



# National Bank of Kuwait

## Investor Presentation

1Q 2024 Earnings Call

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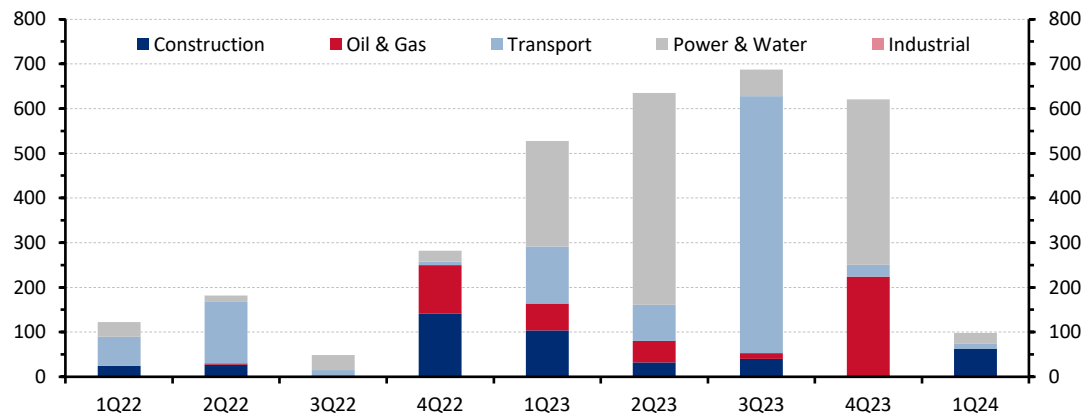
# Key Economic Highlights

Daily ICE Brent Crude Oil Prices (\$/bbl)



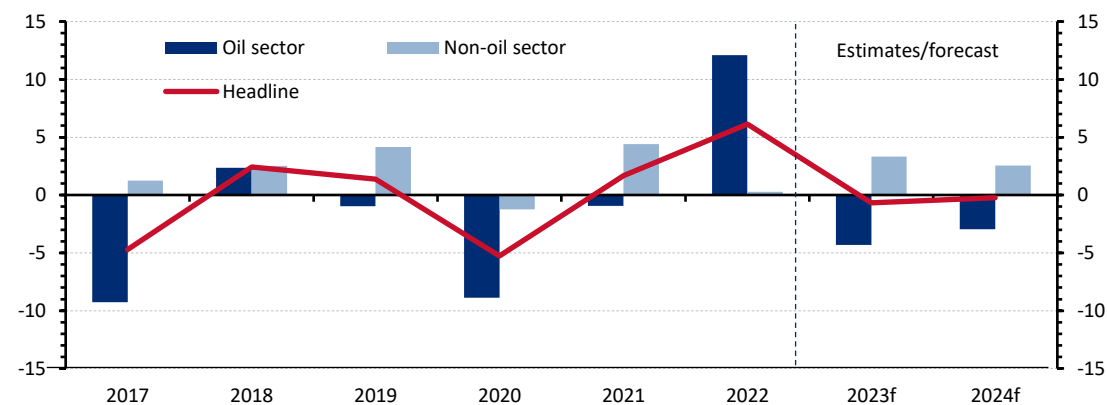
A tightening oil market supported by OPEC+ supply cuts, coupled with a higher geopolitical risk premium linked to the conflict in Gaza and between Israel and Iran, has pushed oil prices up to their highest levels since October 2023. ICE Brent closed Q1 2024 up 13.6% q/q at \$87.5/bbl and continued rising into April, topping \$91/bbl (+18.3% ytd) on 5 April before paring back gains.

Project Awards<sup>2</sup> (KD million)



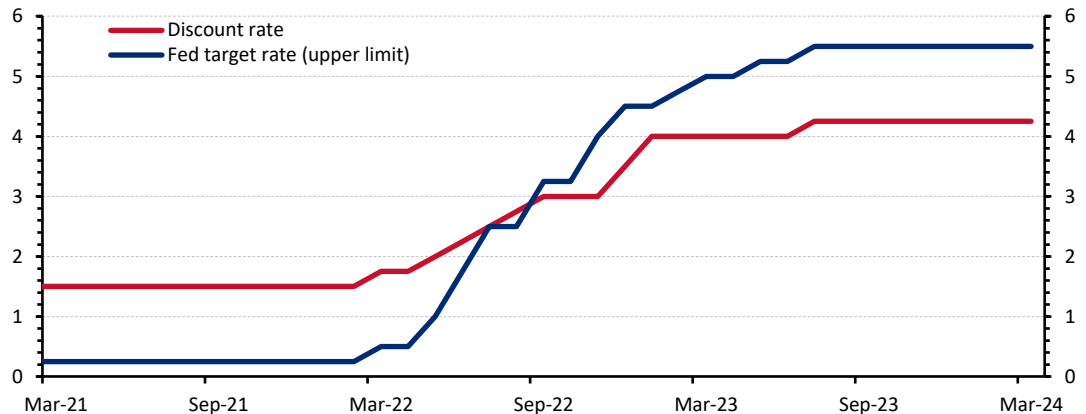
Project awards (value) fell to KD98mn (-78% q/q; -81% y/y) in Q1 2024, a notable slowdown in momentum from the pace seen in 2023, and partly explained by season factors (Ramadan).

Real GDP Growth<sup>1</sup> (% y/y)



GDP growth is set to soften in 2024 amid slower consumer activity and lower oil production after Kuwait agreed to implement additional OPEC+ voluntary oil production cuts in H1 2024.

Kuwait Discount Rate<sup>3</sup> (%)



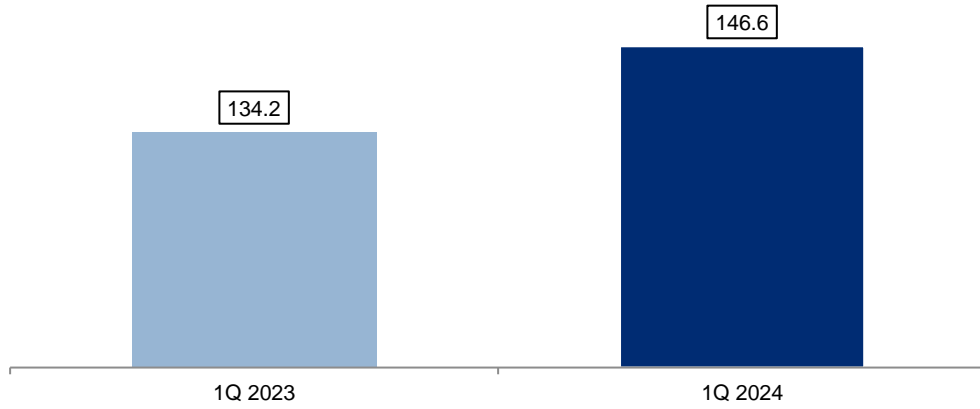
The CBK has remained its key policy rate at 4.25% since July 2023, having raised rates far less aggressively than the US Fed (cumulative +275 bps since March 2022 vs. 525 bps for the Fed)

Sources: <sup>1</sup> NBK estimates; <sup>2</sup> MEED Projects; <sup>3</sup> As per latest Central Bank of Kuwait (CBK) rate hike on 26/07/2023;

