



# National Bank of Kuwait

3Q/9M 2025

Earnings Conference Call

23 October 2025



## 3Q/9M 2025 National Bank of Kuwait Earnings Call

Sunday, 26 October 2025

Edited transcript of National Bank of Kuwait earnings conference call that took place on Thursday, 23 October 2025 at 3:00 pm Kuwait time.

### Corporate participants:

Mr. Salah Al-Fulaij	CEO - Kuwait, NBK
Mr. Sujit Ronghe	Group CFO, NBK
Mr. Amir Hanna	Group Chief Communications Officer, NBK

### Chairperson:

Ahmed El-Shazly	EFG Hermes
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**Ahmed El-Shazly:** Good afternoon everyone. This is Ahmed El-Shazly and on behalf of EFG Hermes, I would like to welcome you all to the National Bank of Kuwait third quarter and nine-months period earnings call for the year 2025. It is a pleasure to have with us in the call today Mr. Salah Al-Fulaij, NBK Kuwait CEO, Mr. Sujit Ronghe, NBK Group CFO and Mr. Amir Hanna, Group Chief Communications Officer at NBK.

At this time, I would like to handover the call now to Mr. Amir Hanna.

Please go ahead Amir.

**Amir Hanna:** Thank you Ahmed.

Good afternoon everyone. Thank you for joining us for today's webcast.

We will start the call with our usual disclaimer as I would like to bring to your attention that certain comments in this presentation may constitute forward-looking statements. These comments reflect the Bank's expectations and are subject to risks and uncertainties that may cause actual results to differ materially and may adversely affect the outcome and financial effects of the plans described herein. The Bank does not assume any obligation to update its view of such risks and uncertainties or to publicly announce the result of any revisions to the forward-looking statements made herein. Please also refer to the full disclaimer in our presentation for today's call.

Today's call will follow our usual agenda. Our Kuwait CEO, Mr. Salah Al-Fulaij, will start the call by giving some opening remarks on the operating environment and the highlights of the reporting period. Then Mr. Sujit Ronghe, our Group CFO will discuss the period's financials in more details. Following our presentation, there will be a Q&A session through Webex platform. If you have any follow-up questions after the call, please direct them all to our Investor Relations email address and we will answer them at the earliest. Today's presentation is available on our website for your convenience.

Now let me hand over the call to Mr. Salah Al-Fulaij for his opening remarks.

**Salah Al-Fulaij:** Thank you Amir.

Good afternoon everyone.

I am glad to join you today for NBK's third quarter and nine-months 2025 earnings call and wanted to start by thanking you all for joining us today.

In its latest World Economic Outlook update, the IMF slightly raised its global growth forecast as the economic landscape continue to show signs of resilience; supported by softer economic hit by effective tariff rates, better financial conditions and fiscal expansion in some key markets. While easing supply bottlenecks and tariff relief have provided some support, though inflation pressures and policy debates will continue to shape sentiment for the coming period.

As for the GCC region, the outlook remains broadly positive, underpinned by strong fiscal buffers, ongoing structural reforms and steady global oil demand growth in 2025-26. Supported by resilient non-oil activity, solid investments and winding of OPEC production cuts, GCC economies are expected to maintain solid growth momentum through the rest of the year.

In Kuwait, domestic activity has strengthened through 2025, supported by solid credit expansion, with healthy gains mainly in the business lending segment. Policy measures, ongoing reforms, and progress on legislative initiatives are expected to sustain non-oil growth and lending momentum through the remainder of the year, while easing of oil production cuts in line with OPEC is a further booster to overall growth. Looking ahead, total GDP growth this year is forecasted at around 2.4%, with oil related activity projected to expand by 2.6% and non-oil activity by 2.2%.

Kuwait's projects market activity remained positive with year-to-date awards of KD 2.1 billion, and an estimated KD 9.15 billion of projects in the pipeline. The government's continued commitment to advancing its development agenda and legislative reforms are key catalysts in shaping and supporting investment momentum going forward.

Moving on to our performance, NBK reported net profits of KD 467.4 million for the nine-months of 2025; compared to KD 457.0 million in the corresponding period of 2024, representing growth of 2.3%. The continued impact of the new tax regime is affecting profitability, with the effective tax rate increasing to 15.9% in 9M2025 from 8.7% in 9M2024. Excluding this impact, our operating profit before taxation grew at 11.3% year on year reaching KD 592.5 million for the nine-months period of 2025 on higher business volume, core non-interest income, balanced operational costs and lower provisioning and impairment losses.

