



**Shafafiyah**

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**KIPCO Group Investors Forum**

Event Organizer:



**KAMCO 9<OLK**



# Shafafiyah

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## KIPCO Group Investors Forum



BURGAN BANK

Quality in all we do

بنك برقان

إرتقاء في الأداء

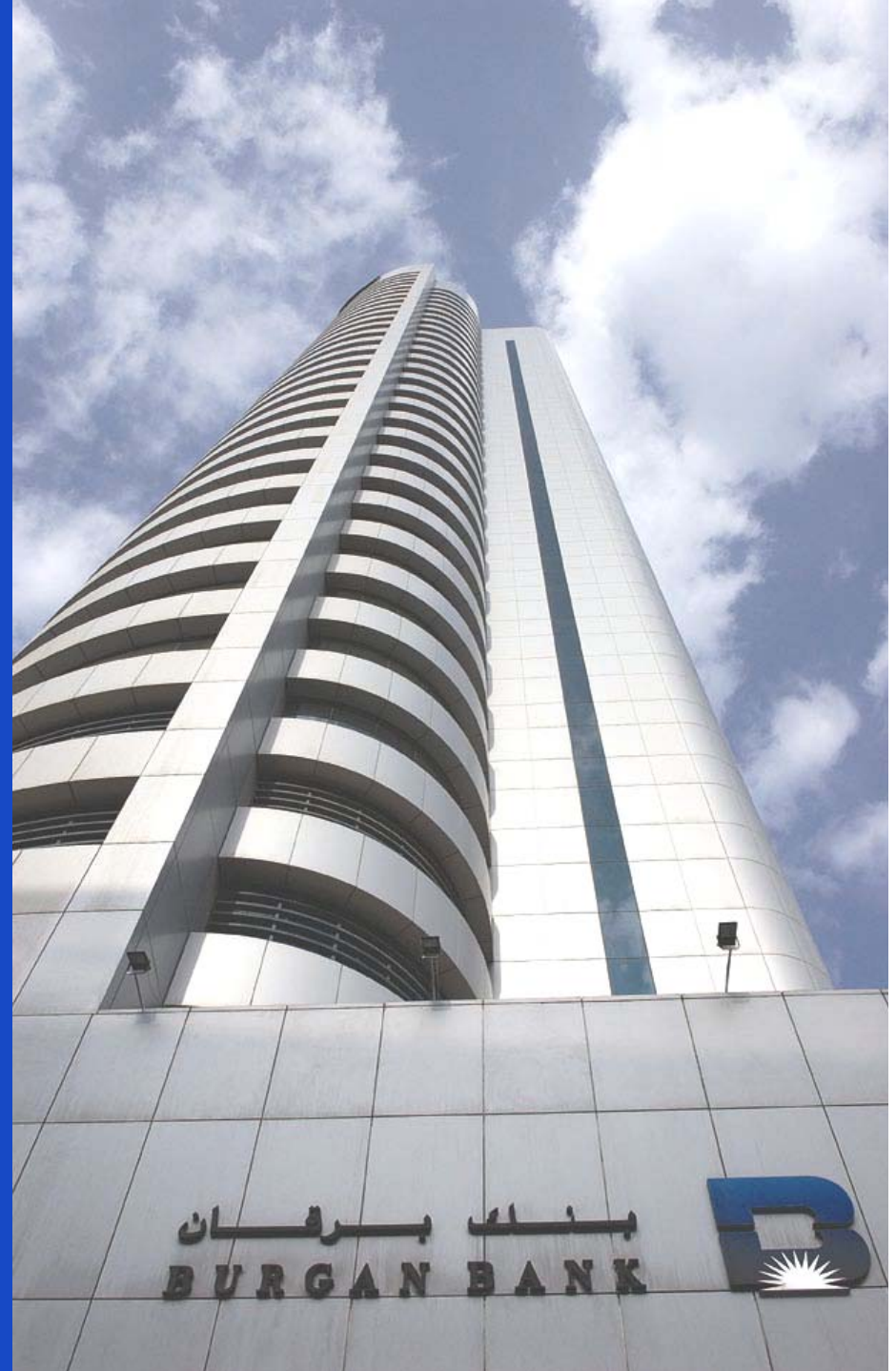


## KIPCO Financial Forum Presentation

**Who says  
your bank can't  
do more for you**

A Member of KIPCO Group

June 27, 2005



# Disclaimer

*"In this presentation by Burgan Bank management, our use of the words "forecast," "outlook," "objective," "plan," and similar expressions is intended to identify forward looking statements. While these statements represent our current judgment on what the future may hold, and we believe these judgments are reasonable, actual results may differ materially due to numerous important factors. Such factors include, among others, the following: changes in economic conditions; currency exchange rates ;market acceptance of the bank's new products; significant changes in the competitive environment; changes in laws, regulations and the ability of the bank to achieve reductions in cost and implement capital expenditures at levels and times planned by management"*

*Investors must make their own investment decisions based on their specific investment objectives and financial position*

# Agenda



I. Driven by Challenge

II. Growing for you

III. Who says your bank can't do more for you

# I. Driven by Challenge

## **1. What is our challenge?**

- ▶ Building the Burgan Bank Brand is at the heart of our Corporate Strategy

## **2. How will we meet this challenge?**

- ▶ Building on the 3 Pillars for Sustainable Profitable Growth

# 1. Building the Burgan Brand

## Why?

- The brand is core to all our efforts.
- All activities must result in an increase in Brand Equity.
- Profit or growth without a resulting increase in Brand Equity is not sustainable and will not insulate us from future uncertainties.

# 1. Building the Burgan Brand

Why?



## The World's 10 Most Valuable Brands

A newcomer, Toyota, breaks into the Top 10, while big-name consumer brands come under attack.


RANK	BRAND	2004 BRAND VALUE (BILLIONS)
1	<b>COCA-COLA</b>	\$67.39
2	<b>MICROSOFT</b>	61.37
3	<b>IBM</b>	53.79
4	<b>GE</b>	44.11
5	<b>INTEL</b>	33.50
6	<b>DISNEY</b>	27.11
7	<b>McDONALD'S</b>	25.00
8	<b>NOKIA</b>	24.04
9	<b>TOYOTA</b>	22.67
10	<b>MARLBORO</b>	22.13

Data: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley

# 1. What is a brand?

- A promise made and kept.
- A set of expectations that consistently have been met or exceeded over time.
- A network of associations that exist in the mind of the consumer.
- A Brand is intangible goodwill.
  - Every organization has a heart. The heart is not just on the outside. You need insiders to carry on feeding the heart.” (R. Sridher- CEO brand-comm)
- A sound Brand will result in customer loyalty, market share, profits, returns, staff satisfaction.

# What does Burgan Stand for?



Burgan is named after the largest oilfield in Kuwait.



The Burgan Logo incorporates the sun.

# What does Burgan Stand for?



# What does Burgan Stand for?



## CUSTOMERS:

- Freedom to achieve
- In control
- Innovative
- Quick/easy
- Reliable

## STAFF:

- Power to accomplish
- Growth
- Pride
- Rewards

## SHAREHOLDERS:

- Source of growing value
- Dividends
- Sustainable development
- Widen horizons
- Best practice

= Indispensable banking partner

# What does Burgan Stand for?

Empowerment : We've got the power

Energy : We can do it

Imagination : We've got the ideas

Dependability : We're always there

=

Who says we can't become the  
indispensable banking partner

# Driven by Challenge

## 1. What is our challenge?

- ▶ Building the Burgan Bank Brand is at the heart of our Corporate Strategy

## 2. How will we meet this challenge?

- ▶ Building on the 3 Pillars for Sustainable Profitable Growth

## 2. Building on the 3 Pillars

 Client Delight and Care


 Enhancing Process and Leveraging IT

 Nurturing Staff



## 2. First Pillar CDC

### A. Client Delight

- 
- Meeting needs
  - Innovative products & Services
  - Quick and easy

- Clients
  - Acquisition
  - Reacquisition
- Profitable market share

### B. Client Care

- After sales Services
- Proactive
- Feed back
- Responsive

- Building client loyalty
- Enhancing revenues
- Reinforcing cross selling effort

## 2. Second Pillar IT

### Enhancing Process and Leveraging IT

↑  
P  
R  
O  
C  
E  
S  
S

- Industrializing workflow process
- Leveraging IT, for internal/external clients
- Low cost producer

- Improving service quality/STP.
- Reinforcing innovation
- Improving 'Tooth:Tail' ratio to 3:1 in favor of front office sales.

## 2. Third Pillar Staff

### Nurturing staff



- Balanced Score Card Performance Management
- Development – Training and Career Paths
- Rewards
- Succession Planning

- Professional
- Highly motivated,
- Performing staff
- Depth of Management for Sustainability

# II. Growing for you

## 1. Best Practice

- ▶ Corporate Governance
- ▶ Risk Management

## 2. Organization capabilities

- ▶ Product and service offer
- ▶ Leveraging process and IT
- ▶ Staff development