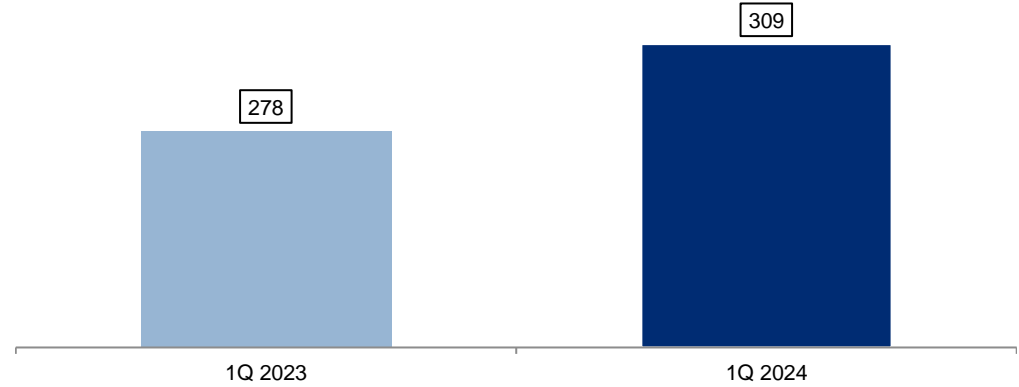


# Operating Performance & Profitability

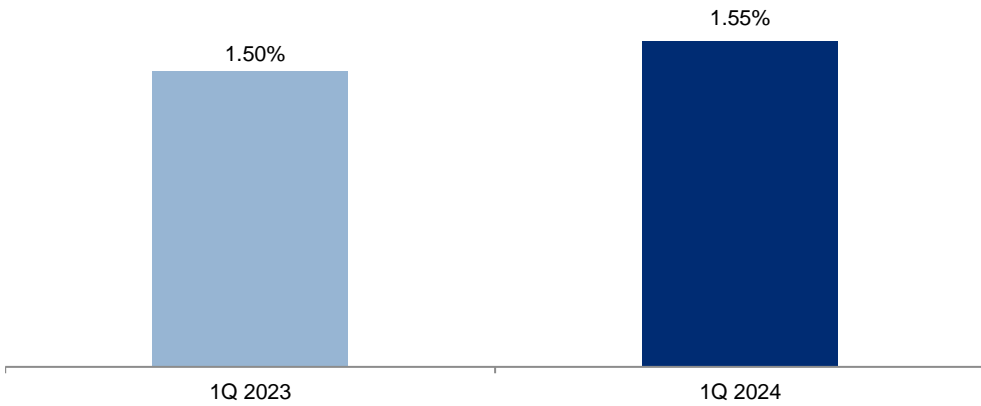
Net Profit (KDm)



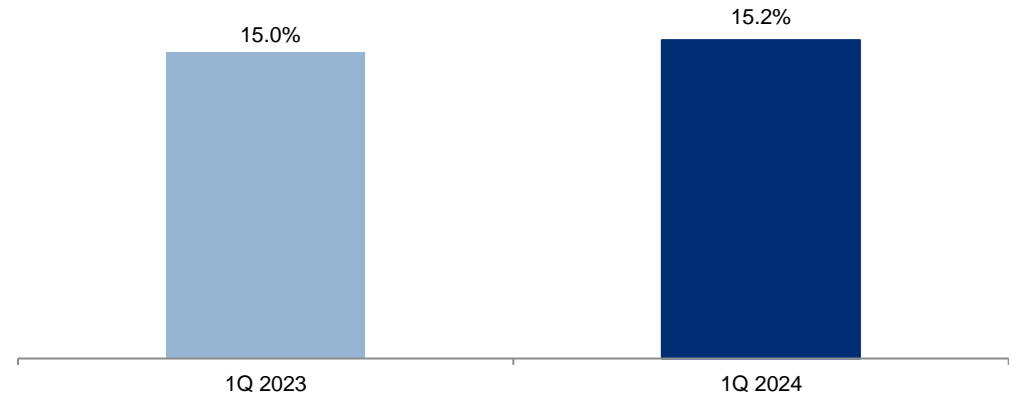
Net Operating Income (KDm)



Return on Average Assets

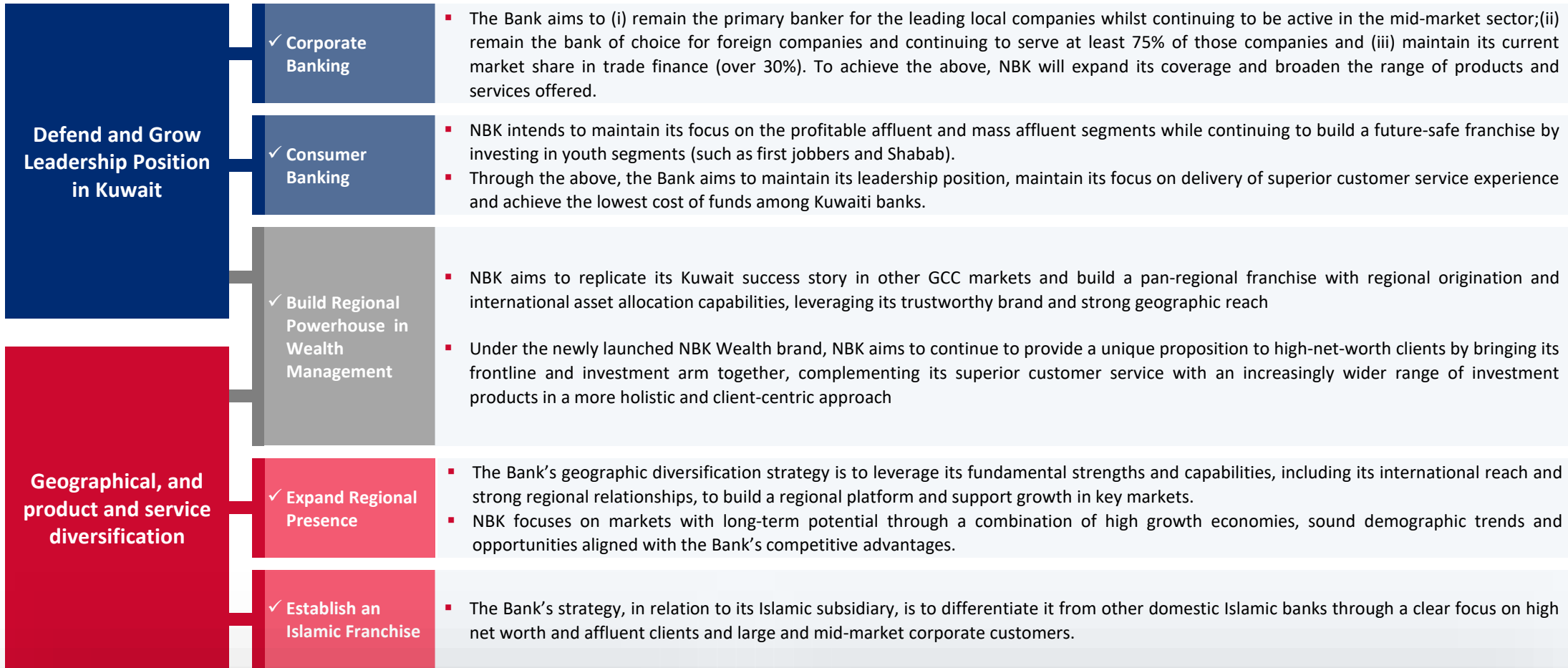


Return on Average Equity





# NBK's Strategy



**Digital Transformation**

**ESG Transition**

# Building A Leading Journey In ESG

## ESG Ratings



**SUSTAINALYTICS**

NBK is at 27.4 – Medium Risk

**MSCI**  
ESG RATINGS



MSCI upgraded NBK ESG ratings to 'BBB' in August 2023



"C" score for 2023 for both the Climate Change and Forests Categories

**REFINITIV**



Listed on Refinitiv AFE Low Carbon Select Index MENA



FTSE4Good

Constituent of the FTSE4Good Index Series

**S&P Global**

NBK scored 34/100 in S&P Global rating



NBK Headquarters awarded the Gold LEED Certification

## ESG Governance

- A Board approved ESG Governance Structure and Framework that assigns ESG responsibility across members of the Executive Management.
- Established the Sustainability and Climate Change (S&CC) Committee, chaired by the Vice Chairman and Group CEO and with direct Board oversight.
- Under the jurisdiction of the S&CC Committee, five sub-committees were established which comprise of members of the Executive Management, assigning them with ESG roles within their relevant areas.
- ESG-specific KPIs were developed and formalized for the members of the Executive Management.
- The sub-committees are responsible for monitoring the progress of NBK's net zero emission pathways, establishing ESG governance and risk management controls across operations and portfolios, cultivating an ESG culture across the Group, maximizing social impact and community engagement, as well as evaluating and endorsing all new proposed use of proceeds of green bonds and other sustainable finance transactions.

