



National Bank of Kuwait

Investor Presentation

2Q/1H 2023 Earnings Call

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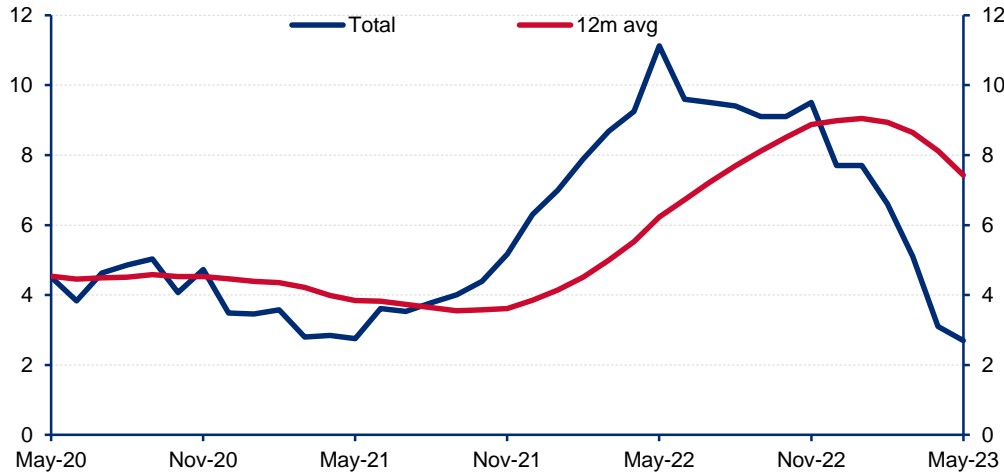


Section 1	Deputy Group CEO Opening Remarks
Section 2	Financial Performance
Section 3	Appendix
Section 4	Questions

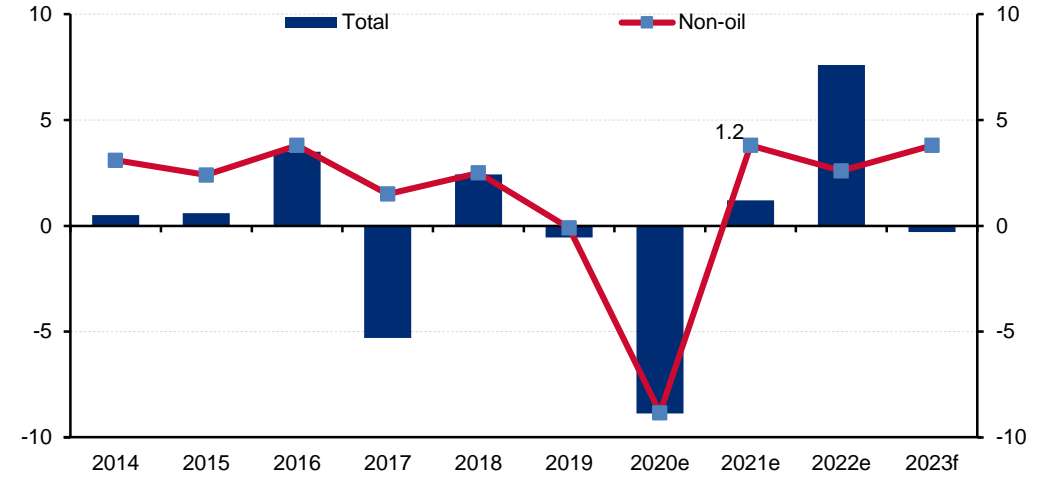


Key Economic Highlights

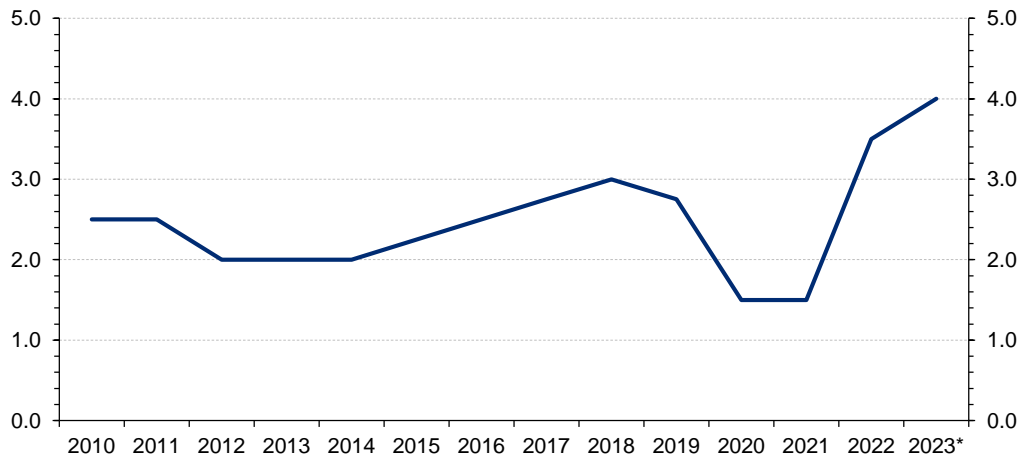
Kuwait Private credit (change, % y/y)



Real GDP (% y/y)



Development of the Discount Rate (%)



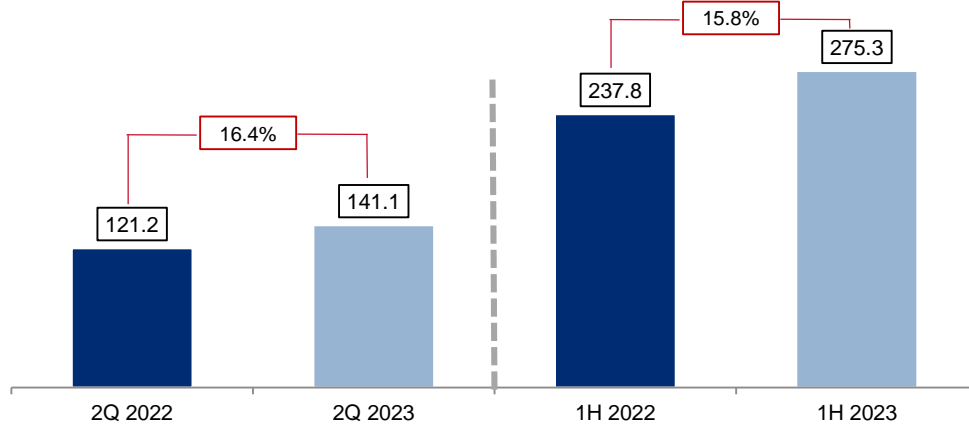
Daily ICE Brent Crude Oil Prices (\$/bbl)



