



# National Bank of Kuwait

## Investor Presentation

1Q 2023 Earnings Call

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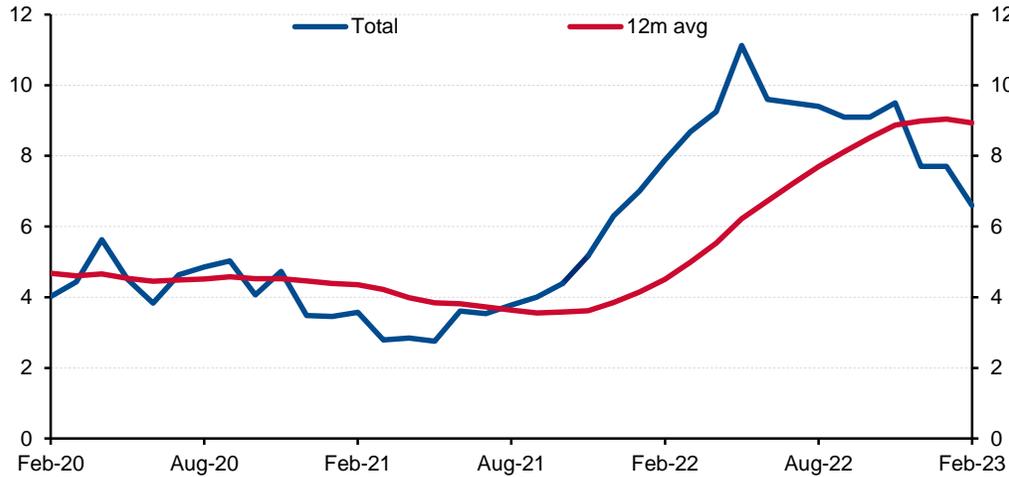


<b>Section 1</b>	<b>Group CEO Opening Remarks</b>
<b>Section 2</b>	Financial Performance
<b>Section 3</b>	Appendix
<b>Section 4</b>	Questions

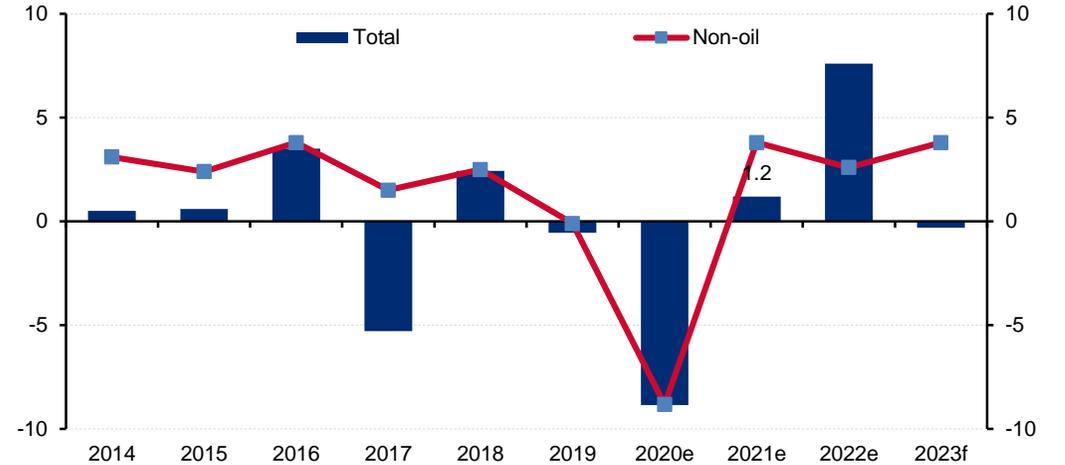


# Key Economic Highlights

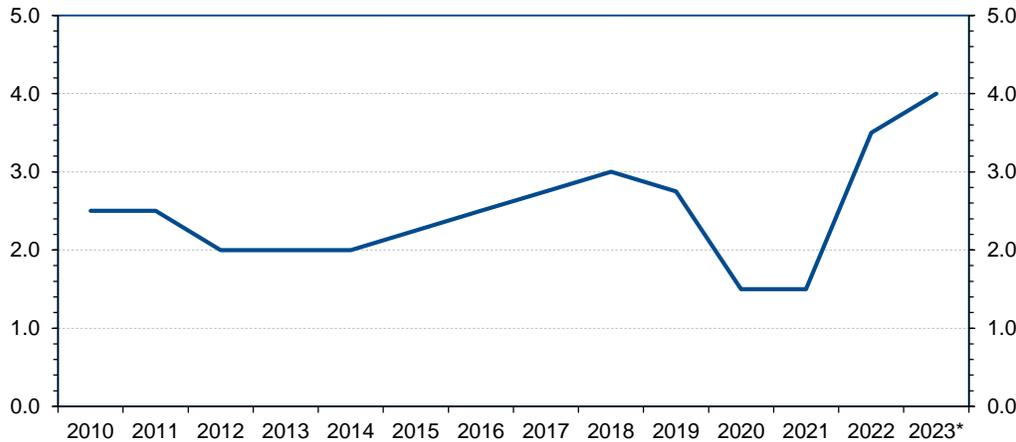
Kuwait Private credit (change, % y/y)



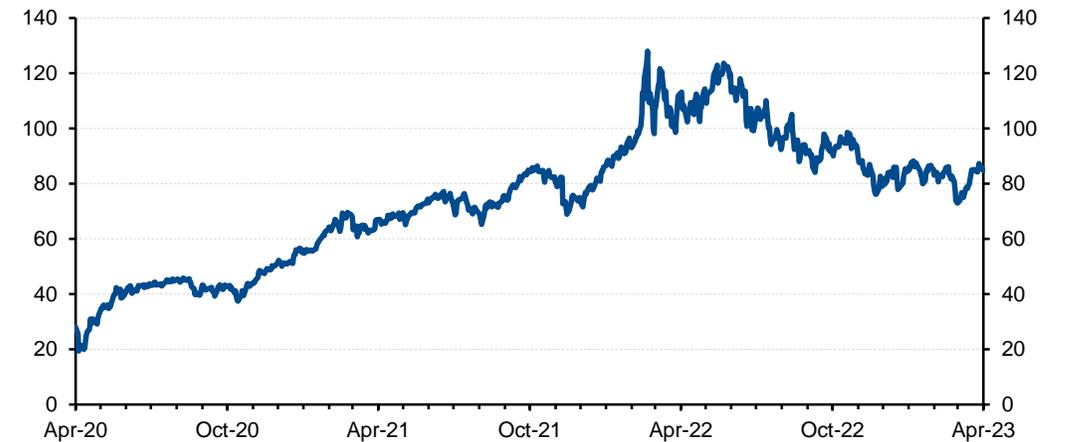
Real GDP (% y/y)



Development of the Discount Rate (%)



