



National Bank of Kuwait

Investor Presentation

FY 2023 Earnings Call

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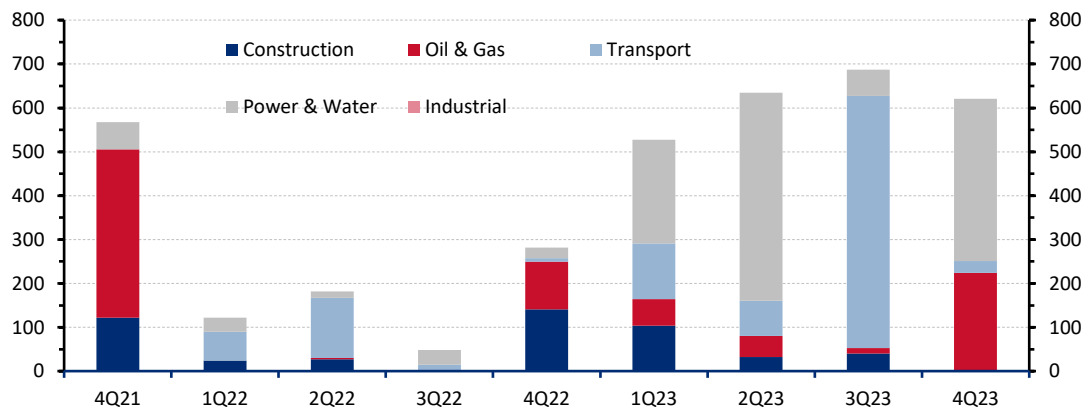
Key Economic Highlights

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



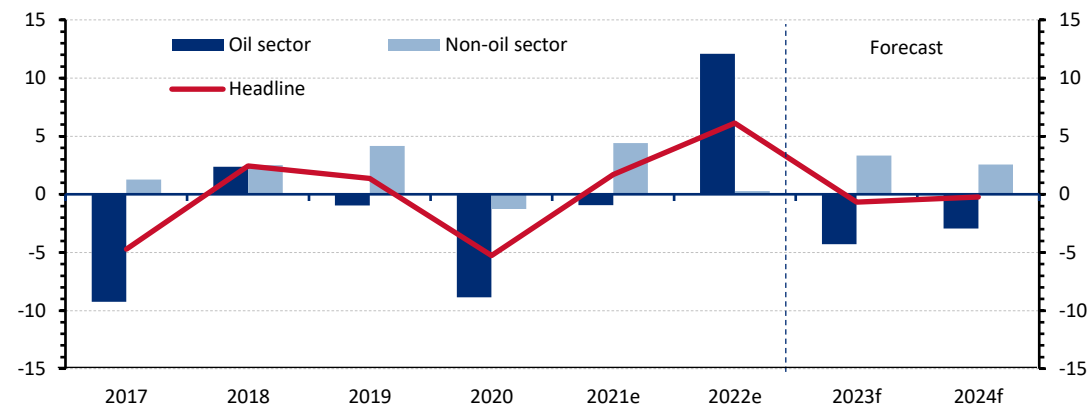
Since the start of 2024, oil prices have benefitted from the return of the geopolitical risk premium, with Houthi attacks on shipping in the Red Sea and the threat of a wider escalation of the Hamas-Israel conflict adding an extra \$2-3/bbl to Brent, which could close January at around \$83/bbl.

Project Awards² (KD million)



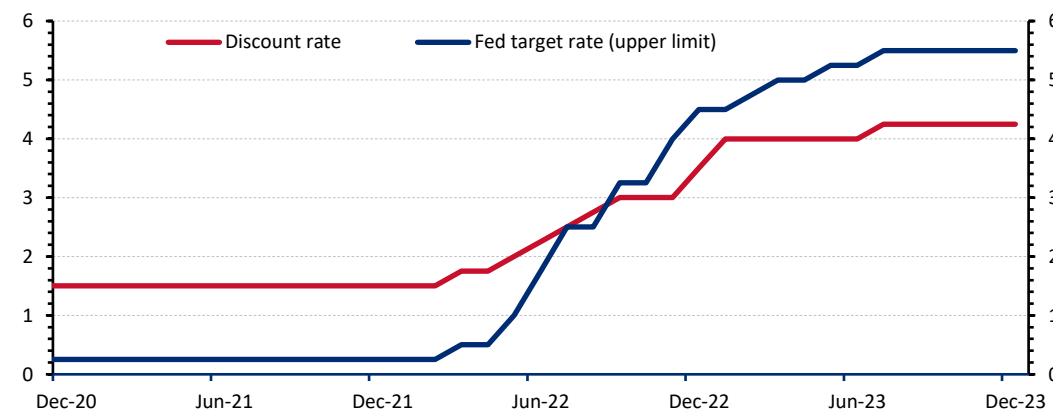
Project awards (value) fell to KD621mn (-9.6% q/q) in Q4 2023. But 2023's total of KD2.5bn was still more than three times higher than the previous year's outturn.

Real GDP Growth¹ (% y/y)



GDP growth estimates have been lowered following the release of preliminary official GDP data (2021-2022) and after Kuwait agreed to additional OPEC+ voluntary oil production cuts for 2024.

Kuwait Discount Rate³ (%)



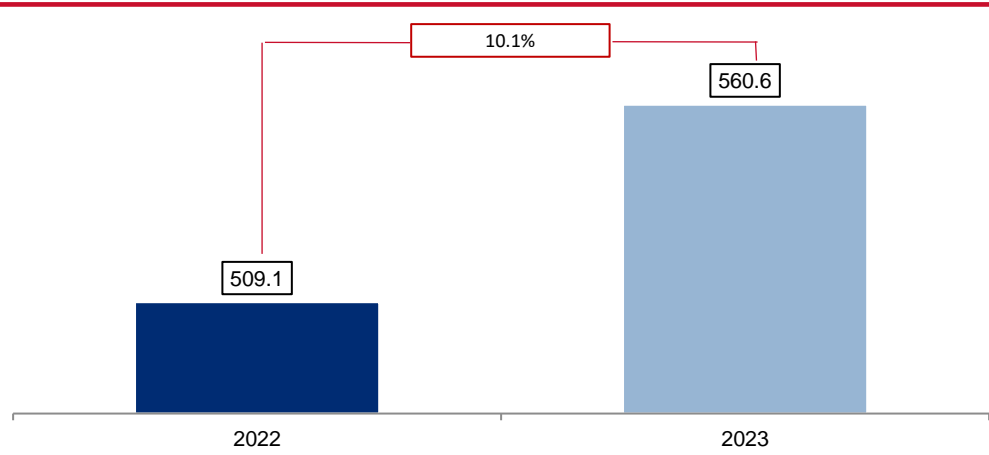
The CBK has remained its key policy rate at 4.25% since July 2023, having raised rates far less aggressively than the US Fed (cumulative +275 bps since March 2022 vs. 525 bps for the Fed)

