

A large, stylized graphic of a globe dominates the background. The globe is rendered in shades of red and blue, with white grid lines representing latitude and longitude. The globe is tilted, showing the Middle East and parts of Africa and Europe. The overall design is modern and professional.

National Bank of Kuwait
Investor Presentation
FY 2019 Earnings Call

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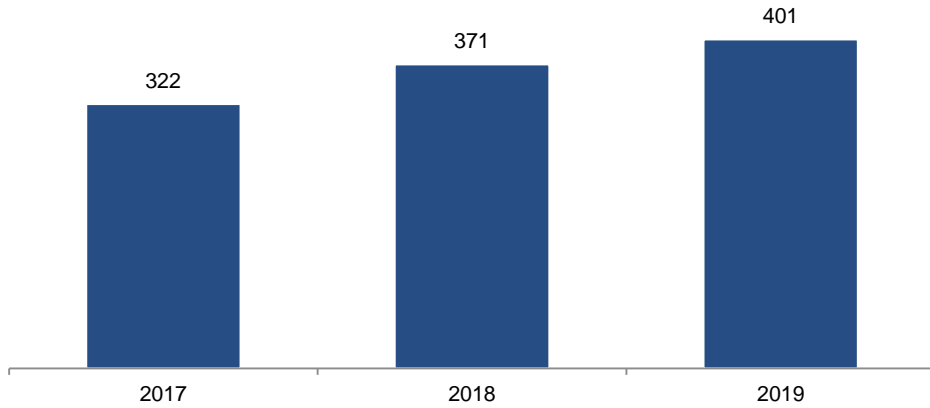
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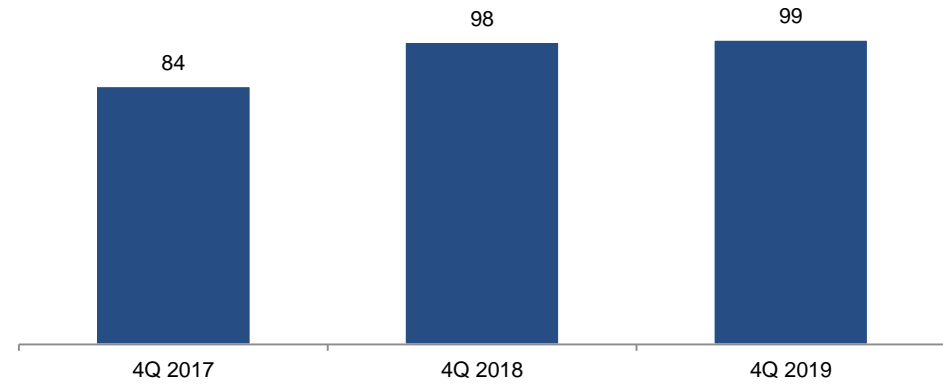
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Resilient Profitability

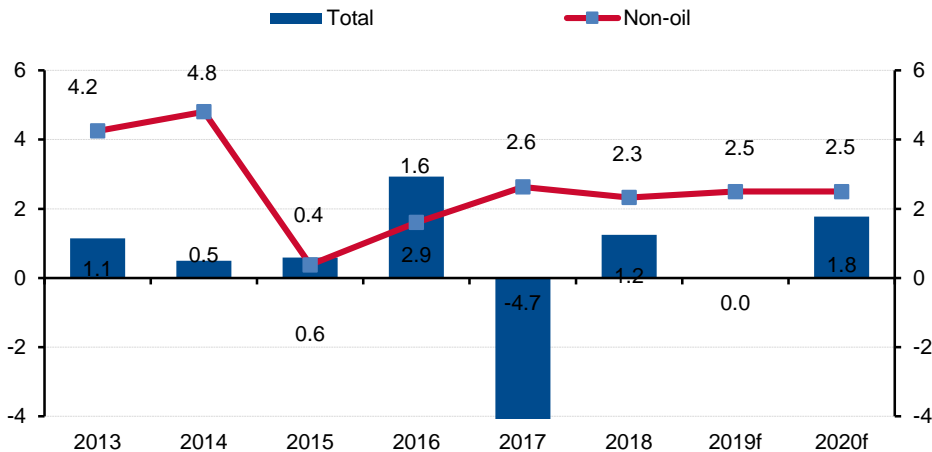
Net Profits Attributable (KDM)



Interim Net Profits Attributable (KDM)



Real GDP (% y/y)



Key economic indicators

Key Indicators	2019F	2020F
Sovereign Ratings	Aa2 / AA / AA (M / S / F)	
Current Account	\$9.6 bn	\$5.5 bn
Gov Revenues (% GDP)	44%	44%
Public Debt (% GDP)	12%	16%

NBK's strategy

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

- The Bank aims to (i) remain the primary banker for the leading local companies whilst continuing to be active in the mid-market sector;(ii) remain the bank of choice for foreign companies and continuing to serve at least 75% of those companies and (iii) maintain its current market share in trade finance (over 30%). To achieve the above, NBK will leverage off its different services, expand its coverage and broaden the range of products and services offered.

✓ Consumer Banking

- NBK intends to expand its consumer customer base by focusing on profitable consumer segments (such as the affluent and mass affluent segments) and by attracting new clients such as the SMEs.
- Through the above, the Bank aims to maintain its leadership position, maintain its focus on delivery of superior customer service experience and achieve the lowest cost of funds among Kuwaiti conventional banks.

✓ Private Banking

- Within the private banking sector, NBK aims to continue to provide a unique proposition to high net worth clients in collaboration with its investment arm. NBK also aims to provide superior customer service through its highly experienced bankers. The Bank also aims to leverage off its existing brand and experience (particularly in Switzerland) to provide access to leading funds and broaden its product portfolio.