## 3. Productivity

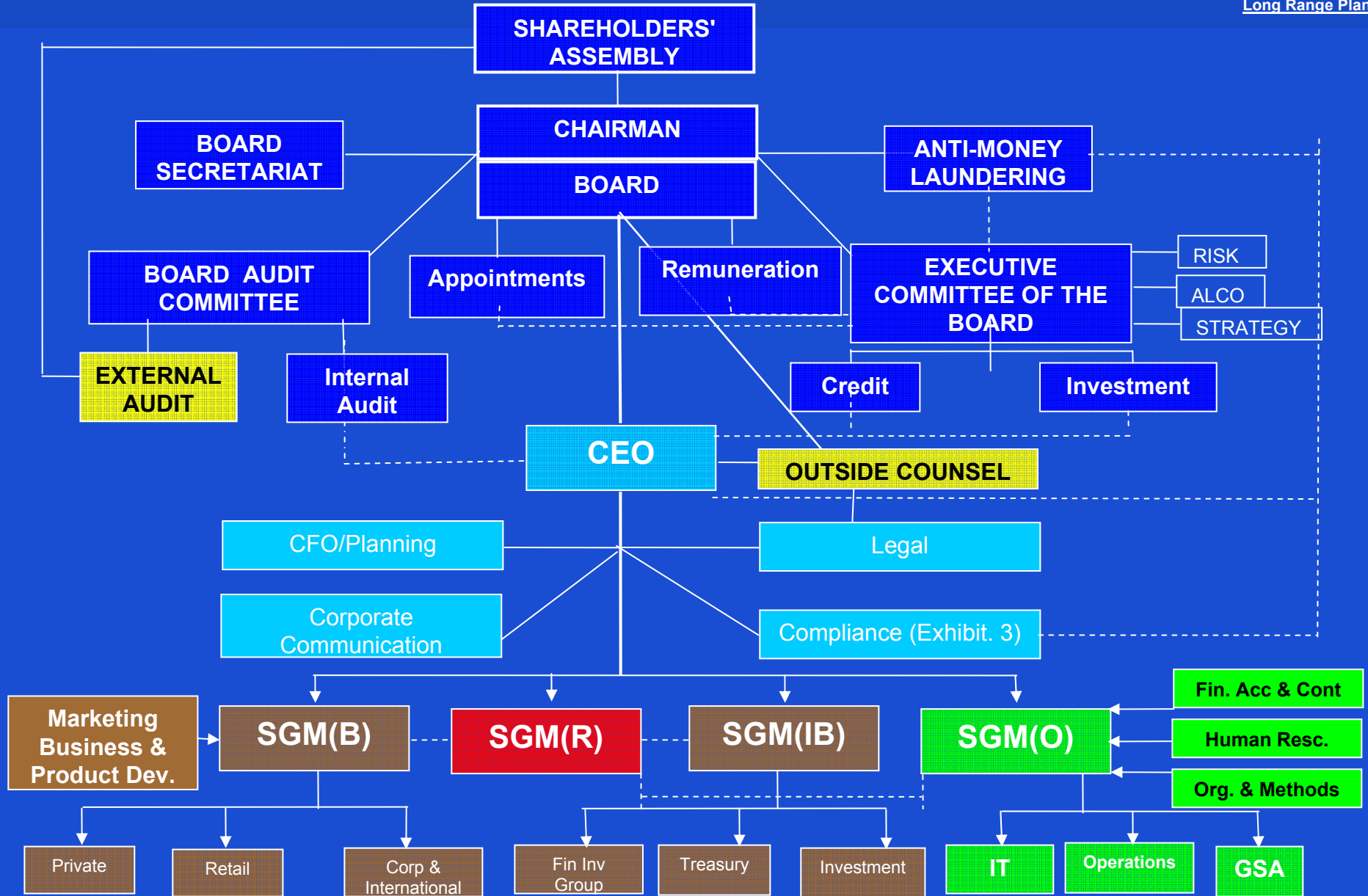
- ▶ Improving operational performance

# 1. Best Practice - Corporate Governance



- First KSE Listed Company
- First Bank in Kuwait / GCC / MENA

# 1. Best Practice - Corporate Governance



# 1. Best Practice - Risk Management

Burgan aims to introduce best practices in the region with regard to risk management. Risk Management Group was reorganised in 2004 and all areas of purview were brought under one umbrella.

## Credit Risk Branch

- Assists Board and Executive Management in formulation of credit policies defining Bank's credit appetite and credit procedures
- Undertakes identification and classification of non performing loans
- Determines provisioning requirements
- Performs control function, both in the pre-release and post-release stage of credit facilities

## Market Risk Branch

- Monitors activities of the Treasury Group as well as the ALM function
- Reports on the various positions taken by the Bank in foreign currencies and with regard to interest rate risk and liquidity of the Bank
- ALCO meets periodically to get an update on the market and to take decisions concerning interest rate & liquidity positions.

## Operational Risk Branch

- Reviews all policies and procedures created/amended by the bank
- Ensures implementation of Control Charts and identification of key risk Indicators
- Updating of the disaster recovery plan
- Independent IT security unit monitors all IT security issues including application packages and bank's network.
- Tracks operational losses

# 1. Best Practice - Risk Management

- Independent Risk Management headed by senior general manager (SGM) reporting to CEO
- Credit Risk
  - Credit Analysis independent of the marketing teams
  - Centralized control over release of credits, post release monitoring, NPL identification & provisioning
  - Independent recovery unit for NPLs'
  - Review of Credit Policy, Procedures & Systems
- Operational Risk Control with departmental control charts and set-up of incident management systems
- Market Risk monitors and controls interest rate and liquidity gaps, FX, money market transactions, ALM.

# II. Growing for you

## 1. **Best Practice**

- ▶ Corporate Governance
- ▶ Risk Management

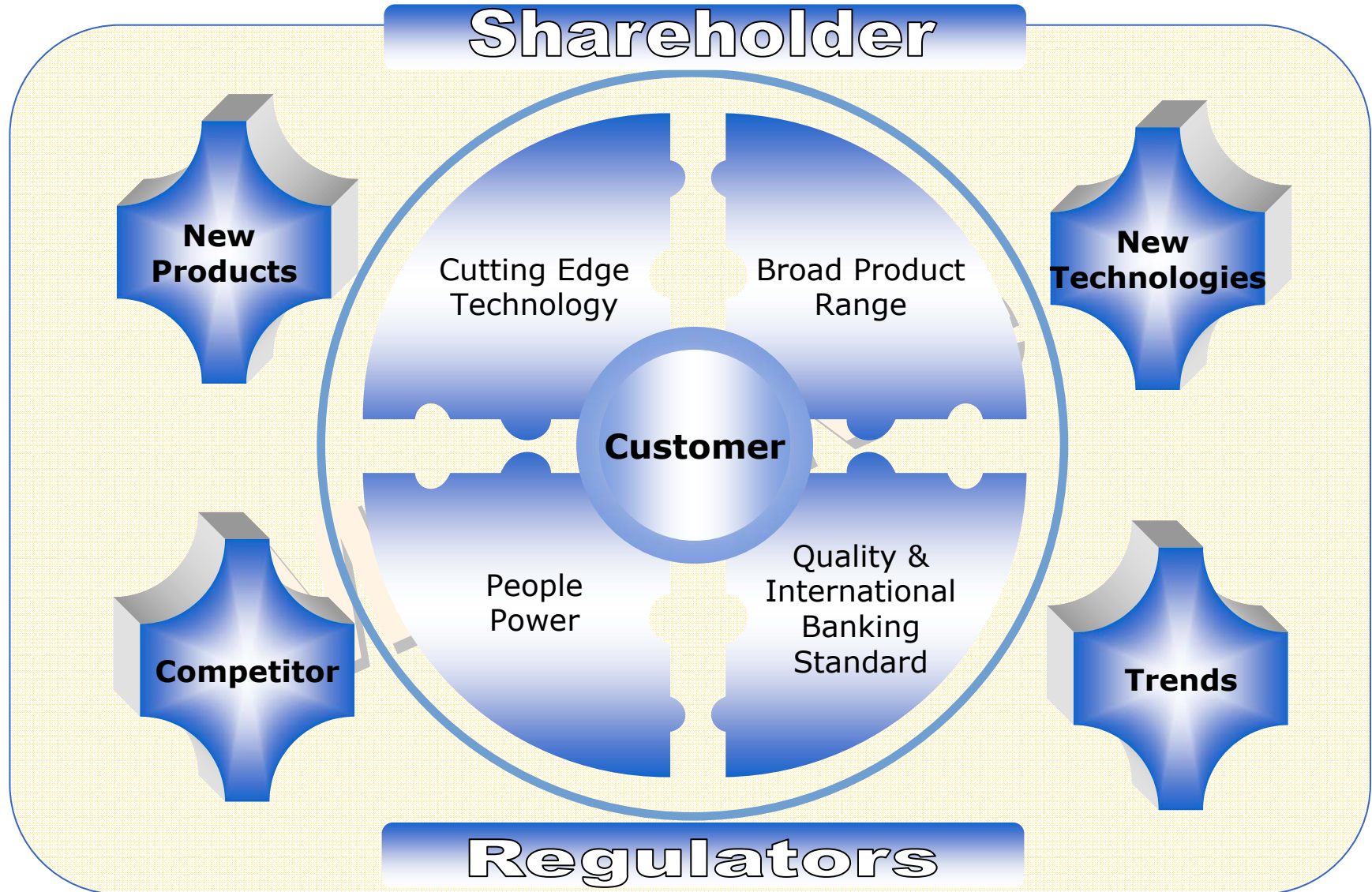
## 2. **Organization capabilities**

- ▶ Product and service offer
- ▶ Leveraging process and IT
- ▶ Staff development

## 3. **Productivity**

- ▶ Improving operational performance

# 2. Organizational Capability Product and service offer



# 2. Organizational Capability

## Product and service offer

Burgan offers a wide array of services which helps attract customers with diverse needs. Customer databases and group synergies help it to cross sell products

### Investment Banking Services

- ❖ Investments & New Issues
- ❖ Investment Funds

### Private Banking

- ❖ Investment Advisory
- ❖ Portfolio Management

### International Banking

- ❖ Correspondent Banking
- ❖ Trade finance

### Treasury

- ❖ Foreign Exchange
- ❖ Money Market
- ❖ Corporate Sales
- ❖ Financial Institutional Lending
- ❖ Certain Sharia Compliant Products

### Corporate Banking

- ❖ Letter of credits
- ❖ Business Loans
- ❖ Overdraft Facilities
- ❖ Letter of Guarantee
- ❖ Certain Sharia'h Compliant Products

### Retail Banking

- ❖ Consumer Loans
- ❖ Bank Accounts
- ❖ Credit Cards
- ❖ Services
- ❖ Remittances
- ❖ Burgan Direct

## 2. Organizational Capability Product and service offer



Al Thuraya –  
The most attractive salary account in Kuwait



B-Surprises –  
The most rewarding prize money account in Kuwait



B-Dinar –  
The most convenient labor account in Kuwait



B- Smart –  
The most flexible deposit account in Kuwait



B-Wallet –  
The only prepaid card in Kuwait



Burgan VIP Card –  
The most exciting co-branded card in Kuwait

## 2. Organizational Capability Leveraging Process and IT



B-Everywhere –  
The first and only Mobile ATM service in Kuwait.