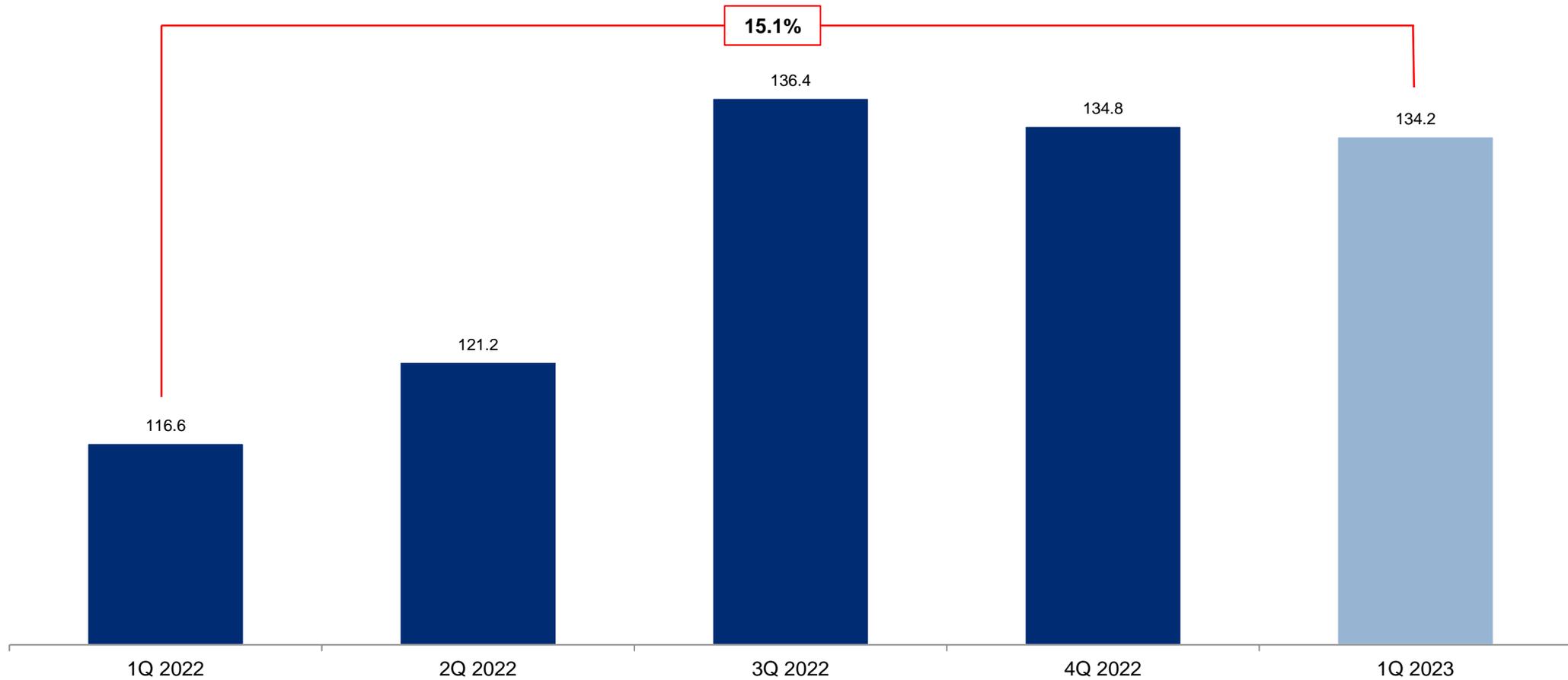
Daily ICE Brent Crude Oil Prices (\$/bbl)





# NBK Profitability (KDm)

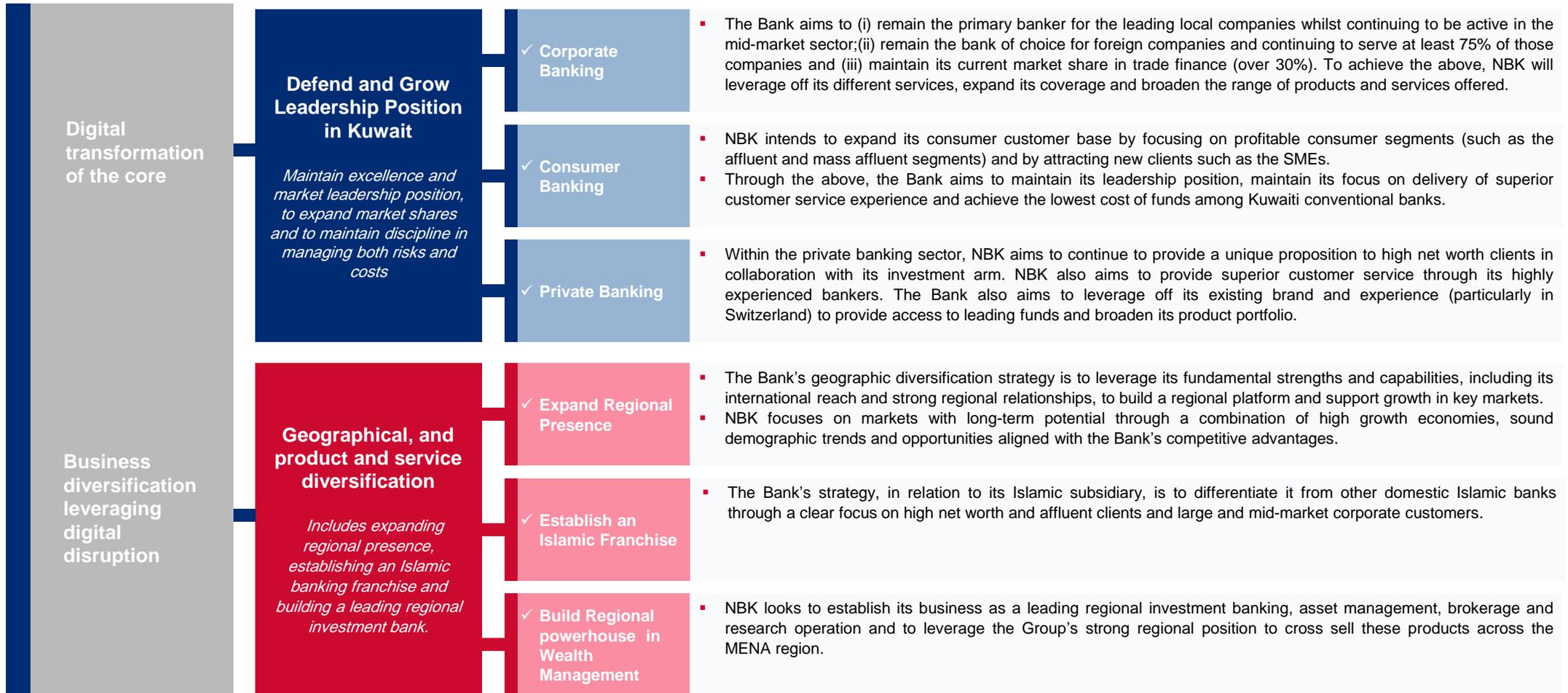
## Net Profit Attributable





# NBK's Strategy

The Group's strategy, which is based on two main pillars, focuses on defending and growing its leadership position in Kuwait whilst also diversifying its business



# 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.



## ENABLERS



## 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 Awards and Ratings



## Aligned with National and Global Frameworks





# 2022-2023 Key ESG Achievements

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

## > Strategy Pillars

## > Key Highlights

### Responsible Banking

- Launched **NBK Sustainable Financing Framework** and received **SPO by S&P Global**.
- Developed a **roll-out plan for sustainable products** for 2023.
- Achieved the **LEED Gold Certification** for NBK Kuwait new Headquarters.
- **Committed to become carbon neutral by 2060** in line with the State of Kuwait's pledge to achieve carbon neutrality by 2060.
- **Established interim goals to reduce its gross operational emissions by 25% by 2025** through increasing dependency on renewable and clean energy solutions and transforming local branches to become eco-friendly.
- Installed **12 EV charging stations** at different levels of the multi-story car park attached to NBK's green Headquarters.

