

## Business

# NBK's AGM approves distribution of 35% cash dividends, 5% bonus shares

AGM, held with a 79.97% quorum, approves all BOD's proposals



KUWAIT: Nasser Al-Sayer delivers a message at NBK's Ordinary (AGM) and Extraordinary (EGM) General Assembly meeting for 2018 that was held yesterday.

KUWAIT: NBK's Chairman Nasser Al-Sayer affirmed that "NBK Group has achieved strong performance across all business segments in 2018. Such strong results reflect the success of the bank's strategy aimed to expand its international operations and increase their contribution to the Group's profits, in line with NBK's keenness to affirm its leadership in the local market".

This was part of Al-Sayer's message at NBK's Ordinary (AGM) and Extraordinary (EGM) General Assembly meeting for 2018 that was held yesterday (9 March 2019), at which there was a quorum of 79.97 percent. The AGM and EGM approved the Board of Directors' recommendation to distribute 35 percent cash dividend to shareholders (equivalent to 35 fils per share) and the distribution of 5 percent bonus shares (5 shares for every 100 shares owned).

Al-Sayer added that NBK continued its strong financial performance in 2018, achieving a record annual net profit of KD 371 million compared to KD 322 million in 2017, a growth of 15 percent y-o-y.

#### Comprehensive diversification

Al-Sayer said that NBK has made significant progress in its pursuit of the diversification strategy. He added that the strategy is not limited to the Bank's products and services but extends to expanding its operations in all the markets it operates as it continuously seeks more opportunities, in addition to committing to digital transformation, which will enable the Group to continue its growth in the future.

Al-Sayer also assured the role that NBK plays in supporting economic growth and the agenda of 'New Kuwait 2035', stating that NBK is the no.1 bank for financing public and private projects, a status that it intends to maintain.

As global oil prices improved in the first half of last year, it gave a major boost to GCC sovereign balance sheets - with improved fiscal positions, although these were somewhat dented by bearish market conditions later in the year. He confirmed the strength of the Kuwaiti economy despite fluctuations in oil prices and this is borne out by the strong sovereign credit ratings that it has maintained, adding that further reforms are still required to boost longer-term growth potential.

#### Nasser Al-Sayer

- NBK Group achieved solid growth across all business segments in 2018
- Our Solid results reflect the success of NBK's strategy in expanding its international operations and maintaining its leadership in the local market
- NBK has managed to achieve significant progress in implementing its diversification strategy across all the markets in which we operate
- NBK has established its prominent presence as the preferred financing partner for developmental and private projects
- We will continue to foster NBK's role in supporting our local economy and "New Kuwait 2035" National Development Plan
- The continuous pursuit of economic reforms supports more longer-term growth



#### Isam Al-Sager

- NBK has firmly established its leading position in the Kuwaiti banking sector, based on its solid fundamentals reflected by its financial strength across various indicators
- NBK's financial performance is supported by diversified income and the expansion of international operations
- We continue to adopt a conservative risk approach as our NPL coverage ratio at 228.1%
- NBK's balance sheet continued to grow, with our assets up by 5.4% y-o-y and shareholders' equity up by 3.3% in 2018
- We achieved a remarkable growth of 6.9% in our loan portfolio and attracted more customer deposits, which increased by 4.4% y-o-y



#### Record results

NBK's Group CEO Isam Al-Sager said that "NBK continued its strong performance during 2018 achieving record net profits. The solid results reflect the Bank's solid financial performance and the soundness of its risk-mitigation strategy through diversifying its sources of income and expanding into new geographies, while maintaining competitive advantage in the local market by providing conventional and Islamic banking services through our subsidiary Boubyan Bank".

He highlighted that NBK maintained a conservative approach to risk mitigation, reflected in the confirmation of strong long-term credit ratings. The Bank's robust asset quality metrics held steady, with the NPL/gross loans ratio at 1.38 percent and an NPL coverage ratio of 228.1 percent. The Group maintained a high level of capitalization, with a capital adequacy ratio of 17.2 percent as of the end of 2018, comfortably in excess of the Central Bank of Kuwait's requirement.