## National and Global Frameworks



بورصة الكويت  
BOURSA KUWAIT



**WE SUPPORT**



# Key ESG Achievements

*We measure our progress against well-defined metrics and targets to achieve the greatest positive impact.*

## > Strategy Pillars



### Responsible Banking



### Governance for Resilience



### Investing in our Communities



### Capitalizing on our Capabilities

## > Key Highlights

- Committed to **become carbon neutral by 2060** and set an interim target to **reduce gross operational emissions by 25% by 2025**.
  - Installed **Building Energy Management System (BEMS) in 22 of NBK's local branches** to monitor, control, and optimize the Bank's energy and water consumption.
  - Committed to **USD 10 billion Sustainable Assets by 2030**. As of 31 December 2023, **the Bank has around USD 3.5 billion of Sustainable Assets**.
  - Launched **Eco-friendly Auto Loan and Eco-friendly Housing Loan** for consumers.
  - Reviewed and updated **the Bank's Procurement policies** to embed ESG-related principles in its vendor sourcing and management processes.
  - In 2023, **NBK Egypt concluded an operational carbon footprint exercise** for the years 2021-2022 and is currently engaged on FY 2023 GHG footprint assessment in line with Central Bank of Egypt regulations.
- 
- Finalized and approved the **new Group ESG Strategy**.
  - Finalized and approved **ESG Governance Structure and Framework** that assigns ESG responsibility across members of the Executive Management.
  - Established management-level **Sustainability and Climate Change Committee** headed by the Vice Chairman & GCEO and with direct oversight from the Board of Directors.
  - Joined the **United Nations Global Compact (UNGC)**. The Bank's first Communication on Progress (COP) is due June 2024.
  - In the process of developing a **Group-level ESG Policy** to orchestrate the Bank's sustainability activities and drive accountability across the Group network.
  - Accounted for **climate change risks in the Pillar II Assessment presented in the ICAAP regulatory report**.
  - Institutionalized **alignment with the recommendations of Taskforce on Climate-related Financial Disclosures (TCFD)**. In the process of developing a **bank-wide Environmental & Social Risk Management (ESRM) Framework**.
- 
- Launched **new designs for all our cards with customer-tailored features**, including design themes **especially for the visually impaired**.
  - Launched the **"Bankee" financial literacy program** in Kuwait's schools, with around **15,000 students and 3,000 teachers participating**.
  - Continues to be the primary advocator of **Central Bank of Kuwait's "Let's Be Aware" Campaign** which aims to raise public awareness about key financial concepts and advance financial inclusion in Kuwait. In 2023, **engaged in more than 44 public interactions** across numerous channels and platforms in Kuwait.
  - Community Investments** totaled KD 28 million in 2023 (**USD 91 million**), a **22% increase from 2022**.
  - Launched **"She's Next" initiative in partnership with VISA**, a global advocacy program that aims to support women-owned small businesses.
  - Continued efforts to support and nurture local talent. As of 31 December 2023, **Nationalization rate was 76.7%**.
  - NBK organized a **Media Awareness Workshop on Sustainability and Climate Change**, the first-of-its-kind in Kuwait.
  - Renewed its sponsorship of the Kuwait Dive Team (KDT) for the second year in a row, with the aim of rehabilitating and protecting Kuwait's marine environment and ecosystem. In 2023, **removed 150 tons of plastic, discarded fishing nets, and shipwreck from Kuwait's bays and coasts, an eight-fold increase from 2022**.
- 
- Women in workforce 44%**, women in management **28.8%**.
  - Provided key **Sustainability Champions** across the Bank with a **Global Reporting Initiative (GRI) Standards certified training program**.
  - Launched **Sustainability Essentials Training Program across the Group**, providing employees with capacity building on key sustainability concepts.
  - In 2023, NBK Kuwait employees received **147,701 training hours**. Also, provided **3,313 training hours on ESG-related topics** with focus on Sustainability Awareness, Sustainable Finance, and Climate Risk Management.
  - In 2023, launched first of its kind **NBK Tech Academy** to provide the Kuwaiti youth with a **best-in-class and innovative program in digital transformation**.
  - Developed an **Employee Grievance Policy**, which was circulated to all employees and published on NBK Group Website.
  - In an effort to make NBK a better and inclusive workplace, launched the **Employee Engagement Survey "Your Voice Matters" 2023**.
  - Launched **new mobile banking experience** for NBK customers themed "Tailored for You", to provide them with the latest and most advanced digital services.



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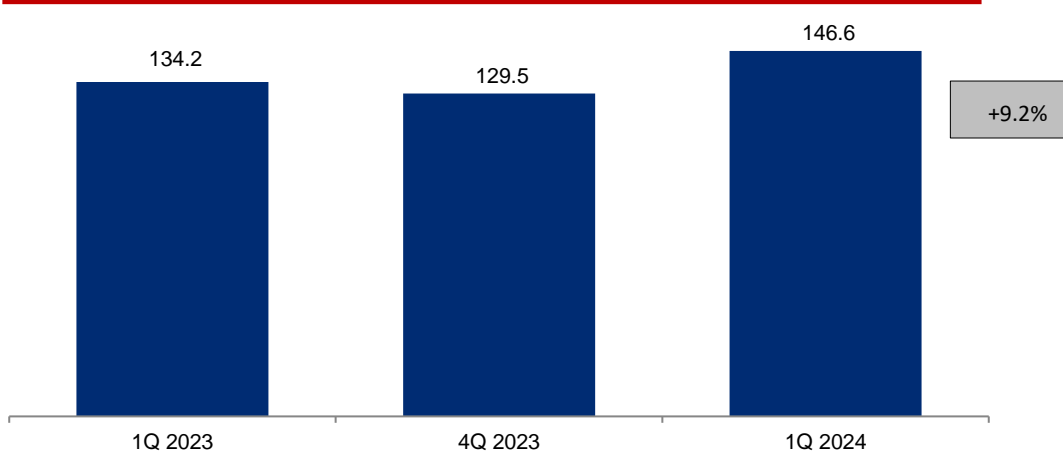
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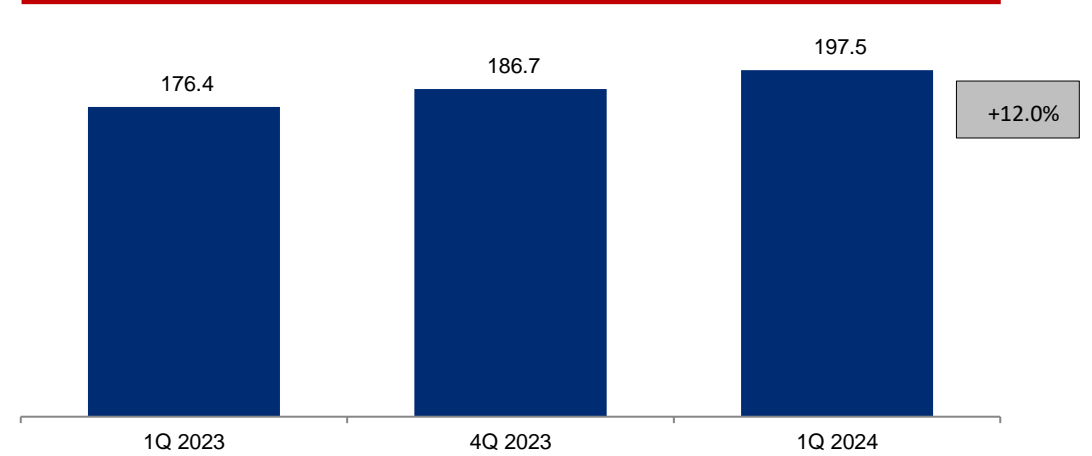