### Governance for Resilience

- Approved the **new Group ESG Strategy**.
- Elected **eleven board members** for a three year term; including two additional Independent members – totaling **four independent members**, one with **extensive ESG experience**.
- Elected **first female Board Member**.
- 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.
- Integrated **ESG metrics** into the **Board of Directors'** and **Executive Management responsibilities, charters, oversight, and affairs**.
- Joined the **United Nations Global Compact (UNGC)**.
- Received our **first CDP Score of 'C'** for both the Climate Change and Forest categories for the Financial Services sector.
- Aligned our operational environmental footprint with **GHG Protocol** global framework.
- Constituent in **Refinitiv AFE Low Carbon Select Index MENA**.

### Investing in our Communities

- Launched **new designs for all our cards** with **customer-tailored features**, including design themes **especially for the visually impaired**.
- Launched **new mobile banking experience** for NBK customers themed "Tailored for You", to provide them with the latest and most advanced digital services.
- Launched the **"Bankee" financial literacy program** in Kuwait's public and private schools.
- **NBK Academy** named **"Best Youth Programme Initiative" by MEED** (MENA Banking Excellence Awards) international magazine.
- Received the **"Job Replacement and Nationalization Award"** on the GCC level. **Nationalization** rate currently stands at **75.1%**.
- Committed **USD 42.5 million** for the expansion of **NBK Children's Hospital** specialized in stem cell transplant, project to start 2023.
- **Community Investments** totaled **USD 75 million in 2022, a 45% increase from 2021**.

### Capitalizing on our Capabilities

- Awarded **"Best Bank for Diversity and Inclusion in Kuwait" from Euromoney**.
- **Women in workforce 43.6%**, women in **management 29.2%**.
- Launched **NBK RISE**, a global leadership initiative designed to **elevate women** to more significant leadership roles.
- Launched a new **training and development** approach titled **"Ready for the Future"** aimed at accelerating the Group's digital strategy.
- In 2022, **each employee** received an average of **5.7 hours of training**.
- Named **"Best Financial Innovation Lab in Kuwait 2022" by Global Finance** for pioneering innovation in the country and the region.
- Fostering **employee well-being**, NBK partnered with Wara Hospital to provide specialized on-site medical advice to staff.

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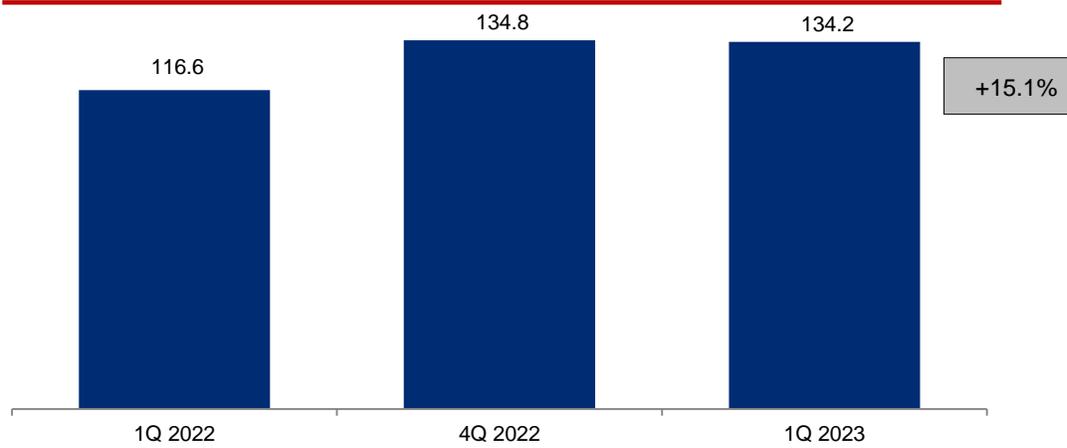


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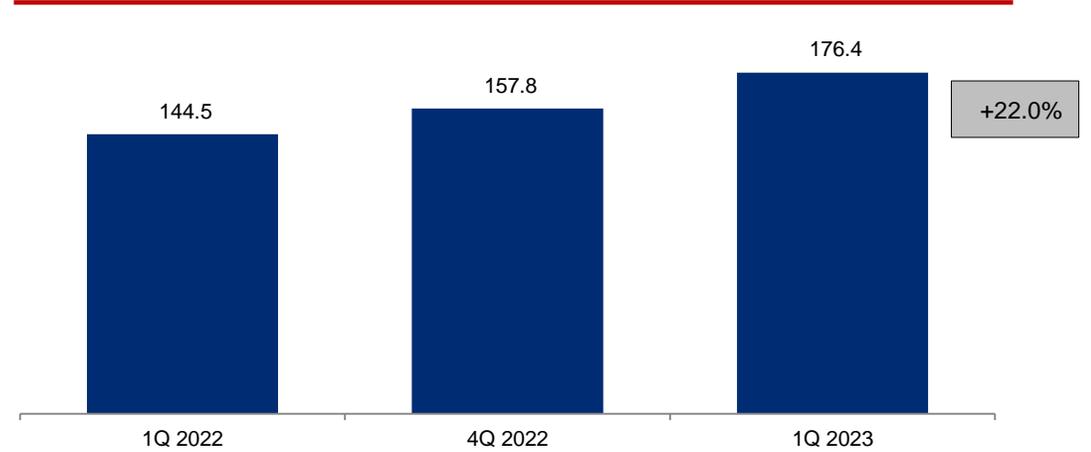


# Operating Performance 1Q 2023

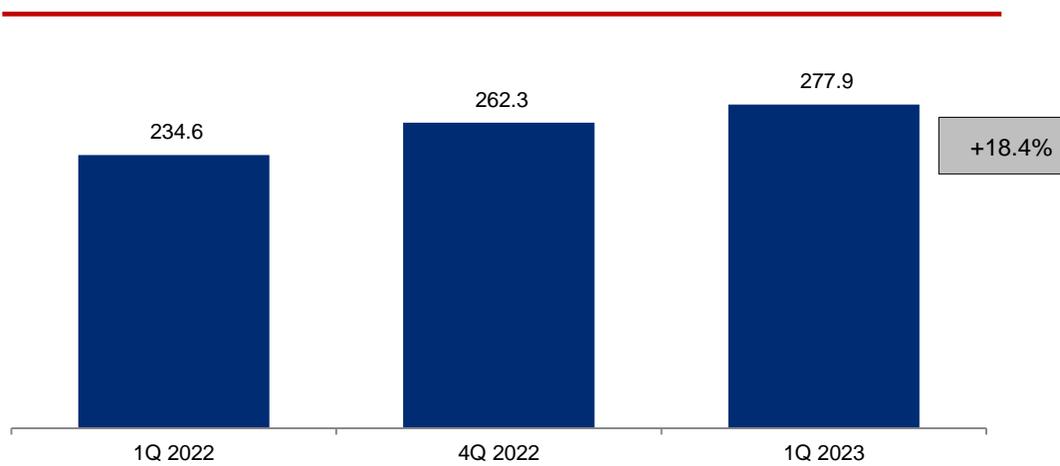
Net Profit (KDm)