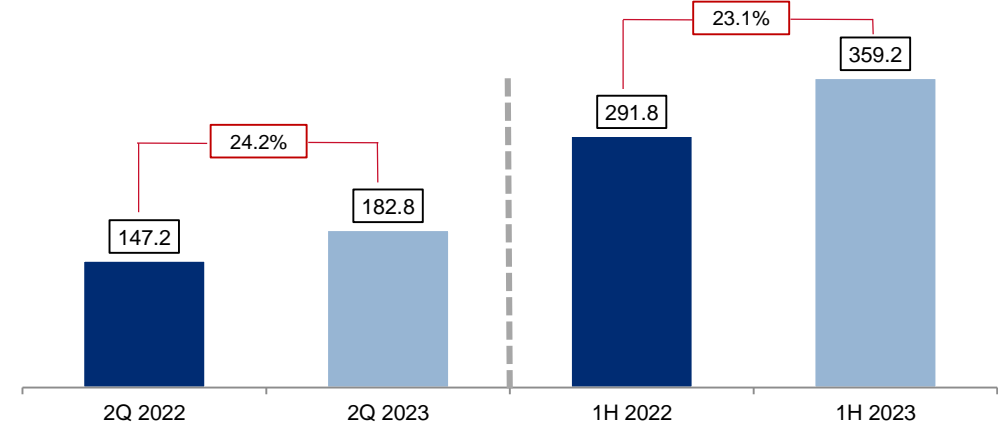


Operating Performance & Profitability

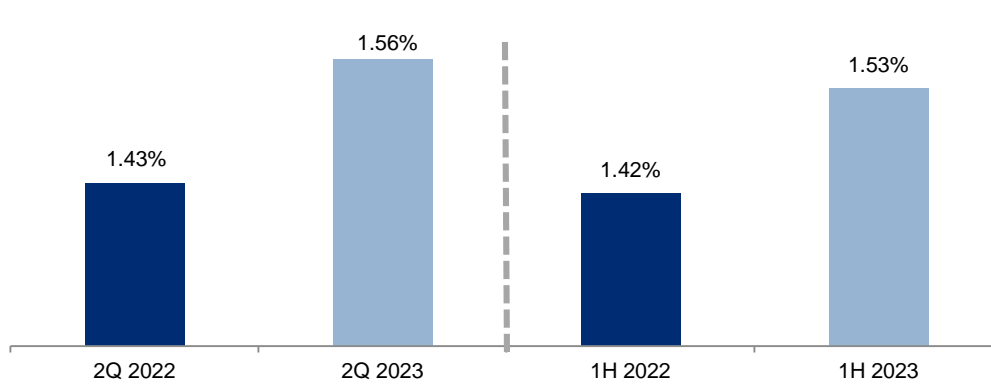
Net Profit Attributable (KDm)



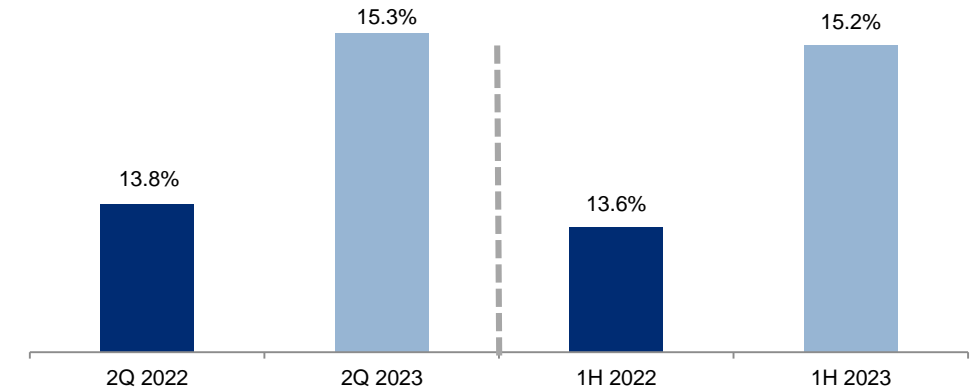
Operating Surplus (KDm)



Return on average assets

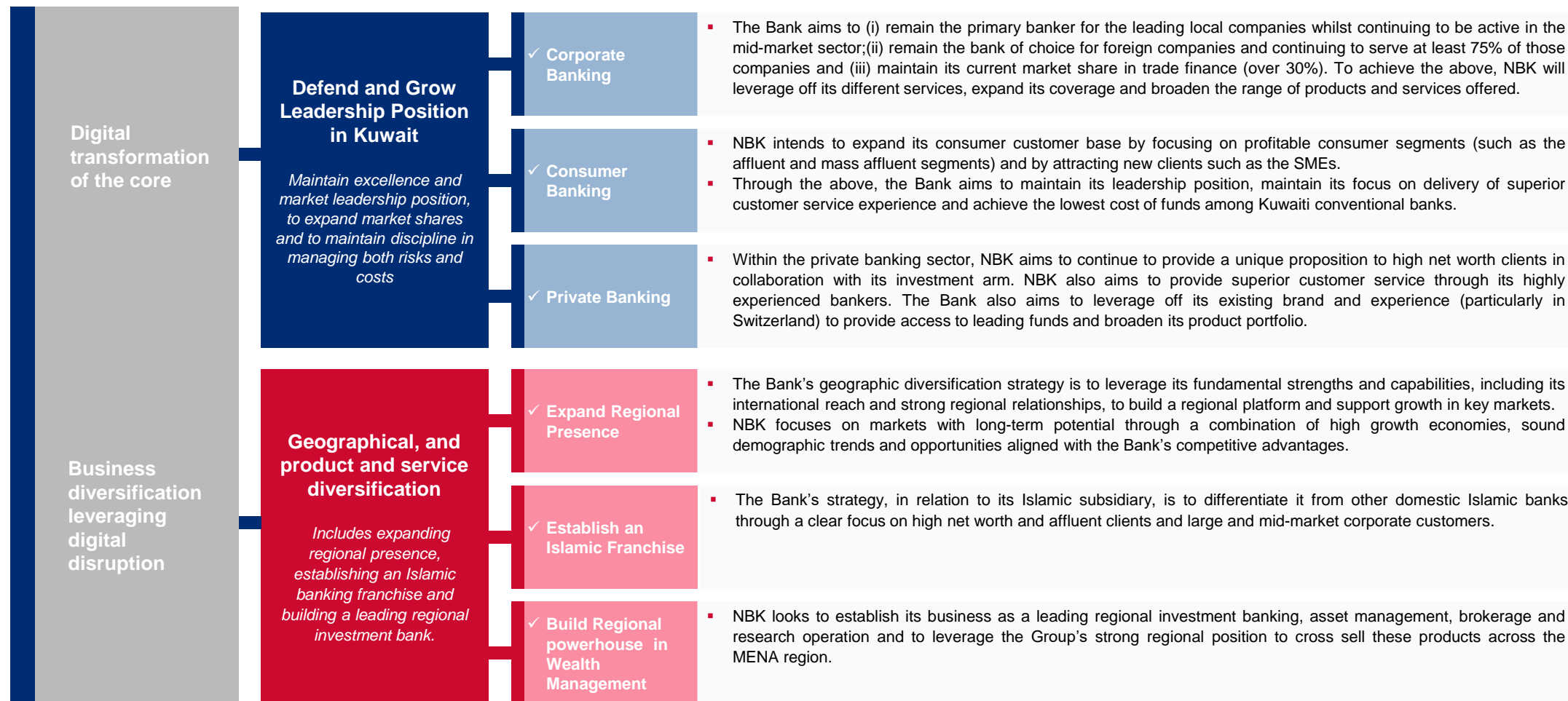


Return on average equity



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.