# Operating Performance 1Q 2024

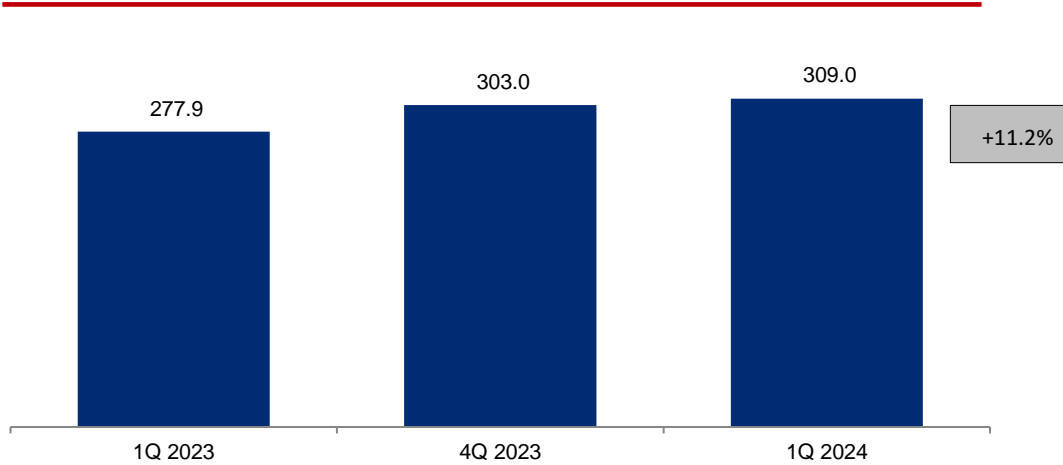
Net Profit (KDm)



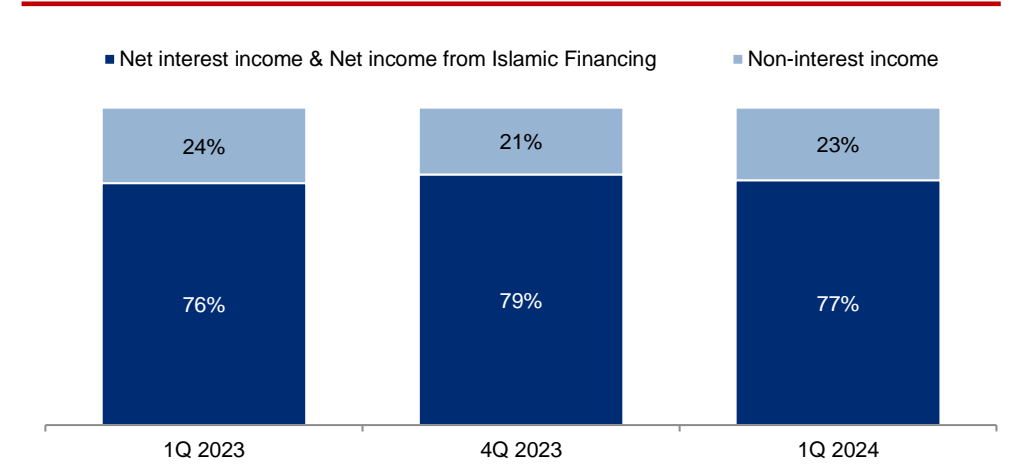
Operating Surplus (KDm)



Net Operating Income (KDm)



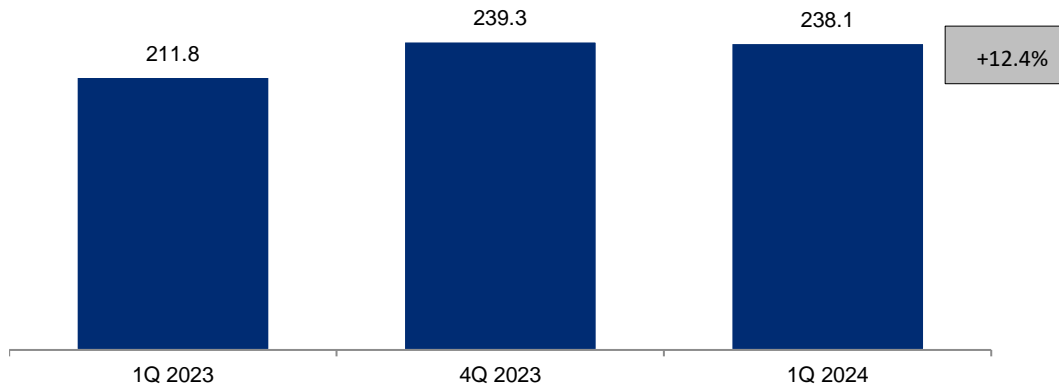
Net Operating Income Mix



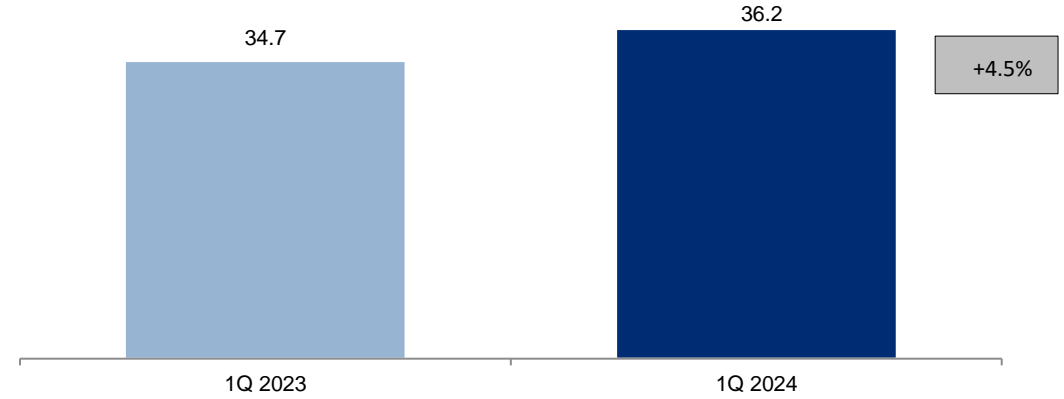


# Operating Performance 1Q 2024

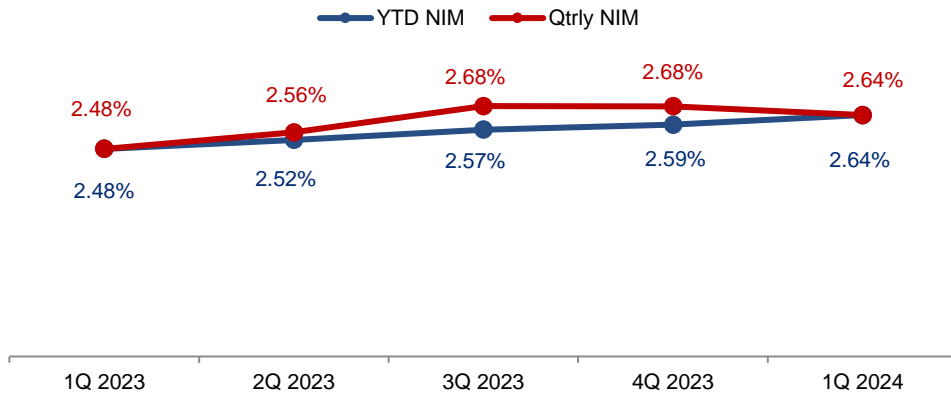
Net Interest Income\* (KDm)



