



# National Bank of Kuwait

## Investor Presentation

FY 2022 Earnings Call

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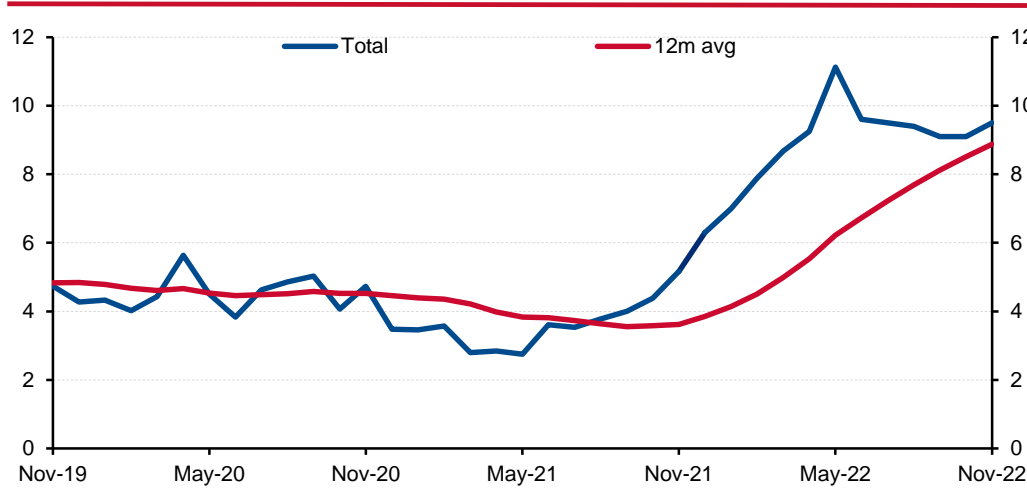


<b>Section 1</b>	<b>Group CEO Opening Remarks</b>
<b>Section 2</b>	Financial Performance
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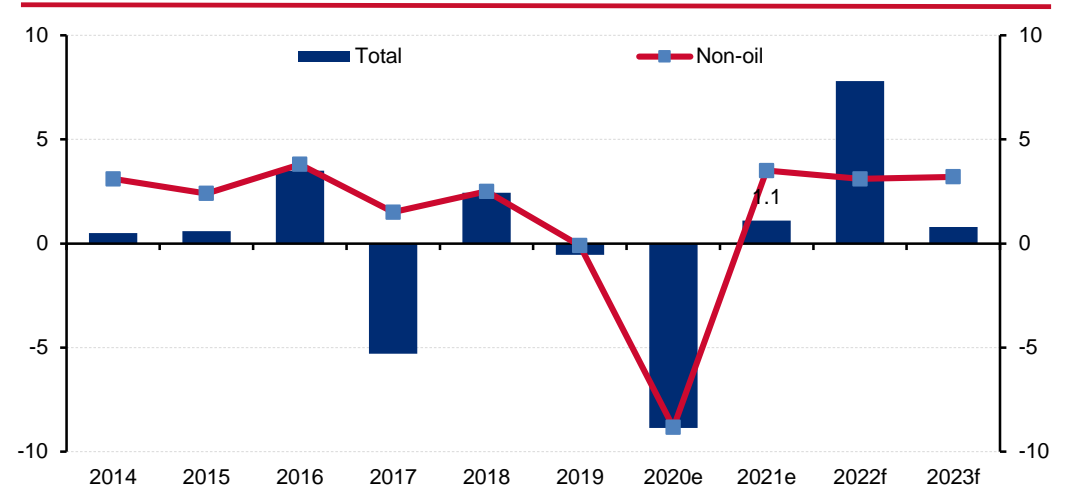


# Key Economic Highlights

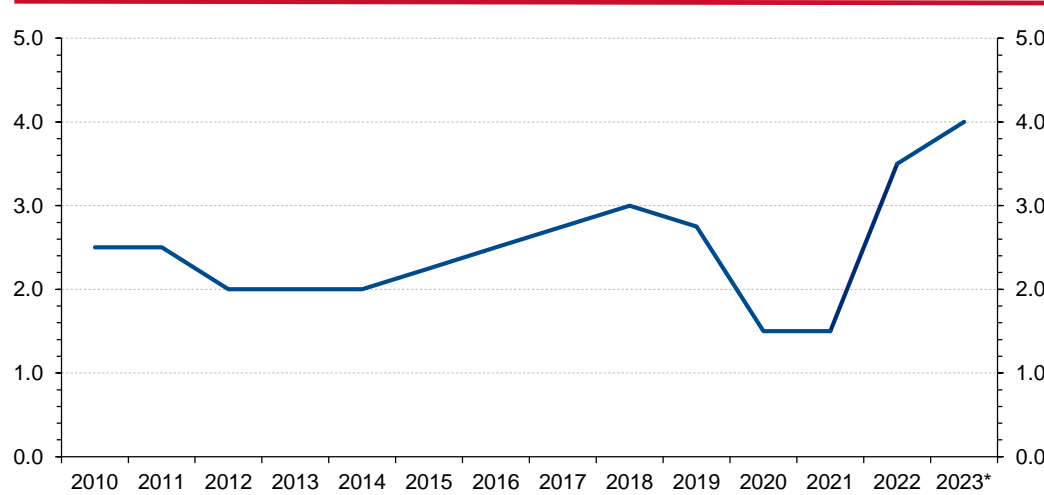
Kuwait Private credit (change, % y/y)