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.



STRATEGY PILLARS



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

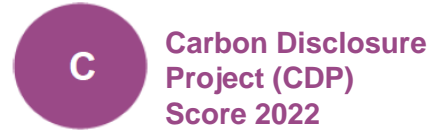
- Empower communities to achieve financial independence, confidence, and security.
- Continued and enhanced focus to providing optimal customer experience and service excellence.
- Support national development plans to promote and nurture local talent.
- Expand our community investment efforts for optimal 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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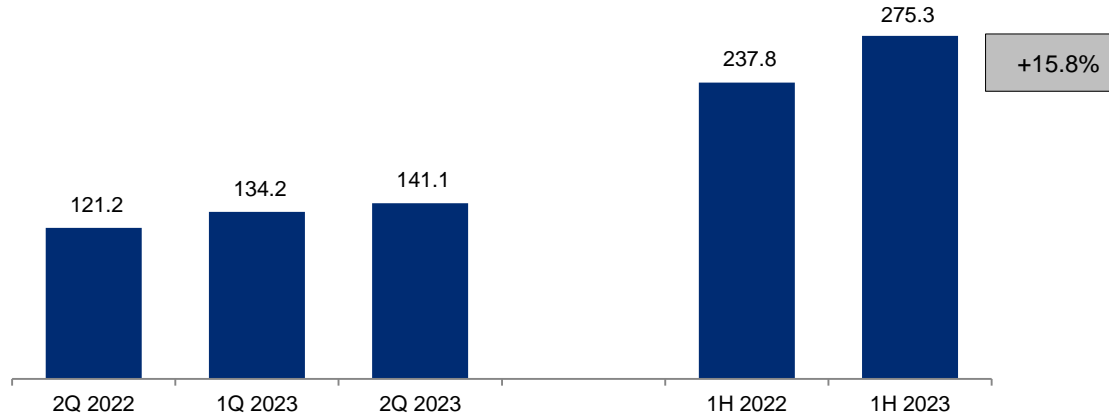


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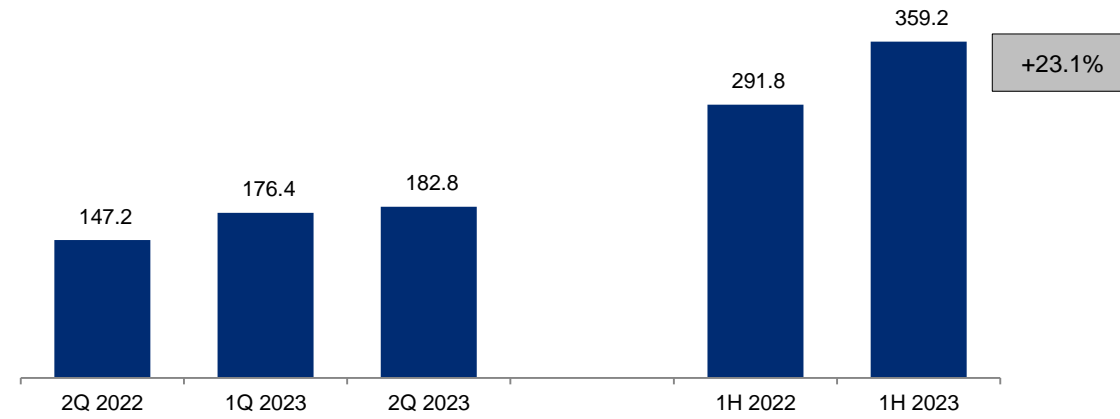


Operating Performance 1H 2023

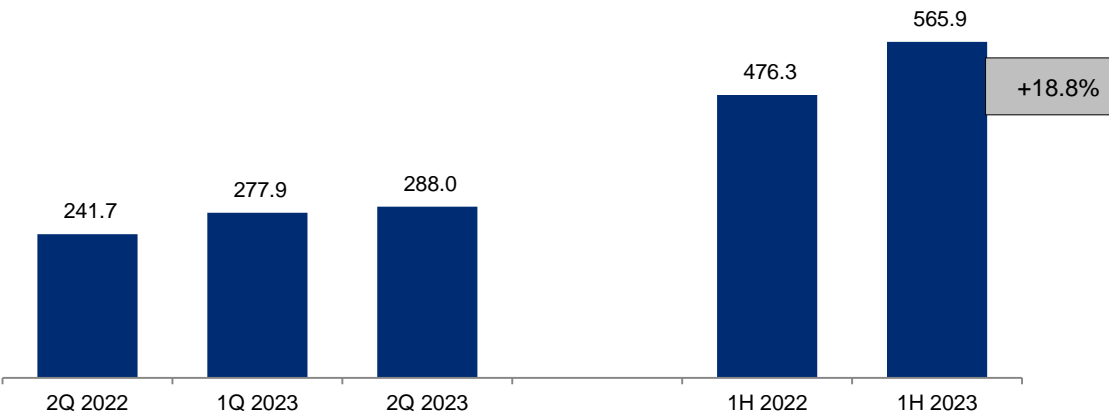
Net Profit (KDm)



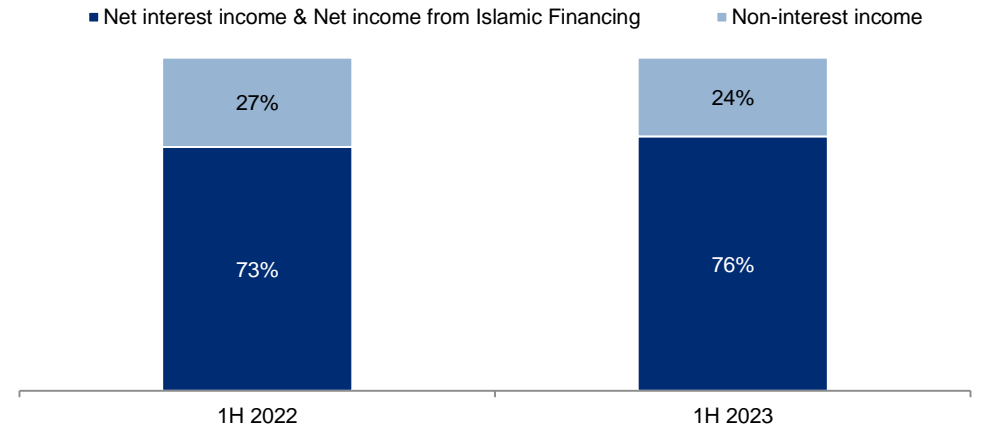
Operating Surplus (KDm)