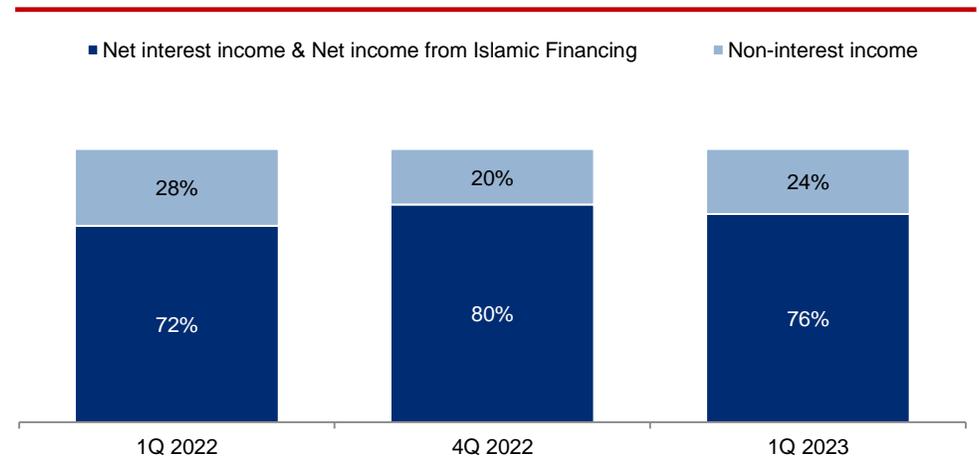
Operating Surplus (KDm)



Operating Income (KDm)



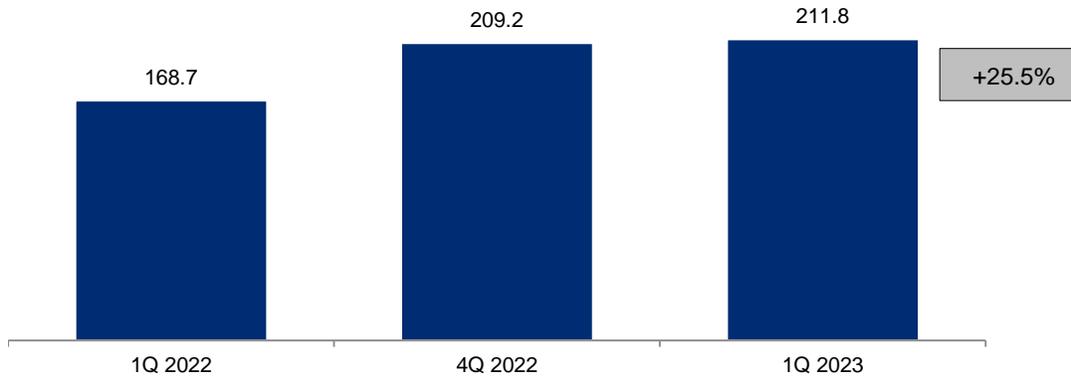
Operating Income



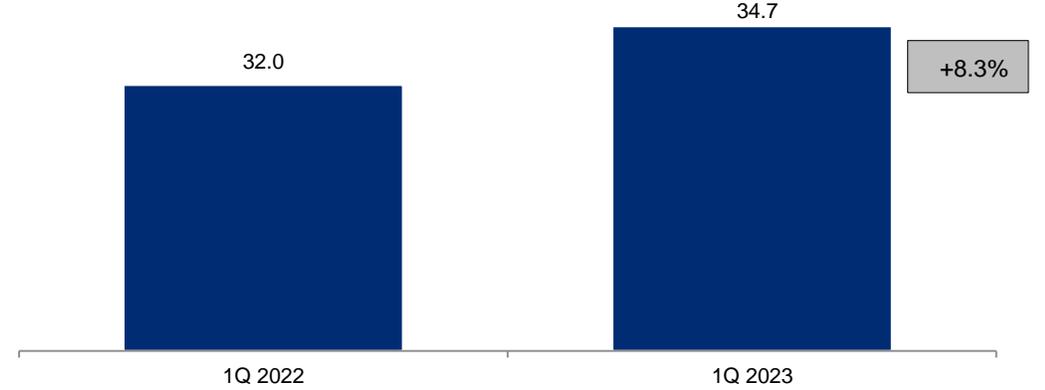


# Operating Performance 1Q 2023

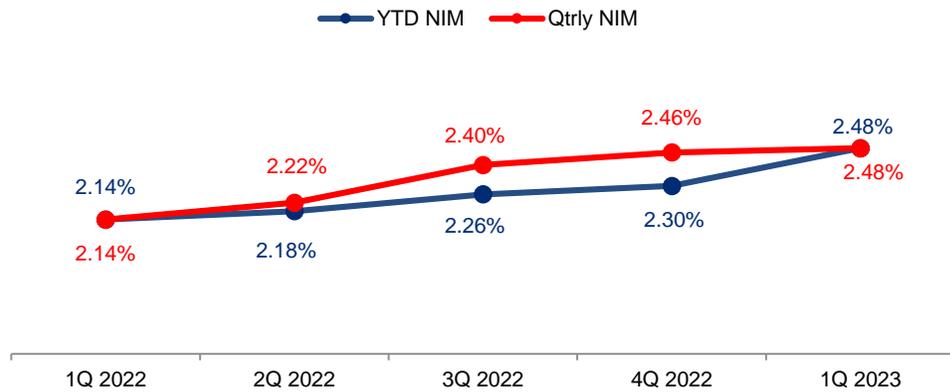
Net Interest Income\* (KDm)



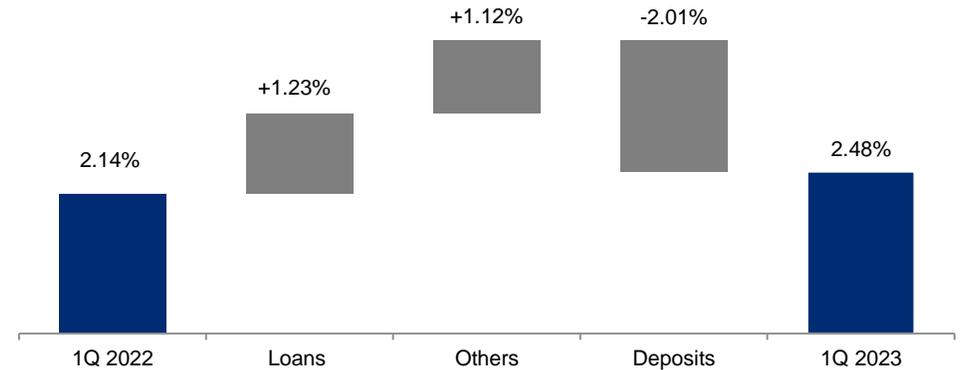
Average Interest Earning Assets (KDbn)