Real GDP (% y/y)



Development of the Discount Rate (%)



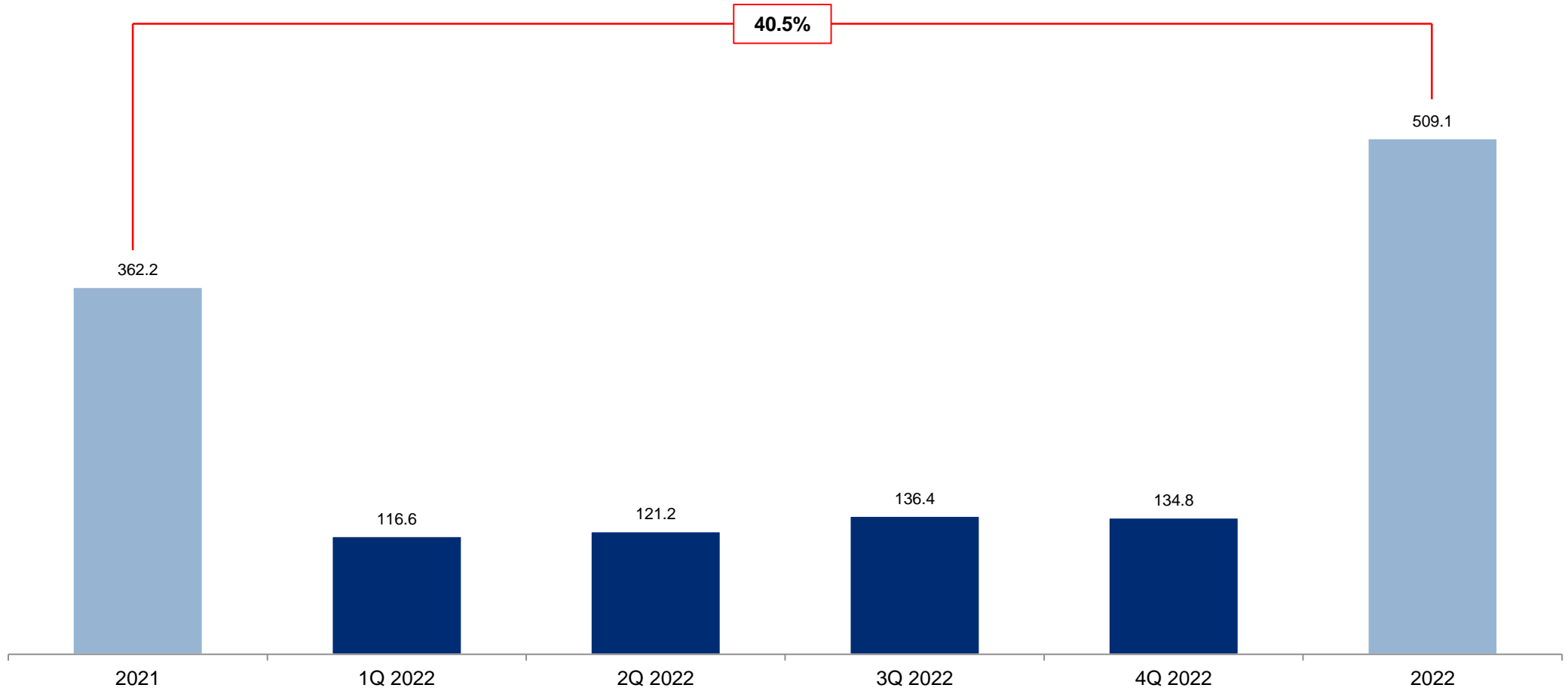
Daily ICE Brent Crude Oil Prices (\$/bbl)