B-SMS –  
The first truly interactive such service I Kuwait



Beebank –  
The leader in internet banking technology in Kuwait

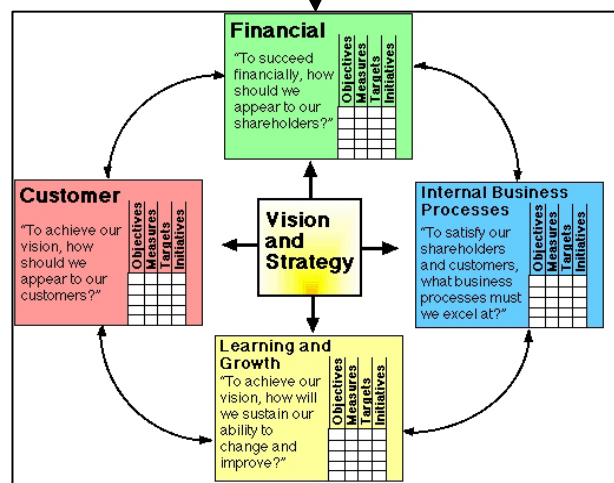
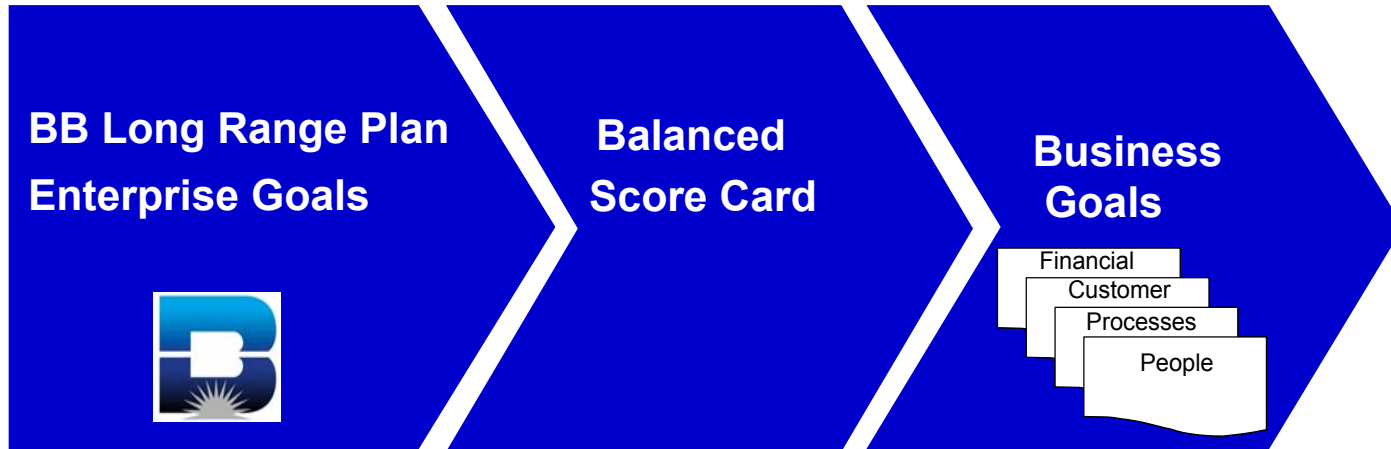


B-24  
The most flexible 24 hours self service branch.



M-commerce solutions  
The most secure M-commerce solution in Kuwait.

# 2. Organizational Capability Staff development



**Individual Objectives**

Individual Performance Management				
	Objective	Measure	Action Plans	Results
Financial				
Customer				
Process				
People				

- Precise objectives and quantifiable verifiable results
- Measure the Business and individual KPI's

