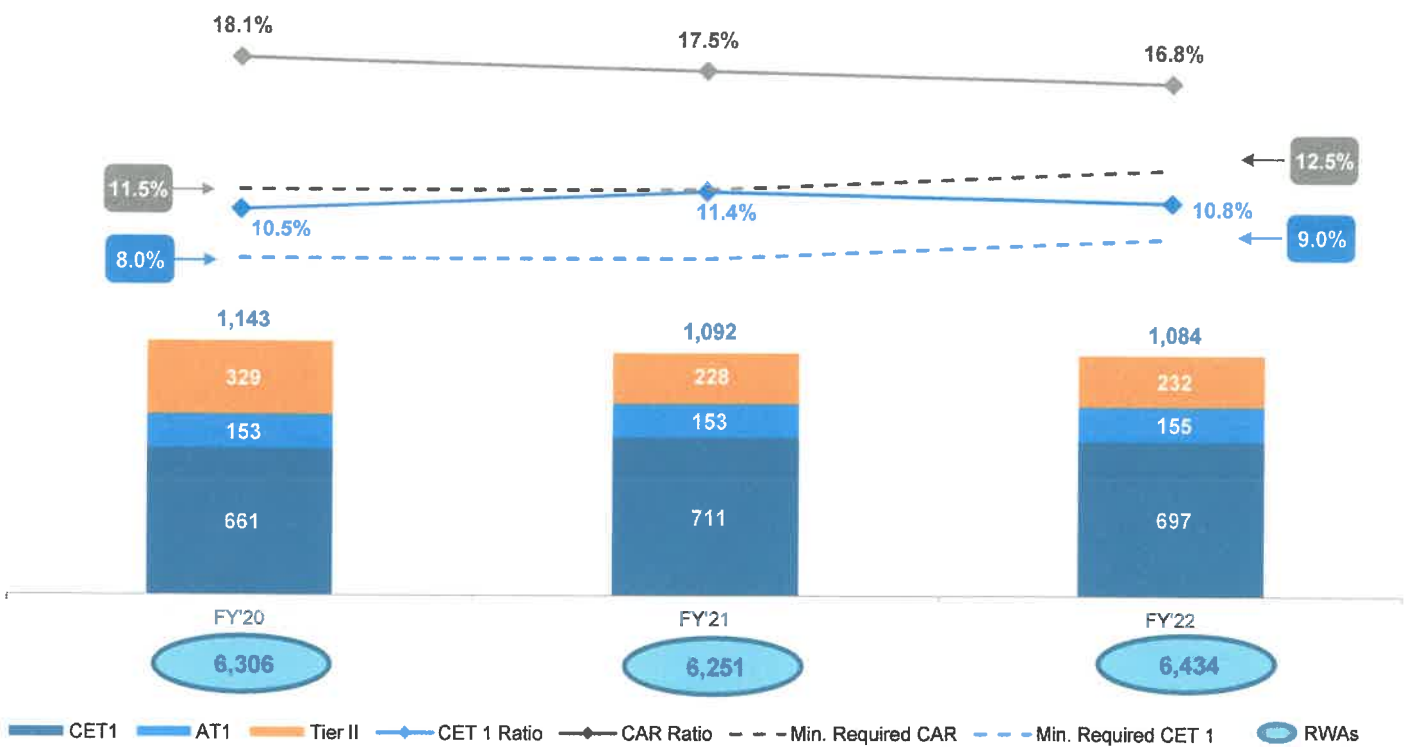


Notes: (1) BB Kuwait numbers are as per MIS view; International doesn't include BoB as it has been classified as "Held for Sale"; (2) Represents daily average ratios for the quarters.



