



NBK Group executives pictured during the AGM presentation

# NBK holds AGM and EGM for 2017

AGM approves 30% cash dividend and 5% bonus shares

**KUWAIT CITY, March 10:** NBK's Chairman Nasser Al-Sayer affirmed that "NBK Group has achieved strong performance across all business segments during the year 2017. The Group witnessed a remarkable increase in profitability while continuing to maintain its leading position in the domestic market through providing a comprehensive range of financial products and ultimately delivering a more complete experience to its customers."

This came in Al Sayer's message at NBK's Ordinary (AGM) and Extraordinary (EGM) General Assembly meeting for 2017 that was held today (10 March 2018), at which there was a turnout of 78.07%. The AGM and EGM approved the Board of Directors' recommendation to distribute 30% cash dividend to shareholders (equivalent to 30 fils per share) and the distribution of 5% bonus shares (5 shares for every 100 shares owned).

"NBK continued to benefit from Kuwait's solid economy, which remains largely influenced by public sector spending," said Al Sayer. "NBK is proud of playing a vital role in driving the growth of the national economy through participating in the financing of most of the country's major public/private projects, in Oil and Gas as well as other sectors."

Al Sayer added that "NBK is keen to enhance its contribution to the economic development embodied in Kuwait's future vision - 'New Kuwait 2035'. The country remains a financial safe haven in a region experiencing both economic and political uncertainty. This is borne out by the strong sovereign ratings that have been issued by Moody's, Standard & Poor's and Fitch."

### Solid Performance

"NBK continued its strong performance during 2017 achieving net profits of KD 322.4 million growing at 9.2% year-on-year. The solid results confirm the Bank's successful conservative strategy, prudent risk management in addition to the Bank's commitment in applying the highest standards across the different business sectors," said Al Sayer.

"The Bank continues to enjoy a leading position in the domestic market given its strong financial position and its deep understanding of customers' needs. NBK continues to provide its clients with innovative and diversified products and services while still maintaining the Bank's unique position in leading and financing development projects."

"Growth in revenues from Islamic Banking continued through Boubyan Bank, our fully consolidated Kuwaiti subsidiary, leading to a growing contribution to Group consolidated profits. In 2017, Boubyan Bank's Total Assets grew by 14.0%. The Bank's strong financial position, experienced and committed management team, which is fully aligned with NBK's corporate culture."

"NBK's International operations saw another year of sustained growth and stability. Our international operations remained highly profitable contributing 27.7% of the Group's total profits through improving synergies and business optimization. This reflects the strength of the Bank's franchise and reputation across the world."

### Financial Performance

NBK's Group CEO Isam Al Sager said that "despite a prevailing backdrop of low but stabilising oil prices, NBK maintained leadership across core banking segments in Kuwait, defending our position as the country's foremost financial services provider."

"NBK profits accounted for 40% of the banking system's profits in 2017. On the other hand, the Bank accounted for around 43% of the system dividends."

"Total assets as of year-end 2017 reached KD 26.0 billion (USD 86.3 billion) up 7.4% compared to year-end 2016 while customer deposits grew by 9.3% year-on-year to reach KD 13.8 billion (USD 45.7 billion). Customer loans and advances reached KD 14.5 billion (USD 48.1 billion) as of year-end 2017, 6.5% up from last year's levels" Al Sager added.

Al Sager also mentioned that the Group reported net profits of KD 322.4 million (USD 1,068 million) for the period, a 9.2% increase on 2016. The growth in operating surplus

- Al Sayer:**
- NBK Group achieved solid growth across all business segments in 2017
  - NBK plays a key role in supporting economic growth domestically
  - The solid performance reflects the success of the bank's conservative strategy, its prudent risk management practices and adoption of highest standards
  - NBK is keen to continue contributing to the overall economic development and to Kuwait's future vision - 'New Kuwait 2035'
  - The Bank continues to be the market leader domestically and enjoys a strong position in leading and financing development projects
  - We support Boubyan Bank's positioning in the Islamic Banking market with preserving its total independence



Nasser Al-Sayer, NBK's Chairman

- Al Sager:**
- NBK Group strengthened its position as the best financial services provider in Kuwait
  - Our profits remain the largest among Kuwaiti corporates and among the highest in the region
  - Total assets growing at 7.4% to KD 26.0 billion in 2017
  - International operations contribution to profits at 27.7%
  - NBK Group maintained high levels of capitalization with BASEL III CAR at 17.8% in 2017
  - Special focus on the Egyptian market given the growth opportunities it offers for the Group
  - 77.07% growth in NBK-Egypt profits; the highest growth rate in the Egyptian banking sector
  - Expanding into Saudi Arabia through our newly established wealth management entity
  - A new branch in Shanghai to service the financing requirements of Chinese contractors participating in Kuwait's infrastructure projects
  - NBK continues to enjoy collectively one of the highest ratings and is among the 50 Safest Banks in the World list for 12 consecutive times