Geographical, and product and service diversification

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

✓ Expand Regional Presence

- The Bank's geographic diversification strategy is to leverage its fundamental strengths and capabilities, including its international reach and strong regional relationships, to build a regional platform and support growth in key markets.
- NBK focuses on markets identified to have long-term potential through a combination of high growth economies, sound demographic trends and opportunities aligned with the Bank's competitive advantages.

✓ Establish an Islamic Franchise

- The Bank's strategy, in relation to its Islamic subsidiary, is to differentiate it from other domestic Islamic banks through a clear focus on high net worth and affluent clients and large and mid-market corporate customers.

✓ Build Regional Investment Bank

- NBK looks to establish its business as a leading regional investment banking, asset management, brokerage and research operation and to leverage the Group's strong regional position to cross sell these products across the MENA region.

Key strengths

High credit ratings and among the top brand values regionally

- NBK has one of the highest credit ratings in the MENA region
- Ranked amongst the 50 safest banks in the world by Global Finance, named most valuable banking brand in Kuwait and among the top 10 in the Middle East by Brand Finance

Largest banking group in Kuwait with dominant market position

- As at 31 December 2019, the Bank was the largest bank in Kuwait in terms of total assets, loans and customer deposits. In addition, the Bank enjoys a dominant market share across its business segments
- NBK also has one of the largest and most diversified distribution networks

Sound and consistent financial performance

- Long history of profitability, even throughout the global financial crisis
- Excellent asset quality with an NPL ratio standing at 1.10% at end-2019
- Strong liquidity serving as a buffer in times of need

Stable shareholder base and strong management team

- Established in 1952 by a group of leading Kuwaiti merchants and has retained the same core shareholder base since
- NBK's stable shareholder base is complemented by a strong and stable Board of Directors and a long-serving executive team with in-depth experience



Only banking group in Kuwait to provide both conventional and Islamic banking

- Following its consolidation of Boubyan Bank in 2012, NBK became the only banking group in Kuwait to offer both conventional and Islamic banking services
- This has allowed the Bank to leverage off the opportunities across both markets, particularly given the growing importance of Islamic Finance in Kuwait

A strong regional and international network

- Operations in 15 countries, 9 of which are in the MENA region.
- The Bank continues to explore opportunities to expand geographically with a primary focus on further strengthening operations in MENA region

Strong investment banking capability

- NBK conducts its investment banking and asset management business through its subsidiary, Watani Investment Company K.S.C.C. (Known as NBK Capital)

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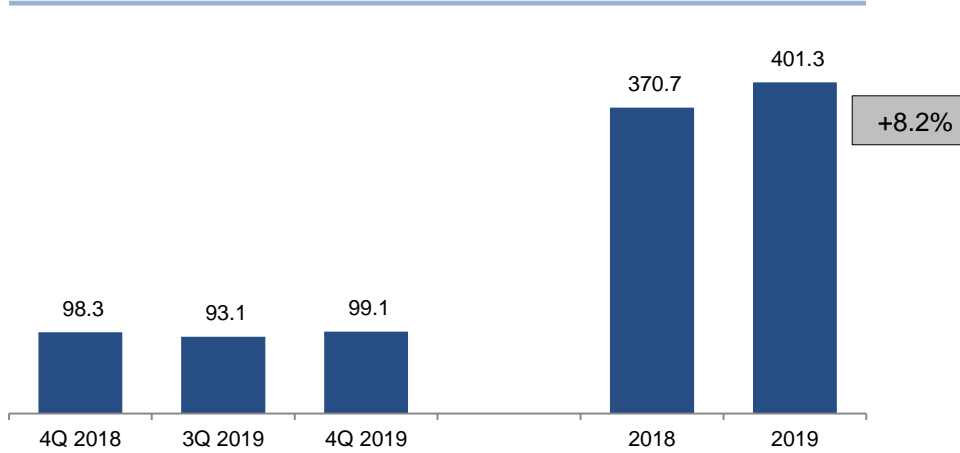
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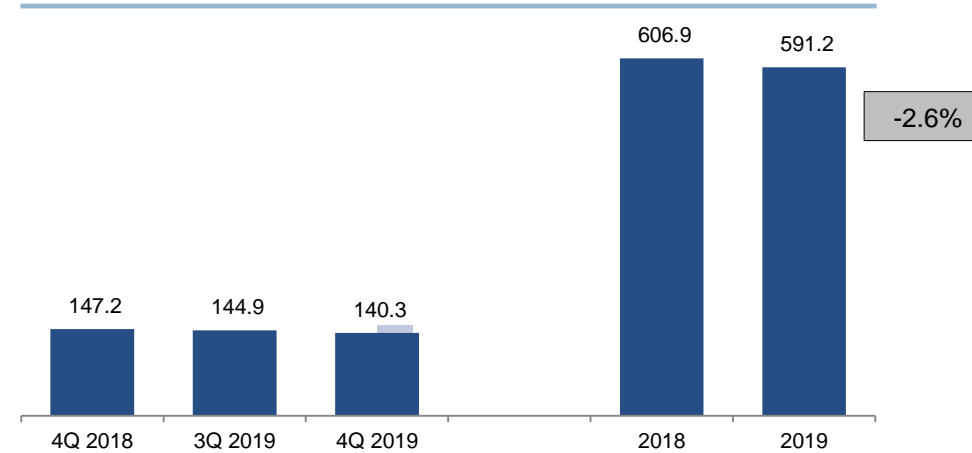
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Operating Performance 2019

