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National Bank of Kuwait
Investor Presentation
2Q 2019 Earnings Call

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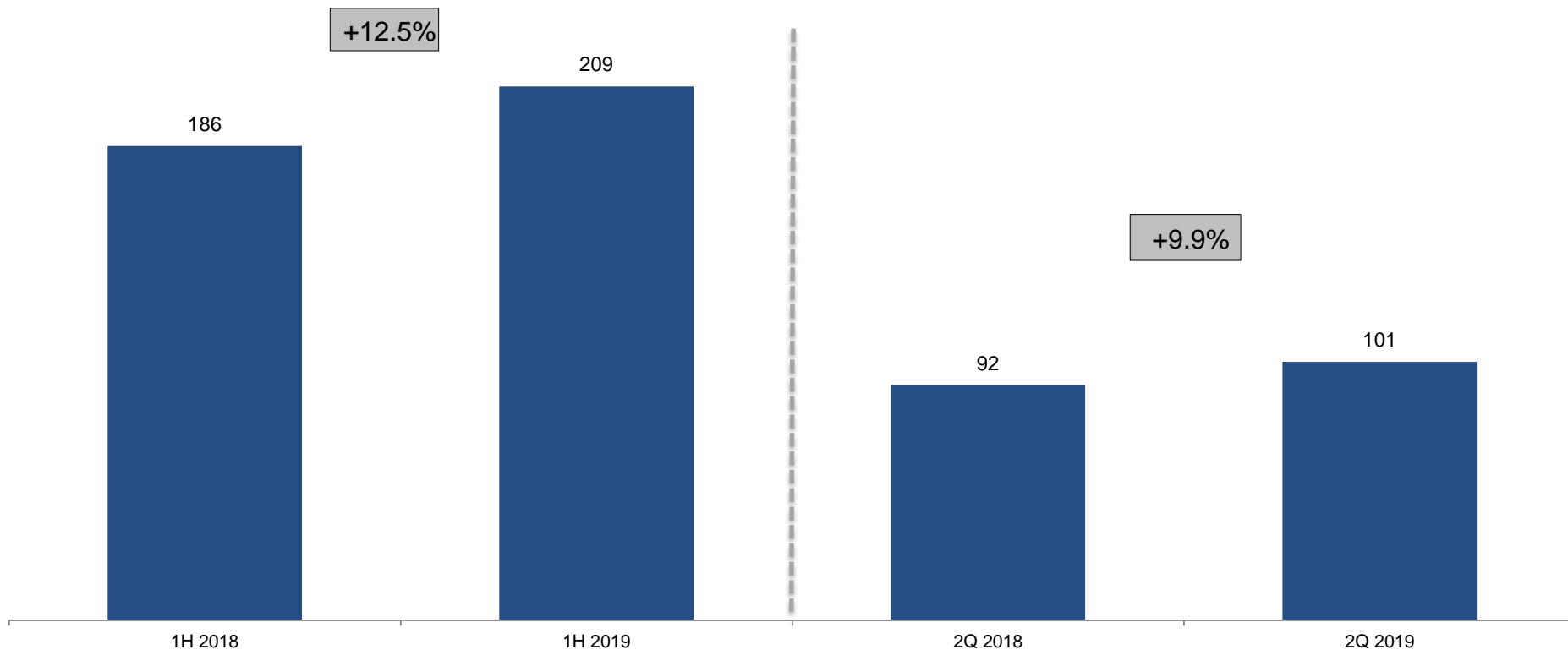
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NBK Resilient Profitability (KWD mn)

NBK net attributable Profit



NBK's strategy update

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

Defend and Grow Leadership Position in Kuwait

Maintain excellence and market leadership position, to expand market shares and to maintain discipline in managing both risks and costs

✓ Corporate Banking

✓ Consumer Banking

✓ Private Banking

Geographical, Product and Service Diversification

Includes expanding regional presence, establishing an Islamic banking franchise and building a leading regional investment bank

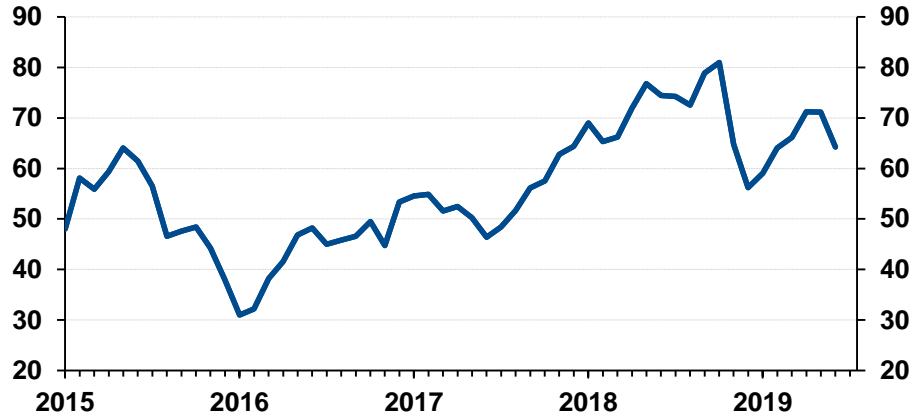
✓ Expand Regional Presence

✓ Establish an Islamic Franchise

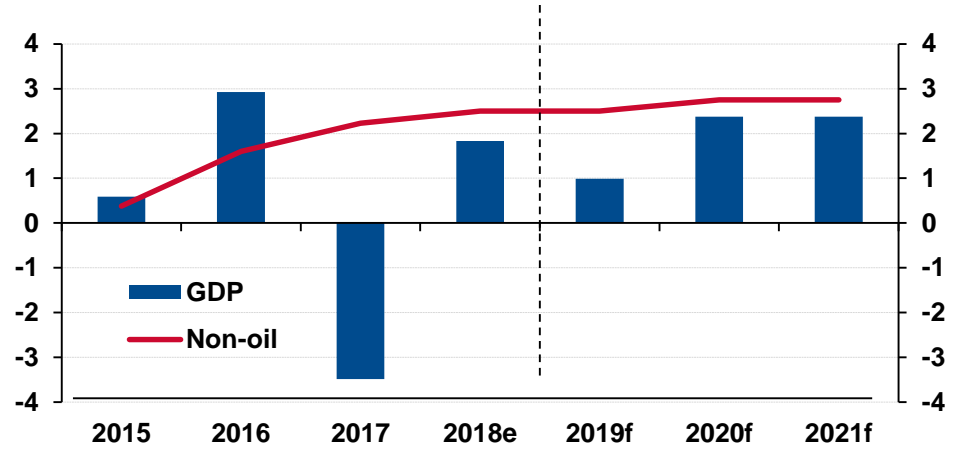
✓ Build Regional Investment Bank

Kuwait: Outlook remains solid on infrastructure spending

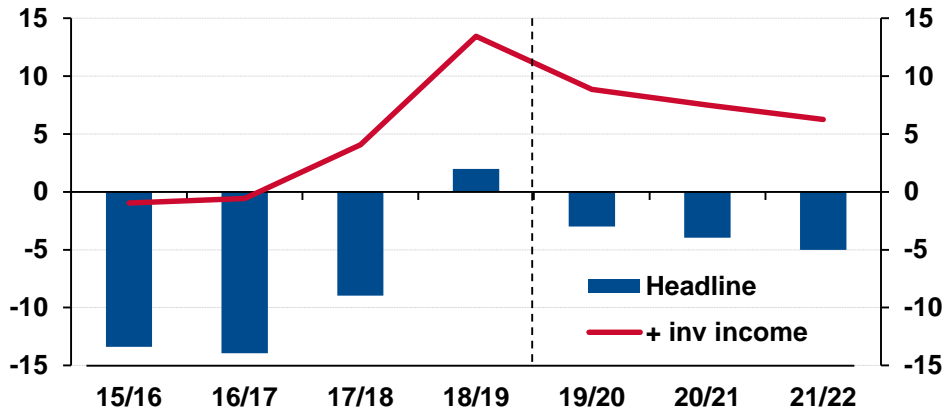
Brent Crude Oil Prices (\$ pb)