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

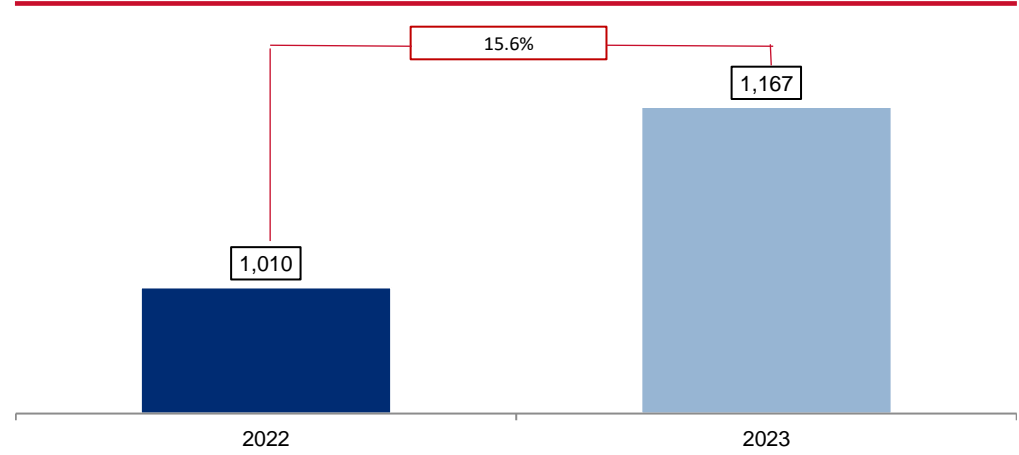


Operating Performance & Profitability

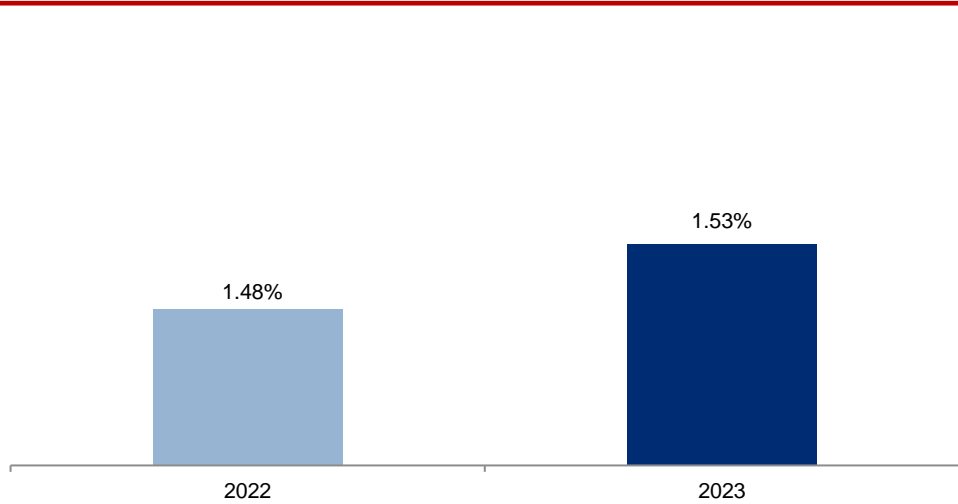
Net Profit Attributable (KDm)



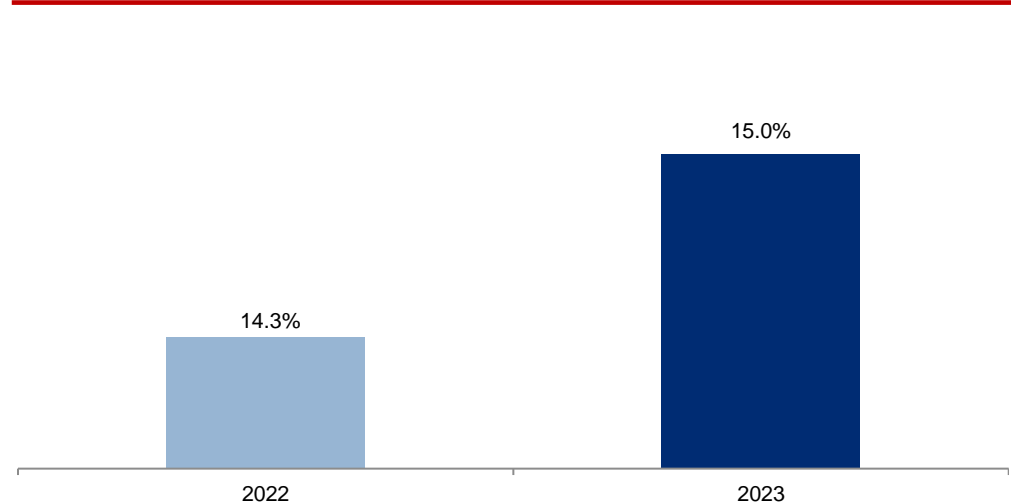
Operating Income (KDm)



Return on Average Assets (%)

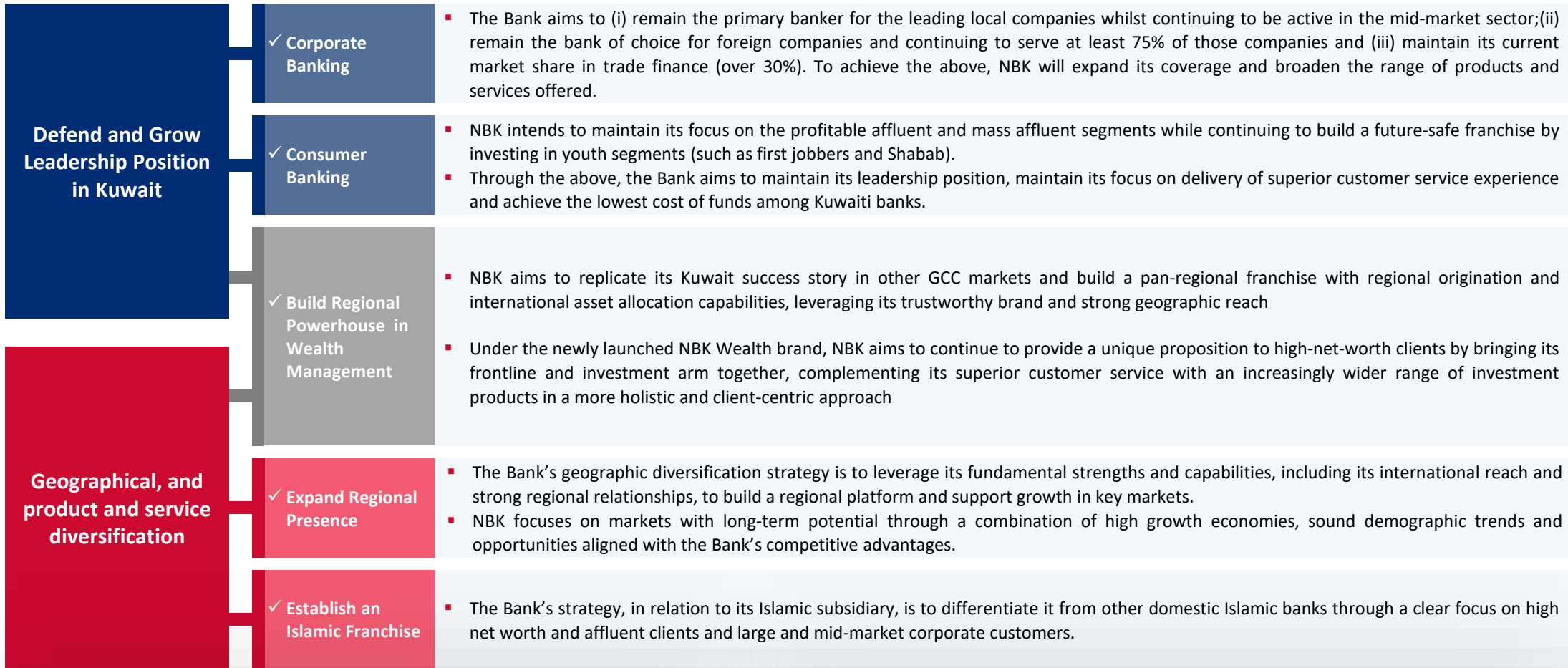


Return on Average Equity (%)





NBK's Strategy



Digital Transformation

ESG Transition

NBK ESG Strategy Framework

Ambition

To support the transition to a sustainable economy and become a role model in our own transformation.