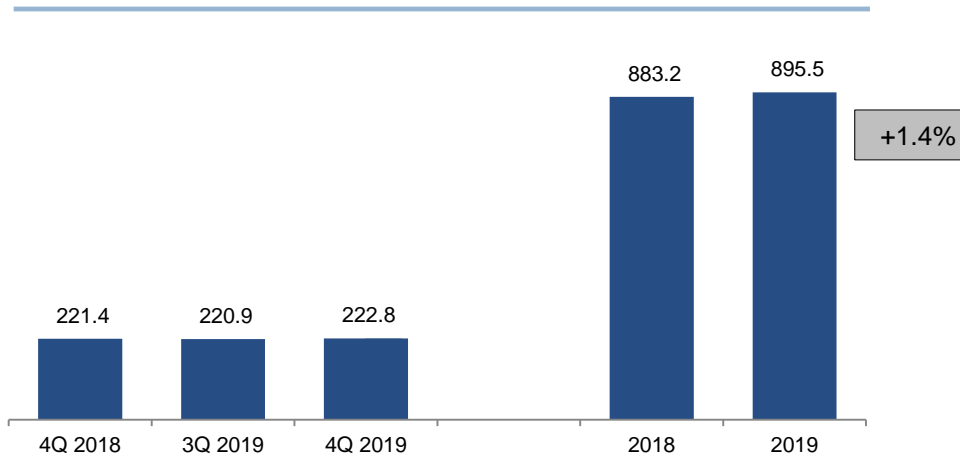
Net Profit (KDm)



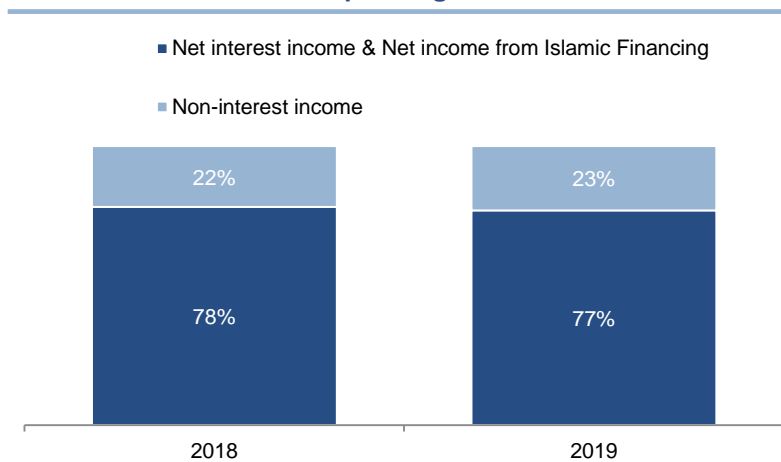
Operating Surplus (KDm)



Operating Income (KDm)

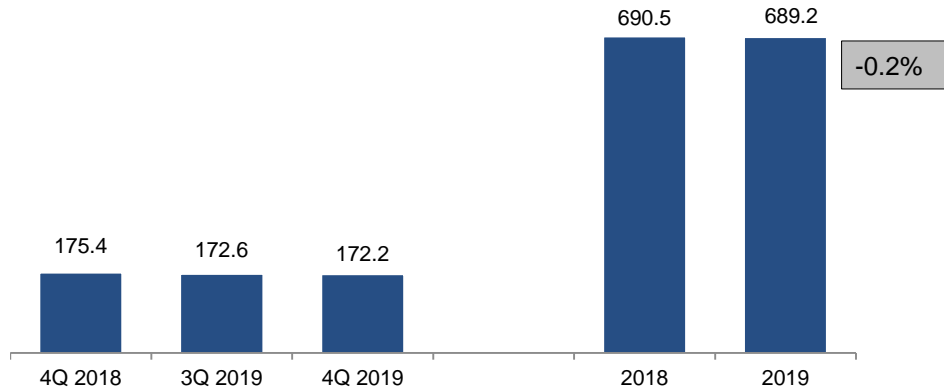


Operating Income

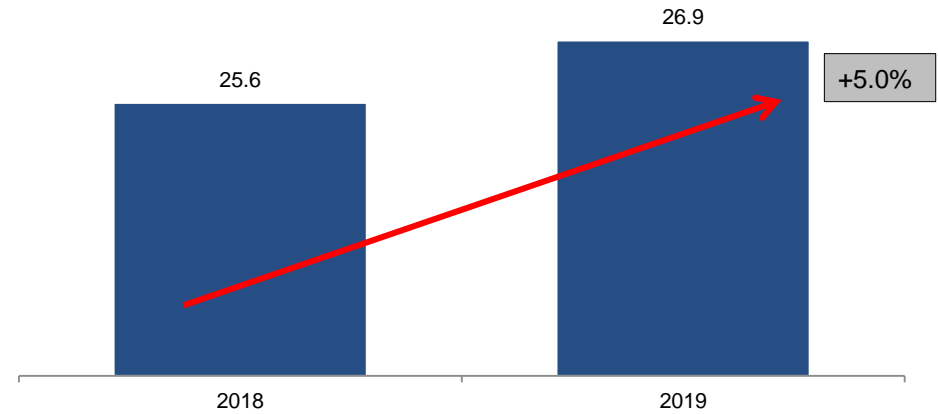


Operating Performance 2019

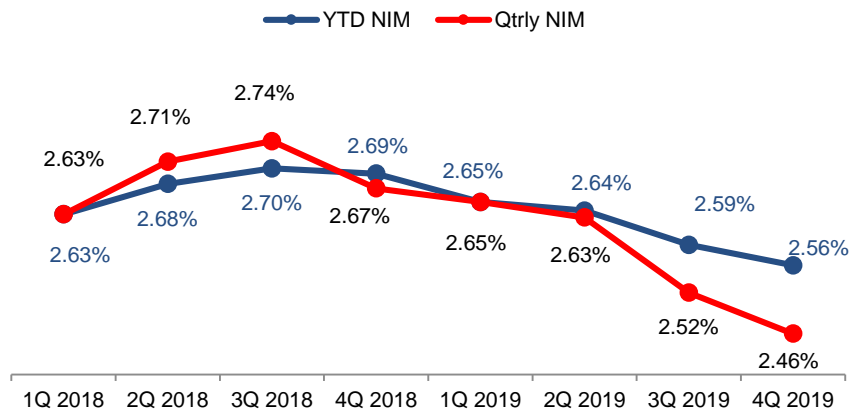
Net Interest Income (KDm)