Net Interest Margin\*



Net Interest Margin drivers

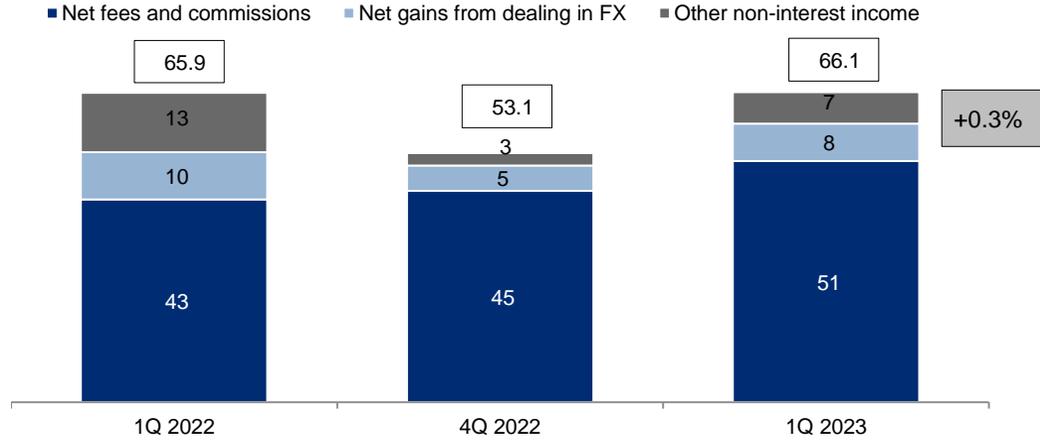


\*Includes net interest income and net income from Islamic Financing

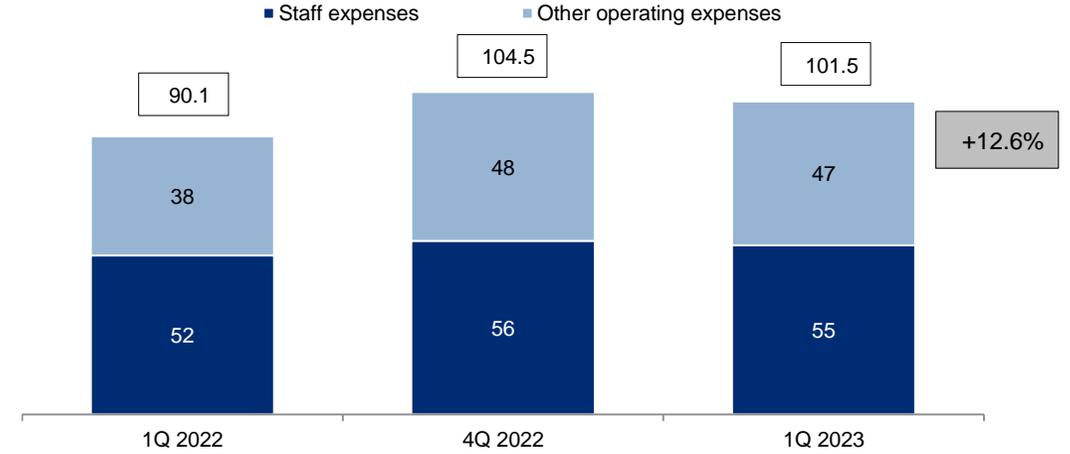


# Operating Performance 1Q 2023

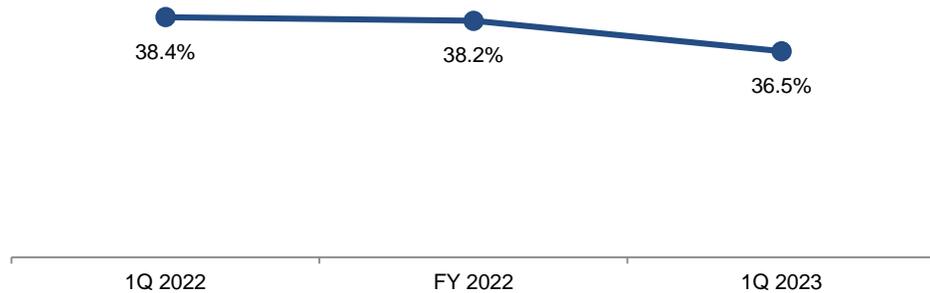
Non-interest income (KDm)



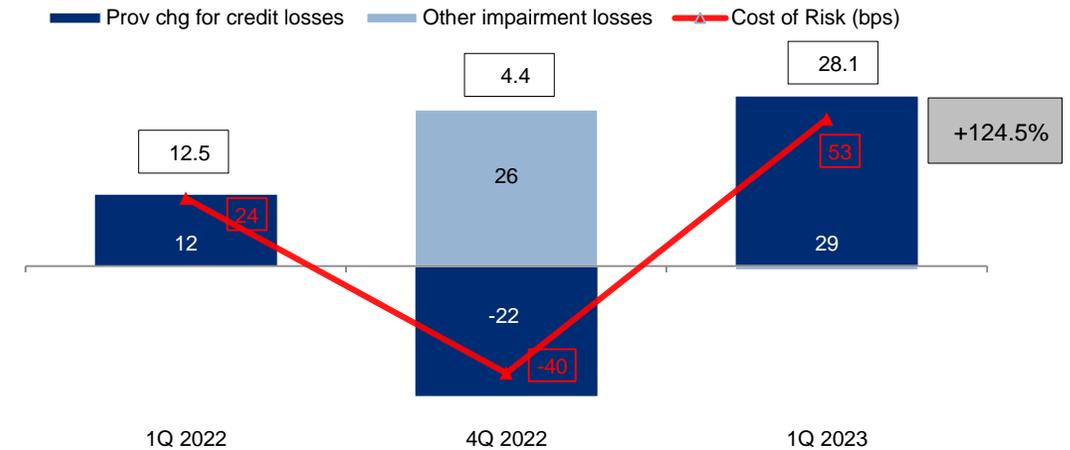
Operating Expenses (KDm)



Cost to Income ratio



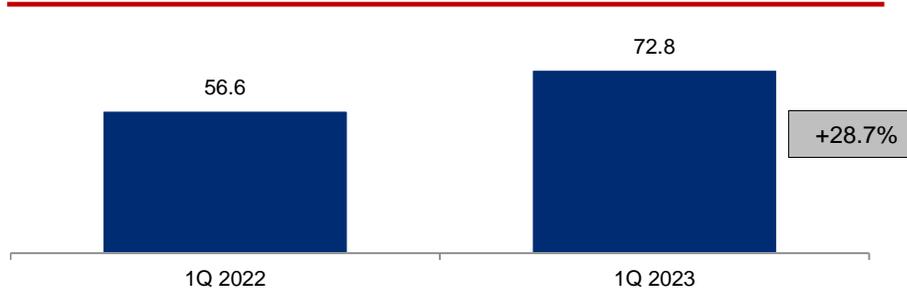
Provisions and Impairments (KDm)