# OPTIMAL CAPITAL LEVELS

Regulatory Capital | KD mn, %



## IMPROVING PERFORMANCE ACROSS INTERNATIONAL OPERATIONS

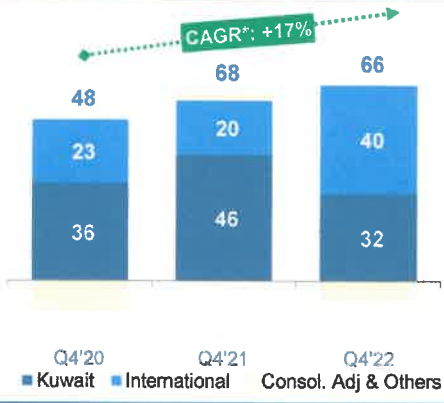
CONTRIBUTION <sup>(1)</sup>		GROWTH <sup>(2)</sup>		KPIs <sup>(3)</sup>								
	ASSETS	REVENUES	NET INCOME <sup>(5)</sup>	LOANS	NIM	Δ%	CI RATIO	Δ%	CoC	Δ%	NPL RATIO	Δ%
 Turkey	13%	+72%	+472%	(-)-3%	4.3%	+160 bps	35.0%	(19.3 pps)	-0.2%	(4.2 pps)	4.2%	(250 bps)
 Algeria	9%	+1%	(-)-11%	+5%	6.0%	(70 bps)	49.9%	+5.8 pps	0.8%	(10 bps)	2.4%	(20 bps)
 Tunisia	2%	+40%	+79%	↔	2.5%	+40 bps	32.5%	(14.4 pps)	0.4%	+70 bps	0.3%	(10 bps)

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)

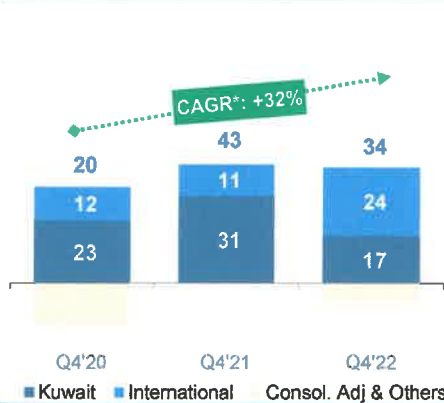
\* bps: Basis point; pps: Percentage Point

# Q4'22 EARNINGS UPDATE

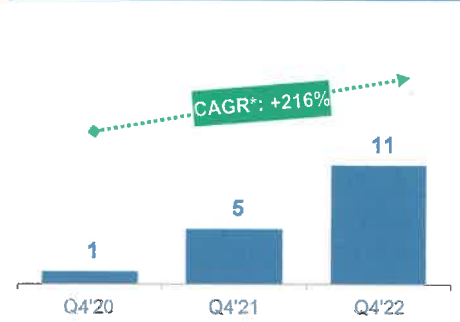
Revenue | KD mn



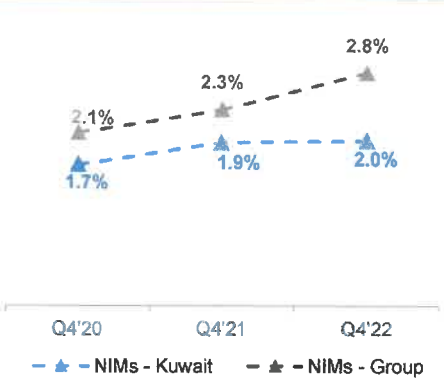
Operating Profit | KD mn



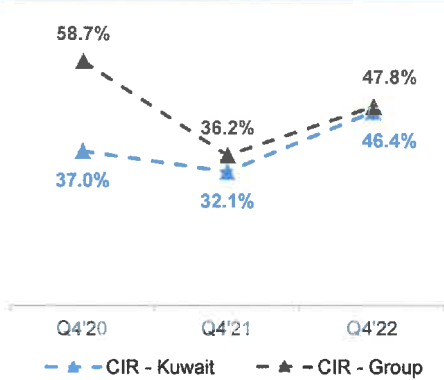
Net Income<sup>(1)</sup> | KD mn



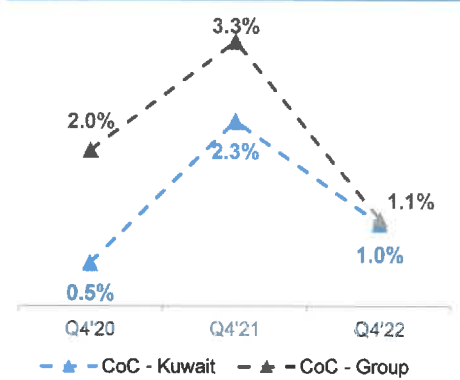
Net Interest Margins (NIMs)<sup>(2)</sup> | %



Cost to Income Ratio (CIR) | %



Cost of Credit (CoC)<sup>(2),(3)</sup> | %



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**

☞ **Going into FY2023, the following trends are likely to continue:**

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

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

- ❖ **Likelihood of global recession could impact credit costs**
- ❖ **Turkey likely to remain volatile**

Thank You

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