Isam Al Sager, NBK's Group CEO



Shaikha Al Bahar, NBK's Deputy GCEO

**Al Bahar:**

- NBK Group was the largest player in financing the development projects in 2017
- Optimistic about the Kuwaiti economy and its ability to continue with capital spending policy
- Government accelerating pace of capital expenditure despite low oil prices
- The GMTN issuance confirmed the attractiveness of NBK's name among global investors
- NBK plays a primary role in financing and arranging mega deals for government projects
- The Bank continues to attract deposits internationally given its leadership position and high credit ratings

(Net Operating Income less Operating Expenses) was particularly strong, growing 13.0% year-on-year to KD 557.2 million (USD 1,847 million).

its from international operation. This reflects the confidence that the Group has in the Egyptian market and pushes for further commitment by the Group to expand in Egypt.

"NBK continues to signify judicious and strategic identification of new and profitable markets. This was translated in 2017 where we began the process of establishing our wealth management business in Saudi Arabia. Having completed the licensing requirements, a CMA-regulated entity will launch in 2018. This new franchise, which will marry the services of both our Private Banking unit and NBK Capital, is designed to tap into the GCC's largest economy, as well as into its considerable depth of investible assets."

"NBK has also been granted an approval SAMA to open two new branches in Saudi Arabia in addition to our existing branch in Jeddah; a branch in Riyadh and a branch in Dammam. Likewise, in China, we opened a new branch in Shanghai, which will service the financing requirements of Chinese contractors participating in Kuwait's strong pipeline of infrastructure projects," said Al Sayer.

### Capital and Ratings

The Group maintained a strong level of capitalization throughout the year. NBK's capital adequacy ratio at year-end was 17.8% (17.7% in 2016). This level of capitalization is in keeping with NBK's risk appetite, and is comfortably in excess of NBK's Basel III capital adequacy requirement as determined by the Central Bank of Kuwait.

"Despite the challenging operating environment, NBK maintained its leadership in the banking sector in Kuwait. NBK continues to enjoy collectively one of the highest ratings among all banks in the Middle East from the three international rating agencies Moody's, Fitch Ratings and Standard and Poor's. The Bank's ratings are supported by its high capitalization, prudent lending policies, and its disciplined approach to risk management, in addition to its highly recognized and very stable management team" mentioned Al Sayer. Moreover, NBK was named among Global Finance's list of the 50 safest banks in the world for twelve consecutive times.

### Development Plan

Commenting on the operating environment and the macro outlook, NBK's Deputy GCEO Ms. Shaikha Al Bahar said "In terms of economic development, we remain committed to supporting the program of the government of Kuwait, as outlined by New Kuwait 2035. NBK continues to play a leading role in financing a wide range of mega projects: from clean fuels to education, infrastructure and housing. We have a long history of contributing positively to Kuwait's economic growth and look forward to doing so in the years to come"

Ms. Al Bahar added that "implementation of Kuwait's development plan has been moving rapidly in the last few years. The country's needs are more urgent, and the government is, and has been more dedicated. As a result, project financing opportunities have been more plentiful, in oil and non-oil areas. The sectors that benefited the most are construction, power and oil. This is an expression of optimism about the positive prospects of the local economy, thanks to Kuwait's strong financial position, substantial buffers and low sovereign debt which puts the country on a more sustainable economic path."

On the project financing side, NBK has been and will continue to be at the forefront of this market segment as the largest and most capable institution in Kuwait in structuring and underwriting large transactions. During 2017, NBK played a role in financing several mega transactions among them are Kuwait Airport Expansion (KD 1.3 billion) and KNPC's LNG Import and Regasification (USD 2.9 billion). "NBK is one of the few financial institutions in the country to have a specialized project financing unit managed and operated by a large group of highly qualified and experienced staff with an exceptional track record in projects finance" Ms. Al Bahar noted.

During the course of 2017, the Bank engaged in a range of initiatives to further diversify sources of funding, already an area of competitive strength for the Group. A major highlight was the establishment of a USD 3.0 billion Global Medium Term Notes programme. As part of this programme, the Group issued 5-year senior unsecured notes amounting to USD 750 million, priced at a fixed interest rate of 2.75% per annum payable semi-annually in arrears.