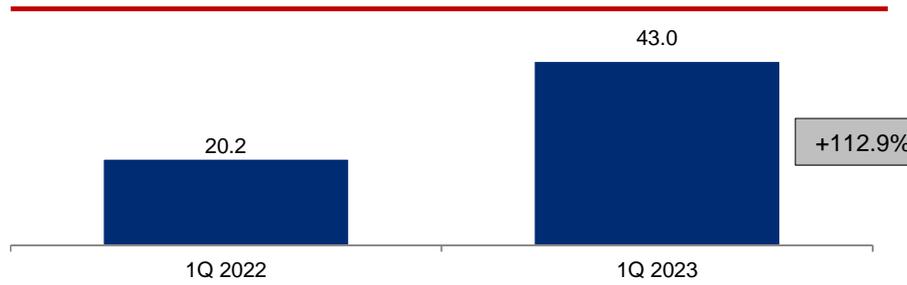


# Operating Performance 1Q 2023

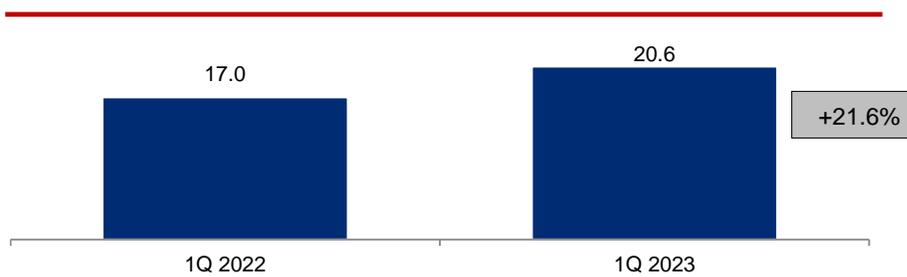
Operating Income (KDm) - International



Net profit (KDm) - International



Net profit (KDm) - Boubyan Bank



Operating Income (KDm)



Net Profit (KDm)



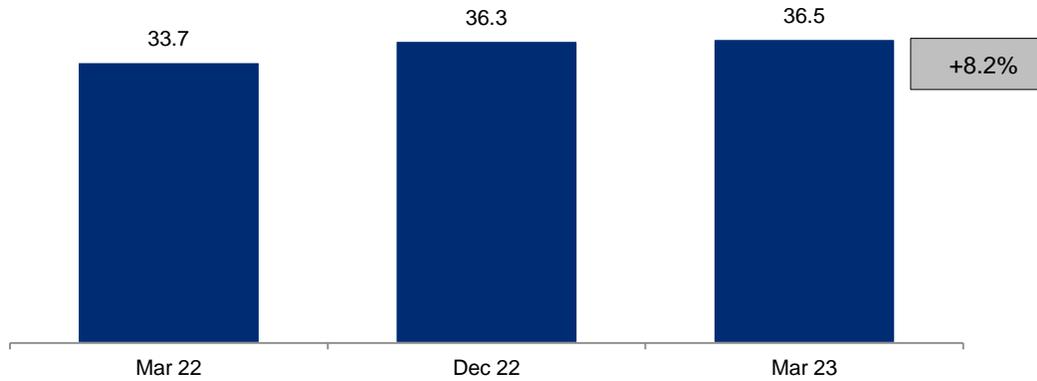
Total Assets (KD'bn)



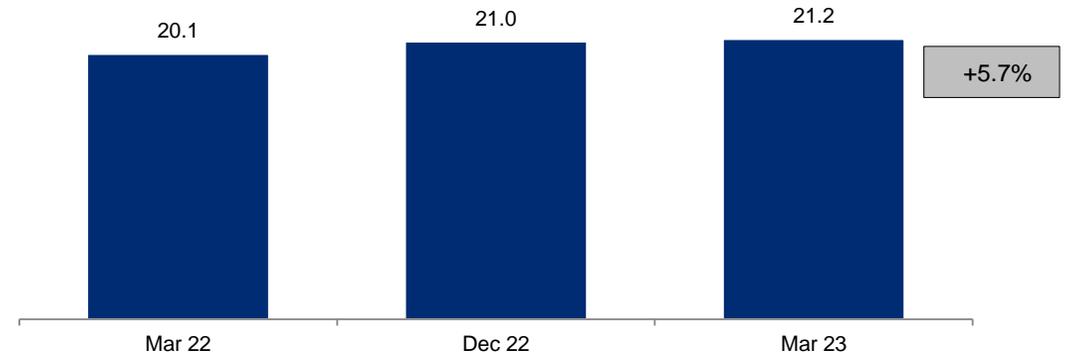


# Operating Performance 1Q 2023

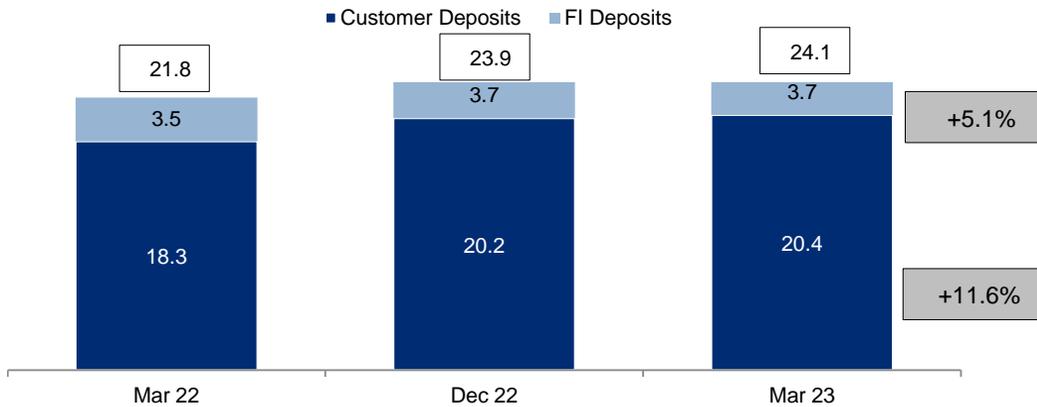
Total Assets (KDbn)



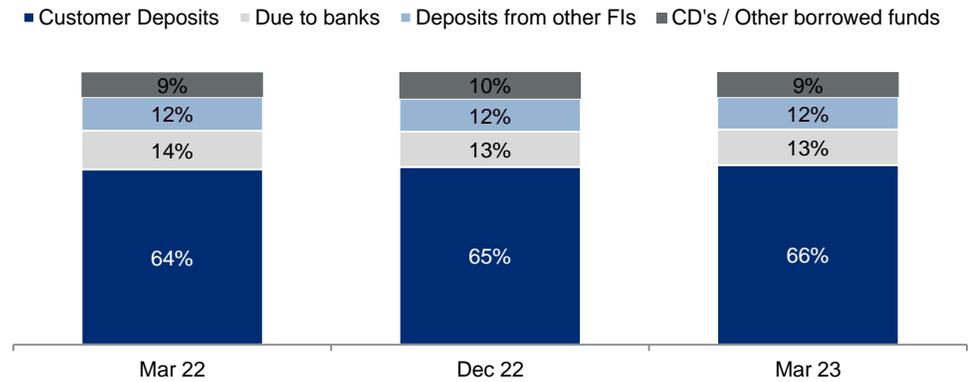
Loans, Advances and Islamic Financing (KDbn)



Customer Deposits & FI Deposits\* (KDbn)