Strategic Initiatives

- Support the transition to a low carbon economy by delivering on our net zero ambitions.
- Capitalize on sustainable business opportunities and develop a best-in-class Sustainable Finance proposition.
- Engage with our clients to accelerate their transition plans and support them in achieving their net zero ambitions.
- Embed ESG across our supply chain.



Ambition

To drive sustainable business growth achieved through organizational resilience.

Strategic Initiatives

- Promote diversity, equity, and inclusion in the workplace.
- Promote group-wide ESG transformation through enhanced employee engagement and development programs.
- Cultivate and retain local talent by providing rewarding career development opportunities.
- Establish a digital and agile work environment.



Ambition

To commit to the highest standards of governance by embedding ESG across the Group.

Strategic Initiatives

- Build and implement the highest standards of ESG governance and accountability.
- Enhance stakeholder engagement, emphasizing our ESG narrative and commitments.
- Develop economic, environmental, and social risk resilience.

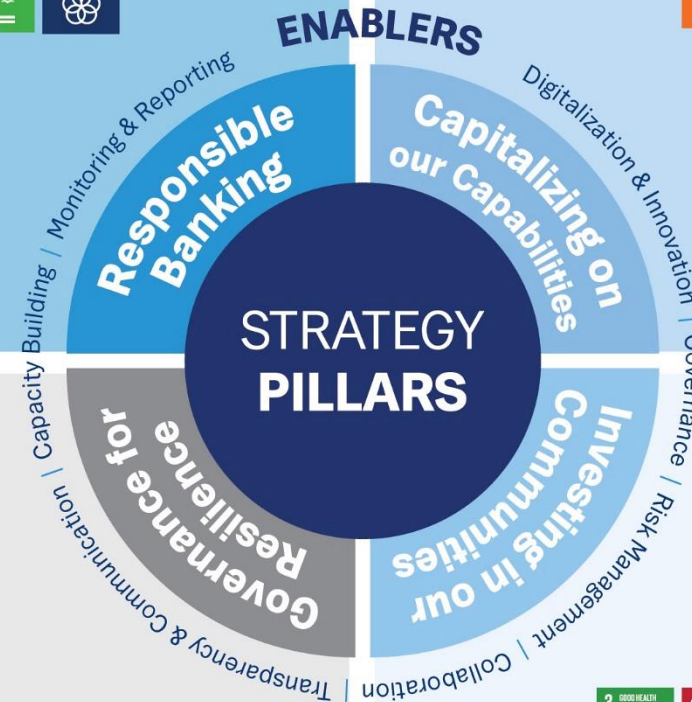


Ambition

To deliver a positive impact on the communities we serve.

Strategic Initiatives

- Empower communities to achieve financial independence, confidence, and security.
- Continued and enhanced focus to providing optimal customer experience and service excellence.
- Support national development plans to promote and nurture local talent.
- Expand our community investment efforts for optimal impact.
- Support equitable community and economic development.



Building A Leading Journey In ESG

ESG Ratings



NBK is at 27.4 –
Medium Risk

MSCI
ESG RATINGS



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

REFINITIV



Listed on Refinitiv AFE
Low Carbon Select
Index MENA



FTSE4Good

Constituent of the
FTSE4Good Index
Series



"C" score for 2022 for
both the Climate
Change and Forests
Categories



NBK Headquarters
awarded the Gold
LEED Certification

ESG Awards

Global Finance 2023

- Best Innovation and Transformation – World
- Best SME Bank Award – Kuwait
- Best Private Bank for Sustainable Investing – Middle East
- Best Financial Innovation Labs – NBK Group Digital Office
- Best Consumer Digital Bank – Kuwait
- Best Innovation and Transformation – Middle East

Euromoney 2023

- Best Bank for Corporate Responsibility in the Middle East
- Best Bank for CSR in Kuwait

MEED – MENA Banking Excellence Awards 2023

- Best Youth Programme Initiative
- Best Initiative for Women in Business
- Best Implementation of Diversity & Inclusion Initiatives

Qorus-Accenture Banking Innovation Awards 2023

- Self-service Branches – Gold Award
- SME Bank of the Year – Silver Award
- Bankee Program – Bronze Award

National and Global Frameworks



SUSTAINABLE
DEVELOPMENT GOALS



WE SUPPORT



2023 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 30 September 2023, **the Bank has around USD 2.4 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 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 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.
 - Developed a **Group-level ESG Policy** to orchestrate the Bank's sustainability activities and drive accountability across the Group network..
 - Constituent in **Refinitiv AFE Low Carbon Select Index MENA**.
 - 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 **15,000 students and 3,000 teachers participating**.
 - Community Investments** totaled KD 28 million in 2023 (**USD 91 million**), a **22% increase from 2022**.
 - Committed KD 3 (USD 9.7) million** for the restructuring of Shuwaikh Beach Waterfront in line with NBK's corporate responsibility and sustainability principles.
 - 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.
 - Awarded **"Best Bank for Corporate Responsibility in the Middle East 2023"** by Euromoney.
-
- Women in workforce 44.3%**, women in **management 29.3%**.
 - Provided key **Sustainability Champions** across the Bank with a **Global Reporting Initiative (GRI) Standards 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 more than **200,000 training hours**. This includes **3,313 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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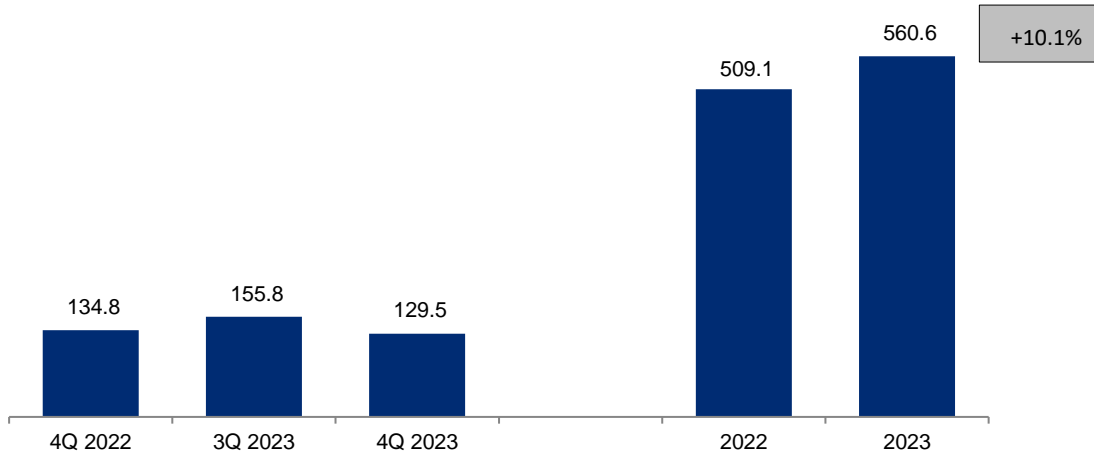
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Questions