# NBK Profitability (KDm)

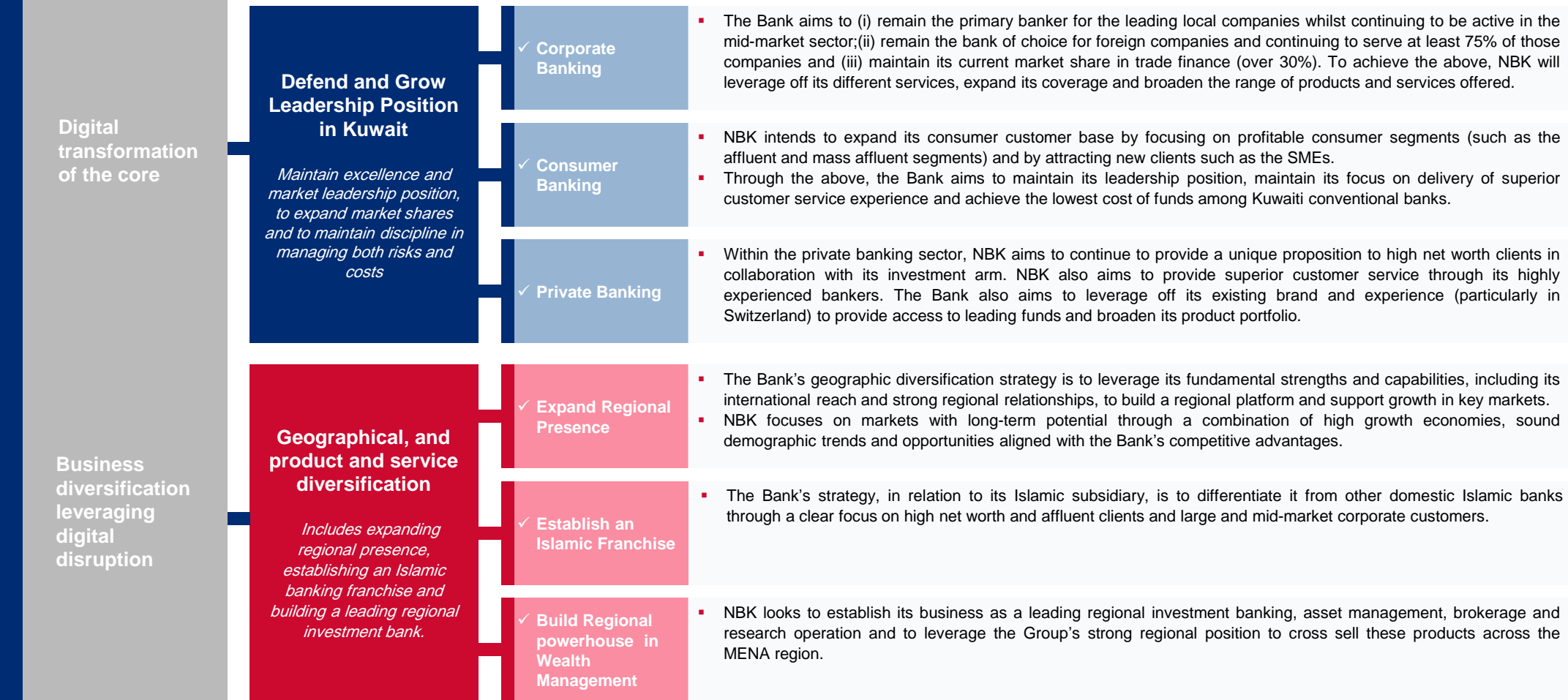
## Net Profit Attributable





# 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 Group ESG Strategy Framework



**SDGs**



**Enablers**





# Building A Leading Journey In ESG

## ESG Awards and Ratings



Carbon Disclosure Project (CDP) Score 2022



## Aligned with National and Global Frameworks







# 2022 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.
- 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**.
- Integrated **ESG metrics** into the **Board of Directors'** and **Executive Management responsibilities, charters, oversight, and affairs**.