Operating Income (KDm)



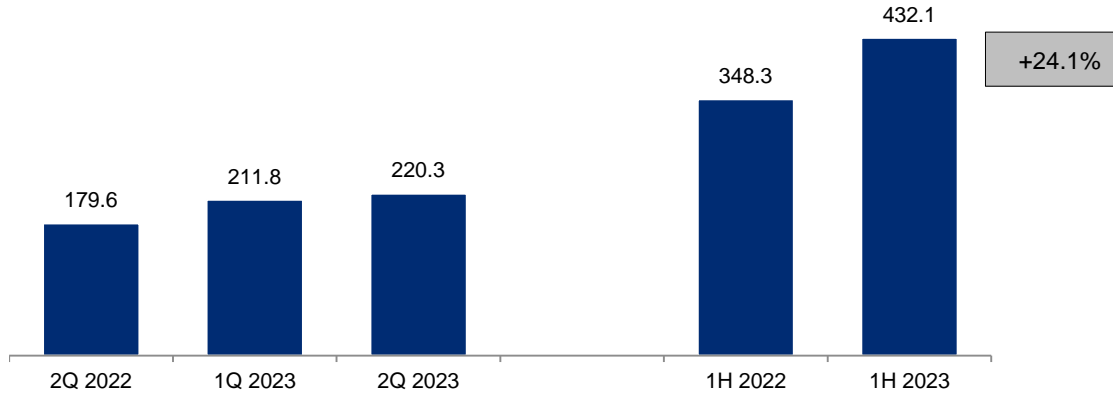
Operating Income Mix



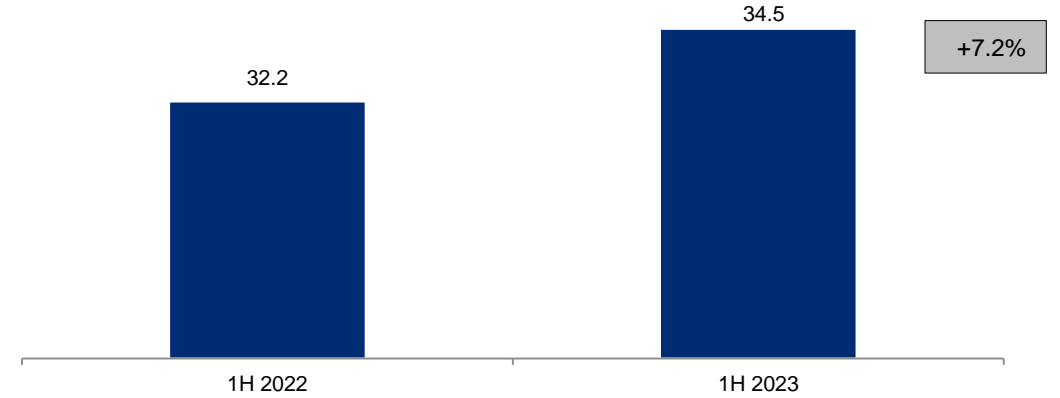


Operating Performance 1H 2023

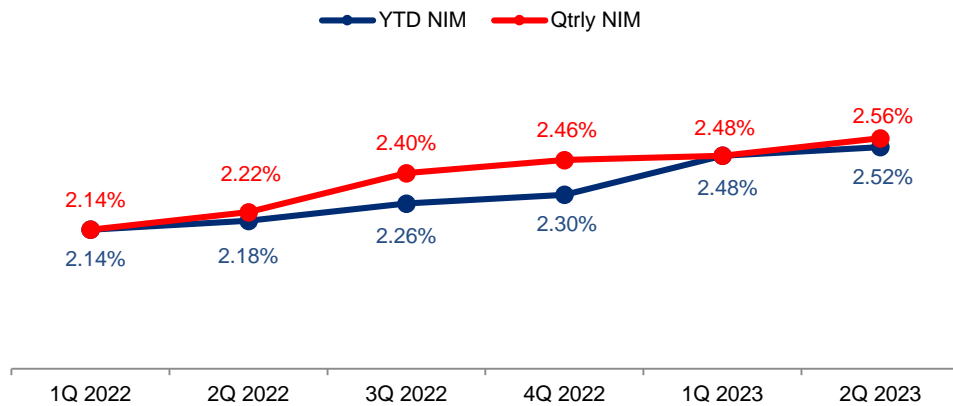
Net Interest Income* (KDm)



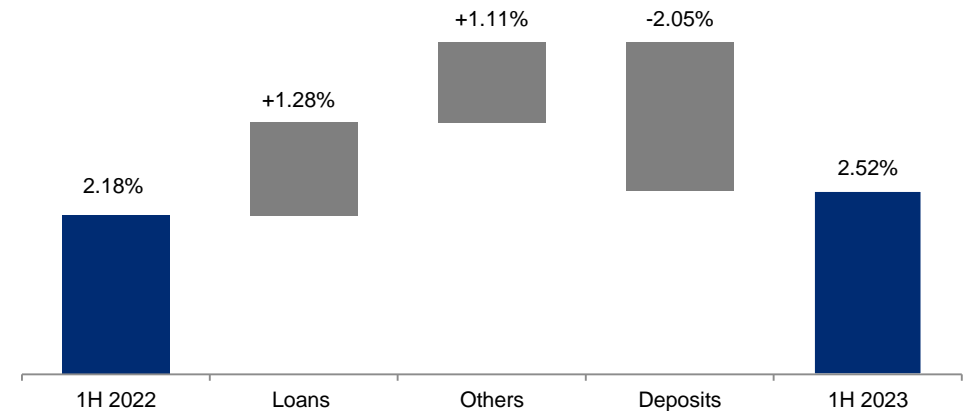
Average Interest Earning Assets (KDbn)