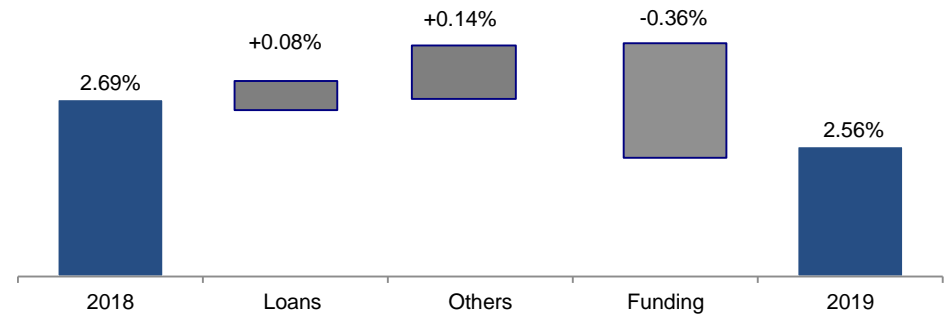
Average Interest Earning Assets (KDbn)



Net Interest Margin*

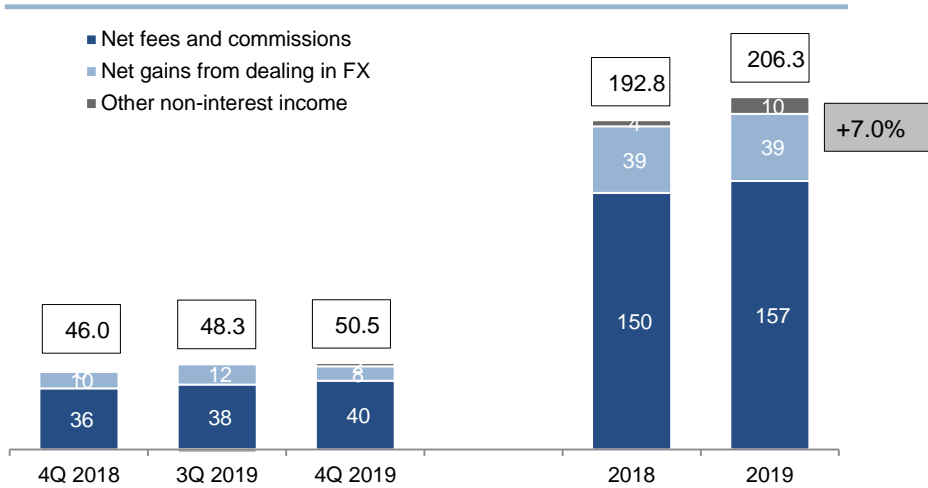


Net Interest Margin drivers

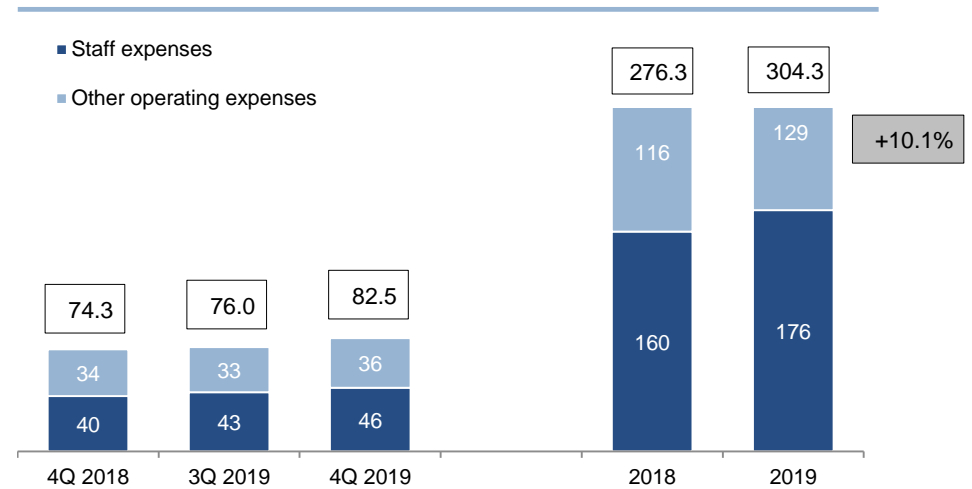


Operating Performance 2019

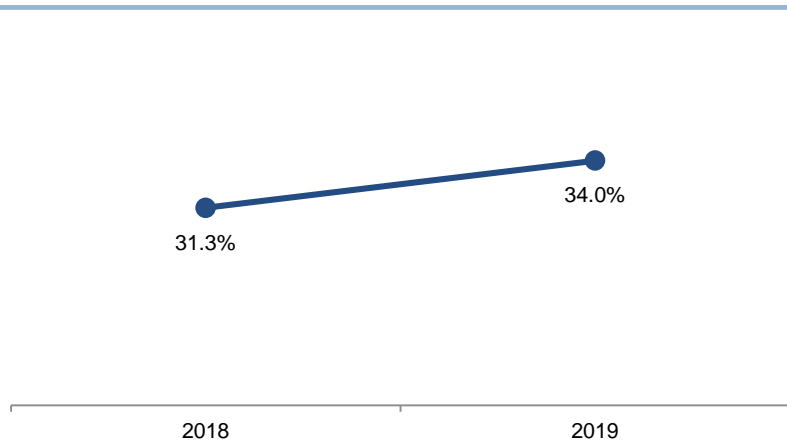
Non-interest income (KDM)