He highlighted the growth of NBK's balance sheet in 2018, with total assets increasing by 5.4 percent to reach KD 27.4 billion, whereas shareholders' equity was up by 3.3 percent y-o-y, as it stood at KD 2.95 billion. Customer loans and advances increased by 6.9 percent to KD 15.5 billion, while customer deposits increased by 4.4 percent to reach KD 14.4 billion.

Al-Sager added: "NBK managed to maintain high profitability as it constituted 38 percent of the aggregate profits reported by the banking sector in Kuwait, which is a testament to the strength of our leading position in the local market".

#### Strong leadership

Al-Sager stressed that NBK's has a leading and prominent position in the Kuwaiti market based on solid fundamentals reflected by the strength of all financial indicators and large balance sheet.

Al-Sager mentioned that a core component of the diversification theme in 2018 was the considerable

effort made by the Bank towards its digital transformation. The program is cross-segment and cross-geography, impacting internal processes and systems as well as the experience and opportunities of our customers. He highlighted that the successful efforts in that regard positioned the bank for the next generation in digital banking services.

He also pointed out to NBK's Key role in supporting Kuwait's economic growth as it is the no.1 bank for financing mega public projects, besides that, the Bank's strategy is aligned with the objectives outlined in the government's development plan 'New Kuwait 2035'.

Al-Sager concluded: "Our primary objective is to deliver superior returns to shareholders, which we will achieve by defending our leadership of core businesses, maintaining our dominant share of the domestic Kuwaiti market, achieving growth in target segments and exploiting our international presence".

#### The bank of the future

Commenting on NBK's solid performance throughout 2018, NBK's Deputy GCEO Shaikha Al-Bahar said: "What we achieved in 2018 makes it a special year across the board. We successfully managed to develop a road map to attain our strategic objective to be the bank of the future, thus maintain our leadership both locally and internationally. That was made possible through the successful implementation of our digital transformation strategy, which in turn, reflected throughout all our activities and services, in addition to exponentially growing our international operations across all markets we operate in".

These successes were clearly reflected in the Group's performance in 2018 with operating profit growing by 8.9 percent to KD 606.9 million, noting that the increase in profit was driven by growth in financing activities, growth in income from fees and commissions, and the effective cost management policies resulted in a cost-to-income ratio of 31.3 percent.

#### Expanded global footprint

Al-Bahar reflected on the expansion of NBK Group's international banking operations in 2018, as it accounted for 30.4 percent of the Group's net profit, increasing from a contribution of 29.4 percent in 2017.



Business

Shaikha Al-Bahar



- NBK has developed a road map aimed at building a “digital mindset” to support our effort towards offering our customers the most innovative products and services
- We have made great strides in 2018 towards achieving our strategic goal to position NBK as the bank of the future, thus cementing its leadership position in the local and regional markets
- Our digital transformation strategy is compressive and covers all the activities and the markets which we operate
- International operations continued 30.4% of NBK Group's aggregate profits, a crucial step in maintaining NBK's leading position
- We are working towards growing our operations in the Egyptian market though focusing on expanding our activities in retail banking services
- Launching Al-Watani Wealth Management affirms our presence in the Saudi market and supports our strategic goals for NBK Capital
- Transforming Paris branch to a subsidiary is part of NBK's contingency plan in anticipation of BRXIT and to maintain our position in the European market
- We successfully managed to reduce our cost to income ratio to 31.3%, thanks to the diligent execution of our expenditure management plan

Salah Al-Fulajj



- Our leadership in the banking sectors is backed up by continuous development of our offerings and unique offering upgrades provided to our customers
- NBK had a great performance in 2018 despite the challenging business environment in Kuwait and wide fluctuation in oil prices
- We maintained our dominant market share of 25% of total major financing deals in the local market
- We have close relations with KPC, as the ‘house bank’ for KPC and its subsidiaries
- NBK is the bank of choice for foreign companies, continuing to serve at least 75% of them locally, and trade finance market share of over 30%
- The awards and accolades we received in 2018 for our banking services reflect how far we have advanced in our digital transformation
- NBK is the biggest contributor towards CSR in Kuwait and a pioneer in introducing environmental and economic sustainability concepts

She highlighted the importance of NBK's international operations, stressing that: “The growth of international operations is a key factor in maintaining NBK's leadership. International operations are not limited only to geographic expansion but also increase the Bank's ability to provide a wider range of unique services that sets us apart from our competitors”.