Net Interest Margin*



Net Interest Margin Drivers

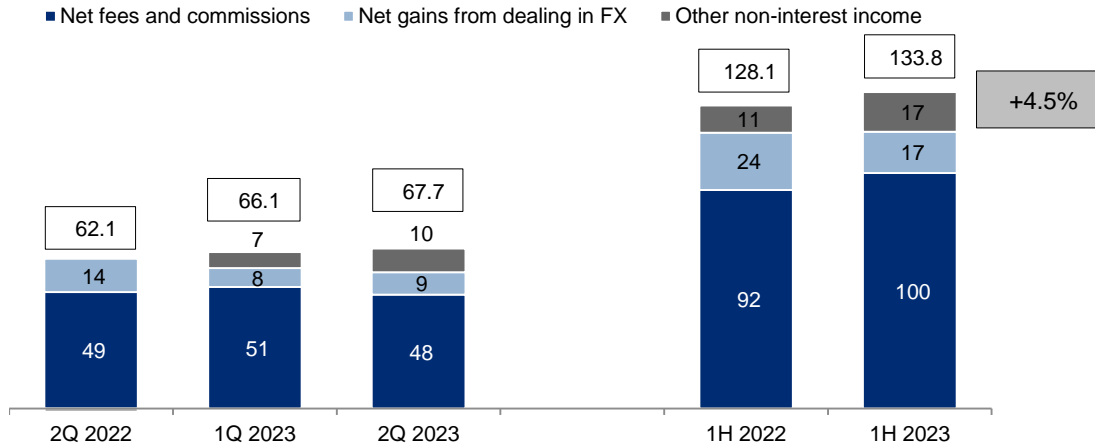


*Includes net interest income and net income from Islamic Financing

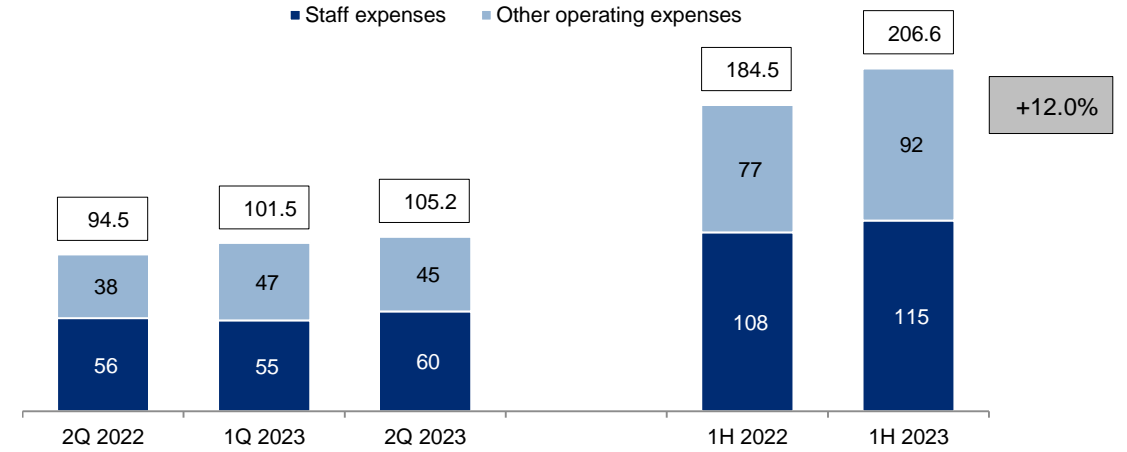


Operating Performance 1H 2023

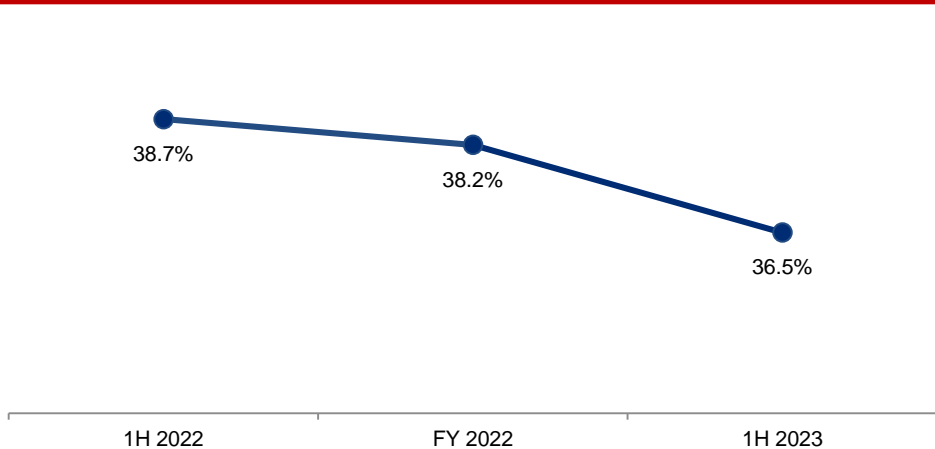
Non-interest income (KDM)



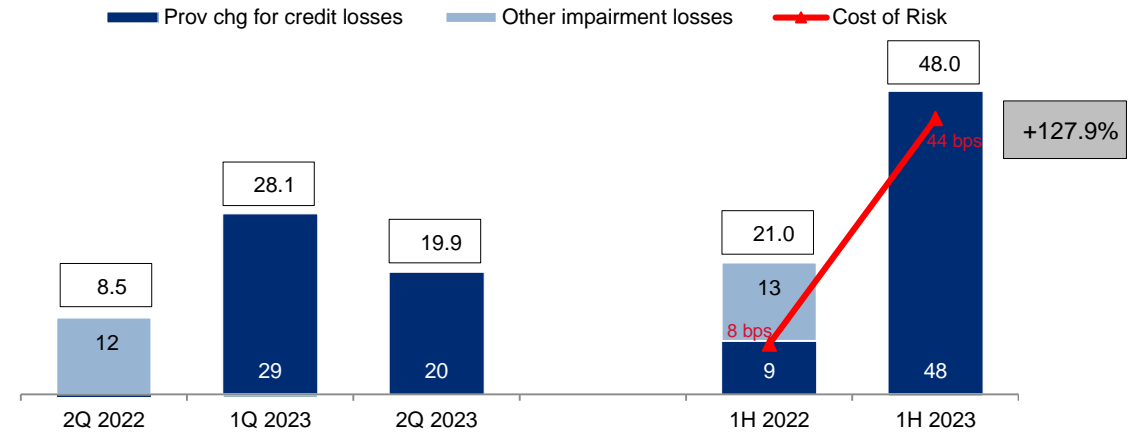
Operating Expenses (KDM)



Cost to Income ratio



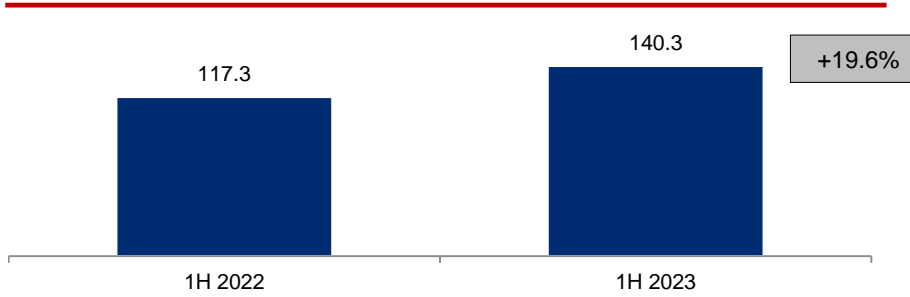
Provisions and Impairments (KDM)