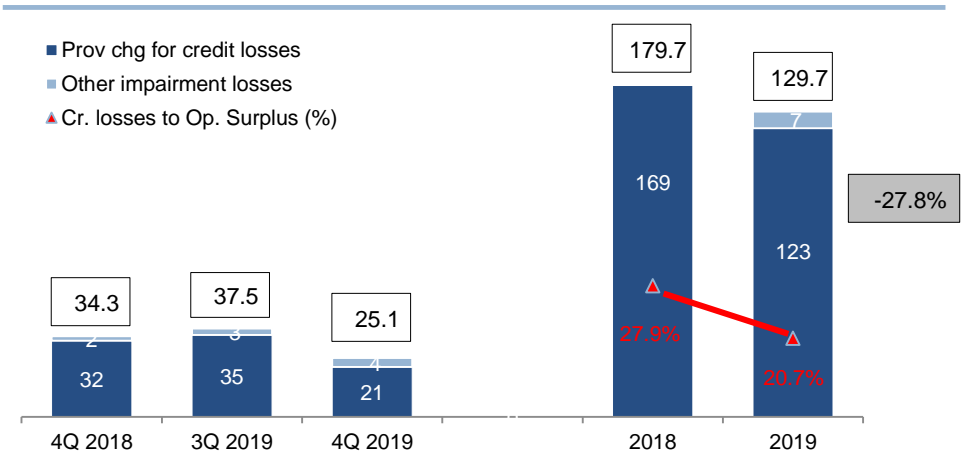
Operating Expenses (KDM)



Cost to Income ratio

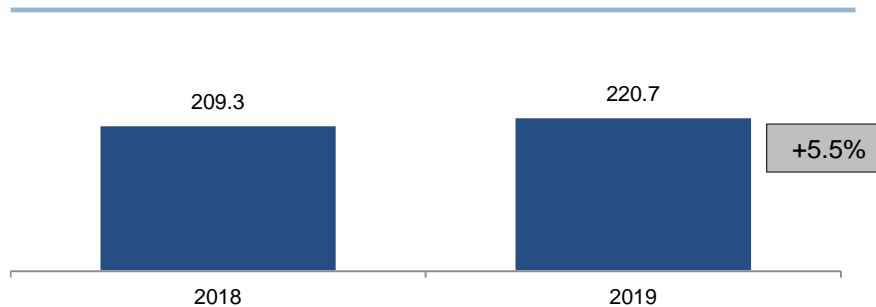


Provisions and Impairments (KDM)