Our returns remained strong with return on average assets for the period reaching 1.47% while our return on average equity reached 14.5%.

At NBK, we remain confident in our ability to lead in the domestic market as Kuwait's economic landscape presents a dynamic environment for growth. We foresee significant opportunity to capitalize on improving business sentiment by providing tailored solutions to both corporates and consumers; leveraging our deep domestic roots and extensive client relationship. Likewise, our strategic focus on innovation and digital banking is a catalyst in positioning the Bank to actively capture the growth potential offered by Kuwait's young population.

Our footprint across regional and international markets will remain a cornerstone in mitigating risks, sustaining steady returns, and enhancing operational efficiency. We will continue to leverage the benefits of cross selling our services across geographies, while our wealth management division builds on its expertise to provide comprehensive portfolio management, advisory, and investment solutions. In parallel, our Islamic banking arm, Boubyan Bank, will further consolidate its strong domestic presence and support the diversification of our profitability streams.

NBK remains committed to sustainability and advancing its sustainable finance agenda. Underscoring the Bank's unwavering commitment to environmental responsibility, social impact and robust governance; Sustainalytics revised NBK's ESG Risk Rating from medium to low risk while MSCI upgraded NBK's ESG rating to "A" which reinforces NBK's position among the top regional banks in ESG ratings. Furthermore, through the publication of the Green Bond Allocation and Impact Report, inaugural TCFD disclosures and 2024 Sustainability Report, the Bank has demonstrated strong progress in ESG integration across all its operations. These commitments and disclosures strengthened NBK's position as a responsible financial institution focused on long-term value creation.

With that, I will conclude my comments and leave you with my colleague Sujit Ronghe, our Group CFO, to cover quarterly and nine-months results in more details.

Please go ahead Sujit.

**Sujit Ronghe:**

Thank you Mr. Salah.

Hello everyone and welcome.

I am very pleased for the opportunity to take you through financial results for 9 months of 2025.

We have announced a net profit of KD467m for 9M25, an increase of 2.3% over the corresponding period of 2024. The operating engine of the Group remains solid with strong growth in business volumes, particularly loans and investments.

Before going on to details of our financial results, I would first like to say a few words regarding the overall operating environment.

General operating environment in Kuwait and GCC has been relatively stable even though global and regional geopolitical situation remained unstable. Macro-economic uncertainties and concerns regarding fuller implications of tariffs are affecting the global operating environment adversely. NBK has demonstrated resilience and a strong business model and continues to navigate competently through the uncertain situation.

Now turning to the financial results for 9M25.

As shown at the top left of this slide, net profit at KD467m reflects a yoy increase of KD10m i.e. 2.3%. The bottom-line profit, although negatively affected by the 15% Domestic Minimum Top-up Tax (DMTT) effective 1 Jan 2025, has benefited from lower provisions on credit facilities, as a result of recoveries during the 9 month period.

Profit before tax at KD593m reflected a yoy growth of 11.3%, benefiting from significantly lower provisions and operating surplus growth of KD15.9m. The effective tax rate has increased to 15.9% in the current period from 8.7% in 9M24, due to changes in tax laws.

The pie chart at the bottom left reflects strong contributions to 9M25 net profit from NBK's key business segments, which serve as main pillars of diversification and provide a significant degree of resilience to Group earnings. NBK Group continues to benefit from its unique position amongst Kuwaiti banks in terms of geographical spread and the ability to conduct business in both Conventional and Islamic Banking.

The chart at the bottom right shows that net operating income, at KD969m, is 4.1% higher than the previous year, boosted by a sound contribution from both non-interest income and net interest income. You would note that net interest income and non-interest income mix remained stable overall during the year.

I will discuss the main drivers behind movements in the income statement on the next slide.

We now will look at net interest income and drivers behind its performance.

The chart at top left reflects the net interest income and net income from Islamic financing of KD749m, was 2.1% higher than 9M24. Current year's NII benefited from 12.1% year on year growth in average interest earning assets, particularly loans and investments, across the Group. However, an unfavorable change in mix of different categories of assets maintained with the Central Bank of Kuwait, yoy effect of last year's Egyptian Pound devaluation, and relatively lower benchmark interest rates adversely impacted the NII and NIM in 2025.