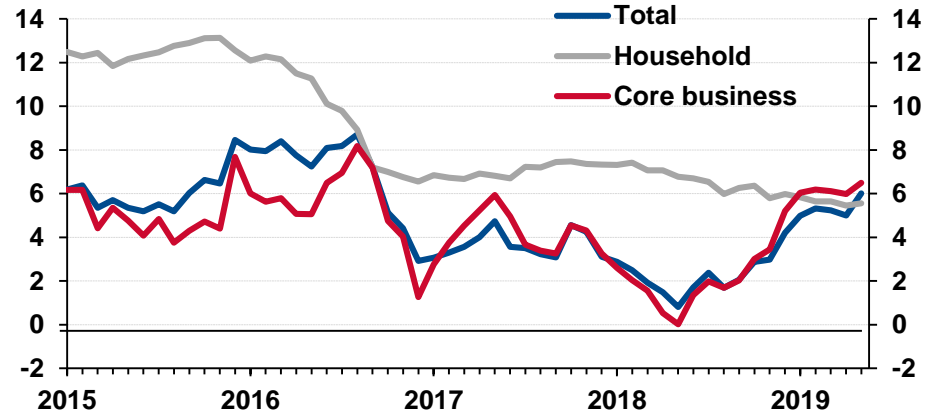
Kuwait GDP (% y/y)



Kuwait Fiscal Balance (% GDP)

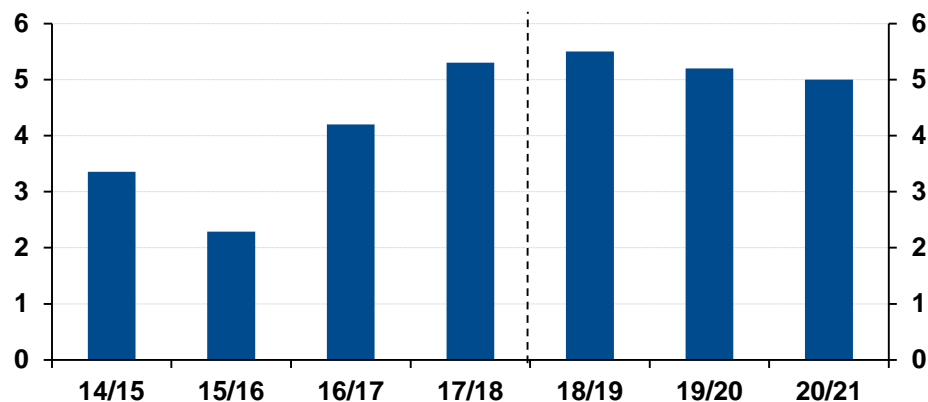


Kuwaiti Banks Credit (% y/y)

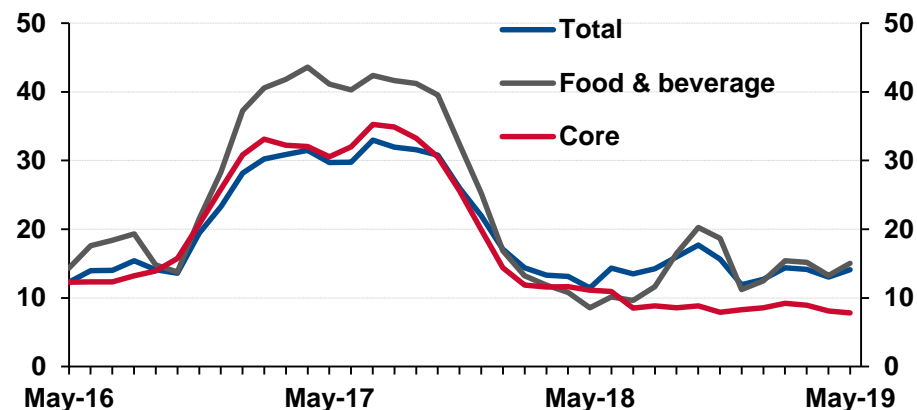


Egypt: Successful reforms support strong growth outlook

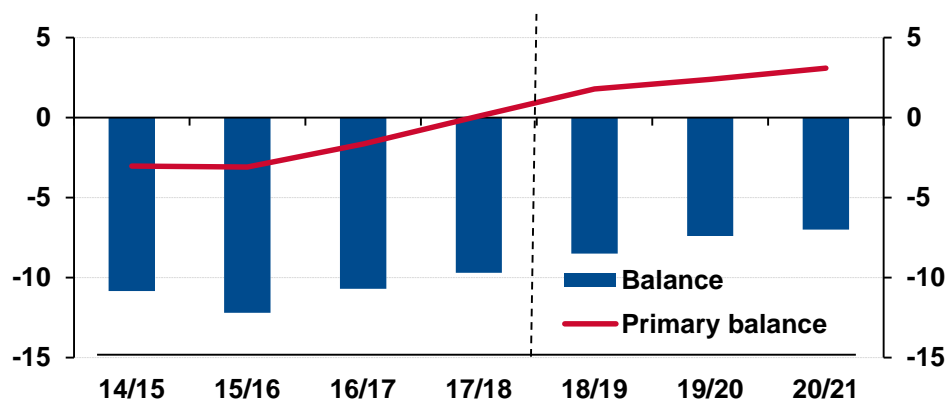
Egypt GDP (%)



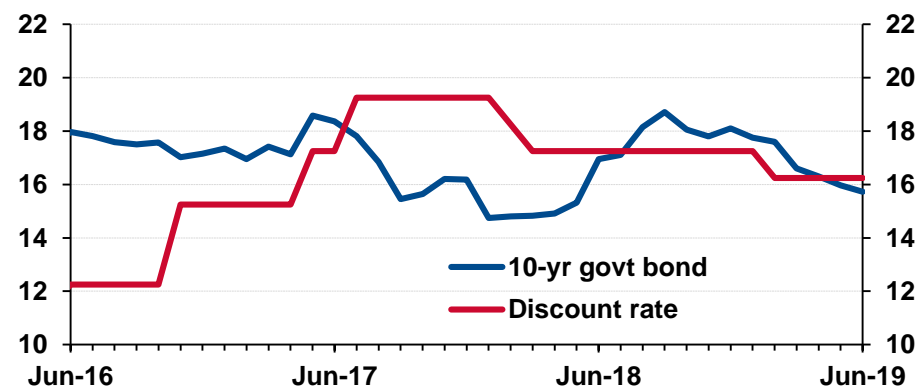
Egypt Inflation (%)