# 2. Organizational Capability Staff development



Fresh Recruits



**Green Houses**

- Training
- On Job Training
- IBS
- Career Path

Green Houses



Career Development



**Succession Planning**  
for Depth of Management

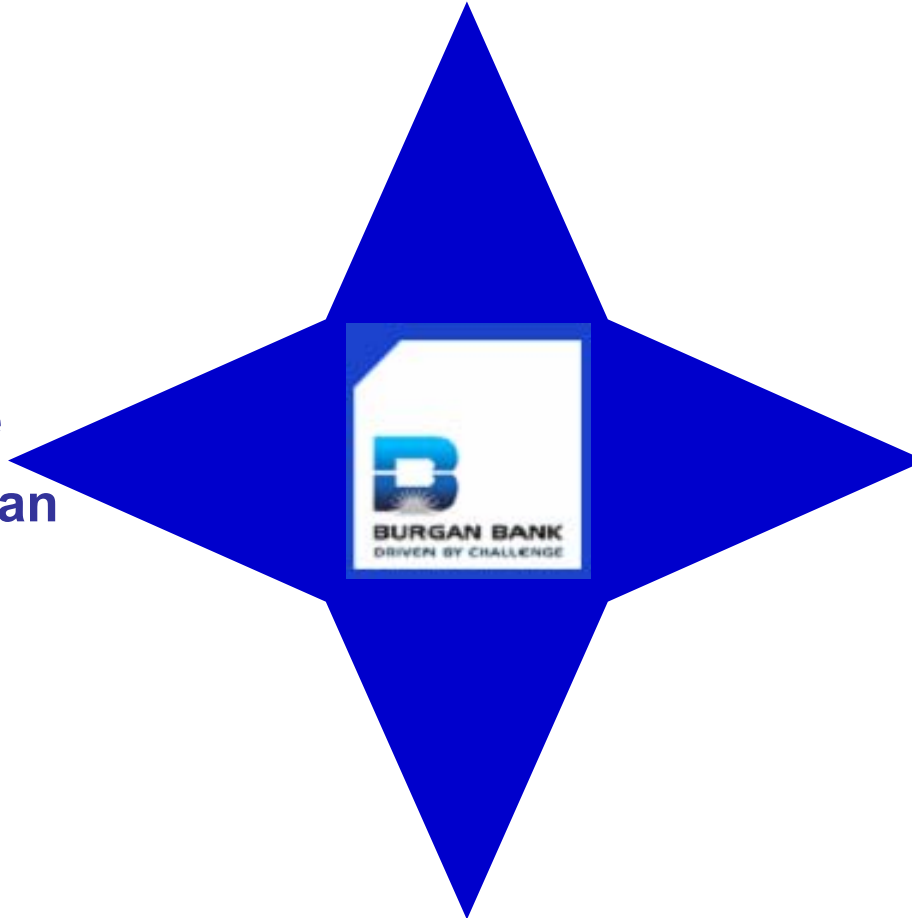
Succession Planning



# 2. Organizational Capability Staff development

**Performance Rewards –  
linked to Balanced Score Card**

**ESOP- Employee  
Stock Options Plan**

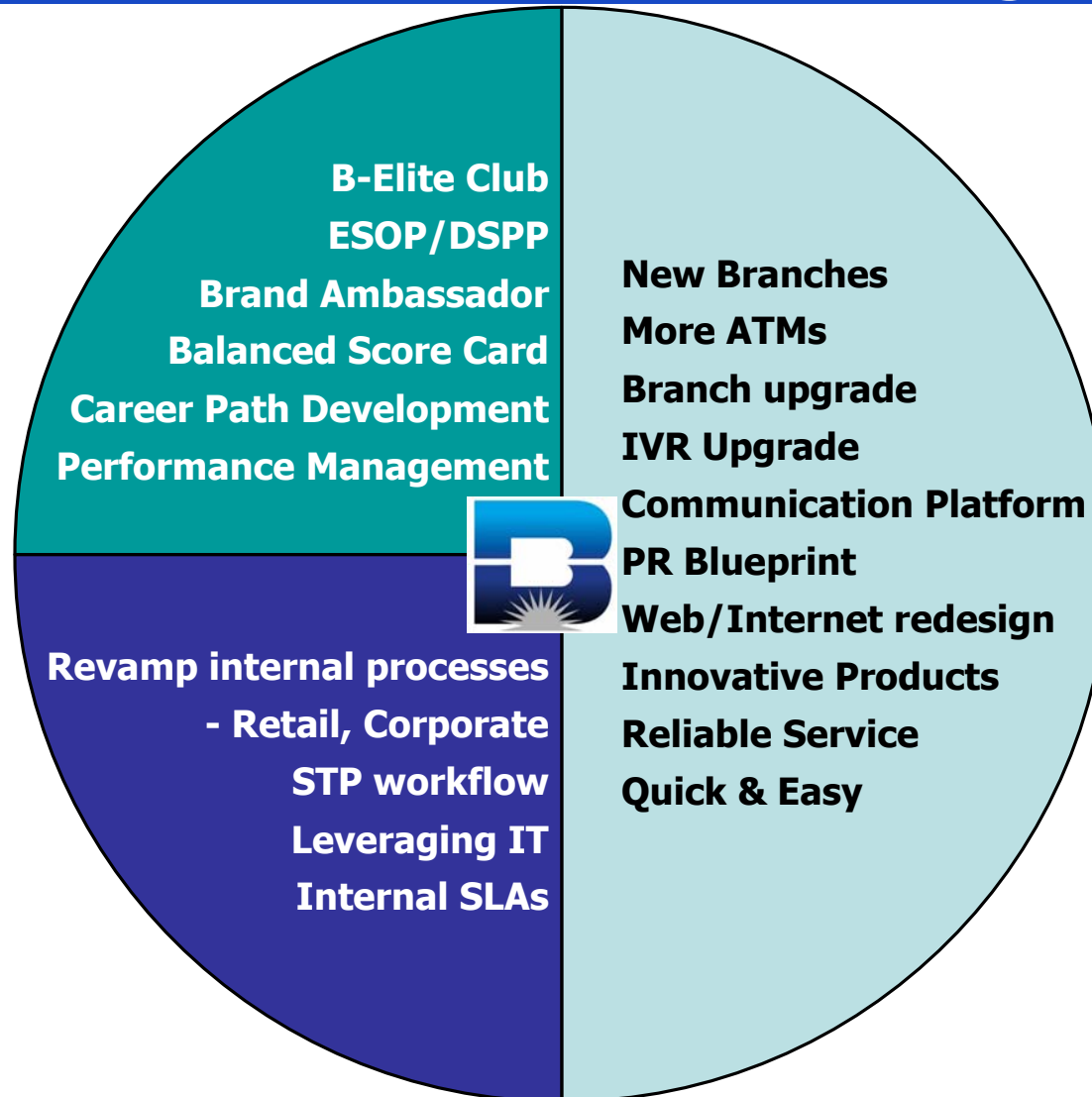


**B- Elite  
B-Star  
B-Champion**

**DSPP- Discounted  
Stock Purchase Plan**

# 2. Organizational Capability

## 360° Action = 360° Brand Image



**= indispensable banking partner**

# II. Growing for you

## 1. Best Practice

- ▶ Corporate Governance
- ▶ Risk Management

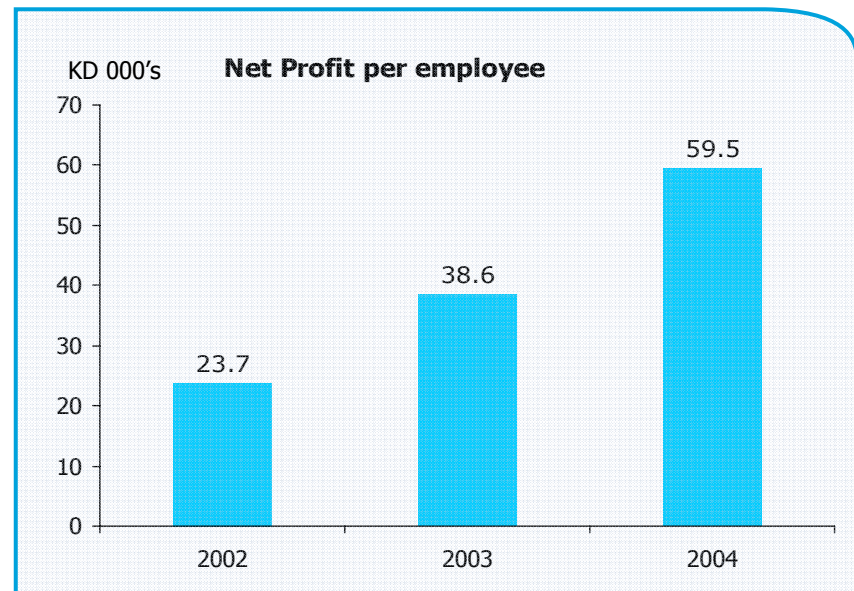
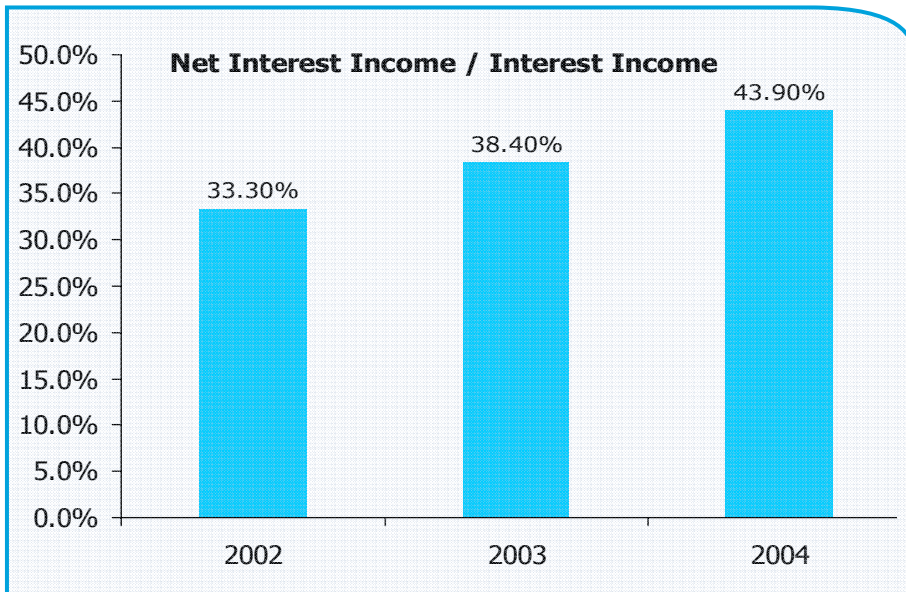
## 2. Organization capabilities

- ▶ Product and service offer
- ▶ Leveraging process and IT
- ▶ Staff development

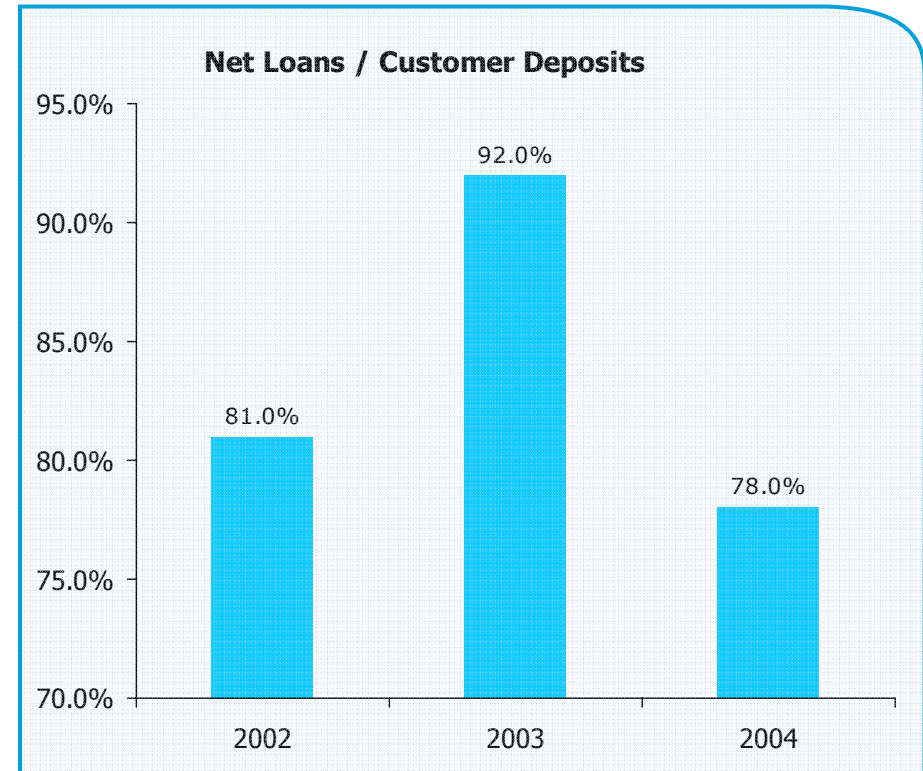
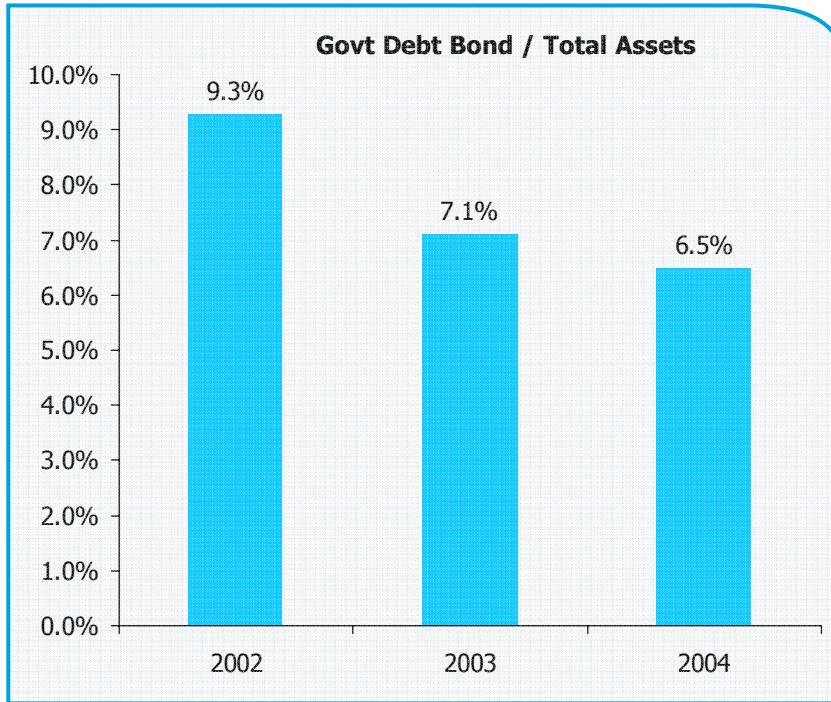
## 3. Productivity

- ▶ Improving operational performance

# 3. Productivity



# 3. Productivity



# III. Who Says Your Bank Can't Do More For You



 **2004 Review**

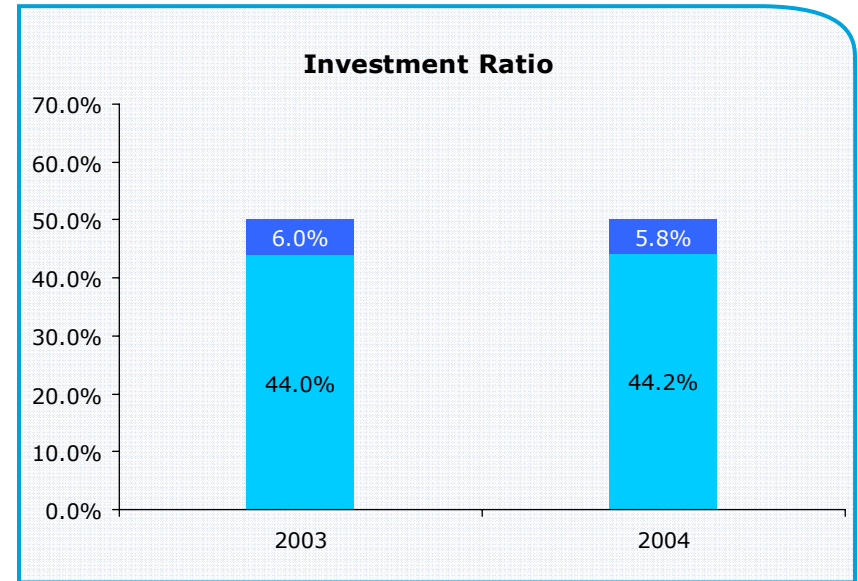
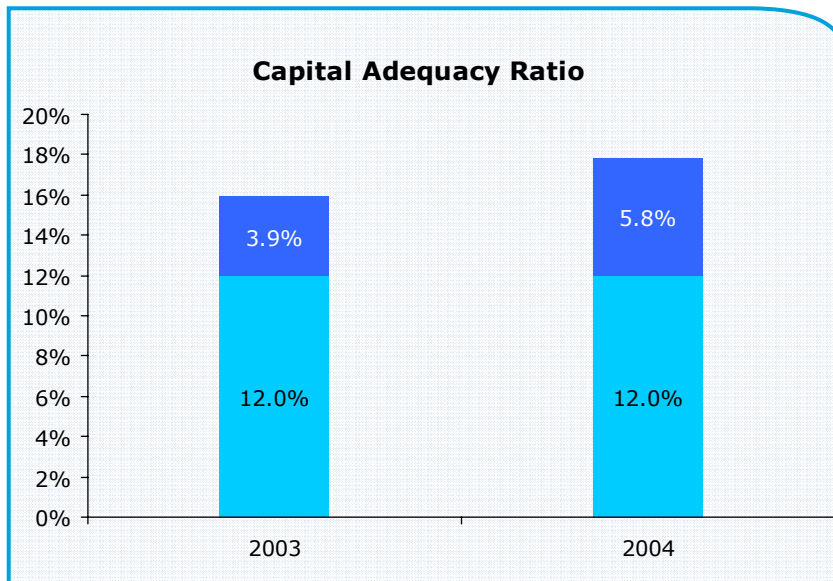
 **2005 Outlook**

 **2005 First Quarter Results**

# Who Says Your Bank Can't Do More For You - 2004 Review

Burgan has always compiled with the regulations of CBK and has appointed various committees to ensure compliance.