Following the passage of Debt Law in Kuwait, CBK has recently started issuing KD Kuwait Government Treasury Bonds, with KD2.0bn issued since June 2025. Although the CBK asset mix remains unchanged, we are cautiously hopeful that continued debt issuances will allow the Bank to deploy KD liquidity more profitably.

We see in the top right chart that average NIM for 9M25 dropped to 2.45%, reflecting a year-on-year decline of 24bps driven by a steeper decrease in yield (for reasons explained earlier), compared to the funding cost. Group yield and funding costs for the current 9-month period were 5.70% and 3.66% respectively. The Group continues to source deposits efficiently, balancing cost and regulatory requirements, while diversifying the funding base. Also, an overall sticky and stable base of retail customer deposits continue to benefit the Group.

At the bottom left, we can see drivers behind the 24bps yoy decrease in NIM to 2.45% in 9M25. Loans and other interest earning assets affected by lower interest rates and an unfavorable asset mix contributed to a net decrease of 15bps and 37bps to the NIM respectively. Lower funding cost affected the NIM positively by 28bps.

As we can see at the bottom right of this slide, total non-interest income at KD220m for 9M25 was 11.6% higher than the comparable period in 2024. Fees and commissions income grew by 6.9% to reach KD162m, reflecting robust contributions across different lines of business and geographies. Fx contributed KD31m, +25.3% higher than previous year, benefiting from stronger transaction volumes. Other non-

interest income sources (mainly investment income) contributed KD27m, supported by improved valuations.

On to the next slide.

Turning now to operating expenses reflected in the top left chart. Total operating expenses during 9M25 at KD365m are 6.5% higher than 9M24. The moderate cost growth reflects in part the Group's efforts to harness efficiencies, the favorable effect of EGP devaluation and certain timing differences.

The Group continues to invest in key businesses initiatives, digital technologies, and processes which enable us to offer best-in-class service to its customers and optimize resources to improve operational efficiency.

Moving on to provisions and impairments which are profiled on the top right-hand side of the slide.

Total credit provisions and impairment losses for the current year are KD12m v/s KD56m in 9M24. KD3m of this charge was towards provisions for credit facilities whereas ECL on non-credit facilities and other impairment losses amounted to KD9m. Current year's net release of KD19m in specific provision results from recoveries of amounts provided towards credit losses during prior years. At the same time, the Group has taken provisions in ordinary course of business for retail and corporate customers in Kuwait and overseas locations. The Group remains committed to its conservative approach in managing credit exposures.

The very low level of provision for credit losses resulted in almost nil cost of risk percentage for 9M25.

It is worth noting that the Group's Balance Sheet remains strong with stable credit quality. NBK's capital base, along with the ability to generate healthy operating profits, provides a strong credit loss-absorption capacity.

I will now discuss Expected Credit Losses (ECL) on credit facilities as per 'IFRS 9 calculated in accordance with CBK Guidelines' (IFRS 9). As per the regime adopted by CBK, Banks calculate the credit provisions required (i.e. the amount in the balance sheet) as per CBK instructions and compare it with the ECL on credit facilities as per IFRS 9. Consequently, the charge to income statement is based on the higher of the two balance sheet amounts.

It is important to note here that CBK guidelines for calculating ECL on credit facilities as per IFRS 9 are on a more conservative basis compared to the original accounting standard.

The chart at the bottom left shows that Stage 2 and Stage 3 loans are 6% and 1% of NBK Group's Gross loans and have remained stable during the year.

The key chart on this slide at the bottom right reflects that ECL provision required as of September 25 was KD694m. Although IFRS 9 ECL and CBK provisions are two

different regimes and should not be compared as such, balance sheet provision as per CBK instructions exceeds the ECL by KD242m. This provides ample cushion for the Group to withstand any possible adverse effect of prevailing uncertainties on ECL provision requirements.

Moving now to the next slide.

Here we will look at NBK's balance sheet profile and key movements during the year.