Funding Mix

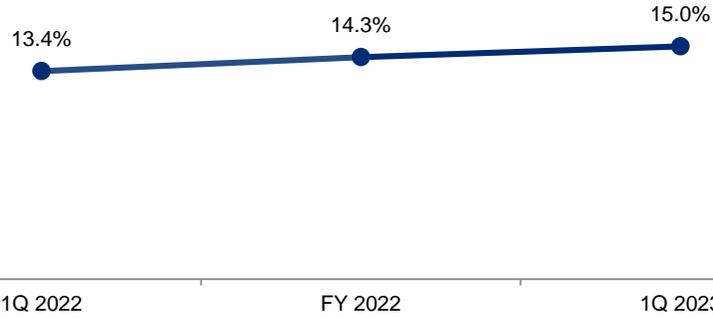


\*excludes due to banks

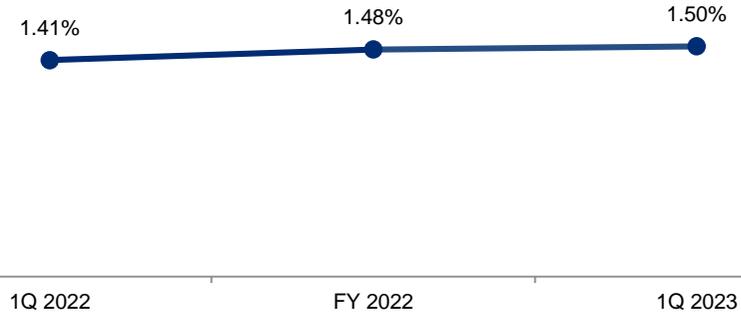


# Performance and Asset Quality Ratios 1Q 2023

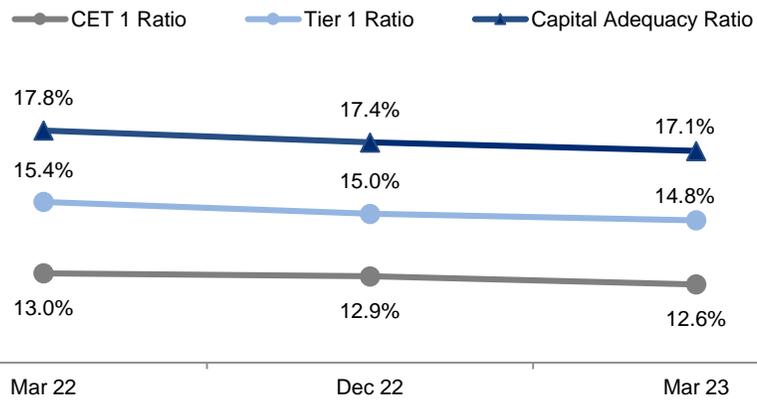
Return on Average Equity



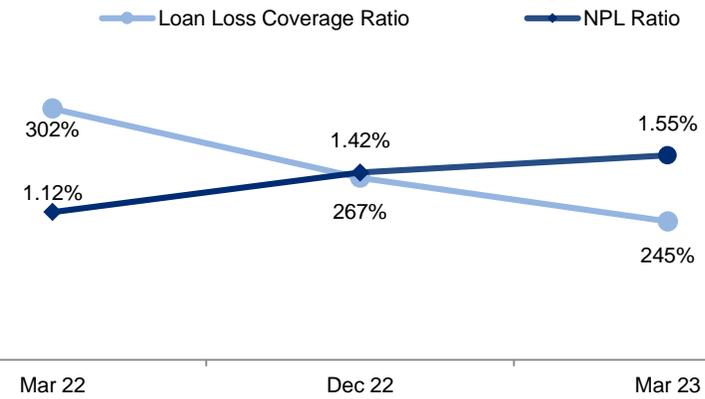
Return on Average Assets



Capital Adequacy Ratios



Asset Quality Ratios



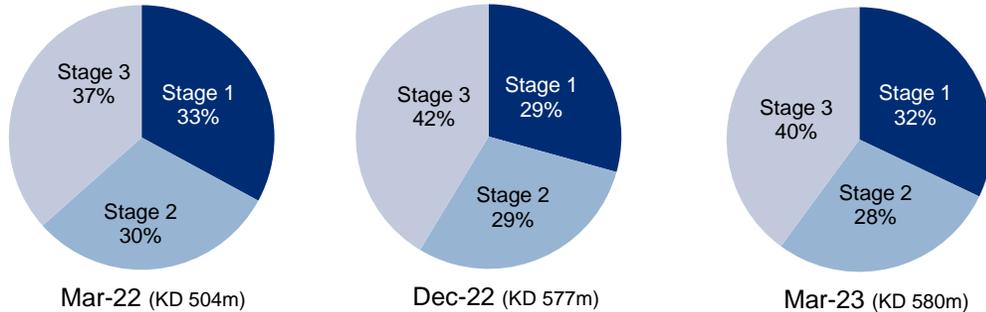


# Expected Credit Losses (ECL) 1Q 2023

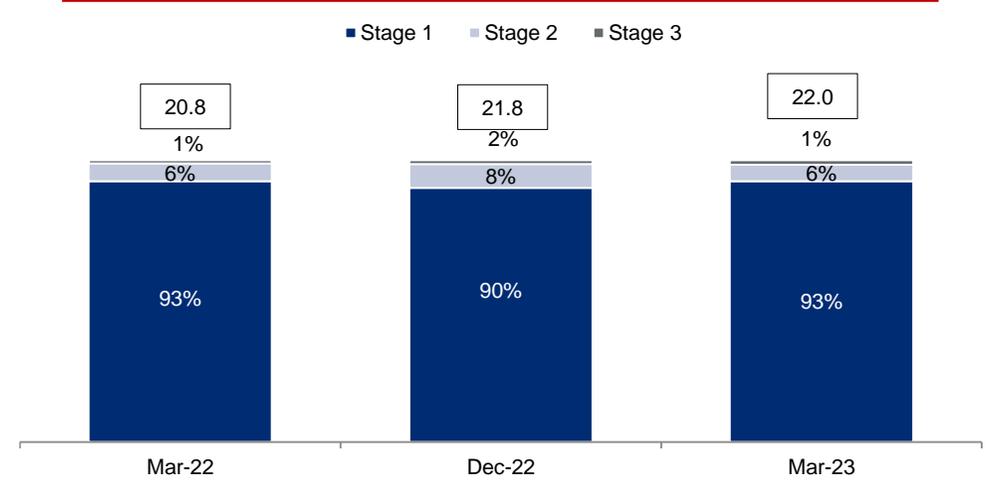
Financial Statements ECL Disclosure (KDm)

31 March 2023	Stage1	Stage 2	Stage 3	Total
Loans, advances and Islamic financing to customers	20,384	1,300	341	22,025
Contingent liabilities	3,734	658	12	4,404
Commitments (revocable and irrevocable) to extend credit	7,518	886	0	8,404
ECL allowance for credit facilities	186	162	231	580