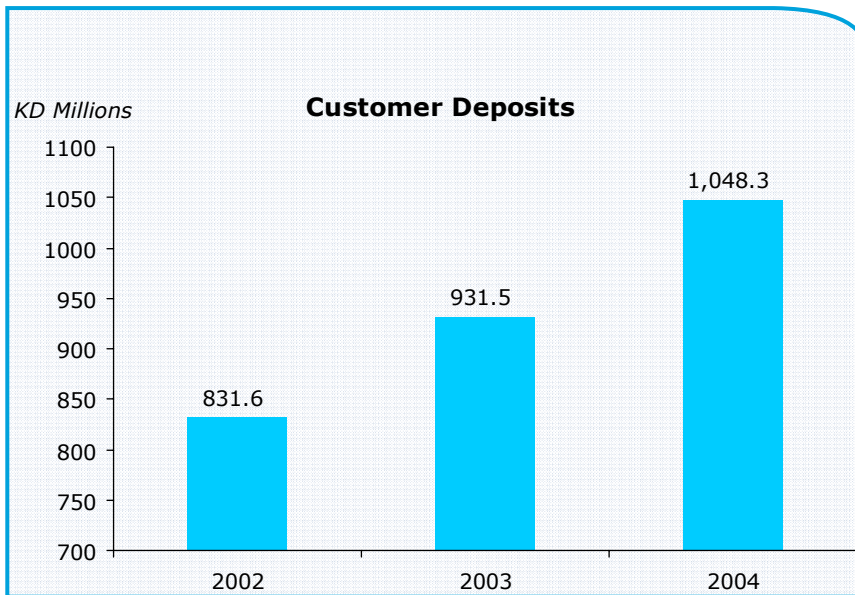
The upper limit set by CBK is 50%. BB's investment ratio is within the prescribed limit.



CBK requires a CAR of 12%

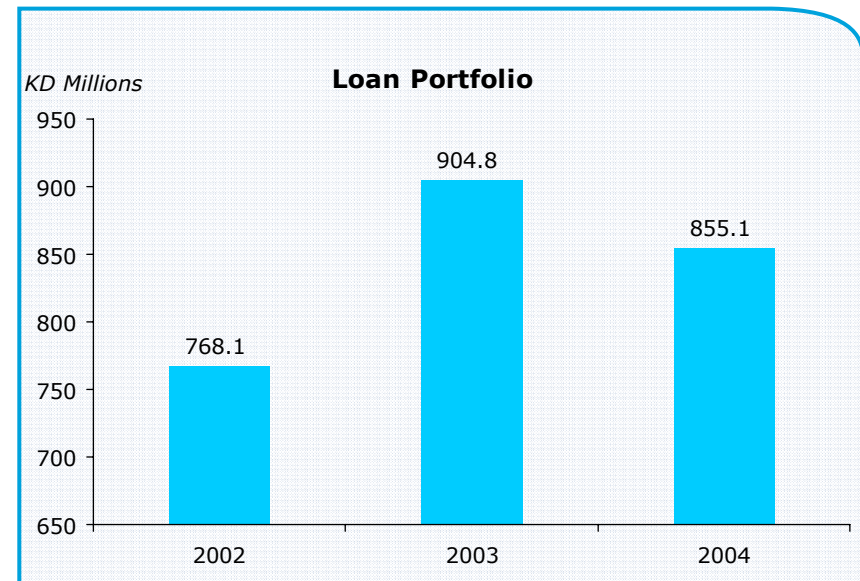
BB is at a comfortable position with higher CAR

# Who Says Your Bank Can't Do More For You - 2004 Review



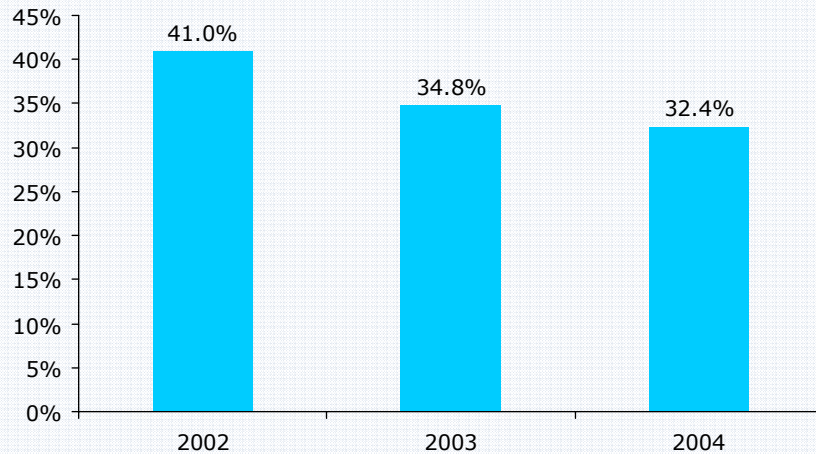
Retail focus of the bank has seen the customer deposits increase by 26% between 2002 and 2004.

2004 saw a slight decline in the loans portfolio due to change in regulations and measures decided by management .



# Who Says Your Bank Can't Do More For You - 2004 Review

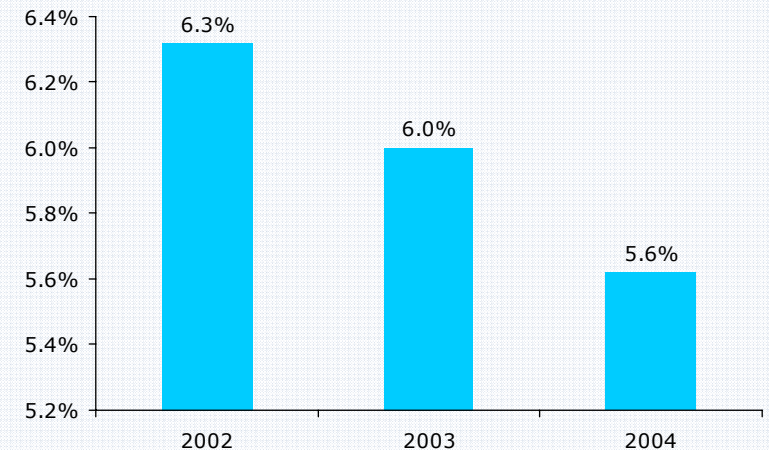
### Operating Cost to Operating Income



Costs have come down in absolute as well as percentage terms, signaling effectiveness of the steps taken by the management to improve operational efficiencies.

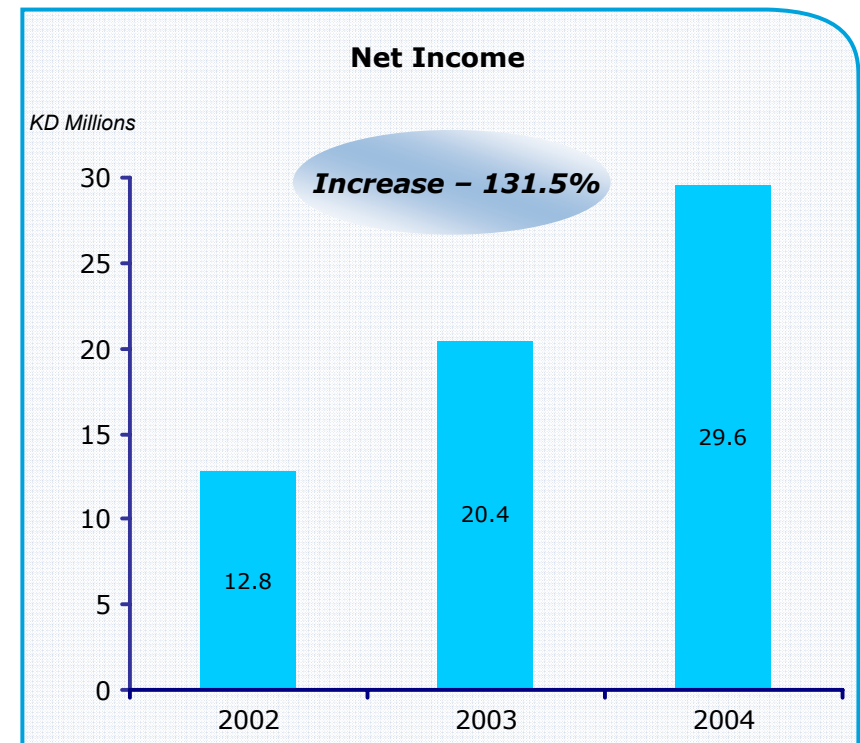
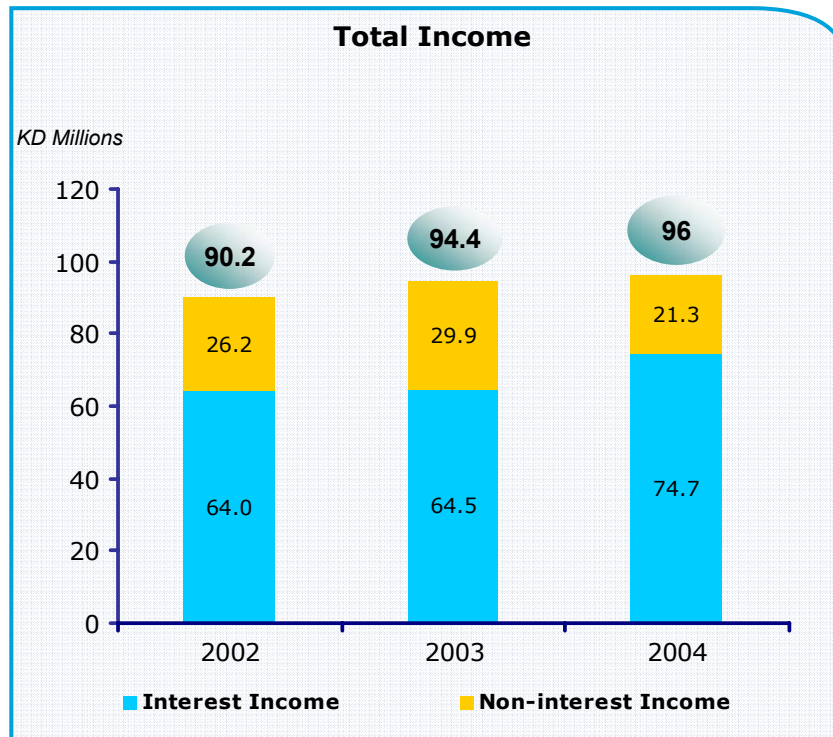
Since 2002, the asset quality has improved. Today, the NPLs account for only 5.6% of the gross loans down from a high of 6.3% in 2002.