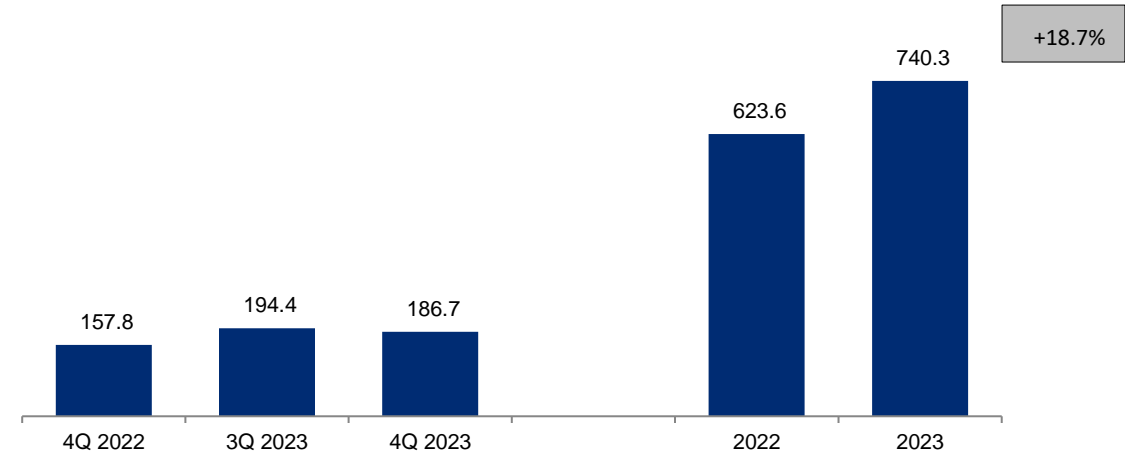


Operating Performance

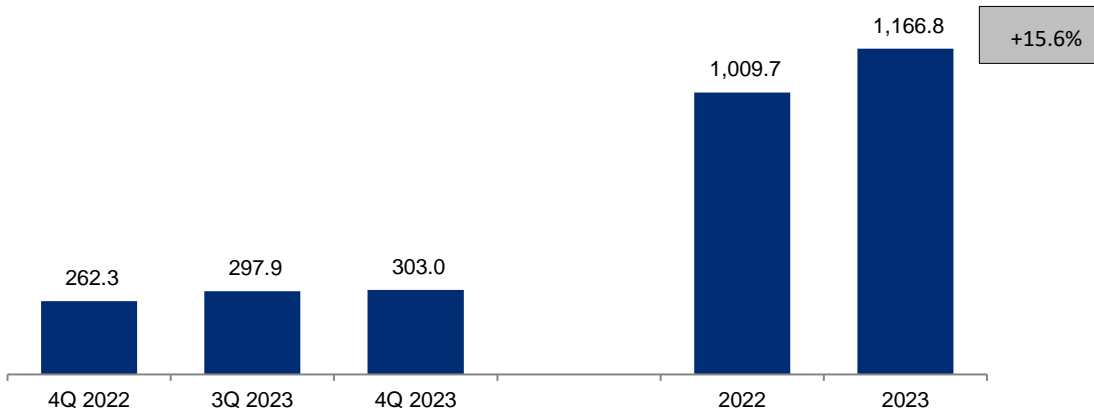
Net Profit (KDm)



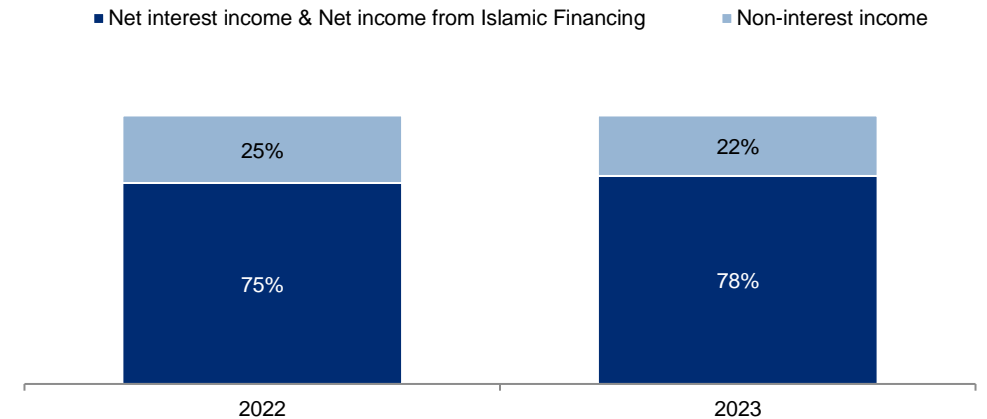
Operating Surplus (KDm)



Net Operating Income (KDm)