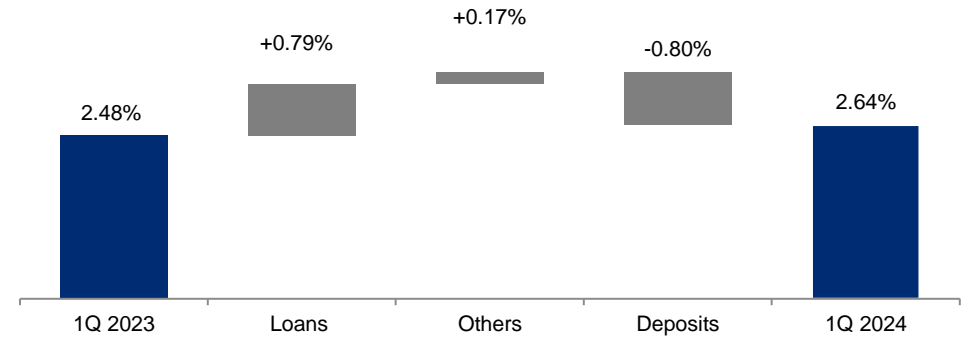
Average Interest Earning Assets (KDbn)



Net Interest Margin\*



Net Interest Margin drivers

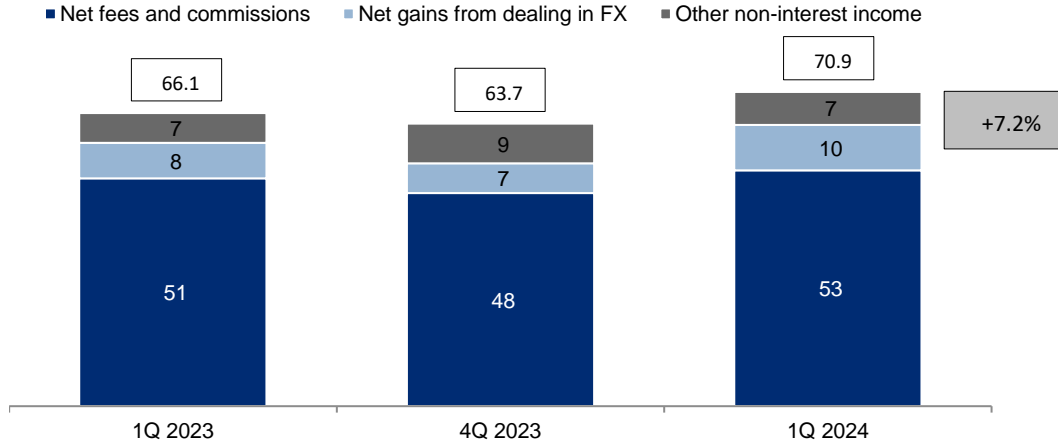


\*Includes net interest income and net income from Islamic Financing

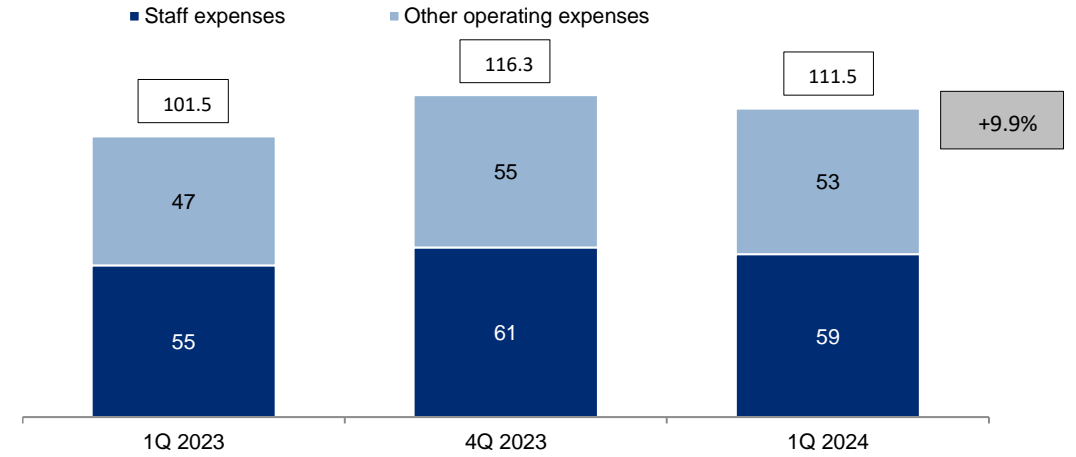


# Operating Performance 1Q 2024

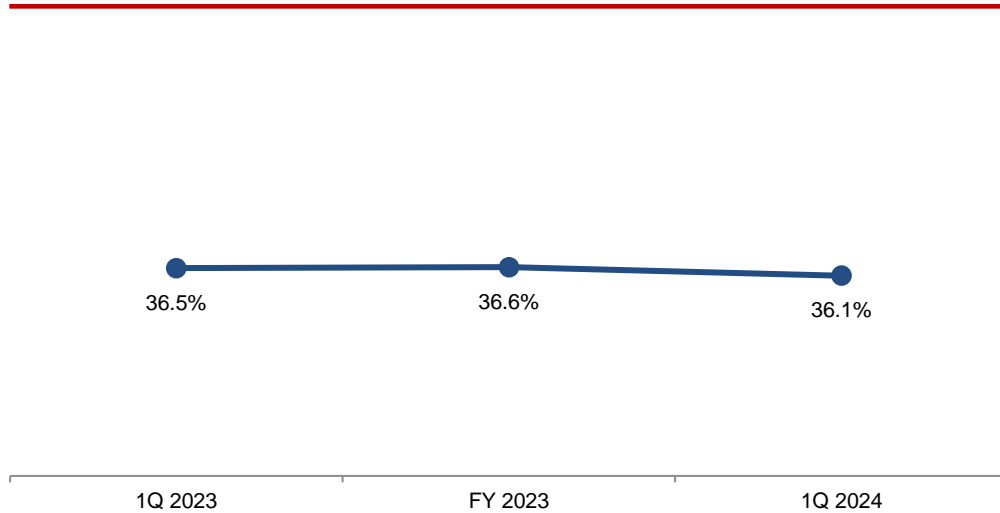
Non-interest income (KDm)



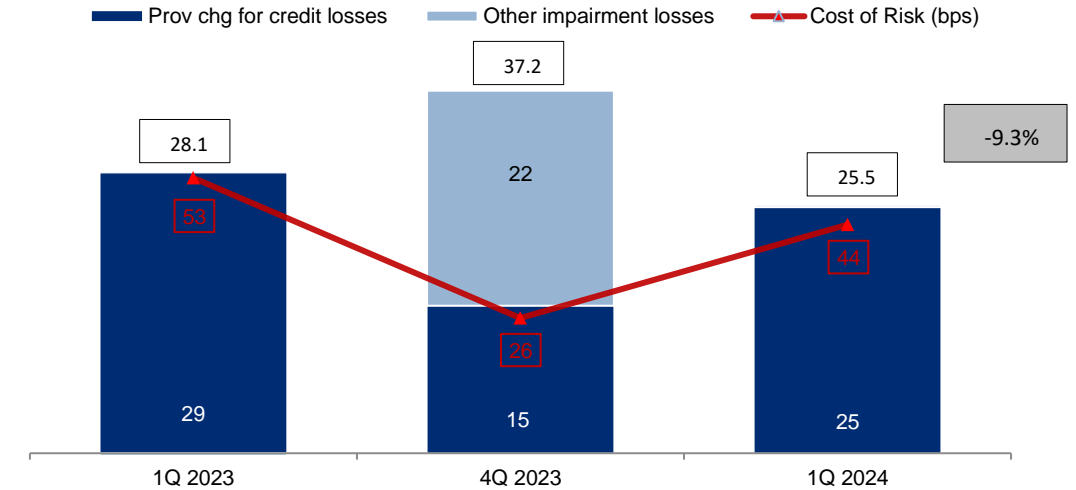
Operating Expenses (KDm)