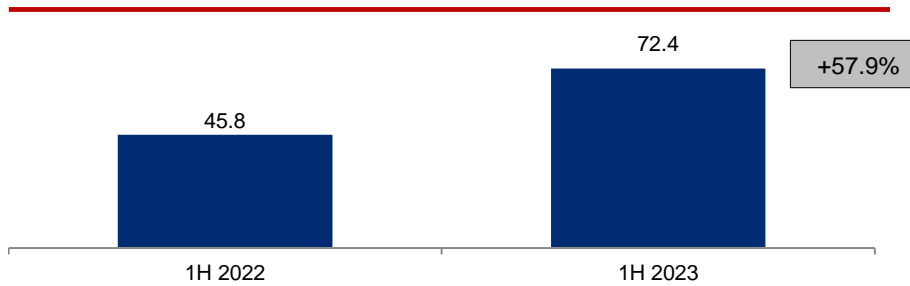


Operating Performance 1H 2023

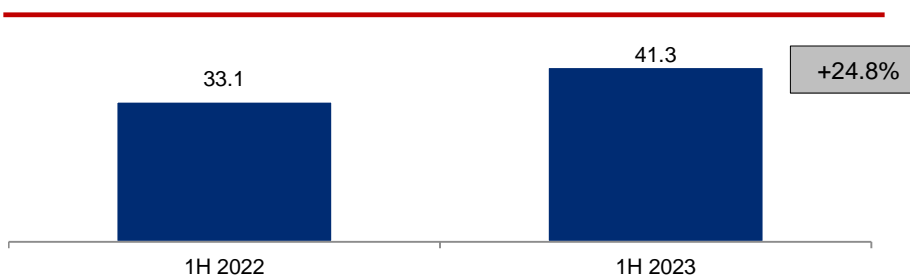
Operating Income (KDm) - International



Net profit (KDm) - International



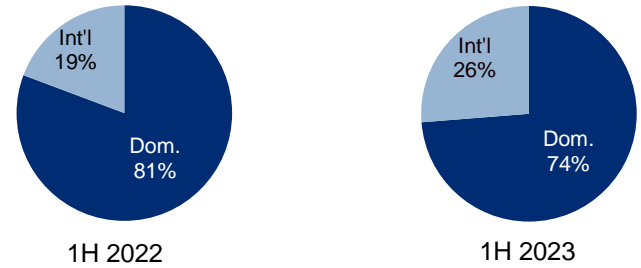
Net profit (KDm) - Boubyan Bank



Operating Income (KDm)



Net Profit (KDm)



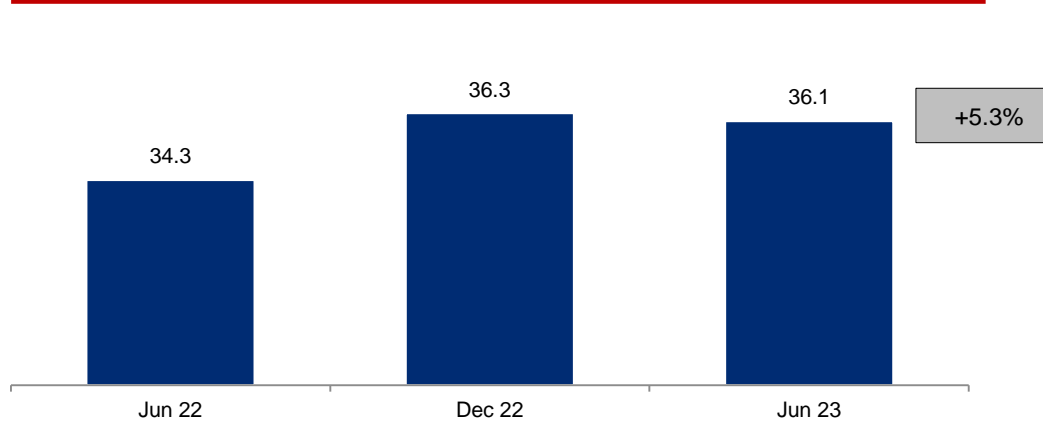
Total Assets (KD'bn)



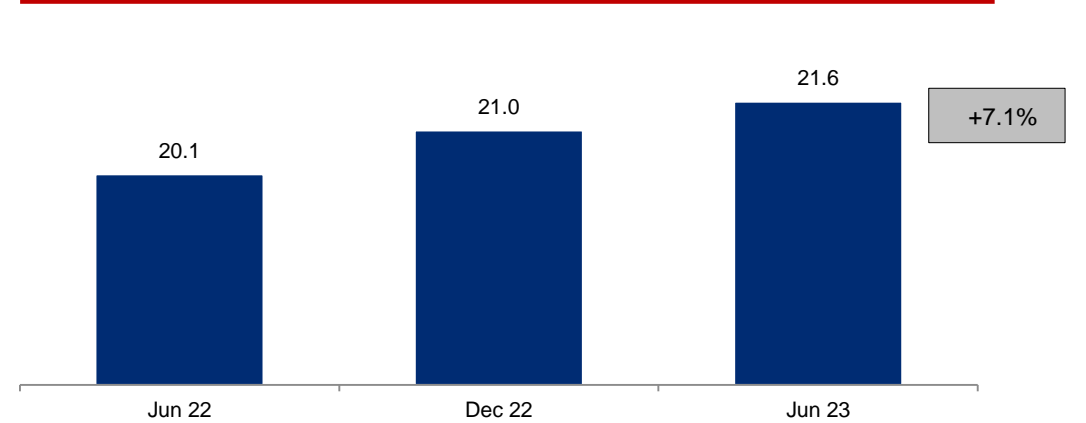


Operating Performance 1H 2023

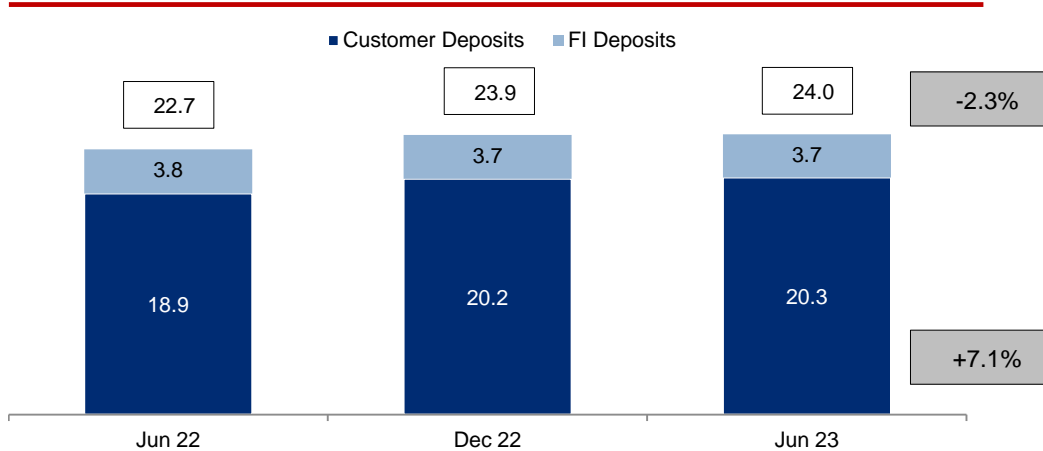
Total Assets (KDbn)