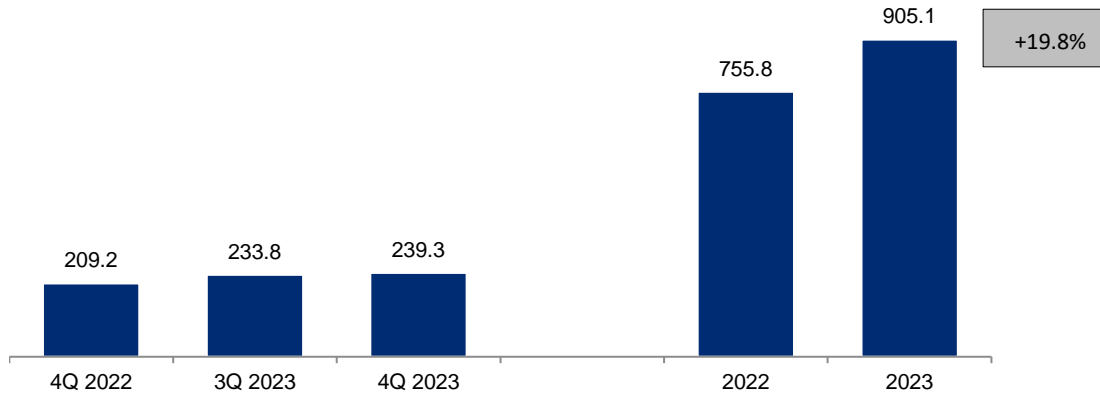
Net Operating Income Mix



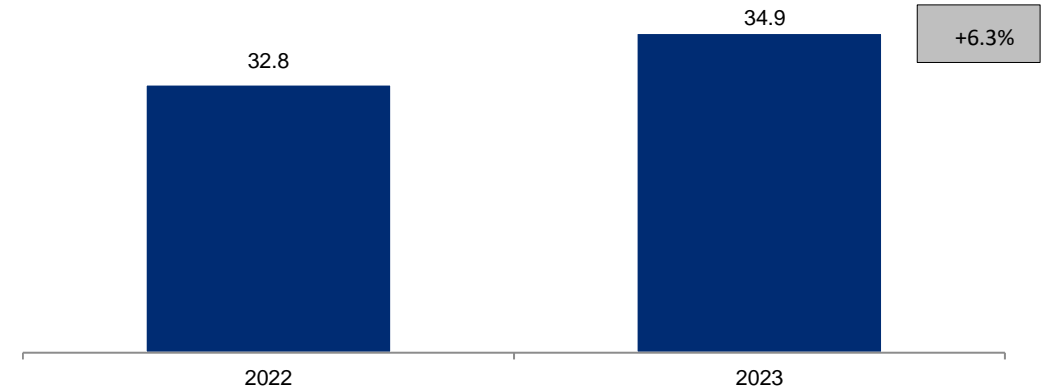


Operating Performance

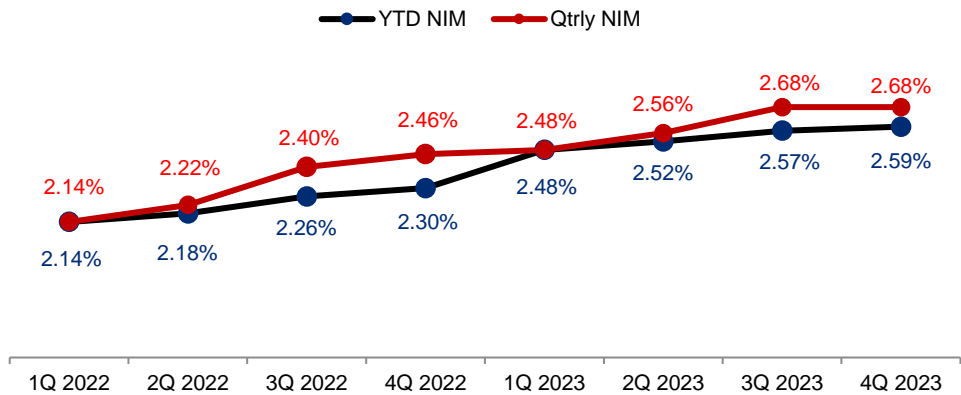
Net Interest Income* (KDm)



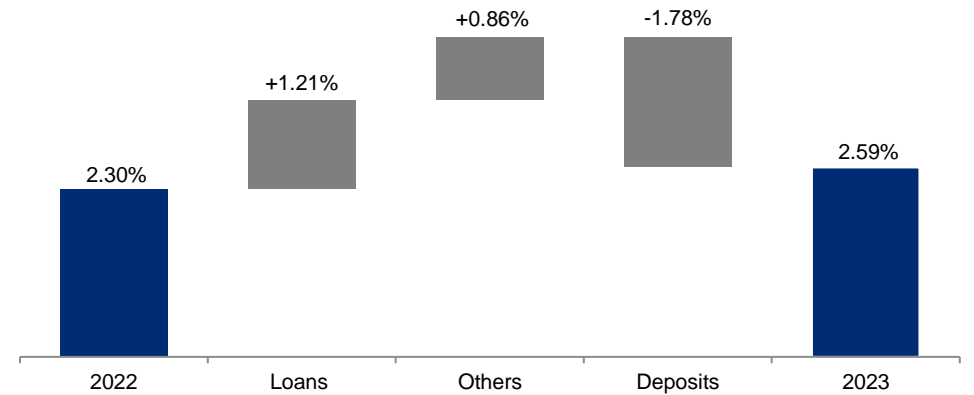
Average Interest Earning Assets (KDbn)



Net Interest Margin*



Net Interest Margin Drivers

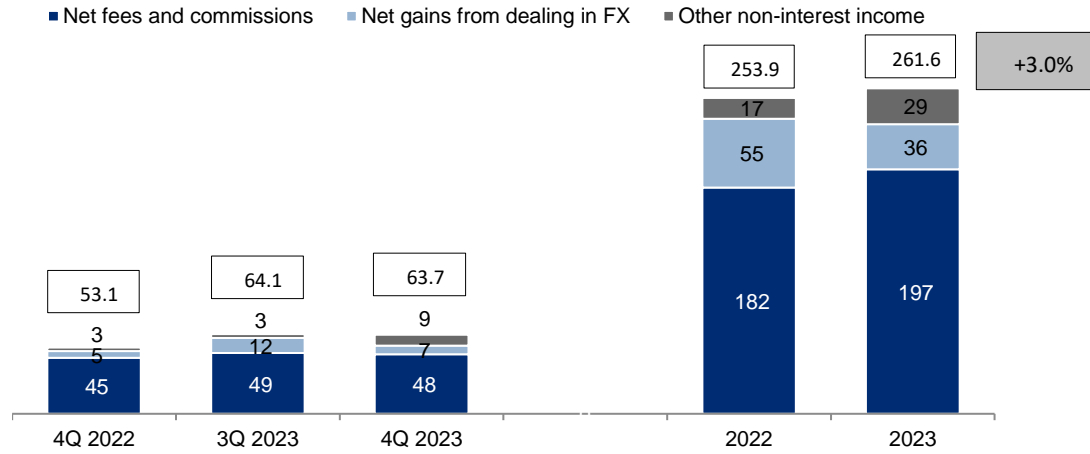


*Includes net interest income and net income from Islamic Financing

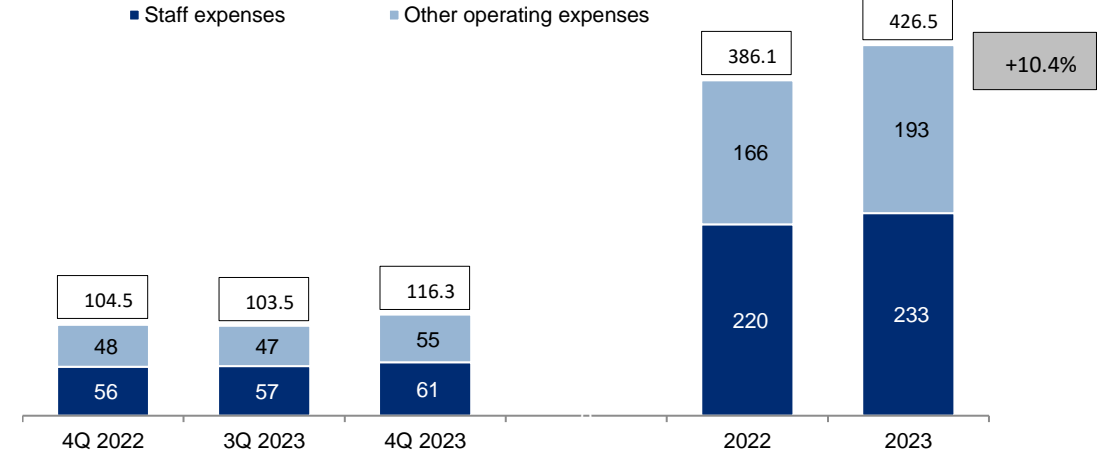


Operating Performance

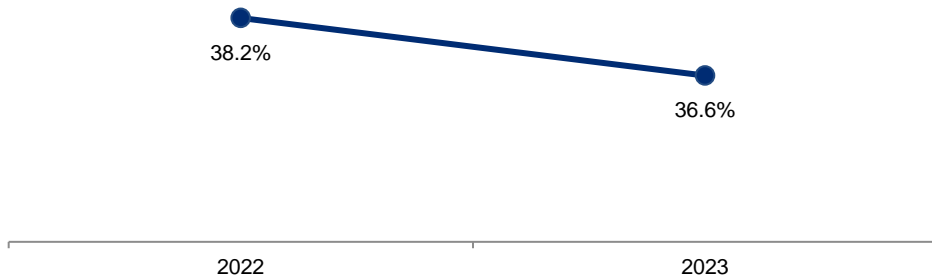
Non-Interest Income (KDM)