Cost to Income ratio



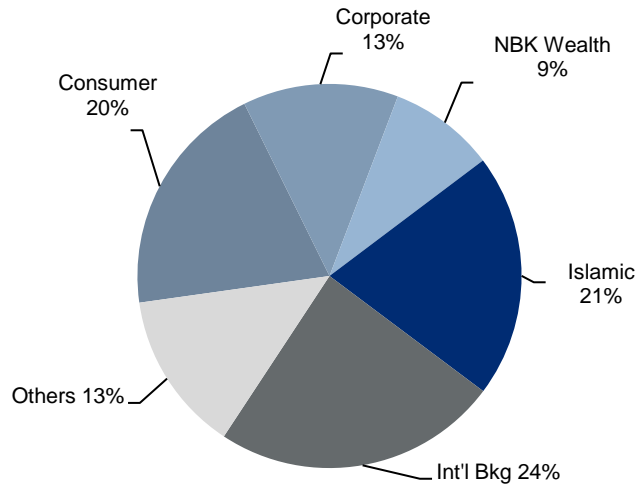
Provisions and Impairments (KDm)



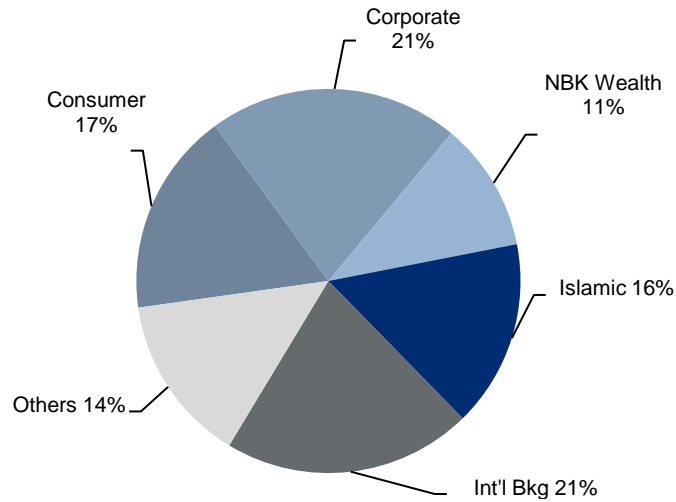


# Group Diversification

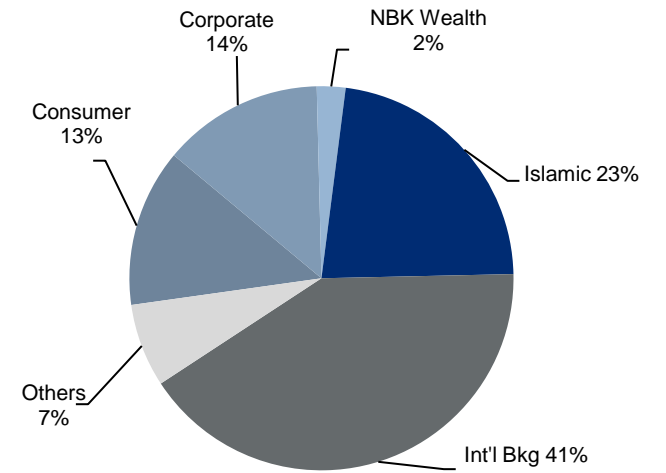
1Q24 Op. Income by Business Line (%)



1Q24 Net Profit by Business Line (%)



1Q24 Total Assets by Business Line (%)

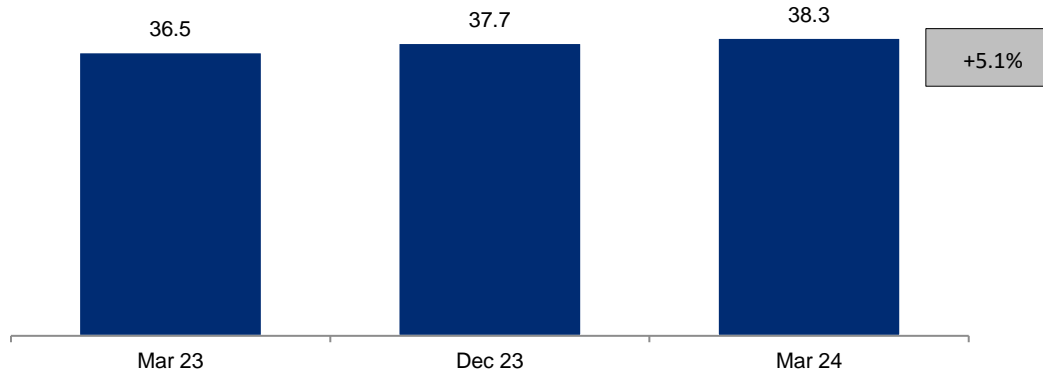


Source: Segment analysis note of 1Q24 FS

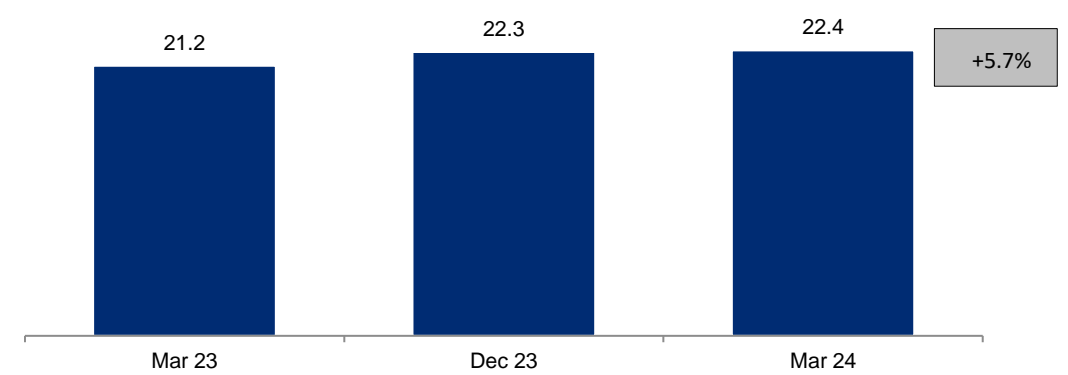


# Operating Performance 1Q 2024

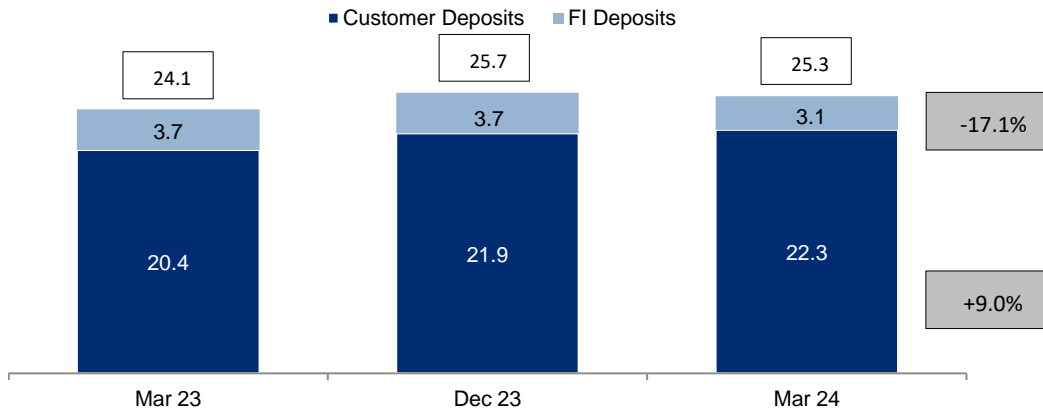
Total Assets (KDbn)