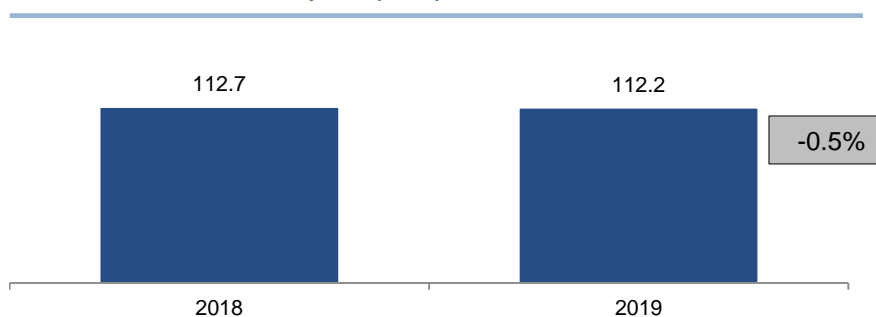


Operating Performance 2019

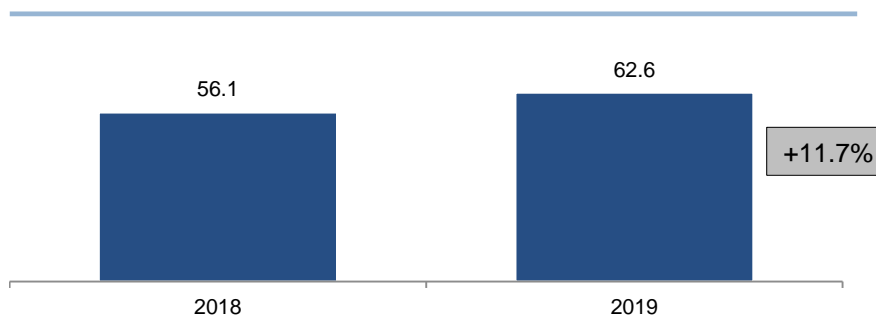
Operating Income (KDm) - International



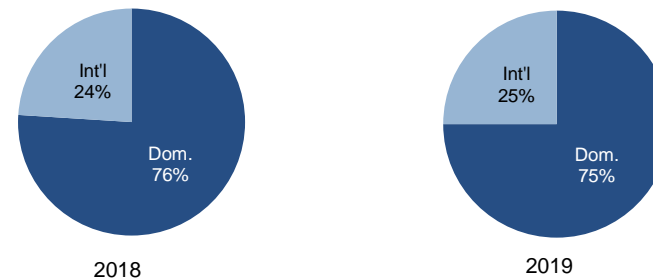
Net profit (KDm) - International



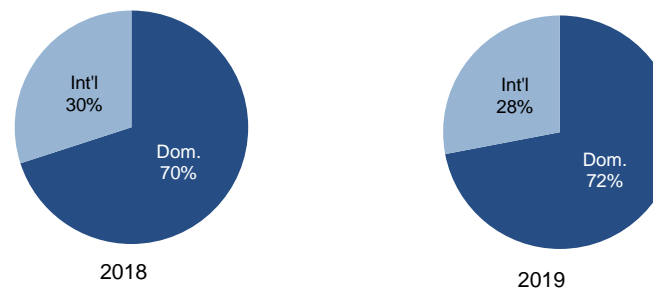
Net profit (KDm) - Boubyan Bank



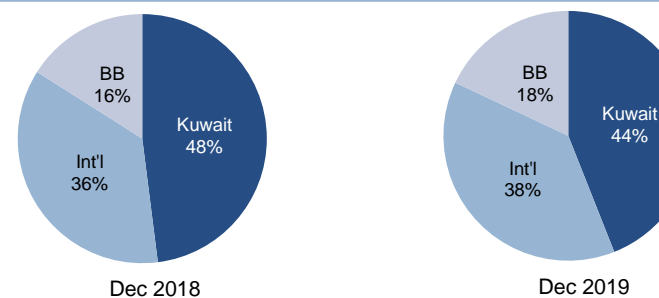
Operating Income (KDm)



Net Profit (KDm)

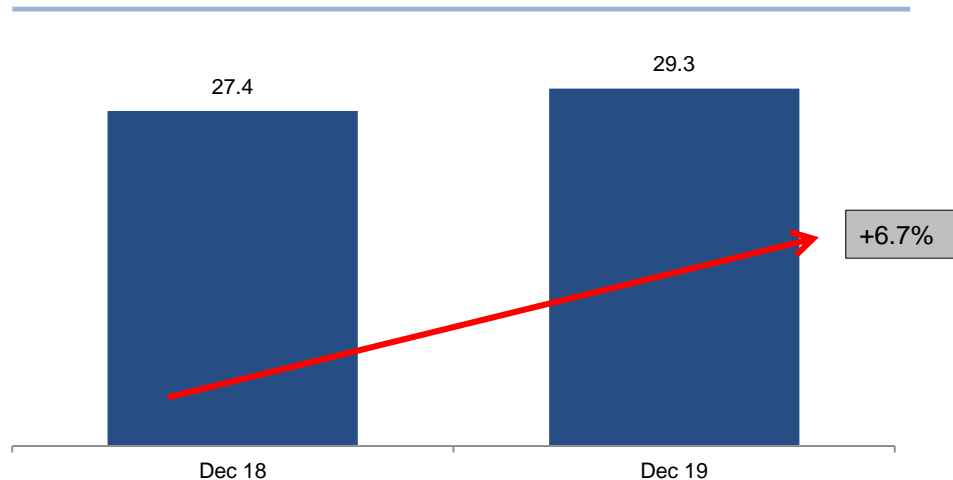


Total Assets (KD'bn)

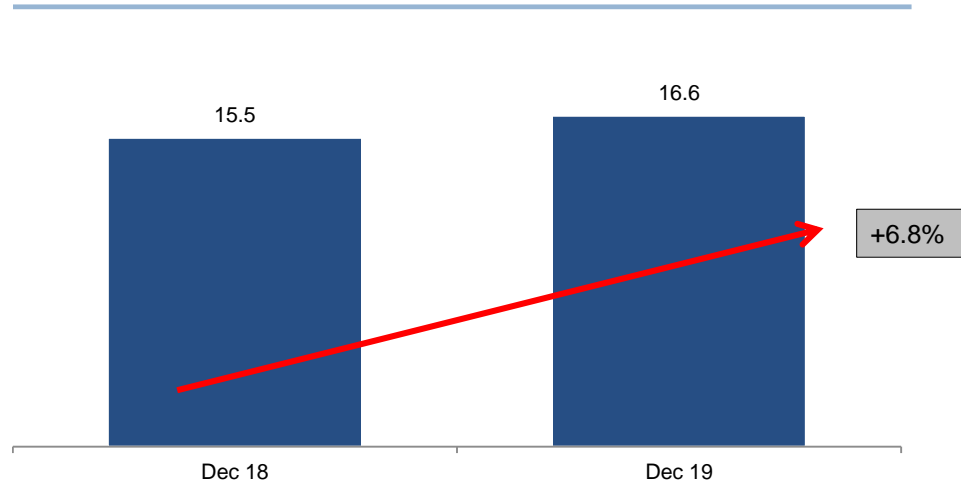


Operating Performance 2019

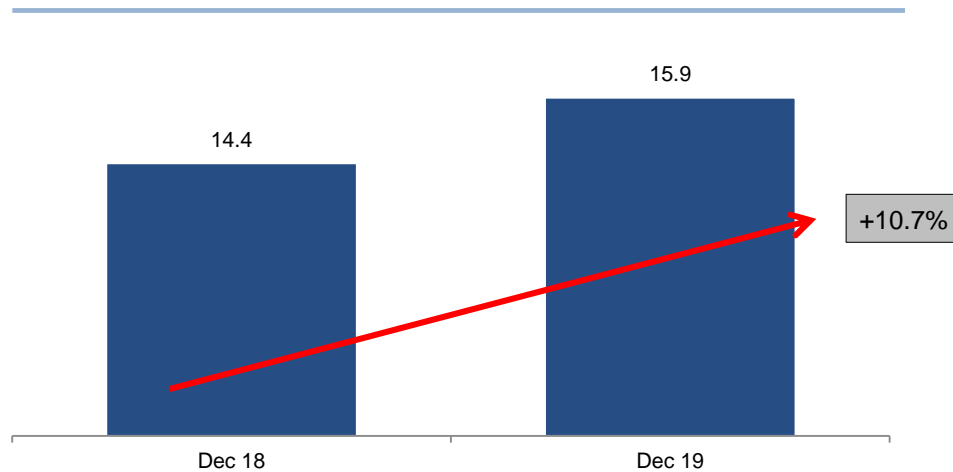
Total Assets (KDbn)