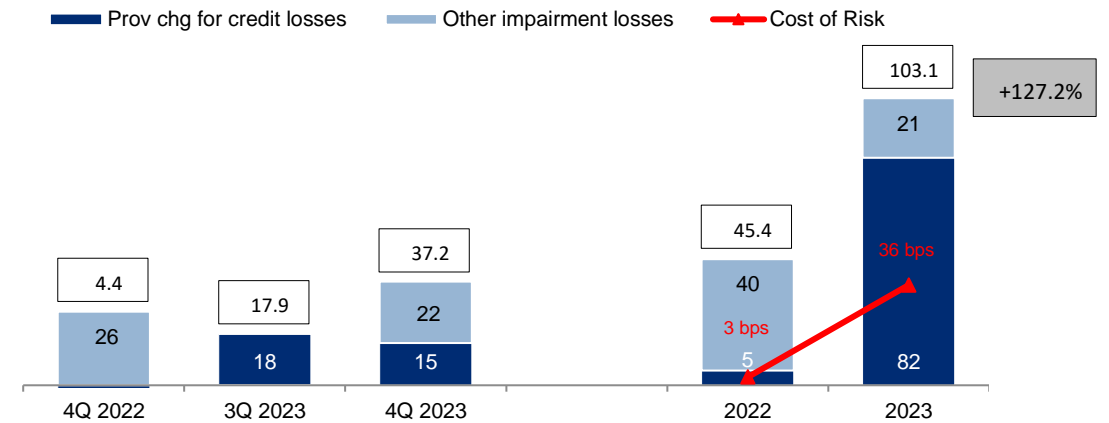
Operating Expenses (KDM)



Cost to Income Ratio



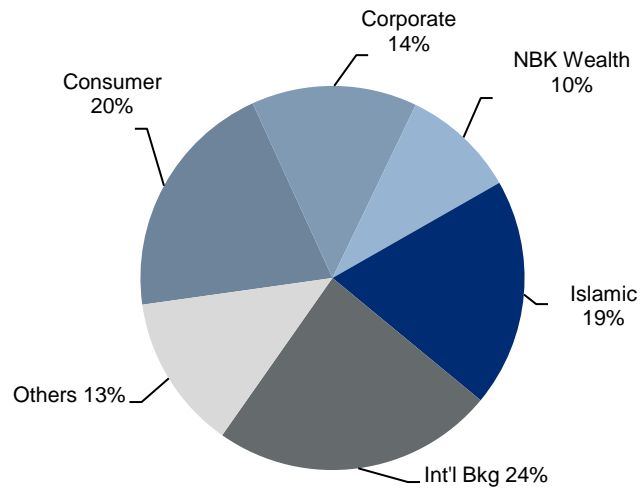
Provisions and Impairments (KDM)



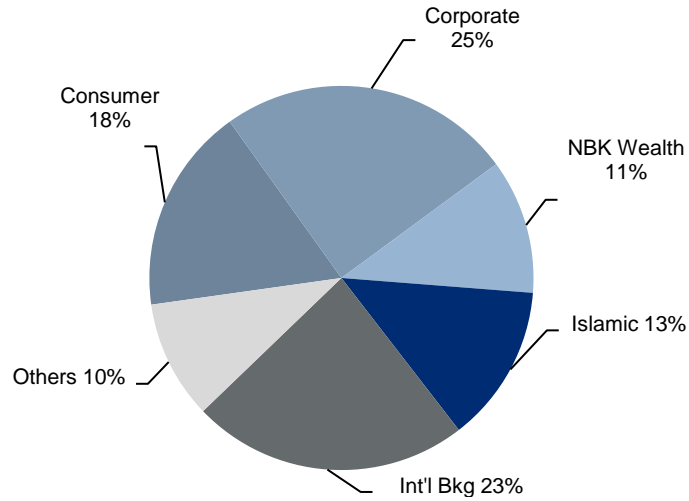


Group Diversification

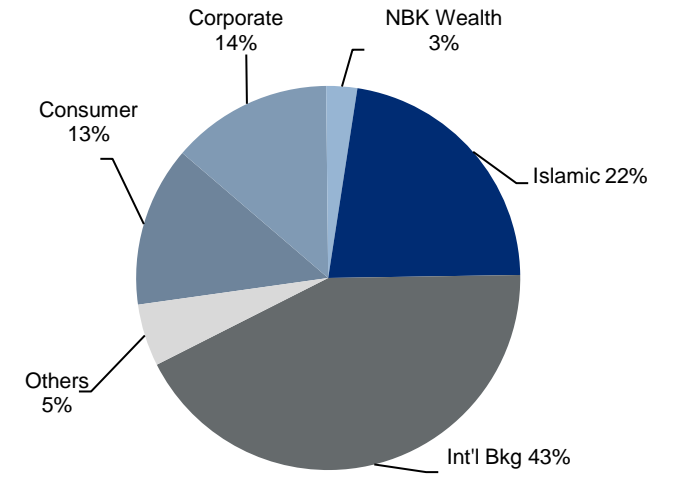
2023 Op. Income by Business Line (%)