- 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 the **"Bankee" financial literacy program** in 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 **KD 13 million** for the expansion of **NBK Children's Hospital** specialized in stem cell transplant, project to start 2023.
- **Community Investments** totaled **KD 23 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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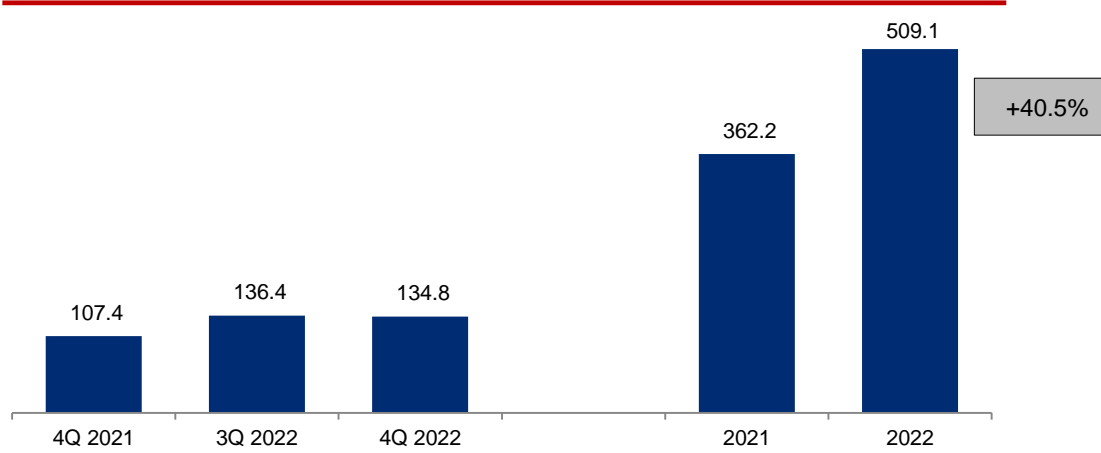


<b>Section 1</b>	Group CEO Opening Remarks
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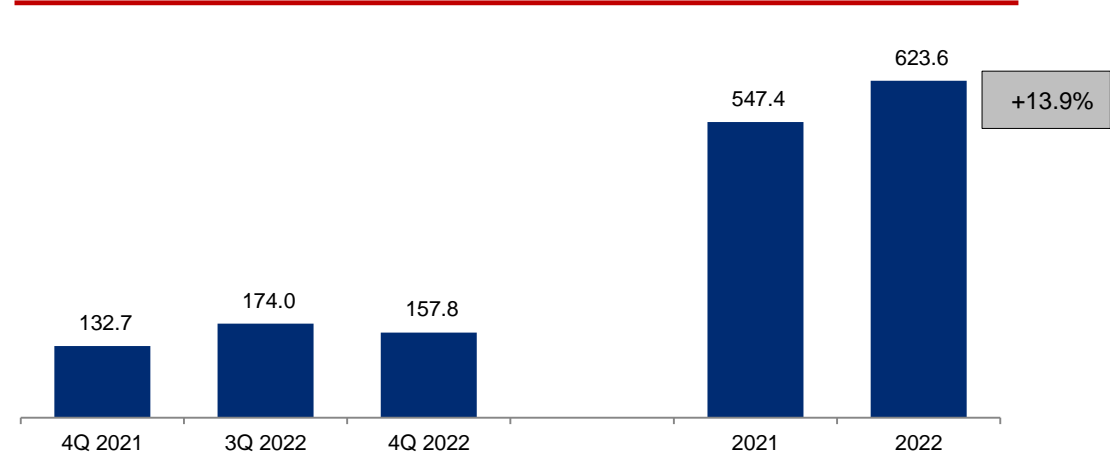


# Operating Performance 2022

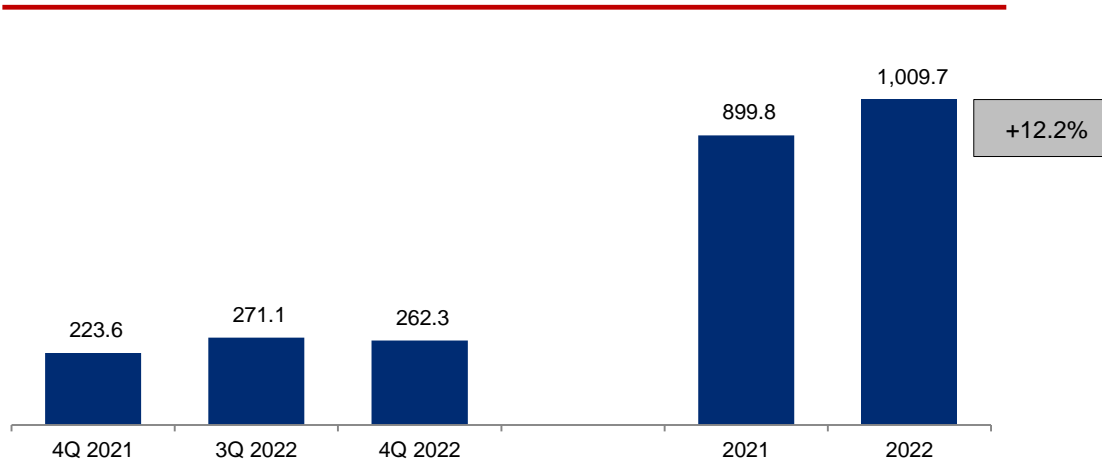
Net Profit (KDm)