Egypt Fiscal Balance (% GDP)

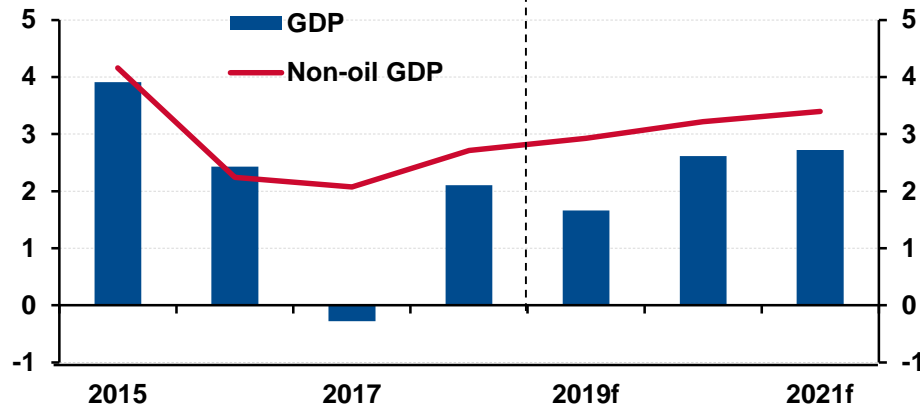


Egypt Interest Rates (%)

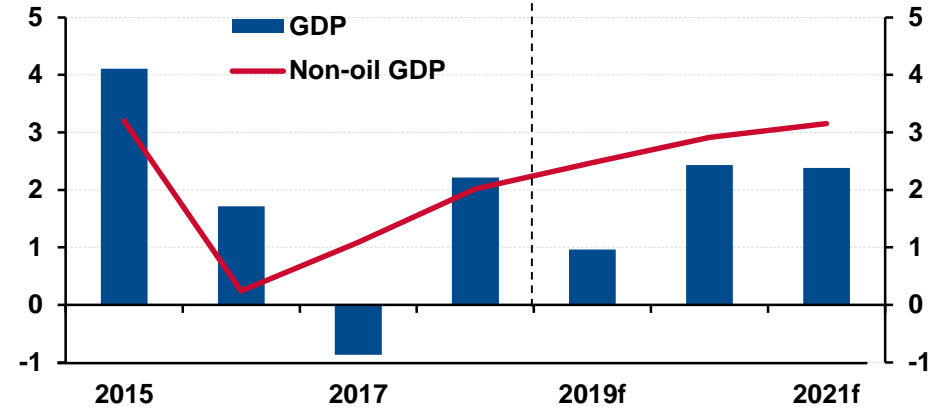


Saudi Arabia: A market offering a wealth of opportunities

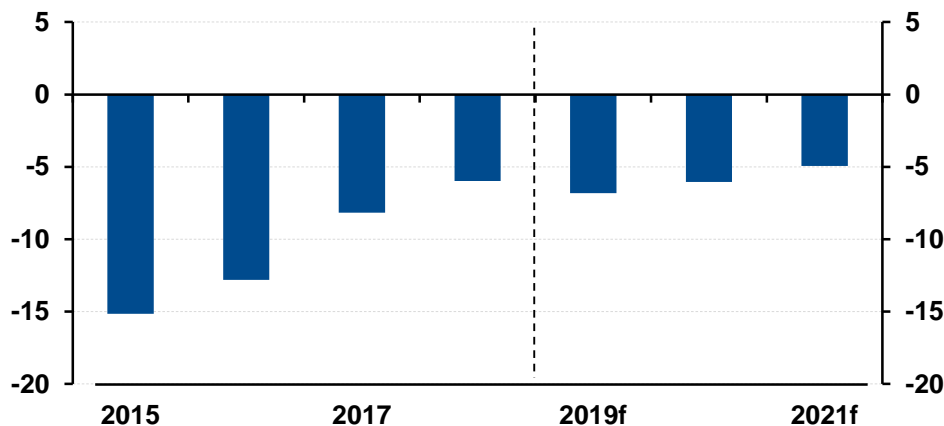
GCC GDP (% y/y)



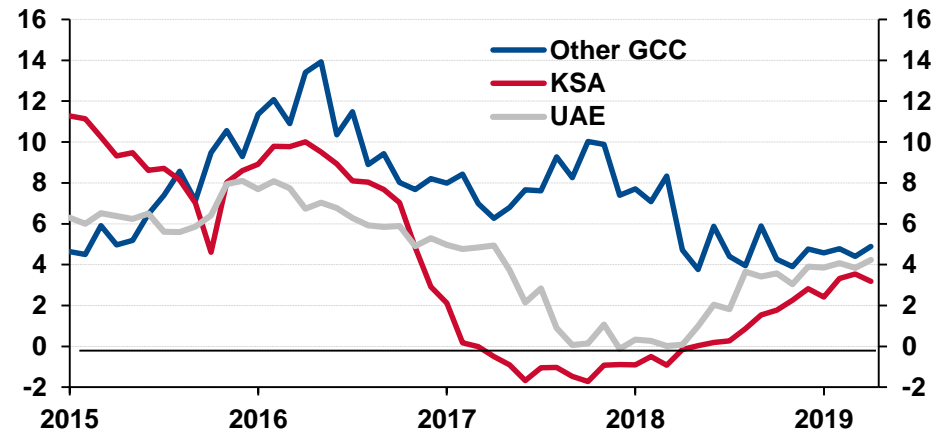
Saudi Arabia GDP (% y/y)



Saudi Fiscal Balance (% GDP)



GCC Banks Credit (% y/y)



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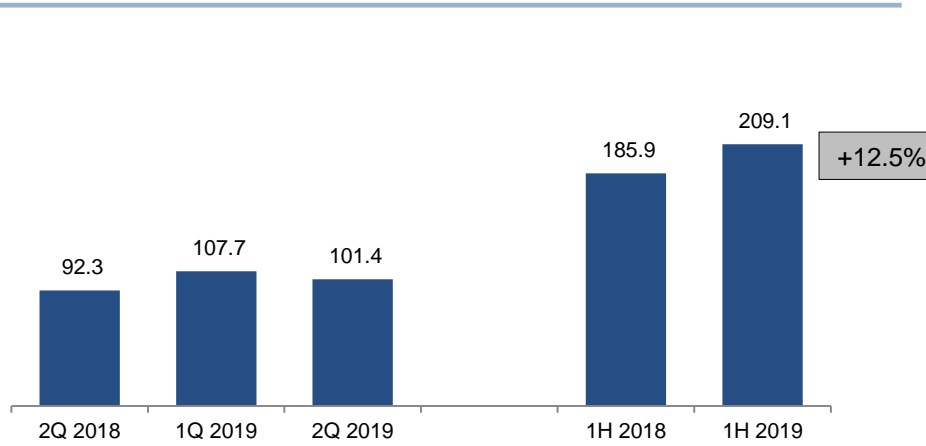
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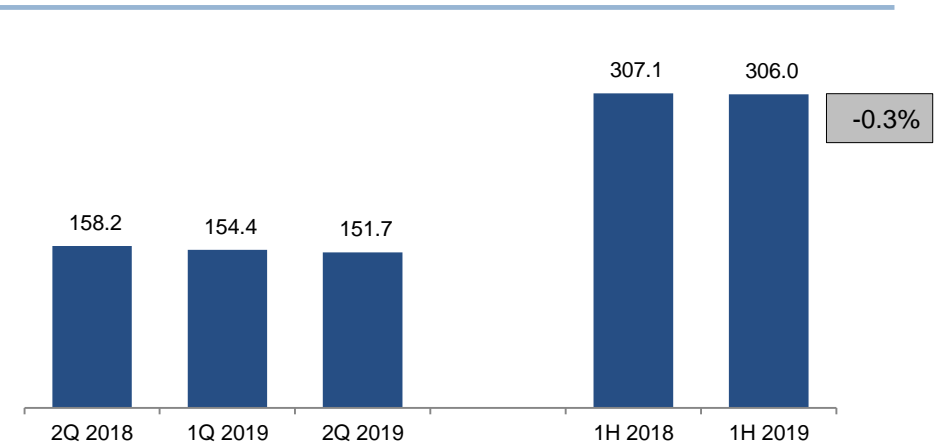
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Operating Performance 1H 2019