### NPL Levels



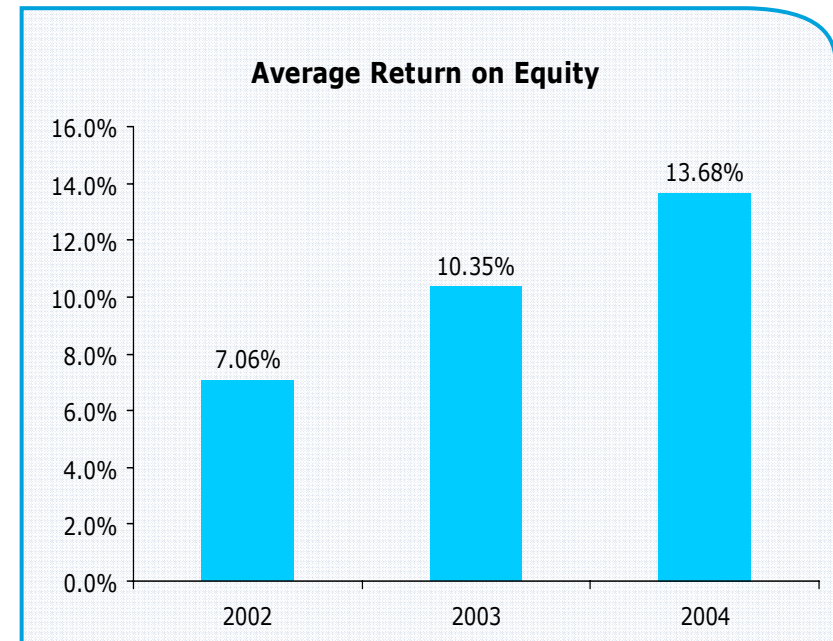
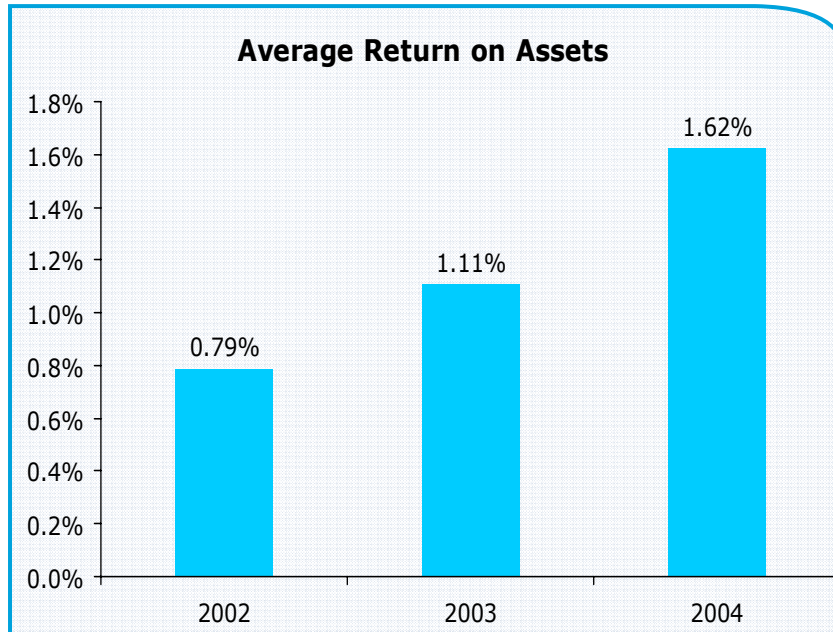
# Who Says Your Bank Can't Do More For You - 2004 Review

Post restructuring, growth in interest income and improvement in costs has led to net profit increasing by an outstanding 131.5%.



# Who Says Your Bank Can't Do More For You - 2004 Review

Improved performance has led to increased returns to shareholders over the past three years



# III. Who Says Your Bank Can't Do More For You



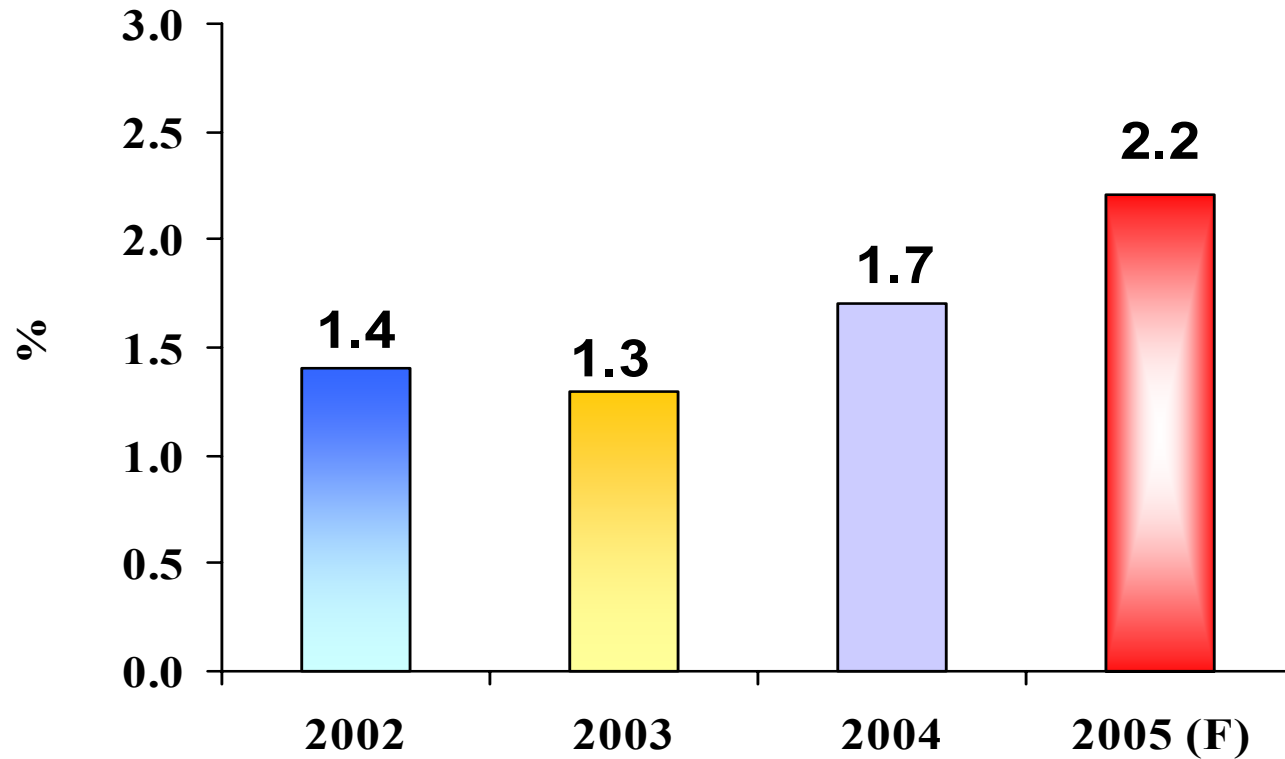
 **2004 Review**

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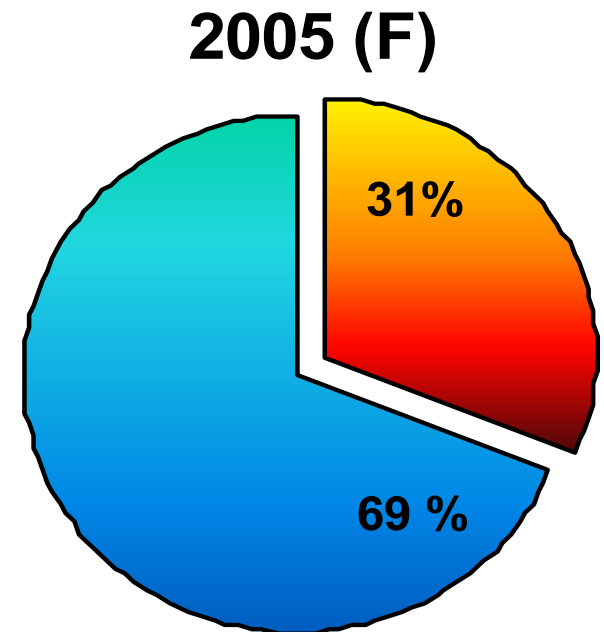
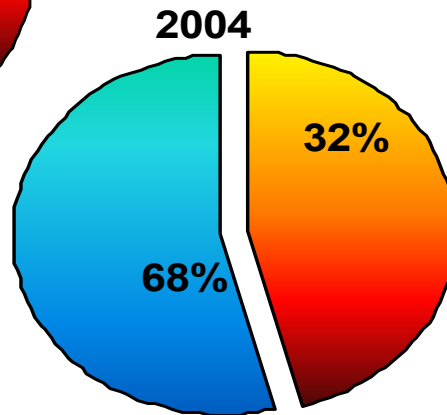
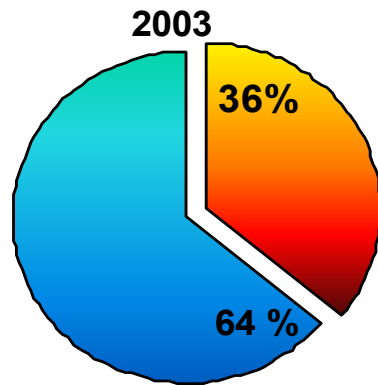
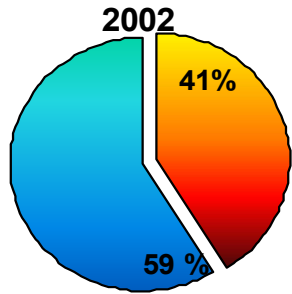
# Who Says Your Bank Can't Do More For You - 2005 Outlook



## Net Interest Margin up 57 %



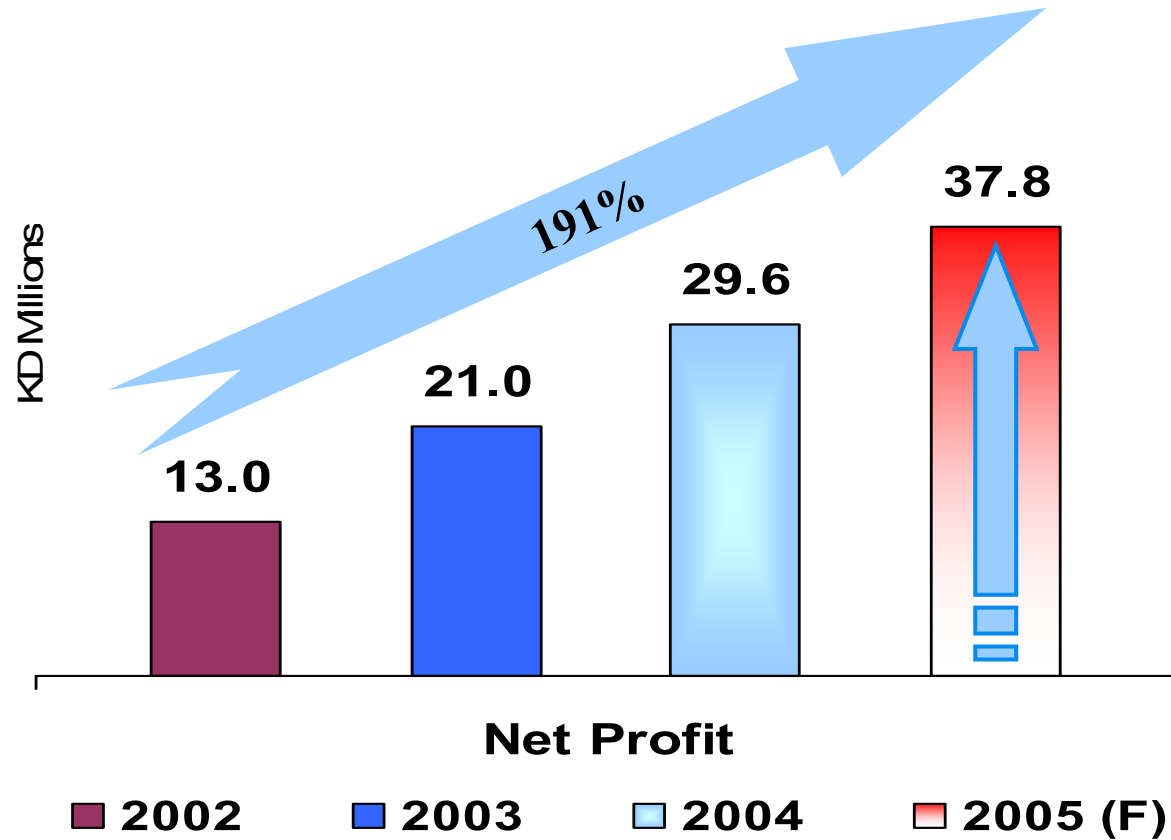
# Who Says Your Bank Can't Do More For You - 2005 Outlook