As shown on the chart at top left, Group total assets reached KD44.9bn as of Sep 25, a 14.7% increase over September 24. Group loans and advances at KD26.1bn registered a strong growth of KD2.9bn i.e. 12.5% yoy and 9.9% during the current nine-months period. Loan growth was achieved at Kuwait in both conventional and Islamic sectors and at international operations. Similarly, investment securities grew 21.1% yoy to reach KD9.0bn. The overall composition of the balance sheet has remained stable during the year.

You would note from the pie chart at bottom left that NBK's total assets composition is well diversified between Kuwait and International and Conventional and Islamic Banking.

Similarly, the chart for loan exposure by sector reflects a well-diversified portfolio, with personal loans as the largest segment comprising 30% of total gross loans. It is important to note that a significantly high portion of personal loans is to a large number of Kuwaiti individuals, who are pre-dominantly employed with the Government. These are essentially salary-backed loans with low default rates.

With respect to the liabilities, Customer Deposits, i.e. non-bank and non-FI deposits at KD24.6bn, comprise 62% of total liabilities and reflect a yoy growth of 9.7%. Deposits from other non-bank FI comprise 9% of total liabilities and have grown yoy by 18.8%. NBK's funding sources are well diversified across different customer segments and geographies. The Group continues to benefit from its strong base of core, franchise retail deposits. CASA deposit levels have been stable during the year, with current volumes in excess of Sep and Dec 24.

Commercial papers and Certificates of deposit at KD2.2bn are another source of funding diversification and have been resilient during the year.

NBK's stable deposit and funding base reflects a continued focus on deposit gathering aspects of our business, leveraging our longstanding ability to capitalize on Group's strong brand, customer appeal and credit ratings.

As shown in the chart at bottom-right, NBK Group continues to maintain healthy liquidity levels and comfortably exceeds the minimum requirements of Basel III ratios.

Moving now to the next slide.

We will now look at the impact 9M25 financial results had on certain key performance metrics.

Although, increased tax charge in Kuwait, Bahrain and in part at UAE, has adversely affected the net profit, the Group bottom-line has benefited from a net release in loan provisions. Consequently, Return on Average Assets and Average Equity for the current year are at 1.47% and 14.5% respectively.

The chart at top-right reflects that despite moderate cost growth of 6.5%, 9M25 cost to income ratio was 37.6%, mainly resulting from the pressure on NII in the current year.

At 16.4%, the total capital adequacy ratio remained strong and stable, well above the regulatory minimum. CET1 and Tier1 ratios at 12.4% and 14.3% respectively. Interim cap-ad ratios tend to be lower than year-end ratios as they are negatively affected by the growth in risk-weighted assets, whereas interim profit is not included in regulatory capital.

As regards asset quality, NPL ratio remains stable at 1.37%. Loan loss coverage ratio is at 241%, reflecting conservative provisioning policy of the Group.

Now to the final slide in this section.

Before concluding, allow me to summarize our financial performance for 9M25.

Although, a change in the composition of interest earning asset mix and implementation of new tax laws had a negative effect, the bottom line benefited from a net release of provision for credit and impairment losses. 9M25 financial performance also reflected healthy balance sheet growth, comfortable funding and liquidity levels, together with a strong capital base.

Looking forward, ongoing geo-political concerns, implications of tariffs levied by USA and response from affected countries, and an uncertain interest rates scenario are likely to result in an uncertain macroeconomic environment.

Now turning to the guidance for the year ahead.

As regards loan growth – The Group continues to enjoy a strong pipeline of approved credits and given the strong performance in the current 9 months, we are upgrading the full year 2025 growth guidance to be in the low double-digit range.

Turning to the NIM. Given the uncertainty with macro-economic situation, interest rate outlook, the changed CBK asset mix mentioned earlier and increased competition, we are expecting the NIM to be under pressure compared to 2024, part of which is reflected in the 9M25 NIM of 2.45%.

With regards to operating expenses, we expect the full year cost growth to be in the range similar to 6.5% reported for 9M25 and the cost to income ratio to remain in high thirties.

Coming to the cost of risk – 9M25 reflected an almost nil cost of risk percentage due to a significant amount of recoveries towards credit provisions taken in earlier years. The magnitude of such recoveries is generally non-recurring. Given the current global macro-economic uncertainty, we are cautiously optimistic of underlying cost of risk for 2025 to be closer to 40bps, which we consider as normal.