Loans, Advances and Islamic Financing (KDbn)

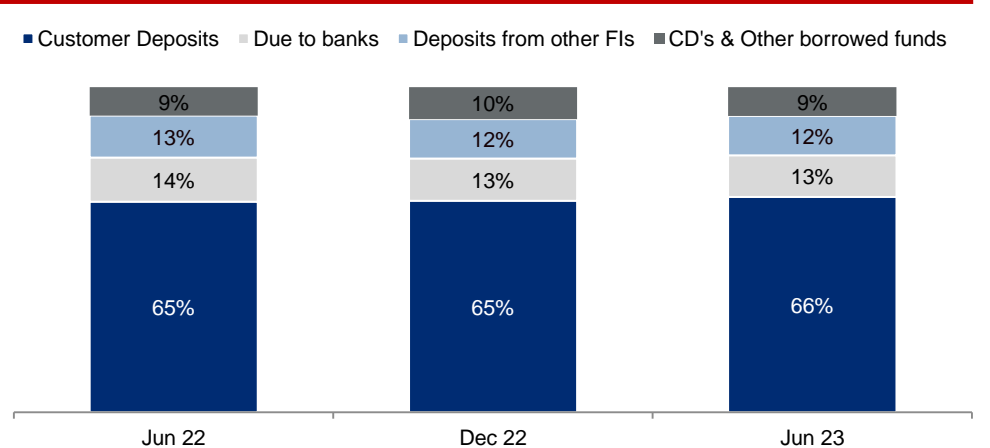


Customer Deposits & FI Deposits* (KDbn)