## Cost Income Ratio improving 24%



-  C:I Ratio %
-  Operating Profit %

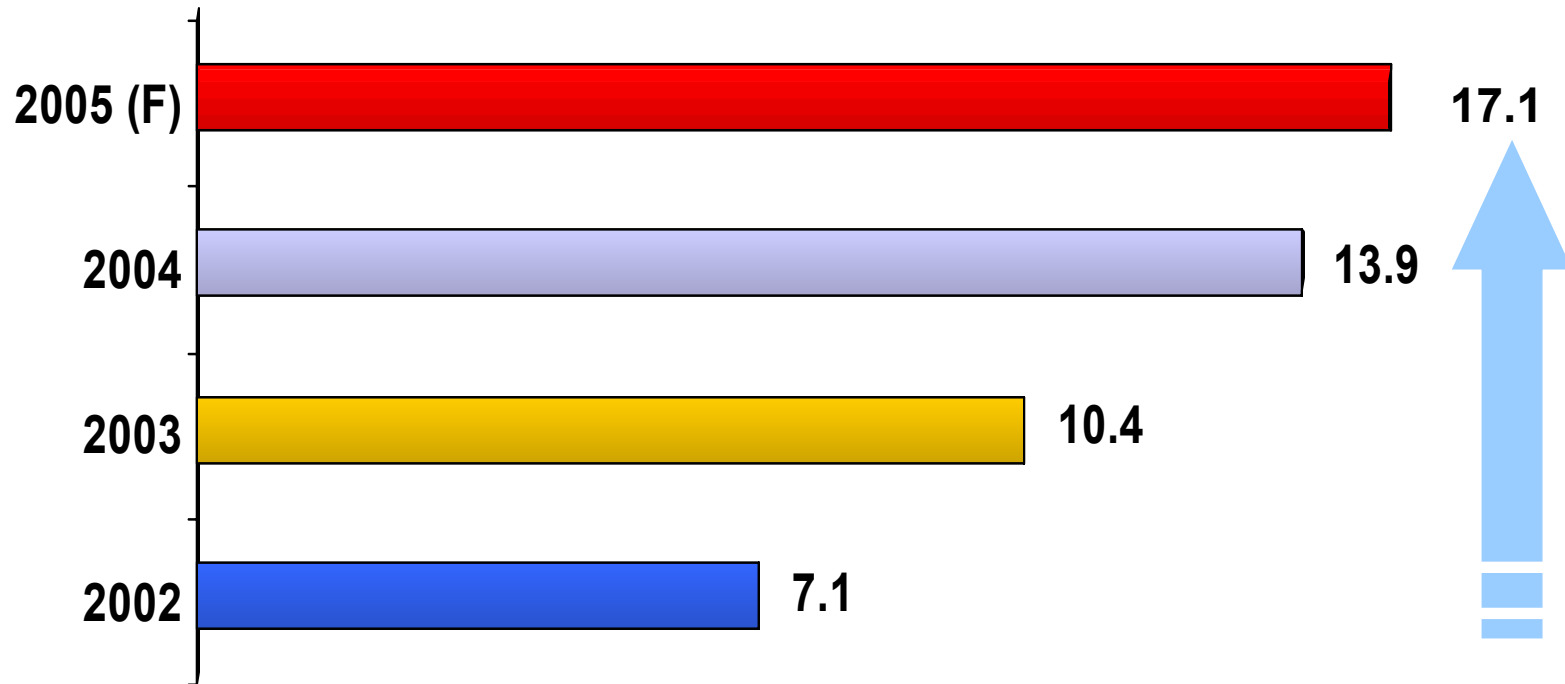
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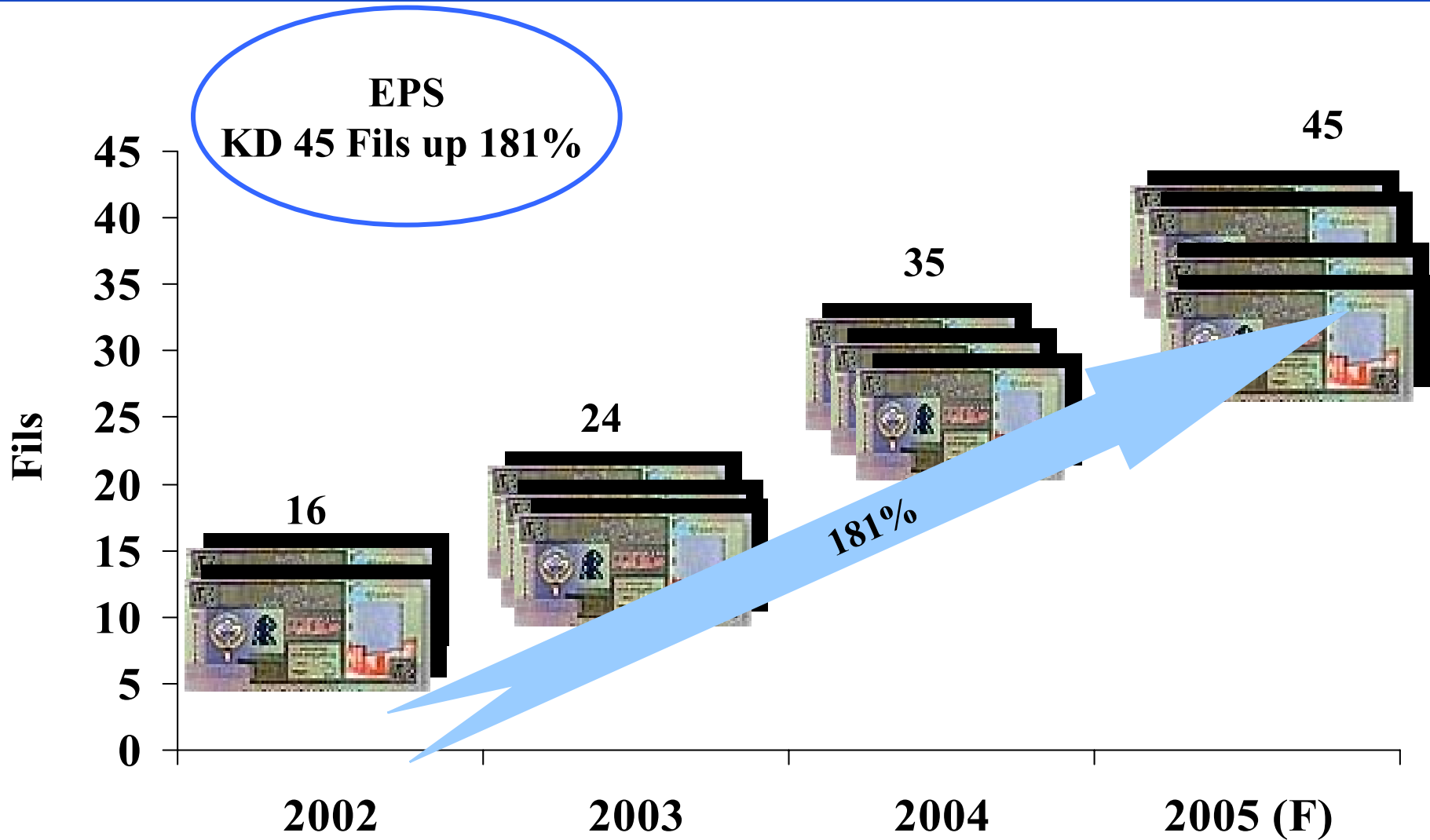
# Who Says Your Bank Can't Do More For You - 2005 Outlook