2023 Net Profit by Business Line (%)



2023 Total Assets by Business Line (%)

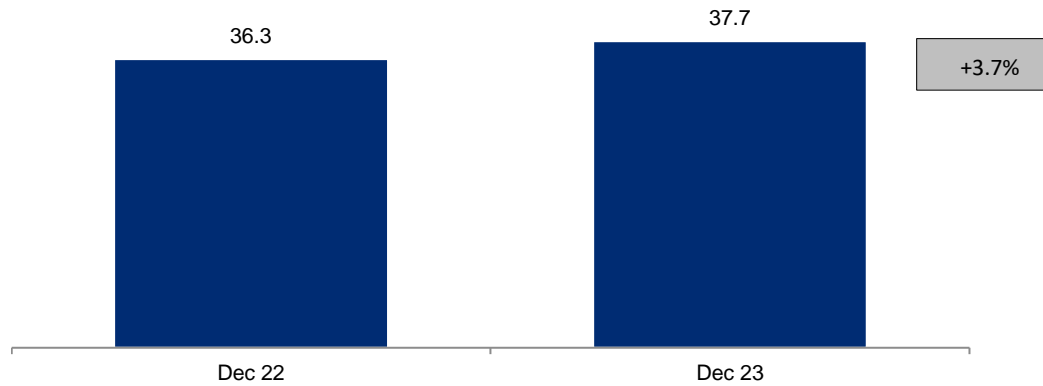


Source: Segment analysis note of 2023 FS

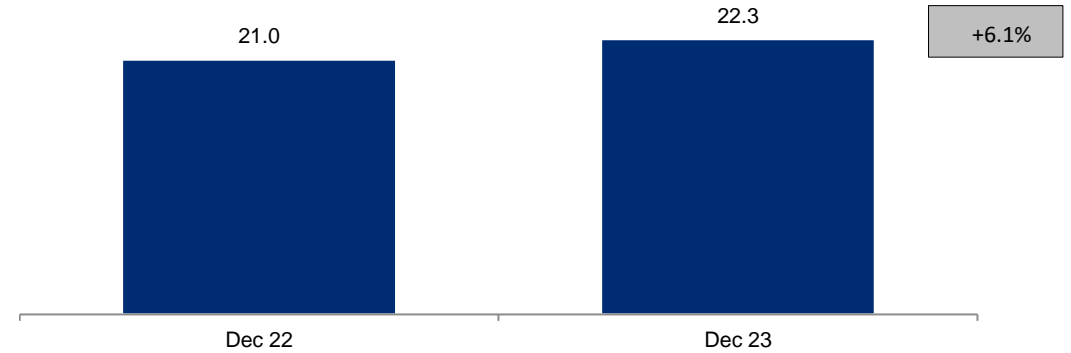


Balance Sheet

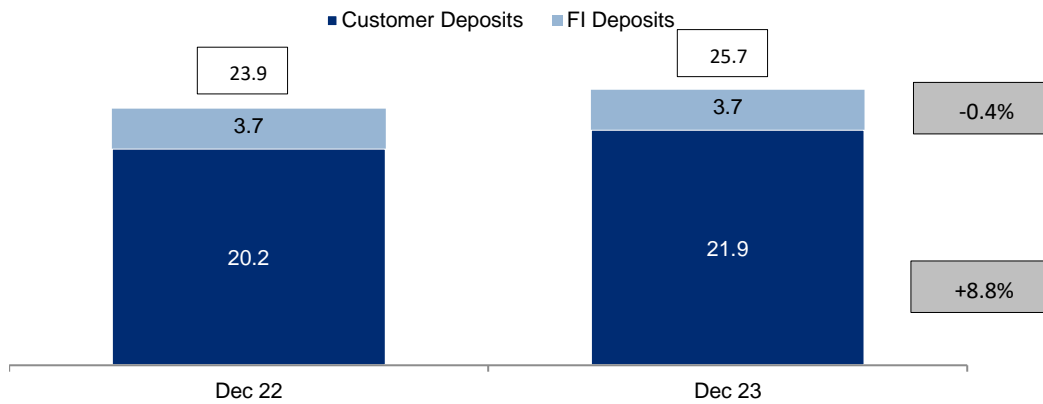
Total Assets (KDbn)



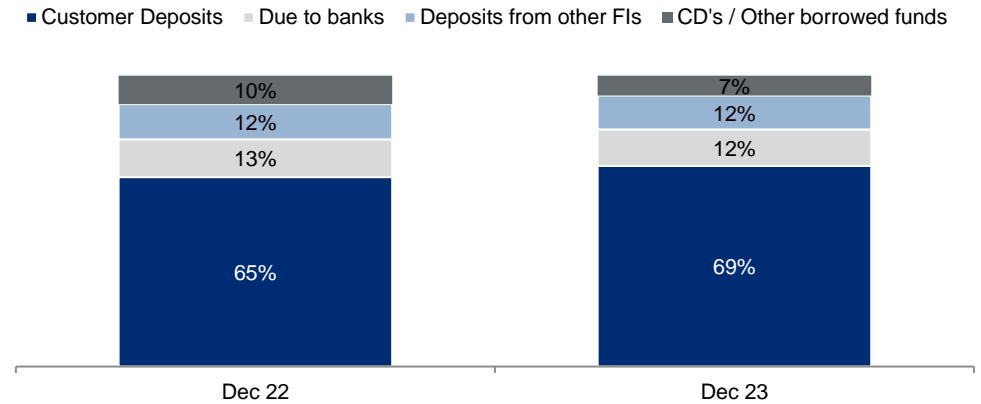
Loans, Advances and Islamic Financing (KDbn)



Customer Deposits & FI Deposits* (KDbn)



Funding Mix

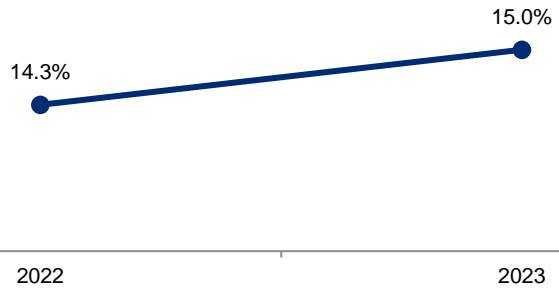


*excludes due to banks

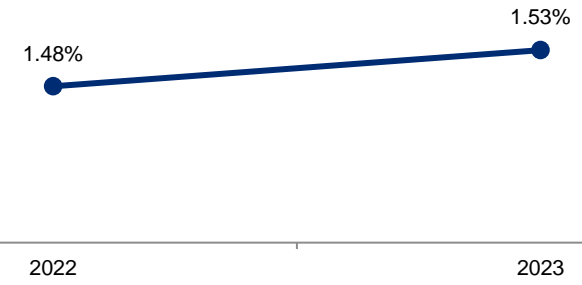


Performance and Asset Quality Ratios

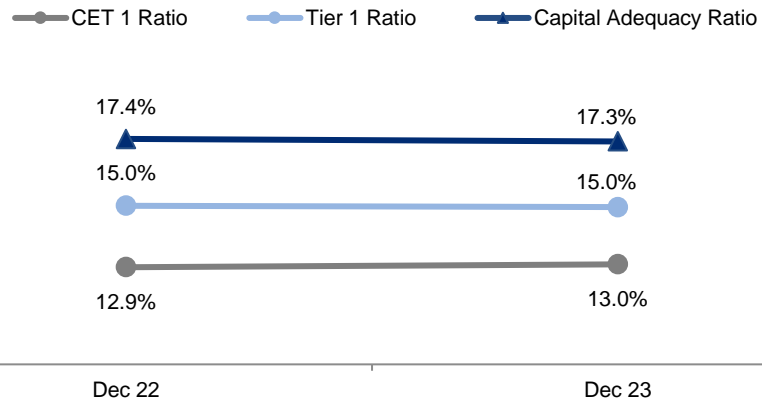
Return on Average Equity



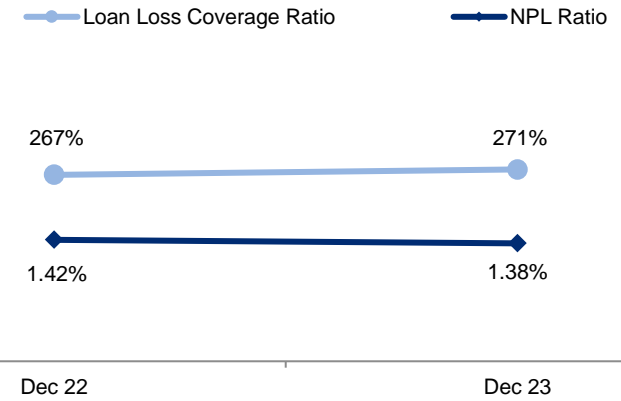
Return on Average Assets



Capital Adequacy Ratios



Asset Quality Ratios



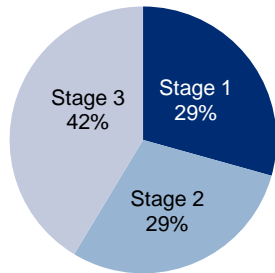


Expected Credit Losses (ECL)