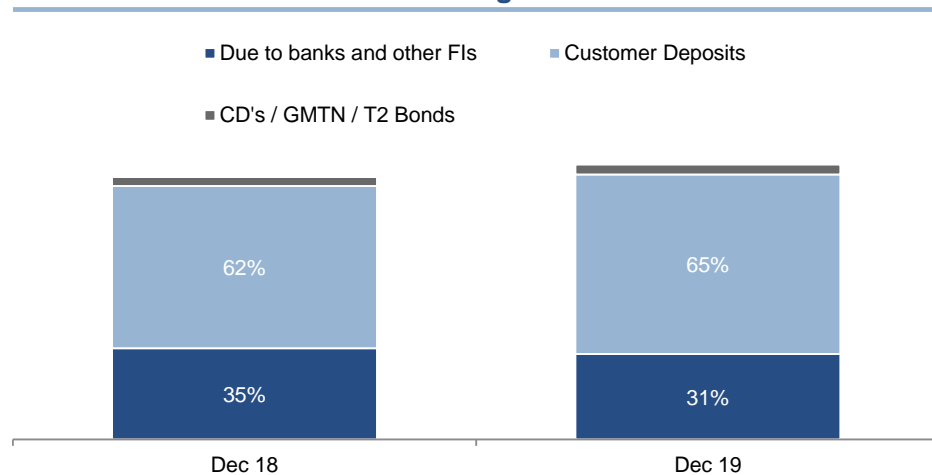
Loans, Advances and Islamic Financing (KDbn)



Customer Deposits (KDbn)

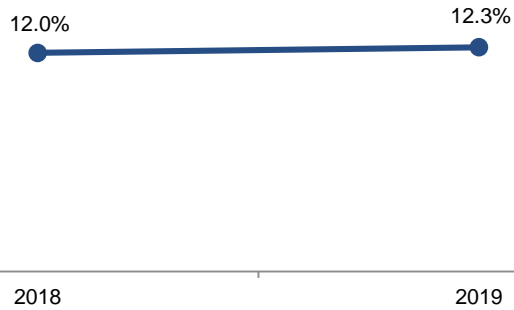


Funding Mix

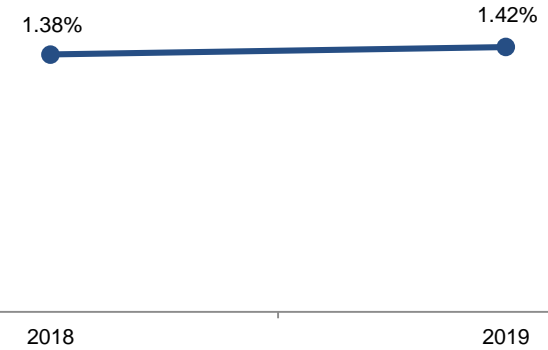


Performance and Asset Quality ratios 2019

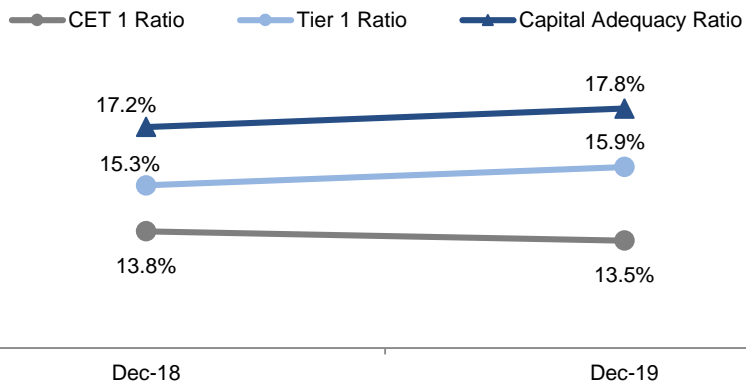
Return on Average Equity



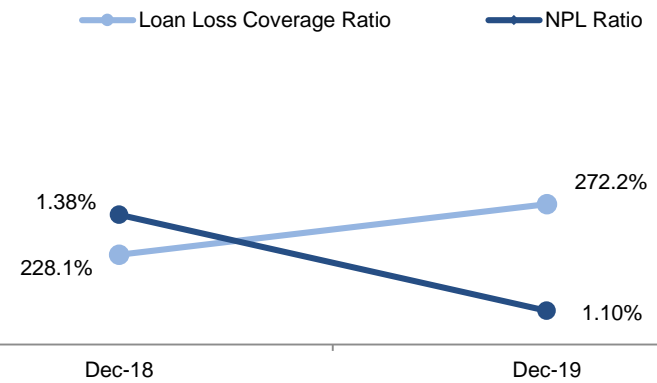
Return on Average Assets



Capital Adequacy Ratios



Asset Quality Ratios



2020 Guidance

	2019	2020 Guidance
Loan Growth	+6.8%	Mid to High Single Digit
NIM	2.56%	Tighter
Cost to Income Ratio	34.0%	Mid 30's
Cost of Risk	74bps	Broadly Stable
Earnings	+8.2% yoy	Mid to High Single Digit
Capital Adequacy Ratio	17.8%	Above 17%

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Consolidated Financials 2019 (KWD million)