As regards the recently introduced DMTT, we estimate the effective tax charge for 2025 to range between 16%-17% of pre-tax profit.

However, it would not be prudent to give specific guidance on earnings / capital adequacy in the current environment. We are hopeful of maintaining capital adequacy ratios in line with our internal targets above the regulatory minimum.

That ends my presentation. Thank you very much for your time.

Back to Amir.

**Amir Hanna:** Thank you Sujit and Mr. Salah.

Thank you all for listening to the presentation. We started getting some questions already.

Please type your questions in the chatbox of the Webex platform. We will be on mute for a while then we'll start answering them.

Thank you everyone for holding. We'll start answering the questions in the order they have been received.

First question is on CASA. What was the ratio as of September 2025?

**Sujit Ronghe:** The CASA ratio has been very stable since the second half of last year and also during this year. We are currently seeing the ratio to be more towards the mid-thirties.

**Amir Hanna:** Next question on loan growth and what was the driver of 10% loan growth in the 9-month period?

**Sujit Ronghe:** The loan growth has been very strong and well diversified across different countries where we operate. In Kuwait, loan growth was mainly focused on corporate lending, with muted demand for consumer loans as we have seen in last few quarters. Demand for corporate loan growth in Kuwait was from both conventional and Islamic banking.

**Amir Hanna:** What has led to the sharp increase in stage three exposures year to date?

**Sujit Ronghe:** Stage three exposures have increased year to date due to few names moving to stage three bucket. These movements which occurred in both Kuwait and some overseas locations have been well-provided for as per both, Central Bank of Kuwait and IFRS 9 requirements.

- Amir Hanna:** What is your capital outlook, what is your CET1 level? And how much minimum buffer would you like to keep?
- Sujit Ronghe:** From a regulatory capital point of view, minimum requirement for our CET1 is to be at 11.5% and as we have said before the group targets to maintain the total capital adequacy ratio at year-end at 1.5% over and above the minimum requirement. The minimum capital adequacy ratio requirement at total level is to be at 15%.
- Amir Hanna:** Your cost to income ratio is still higher than regional peers. Realistically, to what level will you be able to lower it over the medium term?
- Sujit Ronghe:** There are two aspects to the cost-to-income ratio. One is the cost growth, and the other is the income side. The income is impacted not only by volume growth in business but also the interest rate scenario. In a lowering interest rate scenario in the coming years, we expect the net interest income to be challenged and while the bank continues to invest in digital technologies and processes, we should expect a high single digit cost growth, thereby pressuring the cost to income ratio. However, we would target to maintain our overall cost to income ratio below 40%.
- Amir Hanna:** What is your NIM sensitivity to every 25bps cut in rates?
- Sujit Ronghe:** In terms of impact on NIM, for every 25bps parallel shift of benchmark rates in assets and liabilities, we expect an annualized effect on NIM by 3-4 bps.
- Amir Hanna:** How is the borrowing demand within the Kuwaiti market? Which sector are driving the demand?
- Salah Al-Fulaij:** If we look at retail, it has been really quite in Kuwait mainly because of relatively higher interest rates but in terms of wholesale, there is demand for either stock market or some real estate activity and we expect the demand to grow from both next year especially with the passing of the mortgage low especially as the citizens start thinking of borrowing. Also the real estate developers would want to finance the development of the housing areas.
- Amir Hanna:** From the loan mix disclosures there seems to be strong growth for the purchase of securities year to date and Q-o-Q. How much of this has come from Kuwait following the introduction of margin lending and can you comment more on the business strategy there given your strong domestic and asset management franchise.
- Salah Al-Fulaij:** We do not do margin lending, we have always avoided that we still believe its higher risk in our opinion, so any thing that you see is really not a huge growth in purchase of securities year to date but rather either to stock market or to investments.
- Amir Hanna:** Year-to-date NIM is comparable to that we witnessed throughout most of 2010s. On benchmark rates being lower, how confident is the bank in its ability to sustain this level going forward as we see additional rate cuts?
- Sujit Ronghe:** There will definitely be an impact from the rate cuts, but it depends on the quantum and the pace at which rate cuts will take place; keeping in mind the magnitude with

which CBK will follow the Fed rate cuts. Part of the rate impact can be offset by volume growth definitely, but we have historically witnessed an adverse impact on NIM in a lower interest rate scenario.