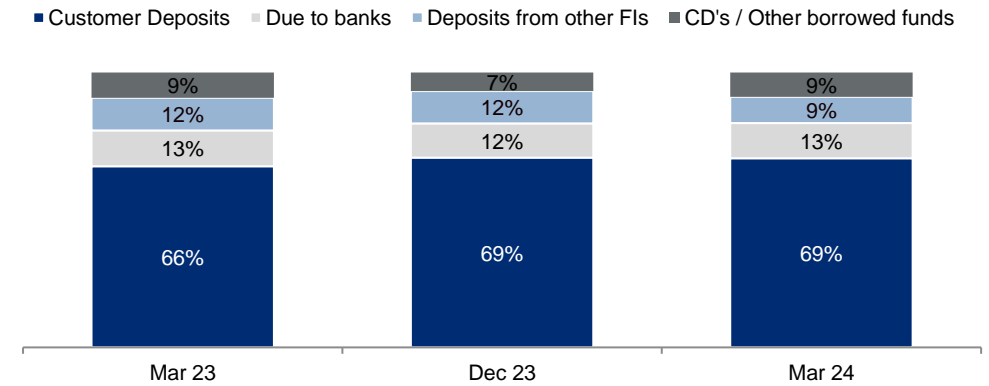
Loans, Advances and Islamic Financing (KDbn)



Customer Deposits & FI Deposits\* (KDbn)



Funding Mix

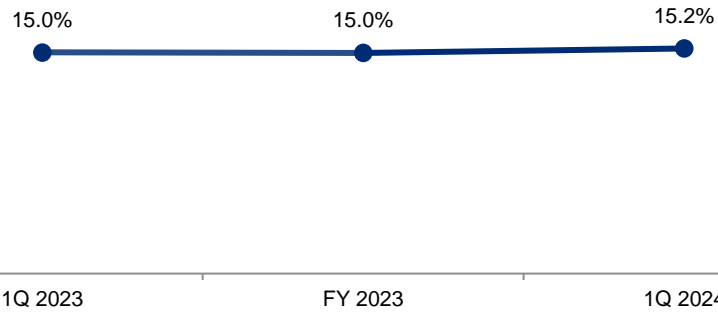


\*excludes due to banks

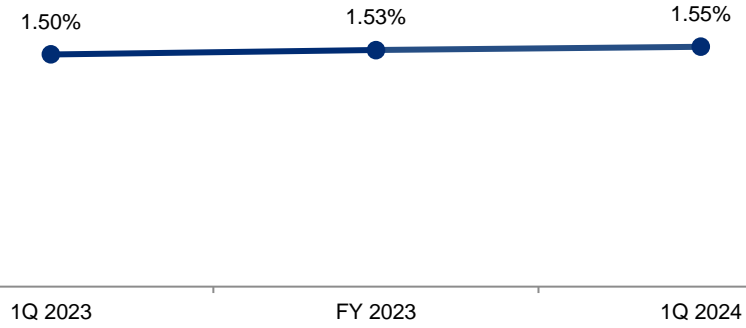


# Performance and Asset Quality Ratios 1Q 2024

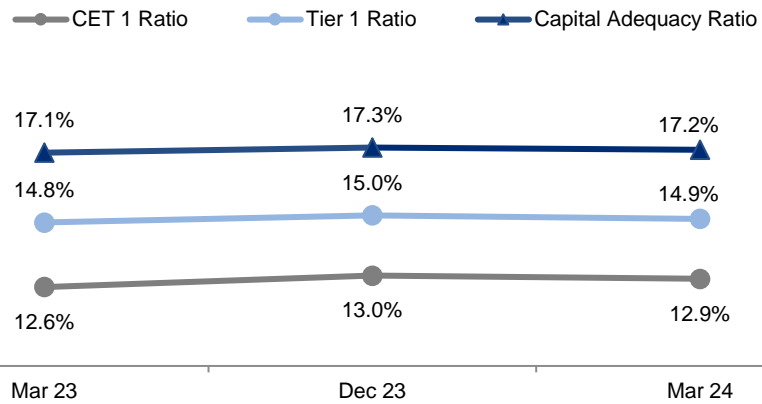
Return on Average Equity



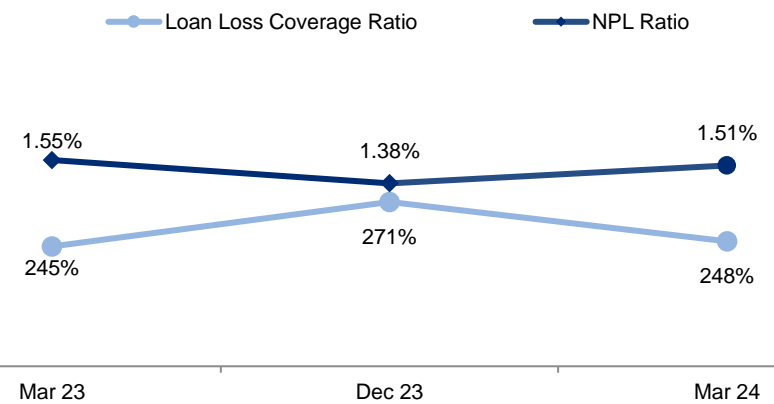
Return on Average Assets



Capital Adequacy Ratios



Asset Quality Ratios



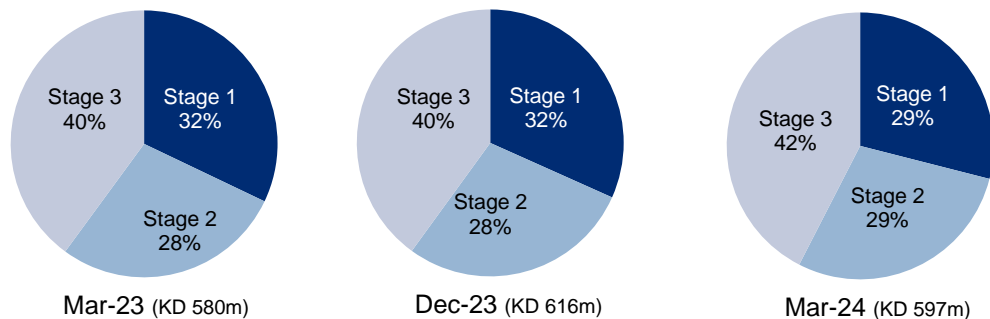


# Expected Credit Losses (ECL) 1Q 2024

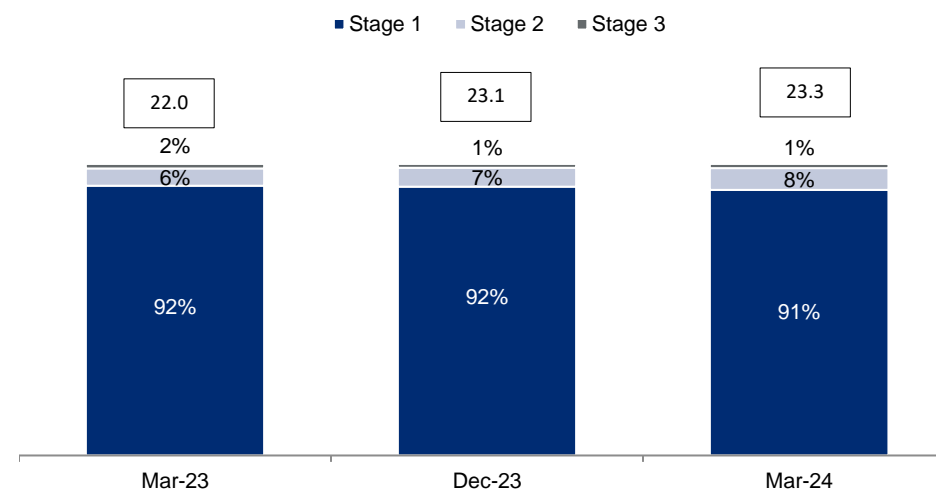
Financial Statements ECL Disclosure (KDm)

| 31 March 2024  | Stage1 | Stage 2 | Stage 3 | Total  |
|--|--------|---------|---------|--------|
| Loans, advances and Islamic financing to customers       | 21,178 | 1,731   | 351     | 23,261 |
| Contingent liabilities                                   | 3,955  | 678     | 16      | 4,649  |
| Commitments (revocable and irrevocable) to extend credit | 8,144  | 1,031   | 2       | 9,177  |
| ECL allowance for credit facilities                      | 173    | 171     | 254     | 597    |