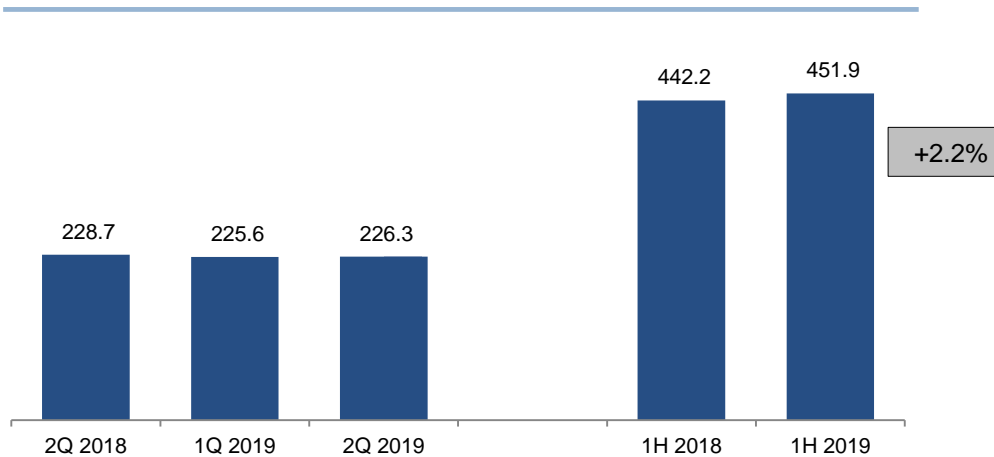
Net Profit (KDm)



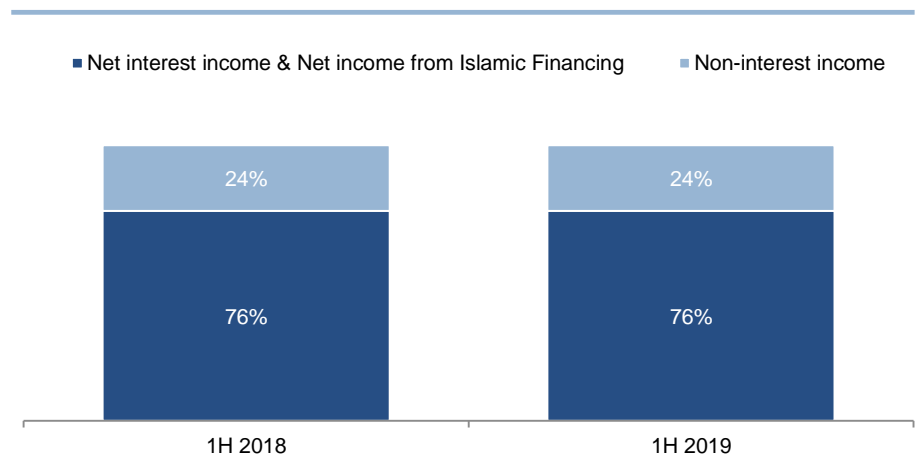
Operating Surplus (KDm)



Operating Income (KDm)