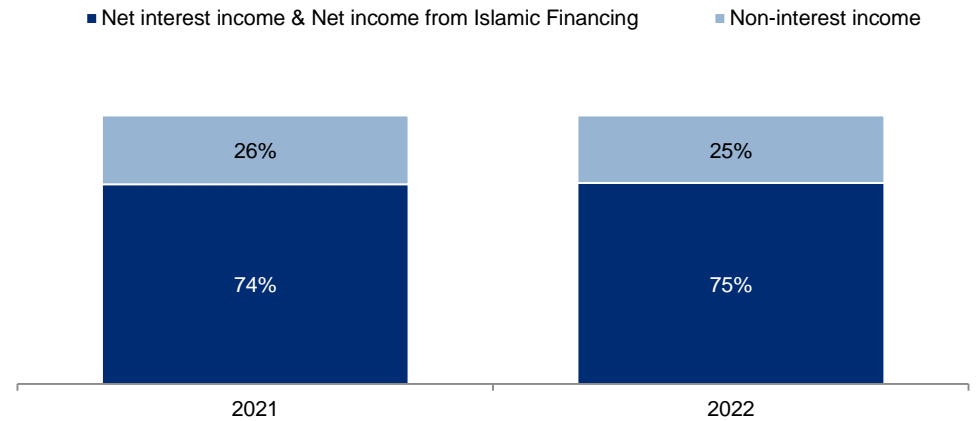
Operating Surplus (KDm)



Operating Income (KDm)