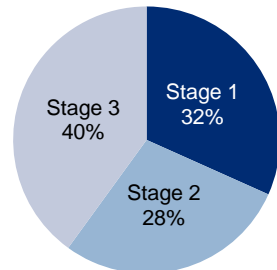
Financial Statements ECL Disclosure (KDm)

31 December 2023	Stage 1	Stage 2	Stage 3	Total
Loans, advances and Islamic financing to customers	21,340	1,486	318	23,144
Contingent liabilities	3,895	708	13	4,616
Commitments (revocable and irrevocable) to extend credit	8,047	1,011	1	9,058
ECL allowance for credit facilities	195	174	246	616

ECL Allowance for Credit Facilities

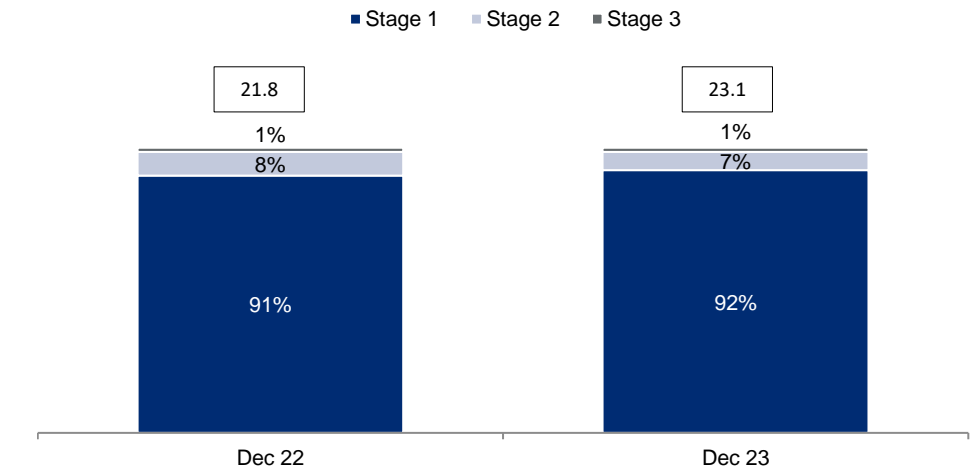


Dec 22 (KD 577m)

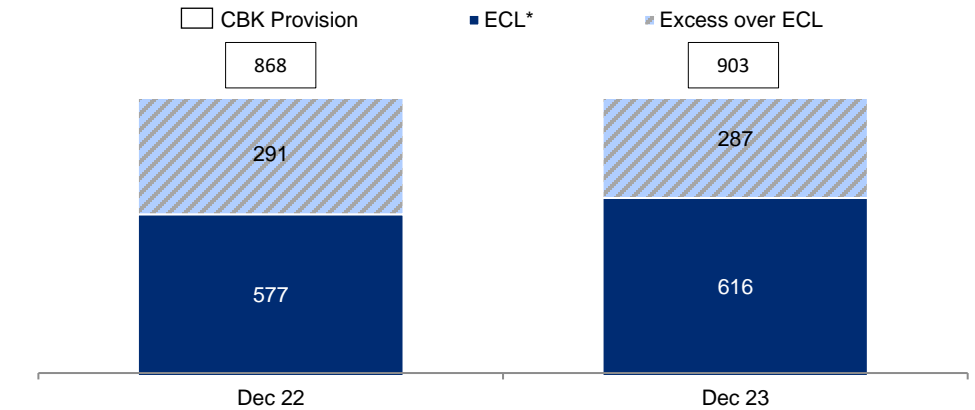


Dec 23 (KD 616m)

Total Gross Loans (KDbn)



CBK Credit Provisions vs IFRS 9 ECL (KDm)



* ECLs as per CBK guidelines



2024 Guidance

	2023	2024 Guidance
Loan Growth	+6.1%	Mid Single Digit
NIM	2.59%	Stable
Cost to Income ratio	36.6%	High 30s
Cost of Risk	<i>36 bps</i>	<i>40 – 50 bps</i>
Earnings	<i>+10.1%</i>	
Capital Adequacy	<i>17.3%</i>	

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Consolidated Statement Of Income *(KDM)*

<i>KDM</i>	2022	2023	YoY Growth (%)
Interest Income	948	1,633	72%
Interest Expense	364	908	NM
Net Interest Income	584	725	24%
Murabaha and other Islamic financing income	288	402	40%
Finance cost and Distribution to depositors	115	222	92%
Net Income from Islamic financing	172	181	5%
Net interest income and net income from Islamic financing	756	905	20%
Net fees and commissions	182	197	8%
Net investment income	16	27	75%
Net gains from dealing in foreign currencies	55	36	(35%)
Other operating income	1	1	42%
Non-interest income	254	262	3%
Net Operating Income	1,010	1,167	16%
Staff expenses	220	233	6%
Other administrative expenses	125	147	17%
Depreciation of premises and equipment	39	44	14%
Amortisation of intangible assets	2	2	0%
Operating Expenses	386	426	10%
Op. profit before provision for credit losses and impairment losses	624	740	19%
Provision charge for credit losses	5	82	NM
Impairment losses	40	21	48%
Operating profit before taxation and directors' remuneration	578	637	10%
Taxation	47	48	1%
Directors' remuneration	1	1	0%
Non-controlling interests	21	28	32%
Profit attributable to shareholders of the Bank	509	561	10%



Consolidated Statement Of Financial Position *(KDm)*

<i>KDm</i>	December-2022	December-2023	YoY Growth %
Cash and short term funds	5,323	4,385	(18%)
Central Bank of Kuwait bonds	881	857	(3%)
Kuwait Government treasury bonds	212	194	(8%)
Deposits with banks	1,490	1,318	(12%)
Loans, advances and Islamic financing to customers	20,998	22,281	6%
Investment securities	5,635	6,885	22%
Land, premises and equipment	475	507	7%
Goodwill and other intangible assets	535	508	(5%)
Other assets	789	730	(7%)
Total Assets	36,338	37,665	4%
Due to banks	4,018	3,964	(1%)
Deposits from other financial institutions	3,741	3,726	0%
Customer deposits	20,178	21,949	9%
Certificates of deposit issued	1,802	823	(54%)
Other borrowed funds	1,244	1,331	7%
Other liabilities	721	966	34%
Total Liabilities	31,703	32,758	3%
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	1,614	1,817	13%
Equity attributable to shareholders of the bank	3,623	3,884	7%
Perpetual Tier 1 Capital Securities	439	439	0%
Non-controlling interests	573	584	2%
Total equity	4,635	4,907	6%
Total liabilities and equity	36,338	37,665	4%



Performance Measures 2023

	December-2022	December-2023
Return on Average Assets	1.48%	1.53%
Return on Average Equity	14.3%	15.0%
Net Interest Margin	2.30%	2.59%
Cost to Income	38.2%	36.6%
NPLs to Gross Loans	1.42%	1.38%
Loan Loss Reserves to NPLs	267%	271%
CET 1 Ratio	12.9%	13.0%
Tier 1 Ratio	15.0%	15.0%
Total Capital Adequacy Ratio	17.4%	17.3%

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Questions?



Thank You



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