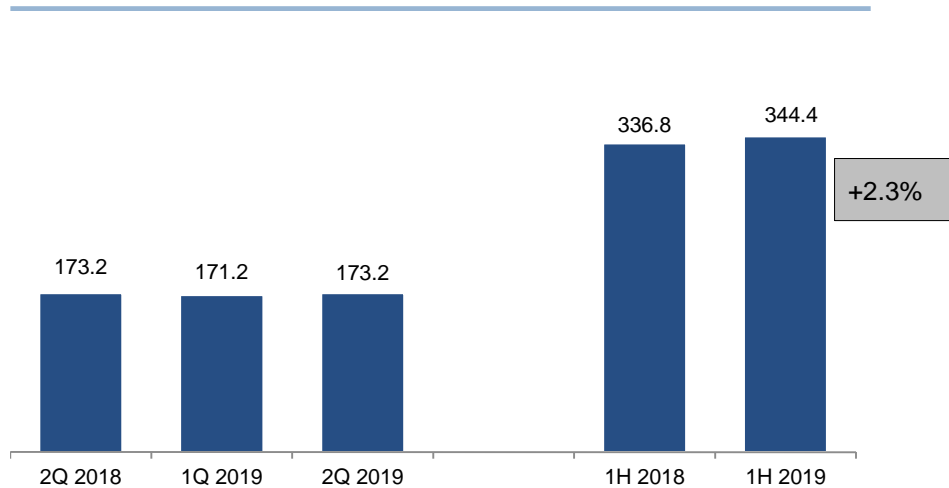


Operating Income

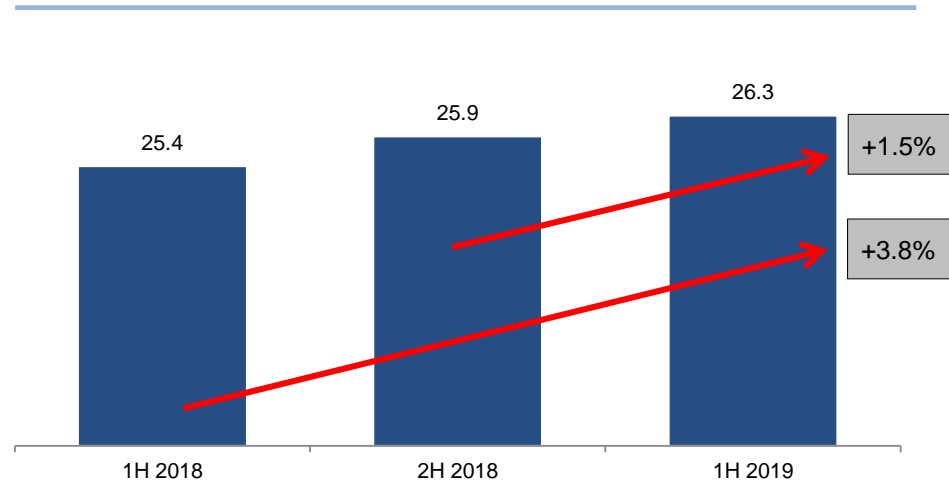


Operating Performance 1H 2019

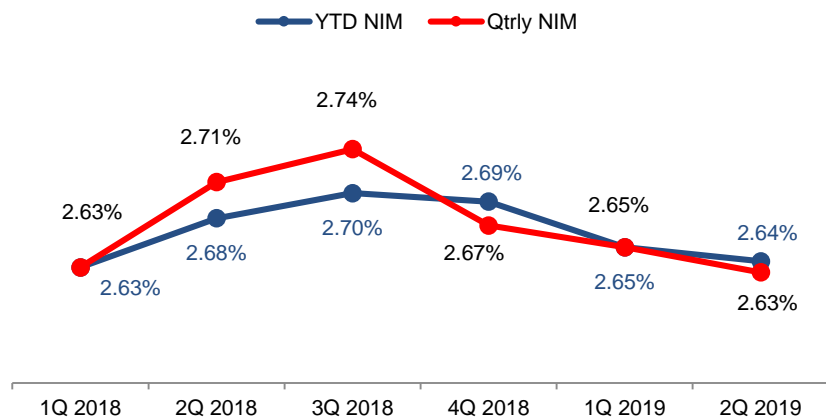
Net Interest Income (KDM)



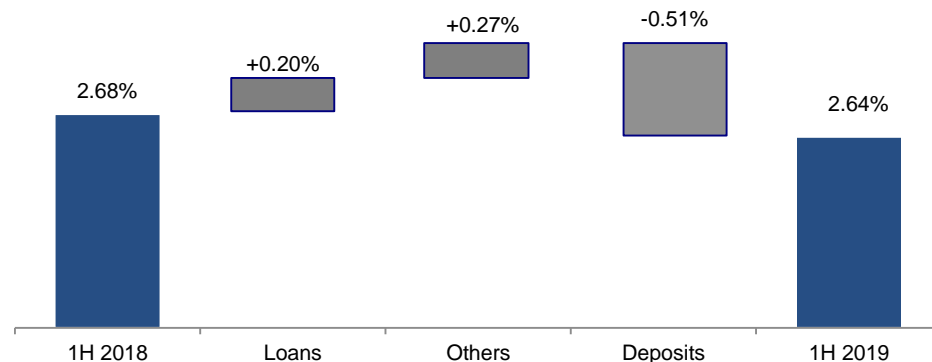
Average Interest Earning Assets (KDbn)



Net Interest Margin*

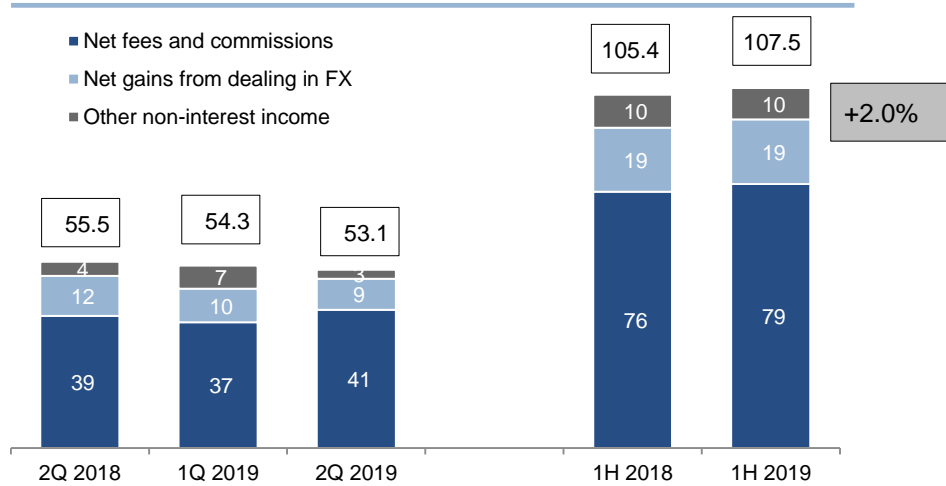


Net Interest Margin drivers

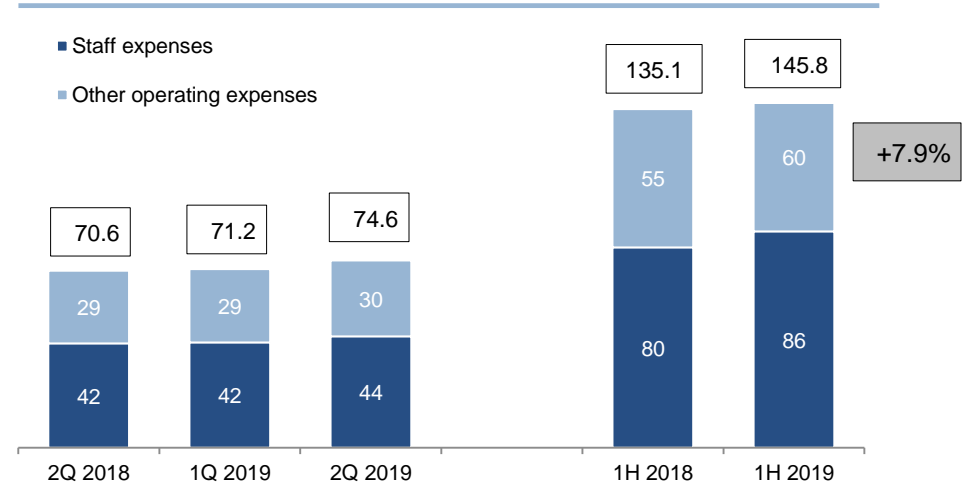


Operating Performance 1H 2019

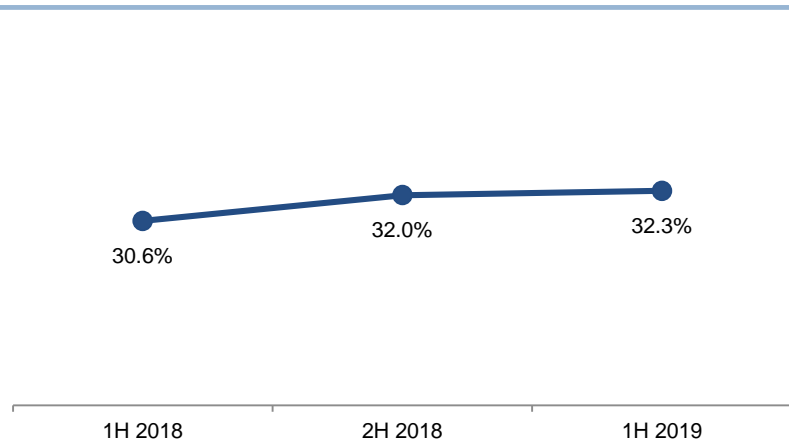
Non-interest income (KDM)