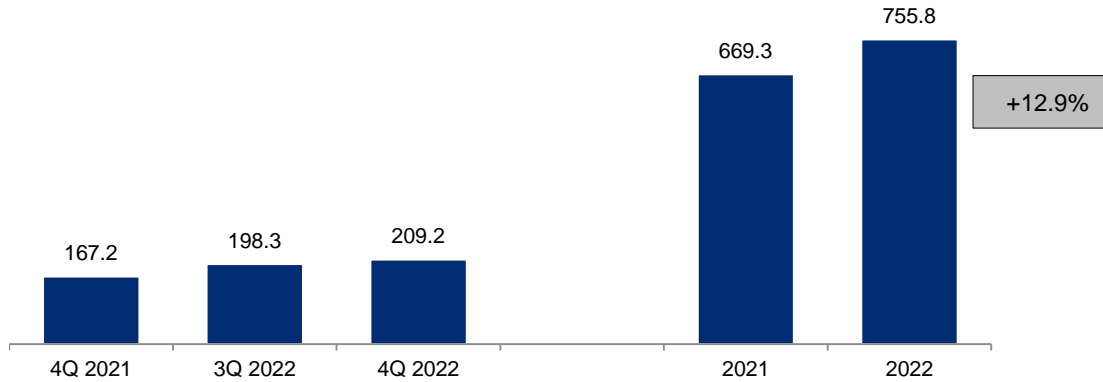
Operating Income



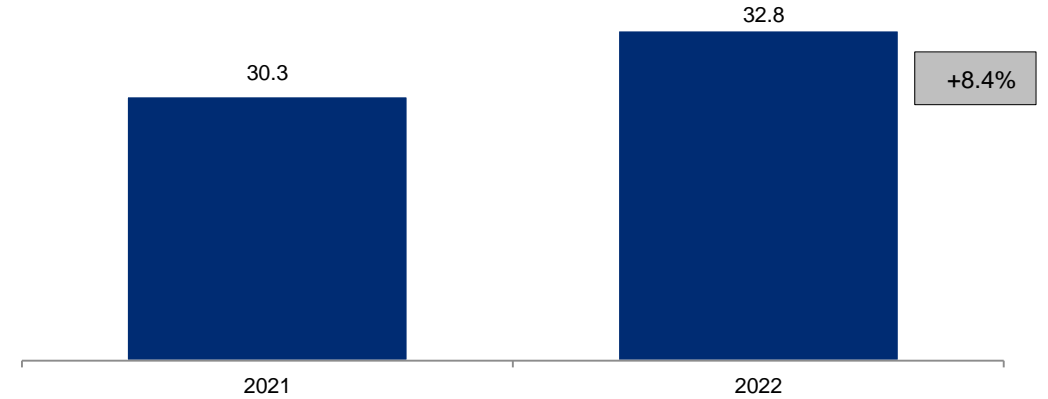


# Operating Performance 2022

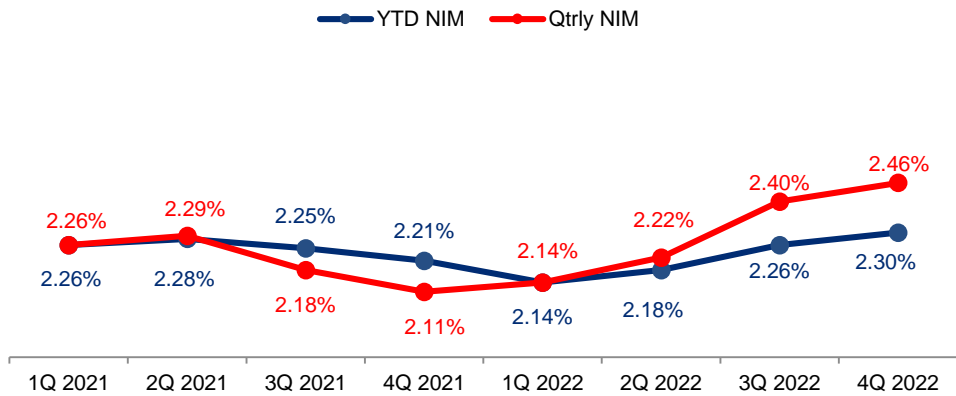
Net Interest Income\* (KDm)



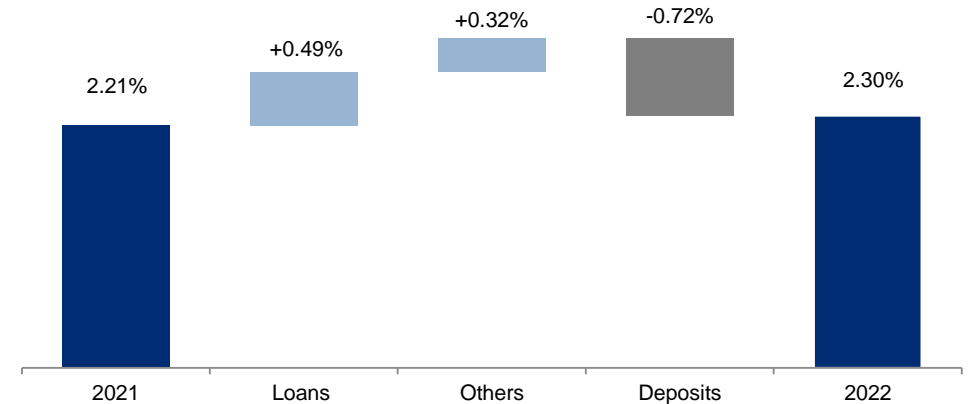
Average Interest Earning Assets (KDbn)