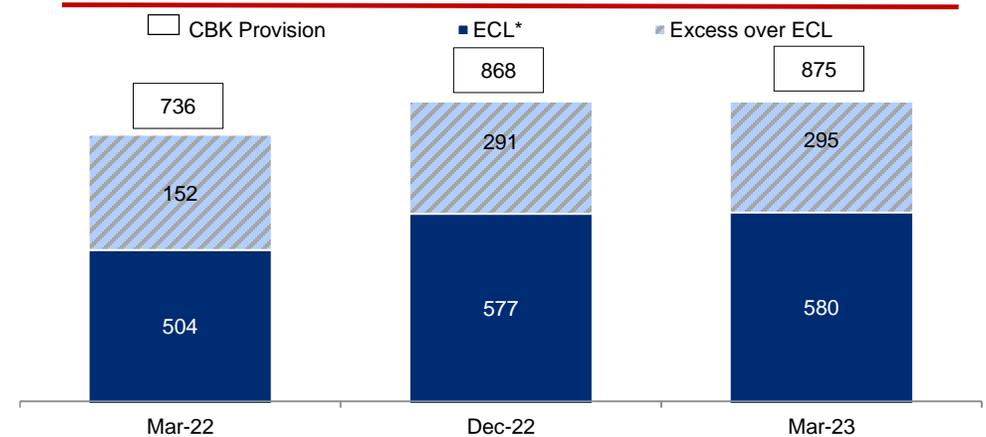
ECL Allowance for Credit Facilities



Total Gross Loans (KDbn)



CBK Credit Provisions vs IFRS 9 ECL (KDm)



\* ECLs as per CBK guidelines



## 2023 Guidance

	1Q 2023	2023 Guidance
Loan Growth	+0.9%	Mid Single Digit
NIM	2.48%	Broadly Stable
Cost to Income ratio	36.5%	High 30's
Cost of Risk	<i>53bps</i>	
Earnings	<i>+15.1%</i>	
Capital Adequacy	<i>17.1%</i>	

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## Consolidated Statement Of Income *(KDM)*

<i>KDM</i>	1Q 2022	1Q 2023	YoY Growth (%)
Interest Income	172	361	NM
Interest Expense	47	191	NM
<b>Net Interest Income</b>	<b>125</b>	<b>171</b>	<b>36%</b>
Murabaha and other Islamic financing income	61	92	51%
Finance cost and Distribution to depositors	18	51	NM
<b>Net Income from Islamic financing</b>	<b>43</b>	<b>41</b>	<b>(5%)</b>
<b>Net interest income and net income from Islamic financing</b>	<b>169</b>	<b>212</b>	<b>26%</b>
Net fees and commissions	43	51	19%
Net investment income	12	6	(52%)
Net gains from dealing in foreign currencies	10	8	(20%)
Other operating income	0	1	91%
<b>Non-interest income</b>	<b>66</b>	<b>66</b>	<b>0%</b>
<b>Net Operating Income</b>	<b>235</b>	<b>278</b>	<b>18%</b>
Staff expenses	52	55	6%
Other administrative expenses	29	36	24%
Depreciation of premises and equipment	9	11	13%
Amortisation of intangible assets	0	0	0%
<b>Operating Expenses</b>	<b>90</b>	<b>101</b>	<b>13%</b>
<b>Op. profit before provision for credit losses and impairment losses</b>	<b>145</b>	<b>176</b>	<b>22%</b>
Provision charge for credit losses	13	28	NM
Impairment losses	0	(1)	<b>NM</b>
<b>Operating profit before taxation</b>	<b>132</b>	<b>148</b>	<b>12%</b>
Taxation	9	9	4%
Non-controlling interest	7	5	(25%)
<b>Profit attributable to shareholders of the Bank</b>	<b>117</b>	<b>134</b>	<b>15%</b>



# Consolidated Statement Of Financial Position *(KDm)*

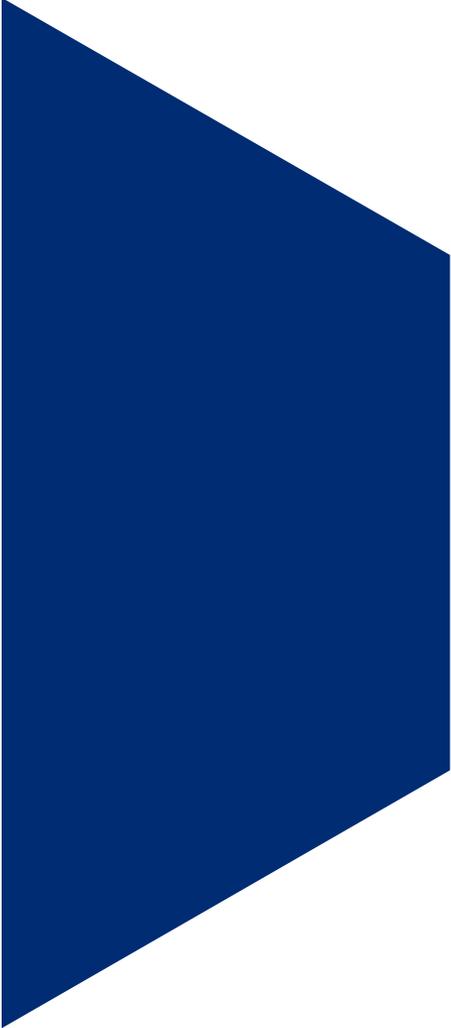
<i>KDm</i>	March 2022	March 2023	YoY Growth %
Cash and short term funds	4,918	5,108	4%
Central Bank of Kuwait bonds	831	894	8%
Kuwait Government treasury bonds	269	198	(26%)
Deposits with banks	1,062	1,427	34%
Loans, advances and Islamic financing to customers	20,052	21,189	6%
Investment securities	5,029	5,970	19%
Land, premises and equipment	460	475	3%
Goodwill and other intangible assets	572	530	(7%)
Other assets	504	672	49%
<b>Total Assets</b>	<b>33,697</b>	<b>36,464</b>	<b>8%</b>
Due to banks	4,083	4,021	(2%)
Deposits from other financial institutions	3,522	3,701	5%
Customer deposits	18,311	20,436	12%
Certificates of deposit issued	1,192	1,481	24%
Other borrowed funds	1,422	1,371	(4%)
Other liabilities	849	943	15%
<b>Total Liabilities</b>	<b>29,380</b>	<b>31,953</b>	<b>9%</b>
Share capital	755	755	0%
Proposed bonus shares	-	38	NA
Statutory reserve	360	378	5%
Share premium account	803	803	0%
Treasury share reserve	35	35	0%
Other reserves	1,438	1,502	4%
<b>Equity attributable to shareholders of the bank</b>	<b>3,391</b>	<b>3,511</b>	<b>4%</b>
Perpetual Tier 1 Capital Securities	439	439	0%
Non-controlling interests	488	561	15%
<b>Total equity</b>	<b>4,318</b>	<b>4,510</b>	<b>4%</b>
<b>Total liabilities and equity</b>	<b>33,697</b>	<b>36,464</b>	<b>8%</b>



## Performance Measures 1Q 2023

	March- 2022	March - 2023
Return on average assets	1.41%	1.50%
Return on average equity	13.4%	15.0%
Net interest margin	2.14%	2.48%
Cost to income	38.4%	36.5%
NPLs to gross loans	1.12%	1.55%
Loan loss reserves to NPLs	302%	245%
Tier 1 capital	15.4%	14.8%
Tier 2 capital	2.4%	2.3%
Capital adequacy ratio	17.8%	17.1%

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Group CEO Opening Remarks

**Section 2**

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**Section 4**

**Questions**



**Questions?**



**Thank You**



# National Bank of Kuwait

## Investor Presentation

1Q 2023 Earnings Call