“Our focus on expanding NBK's international operation in 2018 was mainly focused on the Egyptian market which constitutes about one third of our international banking group's profits, as we provided a wider range of unique services that differentiate the Bank from other competitors. This year in Egypt, a strong emphasis was placed on building the quality and reach of the Consumer Banking business, to diversify in terms of both income and operations”, Al-Bahar added.

She pointed out that NBK managed to affirm its position, as it injected more investments through increasing its branches in the Kingdom, and the launch of Al-Watani Wealth Management business, as it managed to finalize hiring staff and started to attract assets under management. This is a huge milestone which supports NBK Capital in its broader objective to become the Group's investment product design platform, product manager and asset manager for clients in Kuwait and the region.

As for the Bank's operations in Europe, Al-Bahar pointed out that NBK's Paris office was converted into

Year	Event
1952	Emiri Decree issued to establish NBK with a capital equivalent to KD 1 million
	Indian Rupee substituted for Gulf Rupee, issued by Reserve Bank of India and traded for the first time in Kuwait. NBK supports the substitution process
1959	
1950s	NBK supports the establishment of some of Kuwait's most prominent companies, including Kuwait Airways, Kuwait Petroleum Corporation, Kuwait Oil Tanker Company, Kuwait Flour Mills and Bakeries
1961	NBK replaces the Gulf Rupee with the Kuwaiti Dinar
1982	During Al Manakh crisis, NBK records no losses due to its conservative leadership
1990	Iraqi invasion of Kuwait forces NBK to manage its operations from its permanent branch in London
1991	NBK supports the Kuwaiti government with the region's largest loan, worth USD 5.5 billion
1995	NBK provides a loan worth USD 1.2 billion to support the establishment of Equate Petrochemical Company
1998	NBK introduces the first internet banking service in the Middle East
2000	NBK is the first bank in the Middle East to offer electronic US stock trading through its website
	Opening of the NBK Children's Hospital in Al Sabbah medical area
	NBK is the first bank in the GCC and Middle East to issue international bonds in global markets, worth USD 450 million
2002	
2004	NBK is the only bank in the GCC and Middle East granted a license to operate in Iraq
2007	NBK acquires Al Watany Bank of Egypt
	NBK avoids the negative impact of the global financial crisis, continuing to support its Kuwait and Middle East customers with all their international requirements
2008	
2012	NBK acquires a majority stake in Boubyan Bank
2015	NBK issues USD 700 million in capital securities and KD 125 million in subordinated bonds
2016	NBK provides financing for the largest clean fuel project
2017	NBK issues USD 750 million in senior unsecured notes
2017	Opening of the NBK Stem Cell Hospital for Children
2018	NBK reaches a new milestone with record profits exceeding USD 1.2 billion

a full subsidiary as a conservative and long-term positioning no-matter how Brexit ends up.

Digital transformation

Speaking on the Group's investment in technology and innovation, Al-Bahar confirmed that NBK has made considerable strides in 2018, in line with NBK's ongoing efforts to implement its comprehensive digital transformation strategy which covers all the activities and markets it operates in, as well as internal work systems and operations. This is an important driver for the growth of our digital offering, and an essential step towards maximizing coverage and improving the banking experience.

“The most important achievement of 2018 was the completion of NBK's Digital Roadmap, which is focused on building a “digital mindset” for the Bank, to support our effort towards offering our customers the most innovative products and services,” Al-Bahar stated.

Al-Bahar mentioned that the digital transformation strategy aims at developing mobile and internet banking services. New features launched in 2018 included upgraded mobile banking, video chat through mobile and online banking, selfie-pay and a host of ATM enhancements.

Mega deals

Meanwhile, NBK-Kuwait CEO, Salah Al-Fulajj said: “NBK had a great performance in 2018 despite challenging business environment in the local and regional markets, in addition to the oil market volatility throughout the year”.