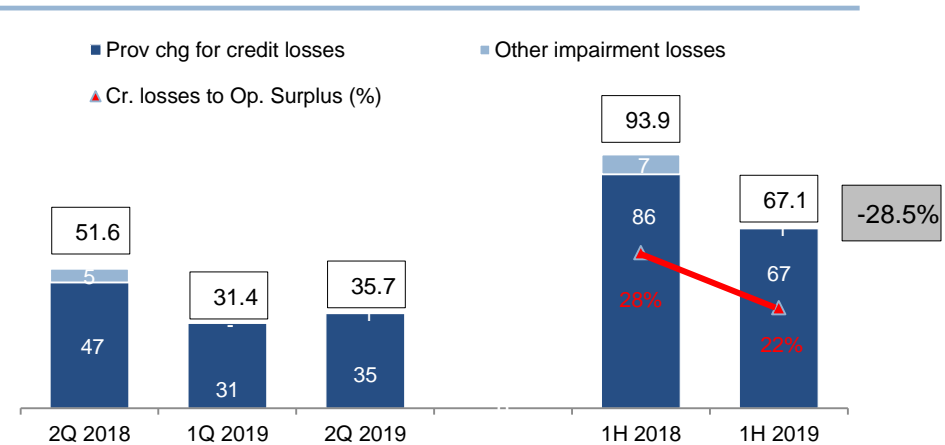
Operating Expenses (KDM)



Cost to Income ratio

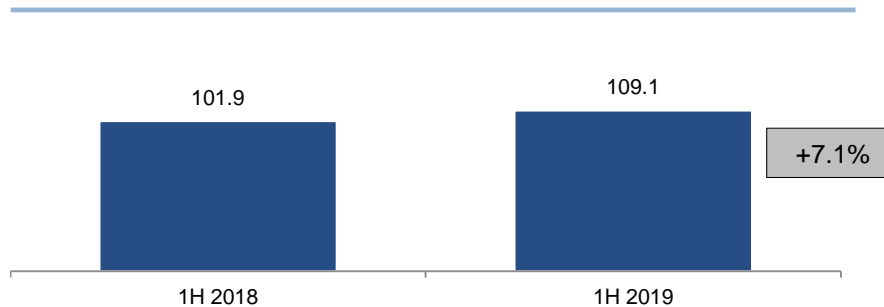


Provisions and Impairments (KDM)

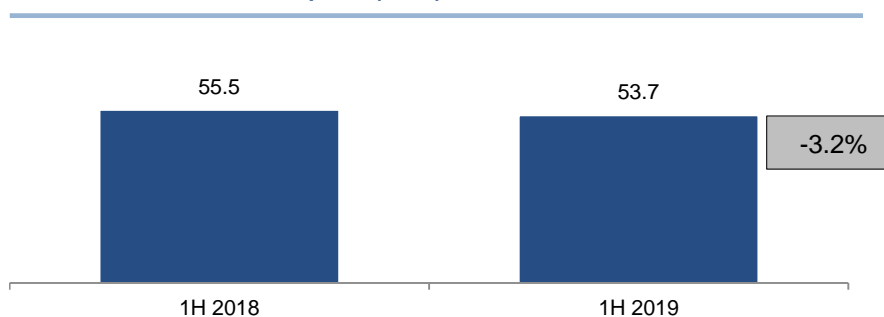


Operating Performance 1H 2019

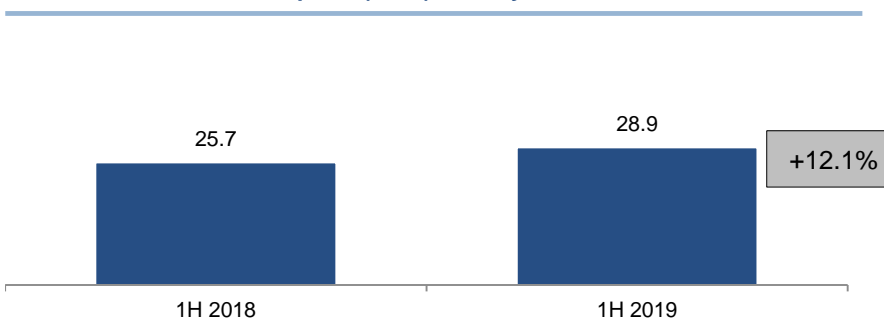
Operating Income (KDm) - International



Net profit (KDm) - International



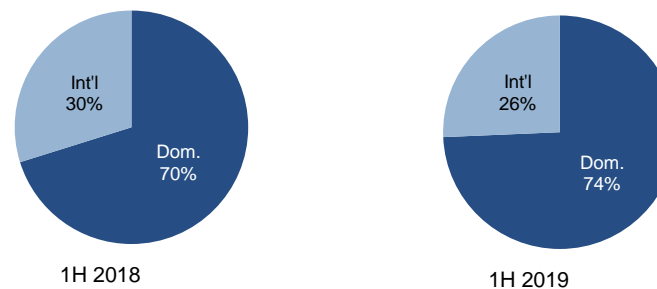
Net profit (KDm) - Boubyan Bank



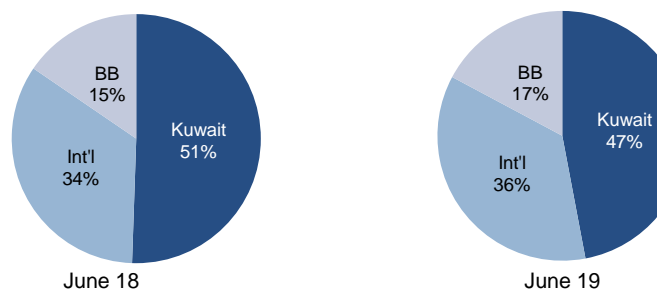
Operating Income (KDm)



Net Profit (KDm)

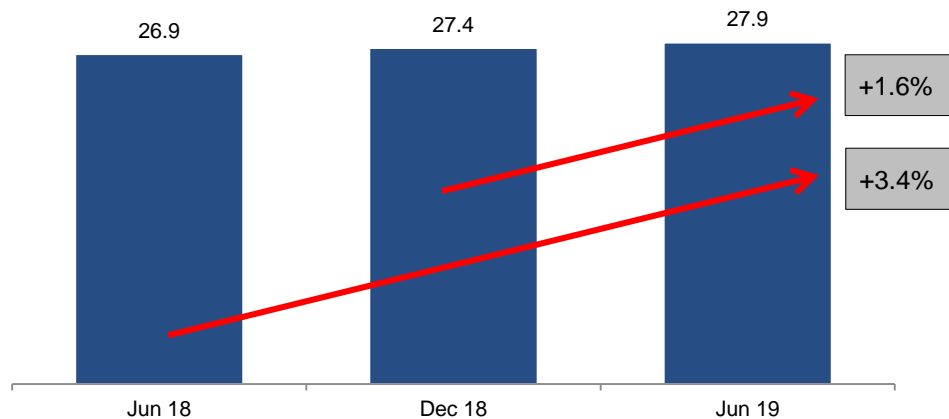


Total Assets (KD'bn)