Net Interest Margin\*



Net Interest Margin drivers

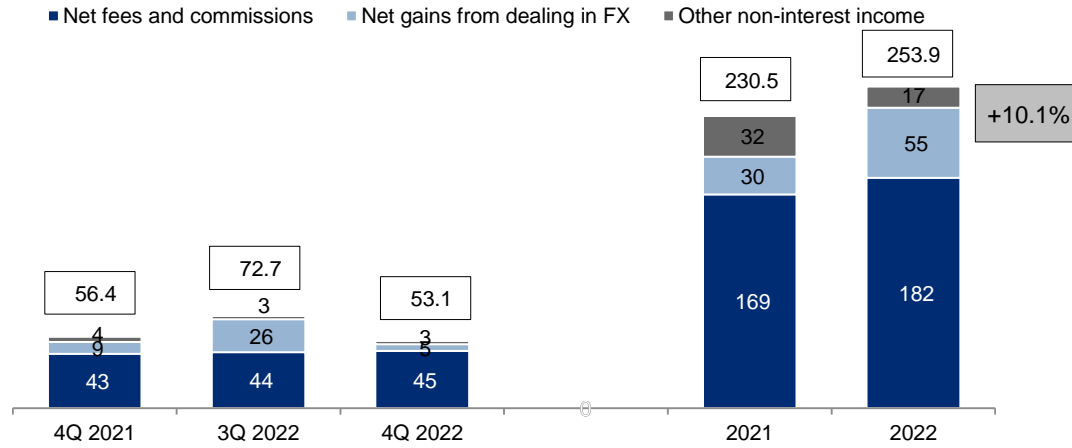


\*Includes net interest income and net income from Islamic Financing

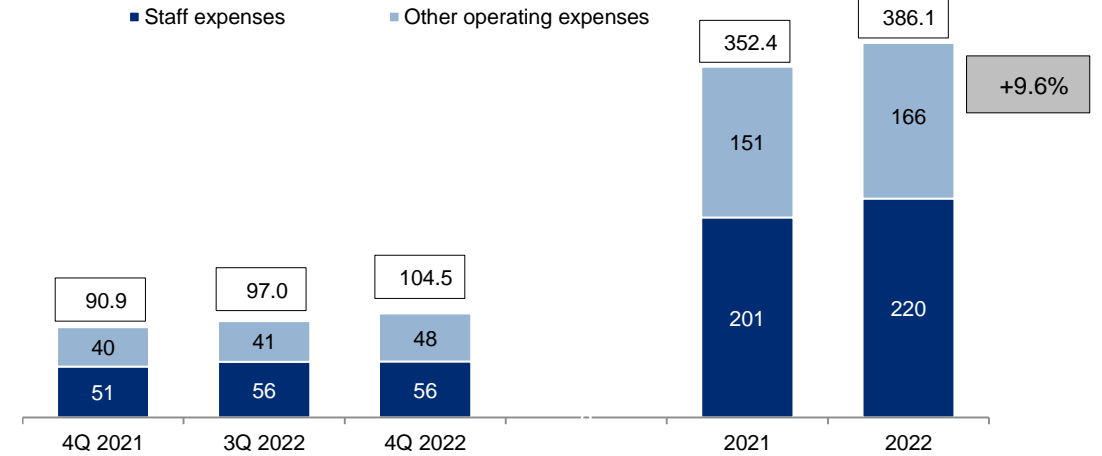


# Operating Performance 2022

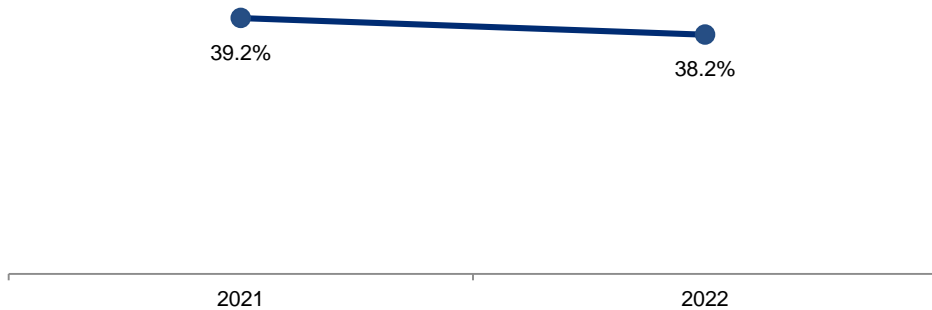
Non-interest income (KDM)



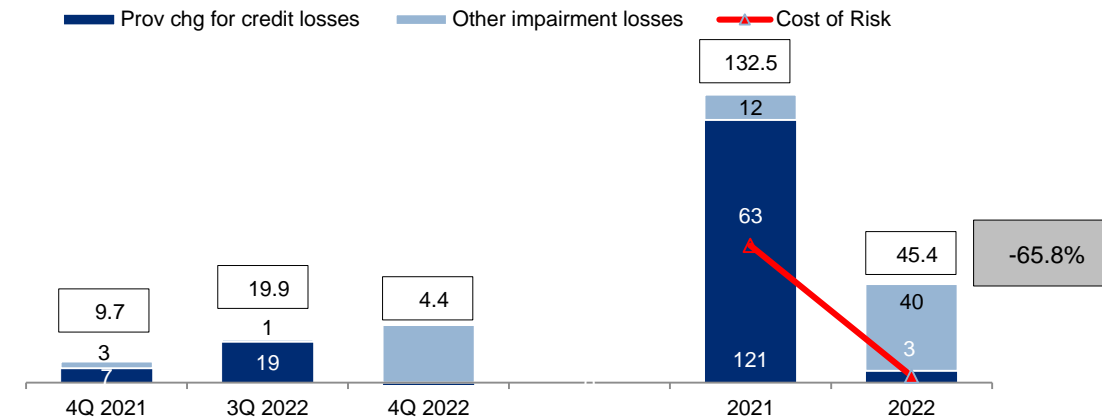
Operating Expenses (KDM)