Al-Fulajj affirmed that NBK continued to consolidate its leadership through its participation in the largest financing deals across various key sectors in Kuwait. The priority was to confirm the bank's leadership in the local market, as we managed to have 25 percent of the market.

Al-Fulajj highlighted the key transaction that NBK participated in which included participation in a KD 390 million term loan for KIPIC, of which NBK accounted for 35 percent, i.e. KD 140 million. NBK also provided a \$500 million credit facility in the international commercial finance tranche of Duqm Refinery in

Oman, in which NBK also acted as the credit facility agent for the \$1.43 billion international trade financing segment provided to the refinery.

He pointed out that the above mentioned mega deals were alongside a series of other smaller deals for the KPC group of companies, with whom the Bank has a close relationship, as the ‘house bank’ for KPC and its subsidiaries.

“The Group's main objectives are to act as the primary banker for leading local companies and to remain the bank of choice for foreign companies, continuing to serve at least 75 percent of them locally. It also aims to maintain a Trade Finance market share of over 30 percent. In achieving the above, we continue to offer a wide range of services, expanding our coverage and broadening the range of products we offer,” Al-Fulajj said.

Innovative services

Al-Fulajj confirmed that NBK has been at the forefront of promoting digital transformation, stating that in recognition of its leadership in digital banking products, Global Finance presented three awards to NBK, including Best in Mobile Banking (Consumer, Kuwait), Best Consumer Digital Bank (Kuwait) and Best Mobile Banking App (Consumer, Kuwait).

That prominent position was a result of introducing new services and unique enhancements in 2018 in NBK Mobile banking offerings such as an easy registration process, e-payment services for various services in the education, telecom, entertainment sectors.

Al-Fulajj pointed out that the excellence of the services provided by the bank is supported by the key role played by our human capital. Currently, NBK employs over 6,000 employees from 53 different nationalities across four continents around the world. We are also proud of having a 45 percent female employees representation within the Group, which is a remarkable achievement in the banking sector and the regional labor market.

Al-Fulajj concluded by saying that NBK is the biggest contributor to CSR, as it is at the forefront of private sector organizations when it comes to dedications of environmental, social and economic initiatives and programs, including NBK's ongoing and direct investment in NBK Children's Hospital, which houses a

Stem Cell Therapy Unit along with Pediatric Hematology and Oncology facilities, in addition to NBK awareness campaigns covering a wide range of health, environmental, cultural, mother and child initiatives.

Human Capital

Board of Directors' Formation

The EGM elected a new board of directors for the upcoming 3 years, consisting of the following members:

- 1 - Nasser Musaed Al-Sayer
- 2 - Hamad Abdul Aziz Al-Sager
- 3 - Yacoub Yousef Al-Fulajj
- 4 - Hamad Mohamed Al-Bahar
- 5 - Ghassan Ahmed Al-Khaled
- 6 - Muthana Mohamed Al-Hamad
- 7 - Talal Jassim Al-Kharafi
- 8 - Emad Mohamed Al-Bahar
- 9 - Haitham Sulaiman Al-Khaled

Gratitude and appreciation  
On behalf of NBK Group's board of directors and executive management, Al-Sayer expressed his deep thanks and sincere appreciation to His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah and His Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah for their ongoing support of Kuwait's economy and prosperity. Appreciation was also extended to the Central Bank of Kuwait (CBK) and the Capital Markets Authority (CMA) for making Kuwait increasingly attractive to international investors.

Al-Sayer also thanked NBK's shareholders for their confidence and expressed his deep appreciation to NBK's customers in Kuwait and across all markets for their continuous loyalty and support.

Furthermore, Al-Sayer extended his gratitude to the board of directors for their leadership and guidance, expressing his appreciation to NBK's Executive Management, who have endeavored to maintain the Bank's strategic path while exploring new avenues for growth, and the bank employees who made customers' confidence and trust possible.

Distributions date

Cash dividends and bonus shares will be distributed starting Monday, 1/4/2019. The distribution will be to the shareholders on the bank's records as of the record date Thursday, 28th March 2019.