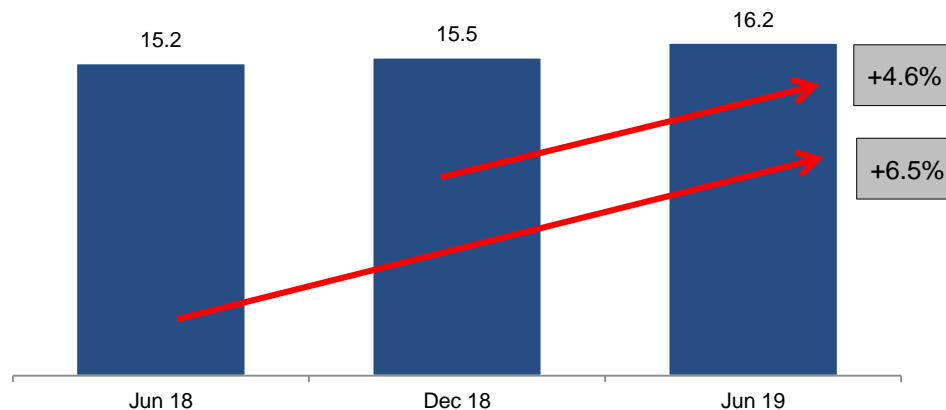


Operating Performance 1H 2019

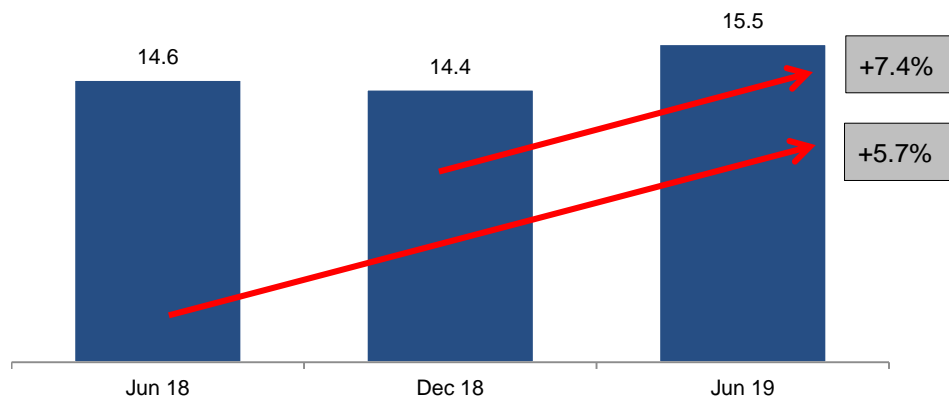
Total Assets (KDbn)



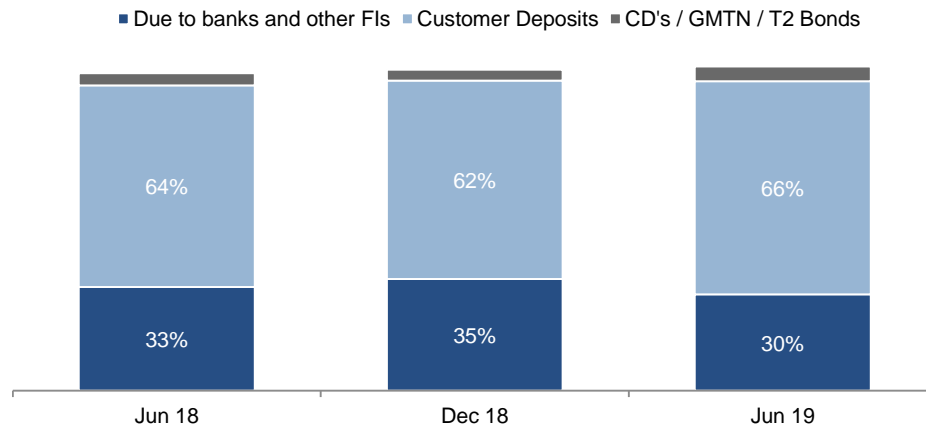
Loans, Advances and Islamic Financing (KDbn)



Customer Deposits (KDbn)

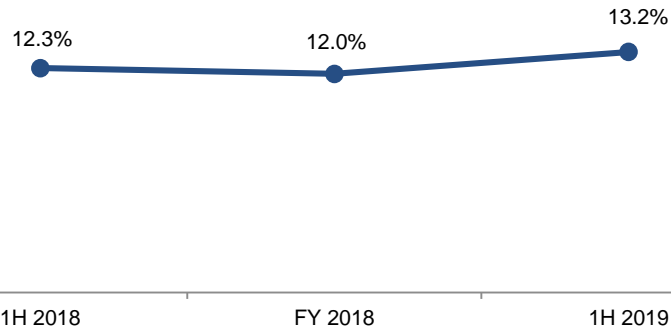


Funding Mix

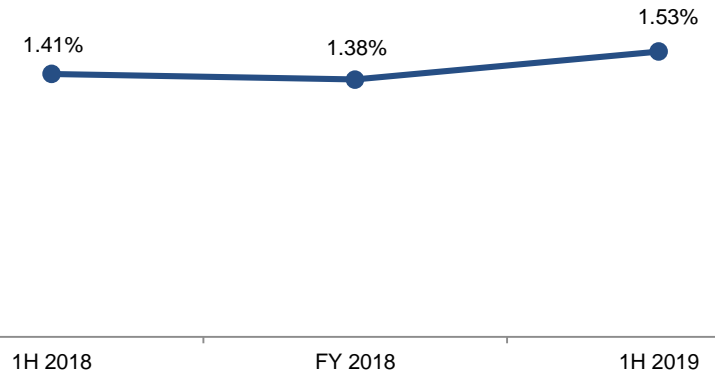


Performance and Asset Quality ratios 1H 2019

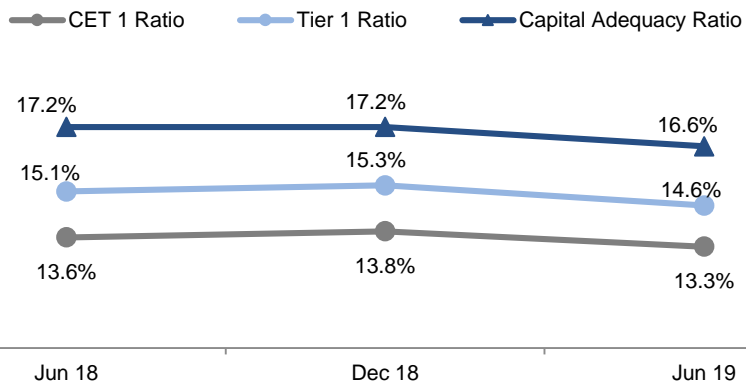
Return on Average Equity



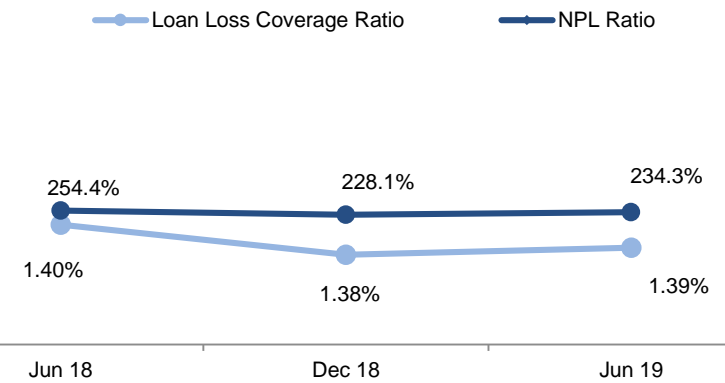
Return on Average Assets



Capital Adequacy Ratios



Asset Quality Ratios



2019 Guidance

	1H 2019	2019 Guidance
Loan Growth	+4.6% ytd	HIGH SINGLE DIGIT
NIM	2.64%	BROADLY STABLE ↓
Cost to Income ratio	32.3%	32%-33%
Cost of Risk	82bps	BROADLY STABLE
Earnings	+12.5% yoy	LOW DOUBLE DIGIT
Capital Adequacy	16.6%	