**Amir Hanna:** A question on rolling out digital loans. Is there an update? And what kind of products do you plan to be offering? Is there any long term targets for adoption and P&L impact?

**Salah Al-Fulaij:** As far as digital loans, in the second quarter of this year, our digital bank Weyay, started offering digital loans. We believe that demand was solid once compared to the muted retail growth trend in the system as I have mentioned in an earlier answer. As for NBK, we anticipate to offer the same service soon, launching maybe early next year.

**Amir Hanna:** How much of loan growth was driven by domestic vs. international operations?

**Sujit Ronghe:** Growth has been fairly wide spread across most of the geographies where we operate. In Kuwait, NBK's conventional loans and Boubayan Bank's Islamic loans were solid contributors, but a higher proportion of loan growth came from the various geographies operating under our International Banking Group.

**Amir Hanna:** When do you expect the positive NIM impact to come through from the issuance of government bonds? Also if NBK were to invest in Kuwait government Eurobonds, would they be included as part of CBK's liquidity reserve requirement?

**Sujit Ronghe:** I'll answer the second part of the questions first. Investment in Eurobonds is not part of CBK's liquidity reserve requirement, as it is based on KD denominated assets and liabilities.

Now the first part, issuances from the Government would positively impact NIM and net interest income if we are able to re-deploy CBK current account balances into these bonds. This hasn't happened as of now and our CBK current a/c balance |remains more or less similar to the level it was at beginning of the current year.

**Amir Hanna:** What is the impact of credit provision release in the nine months?

**Sujit Ronghe:** As mentioned earlier, our underlying cost of risk, notwithstanding the release of credit provisions, would have been closer to 40 bps. Thus, you can estimate the impact from cost of risk.

**Amir Hanna:** Do you expect similar momentum in loan growth next year?

**Sujit Ronghe:** Although there is a high optimism for passing of the mortgage law and acceleration of projects awarding activity, there will always be a time lag between the announcement and actual implementation of projects or the mortgage law. Thus, we do not expect a lot of activity in terms of credit formation to happen suddenly in the next year. It would eventually form during the next few years. However, going by the current trend, we are hopeful that the high-single-digit to low-double-digit growth in loans will continue throughout the next year as well.

- Amir Hanna:** A number of repeated questions. How do you expect NIMs to trend in 4Q25 and throughout 2026?
- Sujit Ronghe:** NIM for the past 9 months period was 2.45% while for the third quarter it was at 2.42%. We witnessed a slight decline here, but on an overall basis we are expecting a similar trend in NIM for the fourth quarter. Beyond that, NIM behavior is more dependent on the quantum of CBK's rate cuts compared to Fed rate cuts.
- Amir Hanna:** I think that answers the second part of the question on the assumptions on rate cuts. The last part of that question asks when do you expect the mix of assets held with CBK to improve?
- Sujit Ronghe:** That is a very difficult estimation to quantify. From Jun-25 to-date, CBK has issued KD2 billion worth of treasury bonds. The speed and quantum at which these issuances will continue is dependent on financial needs of the State. There was also a Eurobond issuance of USD 11.5 billion. Thus, it is a bit of a wait-and-watch situation for now.
- Amir Hanna:** The last question we have has 3 parts to it and we have answered the first two (part 1 on the international vs. domestic loan growth and the second on the domestic demand and growth acceleration). The last part of the question asks about the development regarding the mortgage law.
- Salah Al-Fulaij:** First of all, the mortgage law is not officially out yet while there is a lot of talk through some of the media publications. I believe we have to wait until the law is published in the official gazette.
- As regards loan growth, as Sujit mentioned earlier, it won't be an overnight growth when it comes mortgages as it will be linked to the time when the developers will start building the housing projects and the citizens start buying those units. The developers will start borrowing but it will be gradual.
- As for the wholesale market, we believe growth in demand will be dependent on needs rather than the size of interest rate cuts.
- Amir Hanna:** Thank you very much. That was our last question.
- Thank you all for listening and for the questions.
- That concludes our call.
- Ahmed back to you.
- Ahmed El-Shazly:** Thank you gentlemen for the presentation and the Q&A session.
- Thank you all for joining; have a good day everyone.