<i>Income Statement (KWD million)</i>	2018	2019	YoY Growth (%)	<i>Balance sheet (KWD million)</i>	Dec-18	Dec-19	YoY Growth (%)
Interest Income	897	987	10%	Cash and short term funds	2,967	3,787	28%
Interest Expense	331	422	27%	Central Bank of Kuwait bonds	810	823	2%
Net Interest Income	566	565	(0%)	Kuwait Government Treasury bonds	872	662	(24%)
Murabaha and other Islamic financing income	186	211	14%	Deposits with banks	2,364	1,909	(19%)
Distribution to depositors and Murabaha costs	62	87	40%	Loans, advances and Islamic financing to customers	15,503	16,553	7%
Net Income from Islamic financing	124	124	0%	Investment securities	3,678	4,215	15%
NII and NI from Islamic financing	690	689	(0%)	Investment in associates	31	35	12%
Net fees and commissions	150	157	5%	Land, premises and equipment	363	434	19%
Net investment income	2	8	NM	Goodwill and other intangible assets	579	583	1%
Net gains from dealing in foreign currencies	39	39	1%	Other assets	260	270	4%
Other operating income	1	1	(3%)	Total Assets	27,428	29,271	7%
Non-interest income	193	206	7%	Due to banks and other financial institutions	8,090	7,582	(6%)
Net Operating Income	883	896	1%	Customer deposits	14,389	15,931	11%
Staff expenses	160	176	10%	Certificates of deposit issued	451	539	19%
Other administrative expenses	99	99	0%	Global Medium Term Notes (GMTN)	220	227	3%
Depreciation of premises and equipment	15	26	80%	Subordinated Tier 2 bonds	125	125	0%
Amortisation of intangible assets	3	3	3%	Other liabilities	451	609	35%
Operating Expenses	276	304	10%	Total Liabilities	23,727	25,012	5%
Pre-provision profits (and impairments)	607	591	(3%)	Share capital	621	652	5%
Provision charge for credit losses and impairment losses	180	130	(28%)	Proposed bonus shares	31	33	5%
Operating profit before taxation	427	462	8%	Statutory reserve	311	326	5%
Taxation	33	36	7%	Share premium account	803	803	0%
Non-controlling interest	23	25	6%	Treasury shares	(65)	(39)	(40%)
Profit attributable to shareholders of the Bank	371	401	8%	Treasury share reserve	14	25	79%
				Other reserves	1,449	1,634	13%
				Equity attributable to shareholders	3,163	3,434	9%
				Perpetual Tier 1 Capital Securities	211	438	NM
				Non-controlling interests	327	387	18%
				Total equity	3,701	4,259	15%
				Total liabilities and equity	27,428	29,271	7%

Performance Measures 2019

%	2018	2019
Return on average assets	1.38%	1.42%
Return on average equity	12.0%	12.3%
Net interest margin	2.69%	2.56%
Cost to income	31.3%	34.0%
NPLs to gross loans	1.38%	1.10%
Loan loss reserves to NPLs	228.1%	272.2%
Tier 1 capital	15.3%	15.9%
Tier 2 capital	1.9%	1.9%
Capital adequacy ratio	17.2%	17.8%




Consolidated Statement Of Income *(KWD million)*

<i>KWD million</i>	2017	2018	2019
Interest Income	743	897	987
Interest Expense	224	331	422
Net Interest Income	519	566	565
Murabaha and other Islamic financing income	156	186	211
Finance cost and Distribution to depositors	46	62	87
Net Income from Islamic financing	110	124	124
Net interest income and net income from Islamic financing	629	690	689
Net fees and commissions	139	150	157
Net investment income	20	2	8
Net gains from dealing in foreign currencies	34	39	39
Other operating income	2	1	1
Non-interest income	194	193	206
Net Operating Income	823	883	896
Staff expenses	154	160	176
Other administrative expenses	93	99	99
Depreciation of premises and equipment	15	15	26
Amortisation of intangible assets	3	3	3
Operating Expenses	265	276	304
Op. profit before provision for credit losses and impairment losses	557	607	591
Provision charge for credit losses	175	169	123
Impairment losses	13	10	7
Operating profit before taxation	369	427	462
Taxation	27	33	36
Non-controlling interest	20	23	25
Profit attributable to shareholders of the Bank	322	371	401

Consolidated Statement Of Financial Position (*KWD million*)

<i>KWD million</i>	2017	2018	2019
Cash and short term funds	2,744	2,967	3,787
Central Bank of Kuwait bonds	656	810	823
Kuwait Government treasury bonds	1,076	872	662
Deposits with banks	2,488	2,364	1,909
Loans, advances and Islamic financing to customers	14,503	15,503	16,553
Investment securities	3,349	3,678	4,215
Investment in associates	63	31	35
Land, premises and equipment	324	363	434
Goodwill and other intangible assets	582	579	583
Other assets	250	260	270
Total Assets	26,035	27,428	29,271
Due to banks and other financial institutions	7,469	8,090	7,582
Customer deposits	13,780	14,389	15,931
Certificates of deposit issued	491	451	539
Global medium term notes (GMTN)	221	220	227
Subordinated Tier 2 bonds	125	125	125
Other liabilities	388	451	609
Total Liabilities	22,474	23,727	25,012
Share capital	592	621	652
Proposed bonus shares	30	31	33
Statutory reserve	296	311	326
Share premium account	803	803	803
Treasury shares	(78)	(65)	(39)
Treasury share reserve	14	14	25
Other reserves	1,373	1,449	1,634
Equity attributable to shareholders of the bank	3,029	3,163	3,434
Perpetual Tier 1 Capital Securities	211	211	438
Non-controlling interests	321	327	387
Total equity	3,561	3,701	4,259
Total liabilities and equity	26,035	27,428	29,271

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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