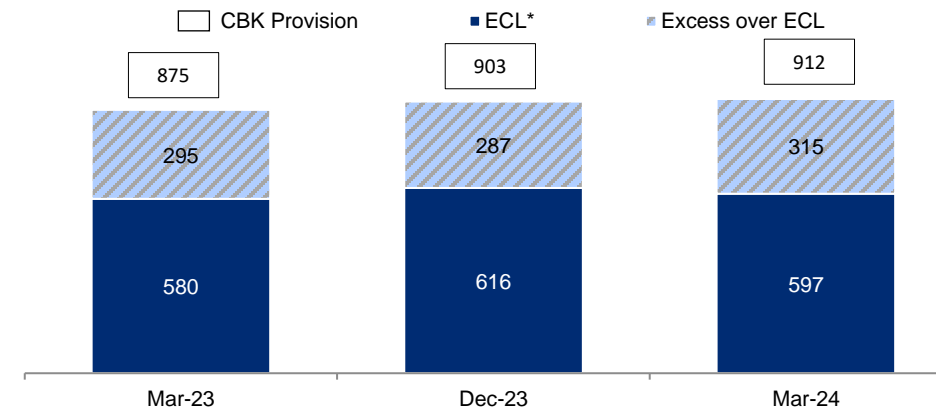
ECL Allowance for Credit Facilities



Total Gross Loans (KDbn)



CBK Credit Provisions vs IFRS 9 ECL (KDm)



\* ECLs as per CBK guidelines





## 2024 Guidance

|                      | FY 2023       | 1Q 2024      | 2024 Guidance<br>(v/s 2023) |
|----------------------|---------------|--------------|-----------------------------|
| Loan Growth          | +6.1%         | +0.5%        | Mid Single Digit            |
| NIM                  | 2.59%         | 2.64%        | Stable                      |
| Cost to Income ratio | 36.6%         | 36.1%        | High 30s                    |
| Cost of Risk         | <i>36bps</i>  | <i>44bps</i> | <i>40 – 50 bps</i>          |
| Earnings (yoy)       | <i>+10.1%</i> | <i>+9.2%</i> |                             |
| Capital Adequacy     | <i>17.3%</i>  | <i>17.2%</i> |                             |

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## Consolidated Statement Of Income *(KDM)*

| <i>KDM</i>   | 1Q 2023    | 1Q 2024    | YoY Growth (%) |
|--|------------|------------|----------------|
| Interest Income  | 361        | 452        | 25%            |
| Interest Expense   | 191        | 263        | 38%            |
| <b>Net Interest Income</b>   | <b>171</b> | <b>189</b> | <b>11%</b>     |
| Murabaha and other Islamic financing income                                | 92         | 111        | 20%            |
| Finance cost and Distribution to depositors                                | 51         | 62         | 21%            |
| <b>Net Income from Islamic financing</b>                                   | <b>41</b>  | <b>49</b>  | <b>19%</b>     |
| <b>Net interest income and net income from Islamic financing</b>           | <b>212</b> | <b>238</b> | <b>12%</b>     |
| Net fees and commissions   | 51         | 53         | 3%             |
| Net investment income  | 6          | 7          | 17%            |
| Net gains from dealing in foreign currencies                               | 8          | 10         | 28%            |
| Other operating income   | 1          | 1          | (31%)          |
| <b>Non-interest income</b>   | <b>66</b>  | <b>71</b>  | <b>7%</b>      |
| <b>Net Operating Income</b>  | <b>278</b> | <b>309</b> | <b>11%</b>     |
| Staff expenses   | 55         | 59         | 7%             |
| Other administrative expenses  | 36         | 41         | 14%            |
| Depreciation of premises and equipment                                     | 11         | 12         | 9%             |
| Amortisation of intangible assets  | 0          | 0          | 0%             |
| <b>Operating Expenses</b>  | <b>101</b> | <b>111</b> | <b>10%</b>     |
| <b>Op. profit before provision for credit losses and impairment losses</b> | <b>176</b> | <b>197</b> | <b>12%</b>     |
| Provision charge for credit losses   | 28         | 25         | 11%            |
| Impairment losses  | (1)        | 0          | NM             |
| <b>Operating profit before taxation and directors' remuneration</b>        | <b>148</b> | <b>172</b> | <b>16%</b>     |
| Taxation   | 9          | 16         | 75%            |
| Non-controlling interests  | 5          | 10         | 90%            |
| <b>Profit attributable to shareholders of the Bank</b>                     | <b>134</b> | <b>147</b> | <b>9%</b>      |



## Consolidated Statement Of Financial Position *(KDm)*

| <i>KDm</i>   | March-2023    | March-2024    | YoY Growth % |
|--|---------------|---------------|--------------|
| Cash and short term funds                              | 5,108         | 4,271         | (16%)        |
| Central Bank of Kuwait bonds                           | 894           | 860           | (4%)         |
| Kuwait Government treasury bonds                       | 198           | 193           | (3%)         |
| Deposits with banks                                    | 1,427         | 1,918         | 34%          |
| Loans, advances and Islamic financing to customers     | 21,189        | 22,389        | 6%           |
| Investment securities                                  | 5,970         | 6,900         | 16%          |
| Land, premises and equipment                           | 475           | 497           | 5%           |
| Goodwill and other intangible assets                   | 530           | 508           | (4%)         |
| Other assets   | 672           | 792           | (18%)        |
| <b>Total Assets</b>                                    | <b>36,464</b> | <b>38,328</b> | <b>5%</b>    |
| Due to banks   | 4,021         | 4,181         | 4%           |
| Deposits from other financial institutions             | 3,701         | 3,068         | (17%)        |
| Customer deposits                                      | 20,436        | 22,271        | 9%           |
| Certificates of deposit issued                         | 1,481         | 1,644         | 11%          |
| Other borrowed funds                                   | 1,371         | 1,237         | (10%)        |
| Other liabilities                                      | 943           | 1,119         | 19%          |
| <b>Total Liabilities</b>                               | <b>31,953</b> | <b>33,521</b> | <b>5%</b>    |
| Share capital  | 755           | 793           | 5%           |
| Proposed bonus shares                                  | 38            | 40            | 5%           |
| Statutory reserve                                      | 378           | 396           | 5%           |
| Share premium account                                  | 803           | 803           | 0%           |
| Treasury share reserve                                 | 35            | 35            | 0%           |
| Other reserves   | 1,502         | 1,720         | 15%          |
| <b>Equity attributable to shareholders of the bank</b> | <b>3,511</b>  | <b>3,788</b>  | <b>8%</b>    |
| Perpetual Tier 1 Capital Securities                    | 439           | 439           | 0%           |
| Non-controlling interests                              | 561           | 580           | 4%           |
| <b>Total equity</b>                                    | <b>4,510</b>  | <b>4,807</b>  | <b>7%</b>    |
| <b>Total liabilities and equity</b>                    | <b>36,464</b> | <b>38,328</b> | <b>5%</b>    |



## Performance Measures 1Q 2024

|                              | March-2023 | March-2024 |
|------------------------------|------------|------------|
| Return on Average Assets     | 1.50%      | 1.55%      |
| Return on Average Equity     | 15.0%      | 15.2%      |
| Net Interest Margin          | 2.48%      | 2.64%      |
| Cost to Income               | 36.5%      | 36.1%      |
| NPLs to Gross Loans          | 1.55%      | 1.51%      |
| Loan Loss Reserves to NPLs   | 245%       | 248%       |
| CET 1 Ratio                  | 12.6%      | 12.9%      |
| Tier 1 Ratio                 | 14.8%      | 14.9%      |
| Total Capital Adequacy Ratio | 17.1%      | 17.2%      |

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**Questions?**



**Thank You**





# National Bank of Kuwait

## Investor Presentation

1Q 2024 Earnings Call