ROE up by 141 %



# Who Says Your Bank Can't Do More For You - 2005 Outlook



# Who Says Your Bank Can't Do More For You - 2005 Outlook



**A Burgan Bank Promise made is a promise kept.**

**We delivered on 2004 results as promised.**

**We can do no less for 2005.**

# III. Who Says Your Bank Can't Do More For You

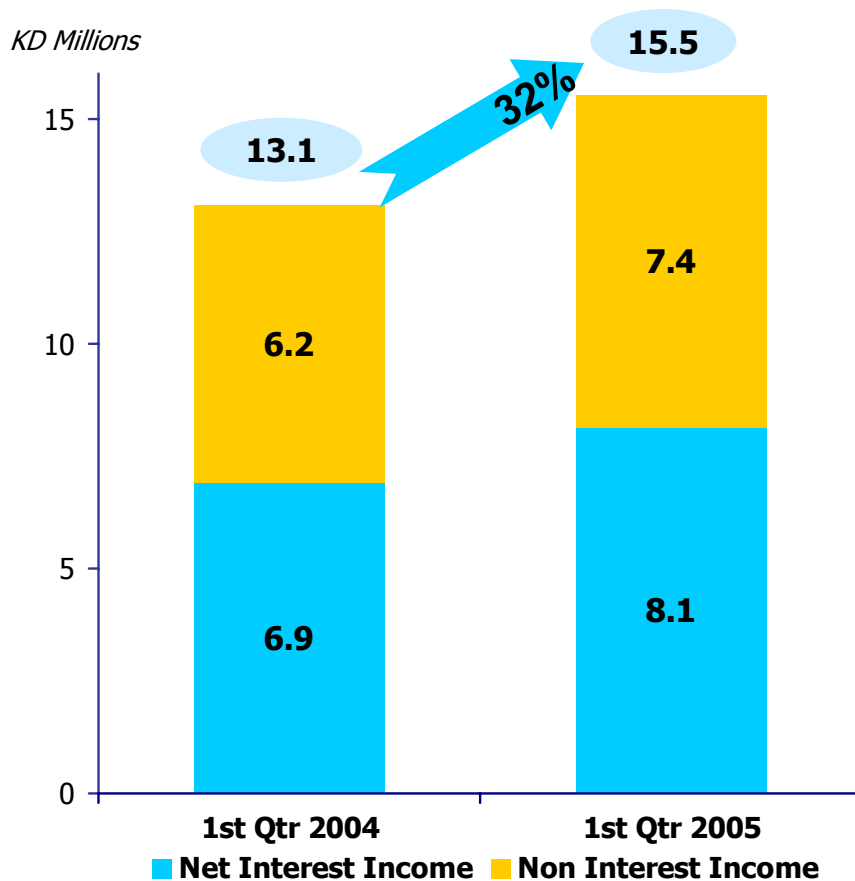
 **2004 Review**

 **2005 Outlook**

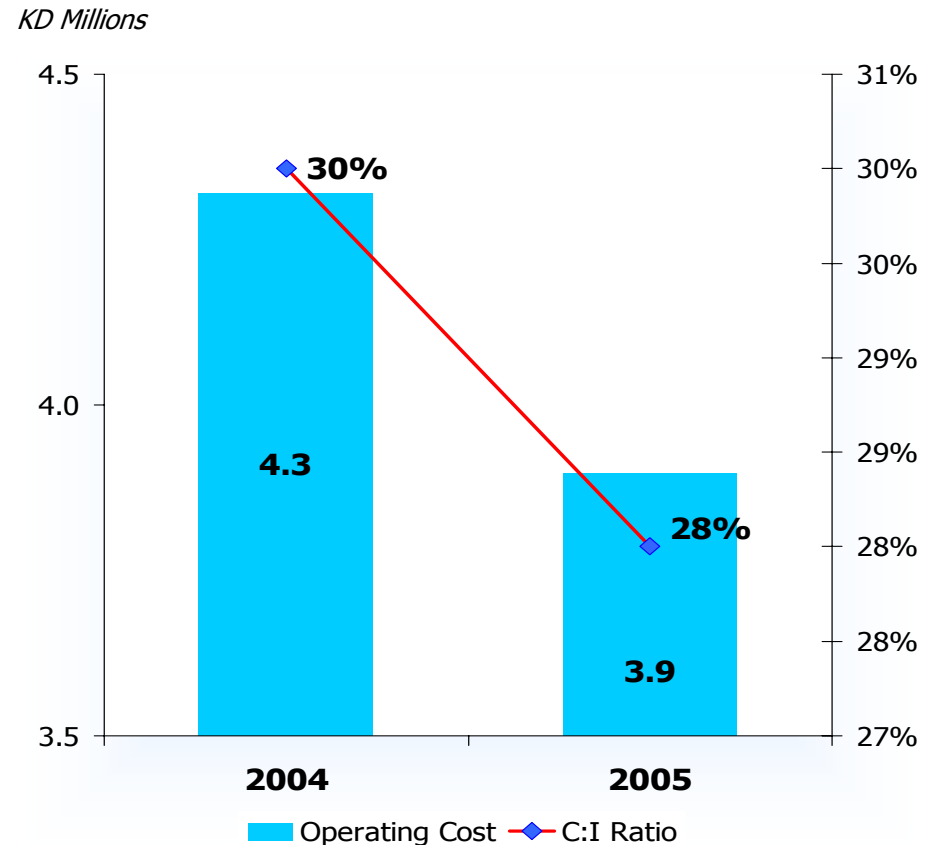
 **2005 First Quarter Results**

# Who Says Your Bank Can't Do More For You – 1<sup>st</sup> Qtr 2005 Results

## Revenues



## Operating Cost

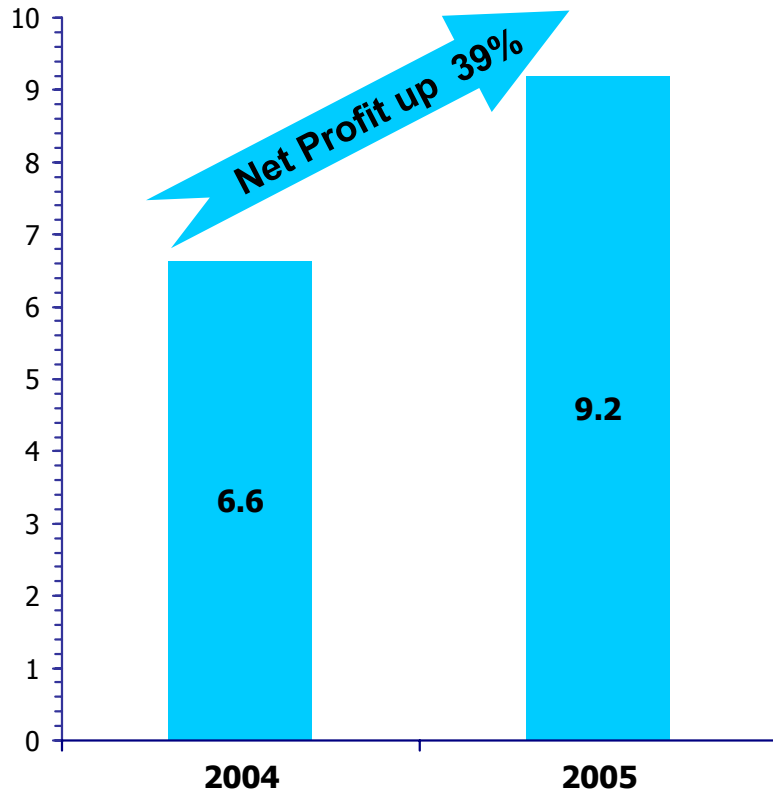


# Who Says Your Bank Can't Do More For You - 1<sup>st</sup> Qtr 2005 Results



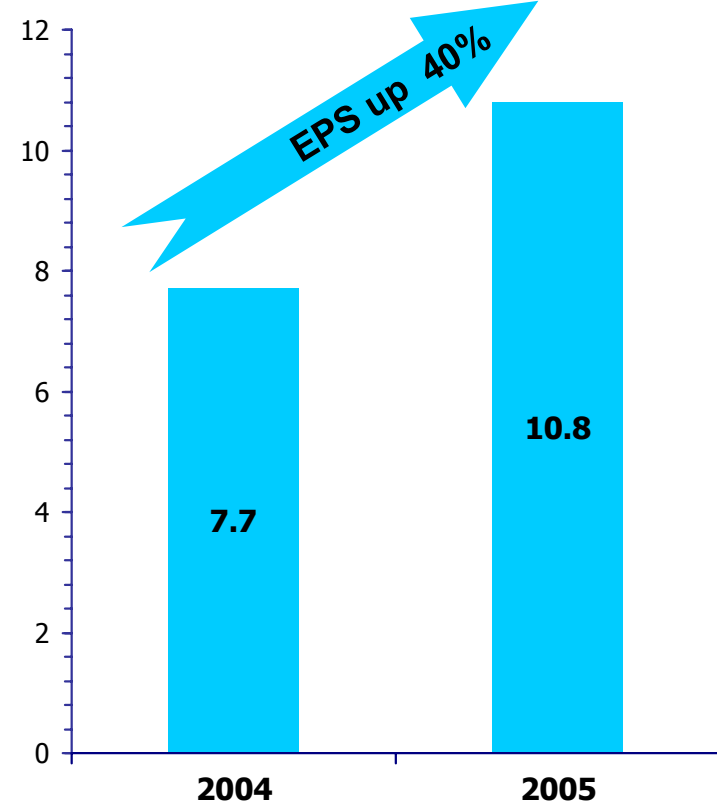
### Net Profit

*KD Millions*



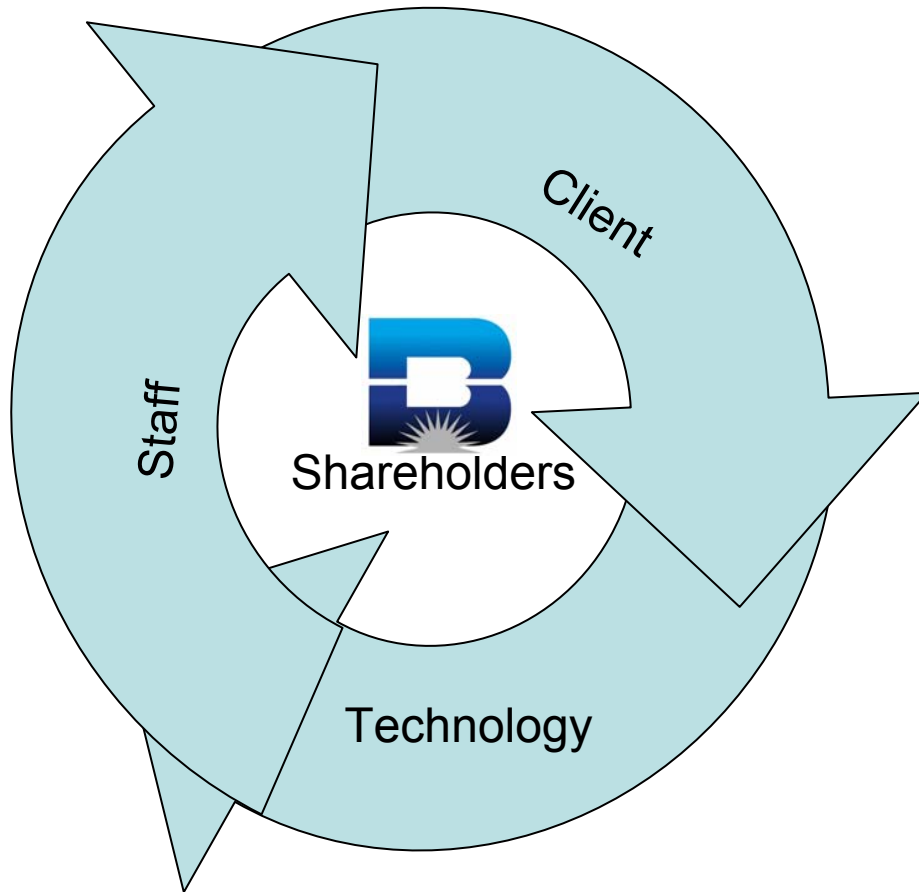
### EPS

*Fils*



# Conclusion

360° Action + 360° Brand Image = 360° Benefits



## Endless circle of prosperity for all

- A sound Brand proposition ensure product and services that keep customers happy.
- Happy customers ensure sound financial results/ increase in brand equity.
- In turn ensures greater staff rewards.
- Nurtured Staff will always keep customers happy
- This increases returns for shareholders.

# Thank You



A Member of KIPCO Group