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Consolidated Financials 1H 2019 (KWD million)

<i>Income Statement (KWD million)</i>	1H-18	1H-19	YoY Growth (%)	<i>Balance sheet (KWD million)</i>	1H-18	1H-19	YoY Growth (%)
Interest Income	425	492	16%	Cash and short term funds	3,020	3,047	1%
Interest Expense	149	208	40%	Central Bank of Kuwait bonds	787	818	4%
Net Interest Income	276	284	3%	Kuwait Government Treasury bonds	925	810	(12%)
Murabaha and other Islamic financing income	88	101	15%	Deposits with banks	2,341	1,754	(25%)
Distribution to depositors and Murabaha costs	27	41	50%	Loans, advances and Islamic financing to customers	15,227	16,216	6%
Net Income from Islamic financing	61	60	(1%)	Investment securities	3,393	3,976	17%
NII and NI from Islamic financing	337	344	2%	Investment in associates	51	34	(34%)
Net fees and commissions	76	79	3%	Land, premises and equipment	340	414	22%
Net investment income	8	9	8%	Goodwill and other intangible assets	580	582	0%
Net gains from dealing in foreign currencies	19	19	1%	Other assets	277	220	(20%)
Other operating income	2	1	(56%)	Total Assets	26,942	27,870	3%
Non-interest income	105	107	2%	Due to banks and other financial institutions	7,514	6,977	(7%)
Net Operating Income	442	452	2%	Customer deposits	14,621	15,454	6%
Staff expenses	80	86	8%	Certificates of deposit issued	545	725	33%
Other administrative expenses	46	45	(2%)	Global Medium Term Notes (GMTN)	217	227	5%
Depreciation of premises and equipment	7	12	72%	Subordinated Tier 2 bonds	125	125	0%
Amortisation of intangible assets	2	2	2%	Other liabilities	400	586	46%
Operating Expenses	135	146	8%	Total Liabilities	23,422	24,094	3%
Pre-provision profits (and impairments)	307	306	0%	Share capital	621	652	5%
Provision charge for credit losses and impairment losses	94	67	(29%)	Proposed bonus shares	-	-	NM
Operating profit before taxation	213	239	12%	Statutory reserve	296	311	5%
Taxation	16	18	13%	Share premium account	803	803	0%
Non-controlling interest	11	11	4%	Treasury shares	(65)	(57)	(13%)
Profit attributable to shareholders of the Bank	186	209	12%	Treasury share reserve	14	17	24%
				Other reserves	1,326	1,457	10%
				Equity attributable to shareholders	2,994	3,183	6%
				Perpetual Tier 1 Capital Securities	211	211	0%
				Non-controlling interests	315	382	21%
				Total equity	3,520	3,776	7%
				Total liabilities and equity	26,942	27,870	3%

Performance Measures 1H 2019

%	1H 2018	1H 2019
Return on average assets	1.41%	1.53%
Return on average equity	12.3%	13.2%
Net interest margin	2.68%	2.64%
Cost to income	30.6%	32.3%
NPLs to gross loans	1.40%	1.39%
Loan loss reserves to NPLs	254.4%	234.3%
Tier 1 capital	15.1%	14.6%
Tier 2 capital	2.1%	2.0%
Capital adequacy ratio	17.2%	16.6%




Consolidated Statement Of Income *(KWD million)*

<i>KWD million</i>	2016	2017	2018
Interest Income	665	743	897
Interest Expense	190	224	331
Net Interest Income	476	519	566
Murabaha and other Islamic financing income	128	156	186
Finance cost and Distribution to depositors	34	46	62
Net Income from Islamic financing	94	110	124
Net interest income and net income from Islamic financing	570	629	690
Net fees and commissions	133	139	150
Net investment income	6	20	2
Net gains from dealing in foreign currencies	35	34	39
Other operating income	1	2	1
Non-interest income	176	194	193
Net Operating Income	745	823	883
Staff expenses	144	154	160
Other administrative expenses	87	93	99
Depreciation of premises and equipment	16	15	15
Amortisation of intangible assets	4	3	3
Operating Expenses	252	265	276
Op. profit before provision for credit losses and impairment losses	493	557	607
Provision charge for credit losses	126	175	169
Impairment losses	27	13	10
Operating profit before taxation	341	369	427
Taxation	29	27	33
Non-controlling interest	17	20	23
Profit attributable to shareholders of the Bank	295	322	371

Consolidated Statement Of Financial Position (KWD million)

KWD million	2016	2017	2018
Cash and short term funds	2,687	2,744	2,967
Central Bank of Kuwait bonds	749	656	810
Kuwait Government treasury bonds	493	1,076	872
Deposits with banks	2,408	2,488	2,364
Loans, advances and Islamic financing to customers	13,611	14,503	15,503
Investment securities	3,178	3,349	3,678
Investment in associates	74	63	31
Land, premises and equipment	255	324	363
Goodwill and other intangible assets	582	582	579
Other assets	201	250	260
Total Assets	24,239	26,035	27,428
Due to banks and other financial institutions	7,348	7,469	8,090
Customer deposits	12,608	13,780	14,389
Certificates of deposit issued	416	491	451
Global medium term notes (GMTN)	-	221	220
Subordinated Tier 2 bonds	125	125	125
Other liabilities	337	388	451
Total Liabilities	20,834	22,474	23,727
Share capital	564	592	621
Proposed bonus shares	28	30	31
Statutory reserve	282	296	311
Share premium account	803	803	803
Treasury shares	(78)	(78)	(65)
Treasury share reserve	14	14	14
Other reserves	1,272	1,373	1,449
Equity attributable to shareholders of the bank	2,885	3,029	3,163
Perpetual Tier 1 Capital Securities	211	211	211
Non-controlling interests	309	321	327
Total equity	3,405	3,561	3,701
Total liabilities and equity	24,239	26,035	27,428

Stable Credit Ratings

Rating Agency	Long-term Rating	Standalone Rating	Outlook	Key Rating Drivers
	Aa3	a3	Stable	<ul style="list-style-type: none"> • Dominant domestic position • Resilient profitability and growth outlook • Robust asset quality, capitalization and liquidity
	A+	a-	Stable	<ul style="list-style-type: none"> • Leading position in Kuwait • More diversified business model • Exceptional asset quality and capitalization
	AA-	a-	Stable	<ul style="list-style-type: none"> • Leading franchise • Diversified business model and strong management team • Strong asset quality, solid capitalization and stable funding and liquidity

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