# NBK continues its strong performance during 2017

Innovation is driving future growth through implementation of improved technology and more digitization: Al Fulajj

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The issue was well-received by the market, with bids totaling USD 2.2 billion, a 2.9x oversubscription. Other initiatives included the launch of a multi-currency CD programme at NBK International (UK), as well as the launch of a range of innovative deposit products for new and existing clients.

Ms. Al Bahar stressed that the Group's focus on the formulation and wise execution of the strategy along with the commitment to the best practices in financial and risk management are the main keys to value creation for our shareholders. The Group also focuses on investing heavily in advanced technologies and innovative solutions that enhances the Bank's competitive advantage, operational efficiency and customer satisfaction.

#### International Markets

NBK was among the first banks to capture regional and international expansion opportunities. It is a key to the Bank's diversification strategy and positions the Bank ahead of competition with one of the largest international banking network.

Regionally, NBK focuses on Saudi Arabia and the United Arab Emirates. The Bank's offering in those two markets is mainly focused on the general macro-economic backdrop with more emphasis on wholesale banking while building corporate relationships with blue chip companies and GREs.

Other than the Bank's GCC offering, as Egypt emerges from a period of instability and while the economic reform program starts to deliver stability, it represents a strong growth opportunity for NBK going forward. Egypt is among the largest in the Middle Eastern markets, with a well-diversified economic base and the largest population in the region. That offers NBK a great opportunity in Egypt with the very low banking penetration rate that currently exists.

Under NBK's presence in international key markets (London, New York, Paris, China and Singapore), we continue to see a strong inflows of capital and deposits from HNWs, financial institutions, oil companies, correspondent banks and government agencies; all seeking the safety and stability of NBK. The Bank continues to leverage our strong franchise along with our high credit ratings to attract funds in international markets.

#### Leadership Position

On his behalf, NBK-Kuwait CEO, Mr. Salah Al Fulajj said "NBK maintains a leading position in the banking sector in Kuwait across all KPIs. In order for the Bank to continue to have a long-term and positive impact on the economy, society and environment; NBK's sustainability model is based on six key pillars of focus: economic development, customers, governance, people, caring for the environment and giving back to the community."

#### Oil Sector

Al Fulajj mentioned that "NBK is the proven choice and the primary partner when it comes to oil sector related financing. NBK was a mandated lead arranger for a number of prestigious projects, including the financing of KNPC's Clean fuels project (the largest Kuwaiti Dinar syndicated financing in the history of Kuwait) and around KD 1.5 billion long-term senior financing for Equate Petrochemicals for the acquisition of ME Global to become one of the leading producers of petrochemical products in the world. Furthermore, NBK was also one of the largest participants in the first global bond issuance of Equate."

#### A Year of Innovation

"NBK has a long, established and celebrated track record for stability and conservatism. But this reputation does not preclude innovation for driving future growth. In 2017, the Bank's leadership and staff made considerable progress in the enhancement of internal technology and systems, as well as in the roll-out of industry-leading digital and smart banking platforms that directly benefit customers. Through constant innovation, NBK secures its future, and ensures both the acquisition and retention of customers." Al Fulajj indicated.

#### Banking Technologies

"Innovation also applies to our achievements in developing in-house technology and improving digitization, both in the back-office to control costs and in the front-office to provide new services to customers. In 2017, we took a 'mobile first' approach to digital banking platforms, growing our contactless payment services through 'Tap & Pay', which allows customers to make purchases with wearables and contactless cards. Internally, we are in the process of developing a new and improved cash management offering, as well as enhancing synergy and connectivity between our global branches.

The effect of this approach has been to improve cross-selling across the Bank, while delivering a more holistic customer journey. With more digital solutions in the pipeline for 2018, we are confident of maintaining our regional leadership position, distinguishing ourselves from the competition by increasing ease-of-use and our relevance to the millennial generation" Al Fulajj added.



NBK Group AGM and EGM presentation at the bank's headquarters.

#### Al Fulajj:

- NBK is a lead arranger for many mega projects in Kuwait
- Innovation is driving future growth through the implementation of improved technology and more digitization
- NBK is the proven first choice and the primary partner in the oil sector
- The bank made significant progress in developing in-house technologies in 2017
- NBK launched digital banking platforms to deliver a more holistic customer journey
- In the process of developing a new and improved cash management offering, as well as enhancing synergy to improve cross-selling across the Group
- Maintaining our regional leadership position with more digital solutions in the pipeline for 2018



Salah Al Fulajj, NBK-Kuwait CEO

programmes for employees at all levels. We are proud of the opportunities that we provide for our people, because we know that our ongoing success depends on attracting and retaining the best talent. In the same

"During 2017, NBK recruited 341 employees of which 267 are nationals. The Bank enjoys a nationalization percentage of 65.4%. This affirms NBK's pride as one of the biggest recruiter of nationals and implementing a principle of investing in young national talents at the top of the Bank's priorities."