*excludes due to banks

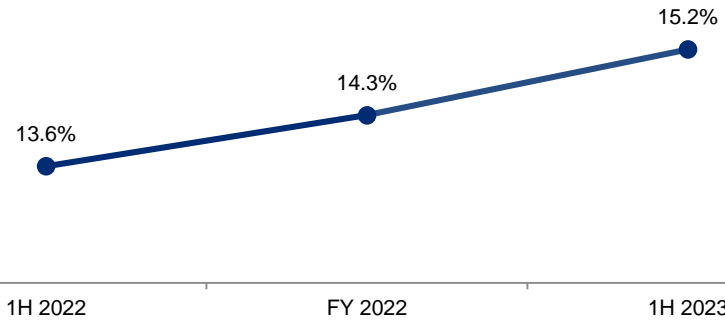
Funding Mix



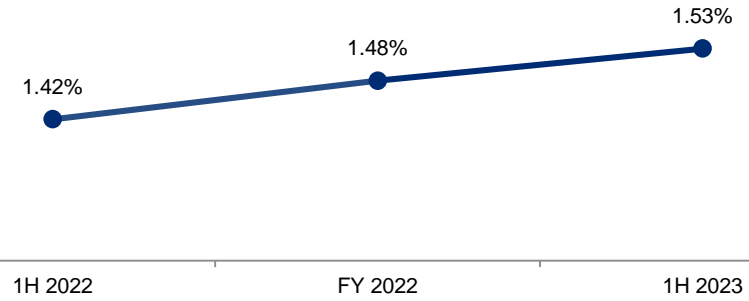


Performance and Asset Quality Ratios 1H 2023

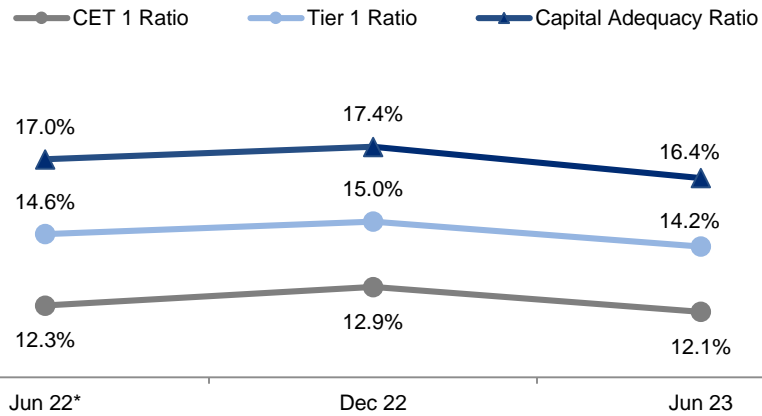
Return on Average Equity



Return on Average Assets

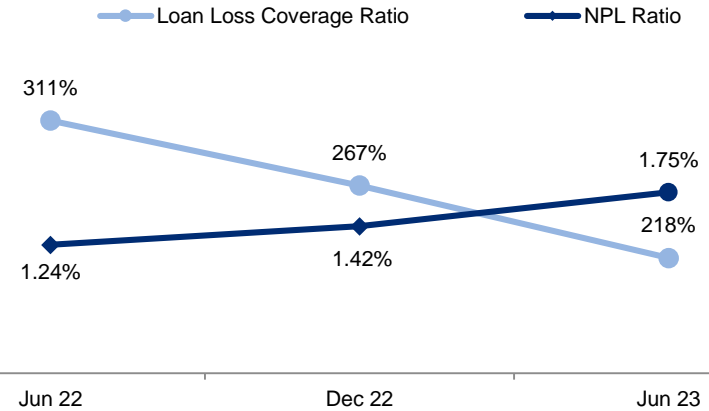


Capital Adequacy Ratios



*restated

Asset Quality Ratios



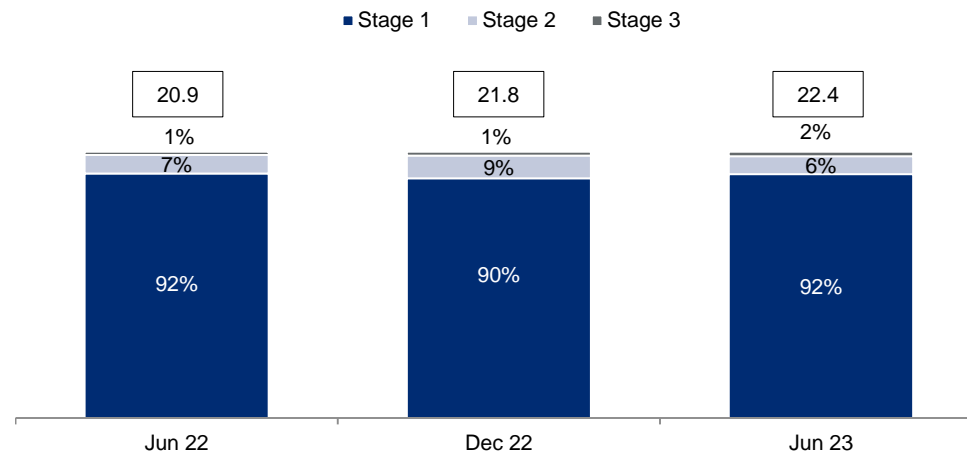


Expected Credit Losses (ECL) 1H 2023

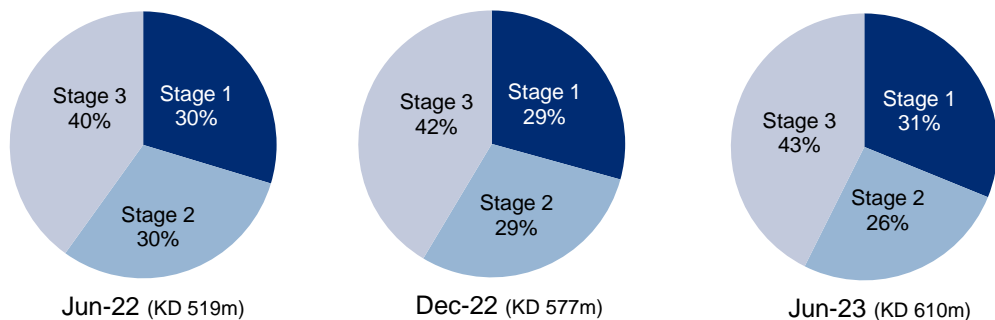
Financial Statements ECL Disclosure (KDm)

30 June 2023	Stage1	Stage 2	Stage 3	Total
Loans, advances and Islamic financing to customers	20,535	1,489	391	22,416
Contingent liabilities	3,960	634	12	4,605
Commitments (revocable and irrevocable) to extend credit	7,873	861	0	8,734
ECL allowance for credit facilities	190	160	260	610

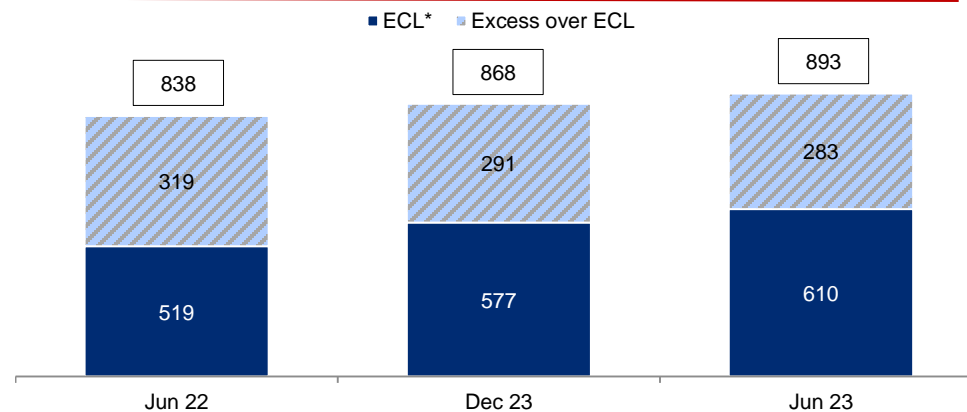
Total Gross Loans (KDbn)



ECL Allowance for Credit Facilities



CBK Credit Provisions vs IFRS 9 ECL (KDm)



* ECLs as per CBK guidelines



2023 Guidance

	1H 2023	2023 Guidance (v/s 2022)
Loan Growth (ytd)	+2.7%	Mid Single Digit
NIM	2.52%	Expanding
Cost to Income ratio	36.5%	High 30s
Cost of Risk	44 bps	
Earnings (yoy)	+15.8%	
Capital Adequacy	16.4 %	

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Consolidated Statement Of Income *(KDM)*

<i>KDM</i>	1H 2022	1H 2023	YoY Growth (%)
Interest Income	373	756	NM
Interest Expense	113	410	NM
Net Interest Income	260	346	33%
Murabaha and other Islamic financing income	129	191	48%
Finance cost and Distribution to depositors	40	105	NM
Net Income from Islamic financing	89	86	(3%)
Net interest income and net income from Islamic financing	348	432	24%
Net fees and commissions	92	100	8
Net investment income	11	16	46
Net gains from dealing in foreign currencies	24	17	(28%)
Other operating income	1	1	43
Non-interest income	128	134	4
Net Operating Income	476	566	19
Staff expenses	108	115	7
Other administrative expenses	57	69	21
Depreciation of premises and equipment	19	22	14
Amortisation of intangible assets	1	1	0
Operating Expenses	185	207	12
Op. profit before provision for credit losses and impairment losses	292	359	23
Provision charge for credit losses	8	48	NM
Impairment losses	13	0	NM
Operating profit before taxation	271	311	15%
Taxation	22	22	1%
Non-controlling interest	11	14	25%
Profit attributable to shareholders of the Bank	238	275	16%



Consolidated Statement Of Financial Position (KDm)

KDm	June 2022	June 2023	YoY Growth %
Cash and short term funds	5,087	3,819	(25%)
Central Bank of Kuwait bonds	848	891	5%
Kuwait Government treasury bonds	267	196	(26%)
Deposits with banks	1,169	1,669	43%
Loans, advances and Islamic financing to customers	20,138	21,564	7%
Investment securities	5,135	6,145	20%
Land, premises and equipment	464	489	5%
Goodwill and other intangible assets	571	529	(7%)
Other assets	604	783	30%
Total Assets	34,283	36,085	5%
Due to banks	3,980	3,924	(1%)
Deposits from other financial institutions	3,773	3,687	(2%)
Customer deposits	18,921	20,270	7%
Certificates of deposit issued	1,351	1,461	8%
Other borrowed funds	1,201	1,250	4%
Other liabilities	600	801	34%
Total Liabilities	29,825	31,392	5%
Share capital	755	793	5%
Proposed bonus shares	-	-	NM
Statutory reserve	360	378	5%
Share premium account	803	803	0%
Treasury share reserve	35	35	0%
Other reserves	1,501	1,674	11%
Equity attributable to shareholders of the bank	3,454	3,682	7%
Perpetual Tier 1 Capital Securities	439	439	0%
Non-controlling interests	565	572	1%
Total equity	4,458	4,693	5%
Total liabilities and equity	34,283	36,085	5%



Performance Measures 1H 2023

	June 2022	June 2023
Return on average assets	1.42%	1.53%
Return on average equity	13.6%	15.2%
Net interest margin	2.18%	2.52%
Cost to income	38.7%	36.5%
NPLs to gross loans	1.24%	1.75%
Loan loss reserves to NPLs	311%	218%
CET 1 ratio	12.3%*	12.1%
Tier 1 ratio	14.6%*	14.2%
Total Capital adequacy ratio	17.0%*	16.4%

*restated

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Questions?



Thank You



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