"NBK encourages its employees to pursue higher educational and professional degrees. Thus, the Bank has tied promotions and financial incentives to certifications obtained by employees. By applying so, the Bank ensures the continuous development of its staff."

#### NBK is The Biggest Contributor to CSR

NBK's Chairman Al Sayer said that "NBK is proud to be at the forefront of private sector organizations when it comes to dedications of social and humanitarian initiatives and programs. The Bank implements such programs and initiatives every year and has been the largest contributor to the community in Kuwait among all corporates in Kuwait since the Bank's inception 65 years ago."

Al Sayer added that "NBK contributions account for 34% of total banking sector contributions to CSR while the Bank is also the biggest supporter for the National Employment Program with a 37% of total banking sector national recruitment."

"NBK's CSR activities are formed around four pillars: Social Development, Children's Care, Health and Environmental Development. Our most important recent community contributions include continued investment in NBK Children's Hospital, consisting of Stem Cell Therapy Unit, Pediatric Hematology and Pediatric Oncology, the 'I have a dream' initiative and last but not least the NBK Academy, which allows children and students from a wide age range to gain direct experience of - and guidance on - careers in banking. In the last two decades, NBK's social contributions have exceeded KD 180 million, and we remain committed to directly contributing to the communities in which we work."

#### Thanks and Appreciation

Al Sayer thanked his thanks and appreciation to the authorities for their continued support of Kuwait's economic stability and growth. Thanks and appreciation was also extended to the CBK and CMA for their continuous leadership, support and guidance. He also extended his thanks to NBK's shareholders for their continuous support and faith in NBK as a leader bank in the region. Furthermore, thanks have been extended to employees across the world represented by the executive management, whom made the experience of customers so rewarding.

#### Distributions Date

Cash dividends and bonus shares will be distributed starting Monday, 2nd of April, 2018. The distribution will be to the shareholders on the bank's records as of the record date Thursday, 29th of March 2018.

#### Ratings Excerpts

##### Moody's:

The standalone baseline credit assessment (BCA) of a3, reflects the bank's (1) dominant position in its domestic market, underpinning its resilient core profitability and growth prospects; and (2) robust financial fundamentals including consistently strong asset quality, as well as adequate capitalisation and liquidity.

##### Standard & Poor's:

We view NBK's business position as "strong," reflecting the bank's leading position in Kuwait. We believe NBK's business model, which is more diversified than that of many emerging peers, will help the group exhibit resilience in the challenging economic environment.... The stable outlook reflects our expectation that NBK's asset quality and capitalization will remain relatively stable, its market position strong, and its funding and liquidity relatively unchanged.

##### Fitch Ratings:

NBK's Viability Rating (VR) is underpinned by its flagship status in Kuwait. The Bank's size, large branch network, distribution capabilities, strong client relationships, expertise, brand, reputation and long-established geographical footprint provide NBK with clear competitive advantages. The rating also factors NBK's strong and highly experienced management team that supports the Bank's effective strategy implementation which has been consistent over the past years and well-articulated to achieve organic growth and group integration.

Year	Event
1952	Emiri Decree issued to establish NBK with a capital equivalent to KD 1 million
1952	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
1959	Indian Rupee substituted for Gulf Rupee, issued by Reserve Bank of India and traded for first time in Kuwait. NBK supports the substitution process
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	
2002	NBK is the first bank in the GCC and Middle East to issue international bonds in global markets, worth USD 450 million
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
2008	NBK avoids the negative impact of the global financial crisis, continuing to support its Kuwait and Middle East customers with all their international requirements
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
Opening of the NBK Stem Cell Hospital for Children	
NBK reaches a new milestone with record profits exceeding USD 1 billion	

#### Human Capital

Al Fulajj also stated that "in terms of people, we have maintained a commitment to delivering a wide range of high quality training and development pro-

grammes for employees at all levels. We are proud of the opportunities that we provide for our people, because we know that our ongoing success depends on attracting and retaining the best talent. In the same



Photos show NBK Group HQ under construction. The new headquarters tower is expected to become another landmark building of Kuwait's skyline.