Cost to Income ratio



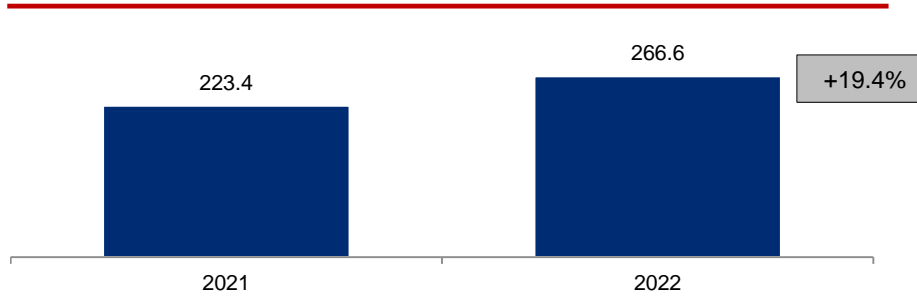
Provisions and Impairments (KDM)



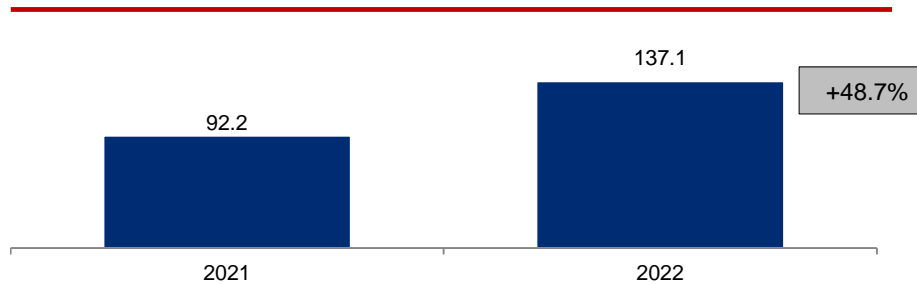


# Operating Performance 2022

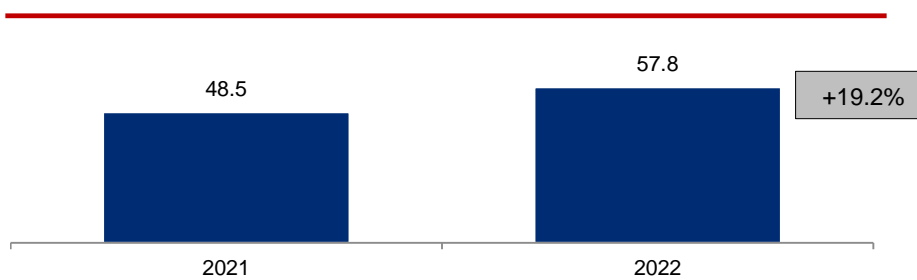
Operating Income (KDm) - International



Net profit (KDm) - International



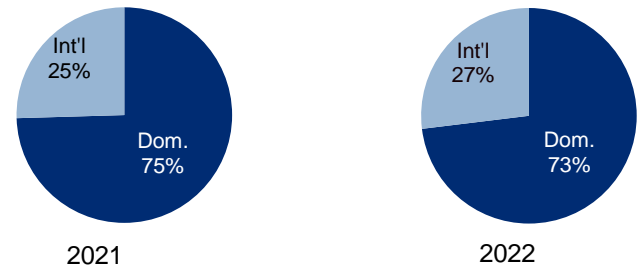
Net profit (KDm) - Boubyan Bank



Operating Income (KDm)



Net Profit (KDm)



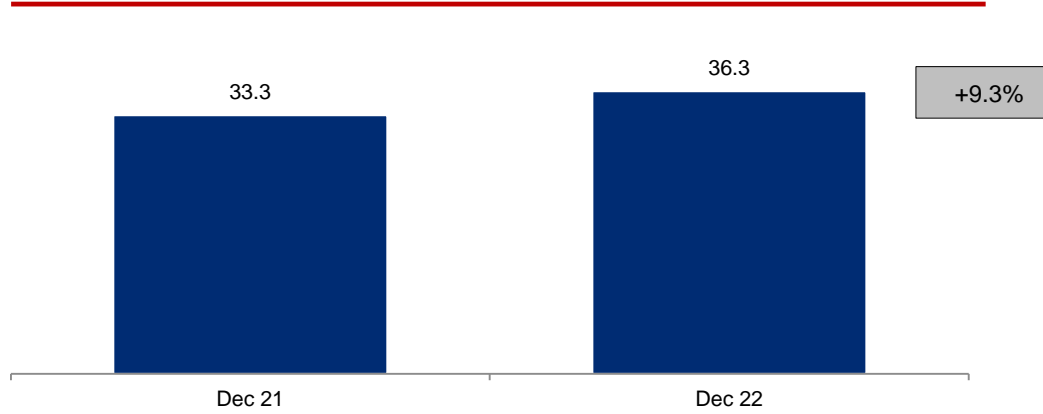
Total Assets (KD'bn)



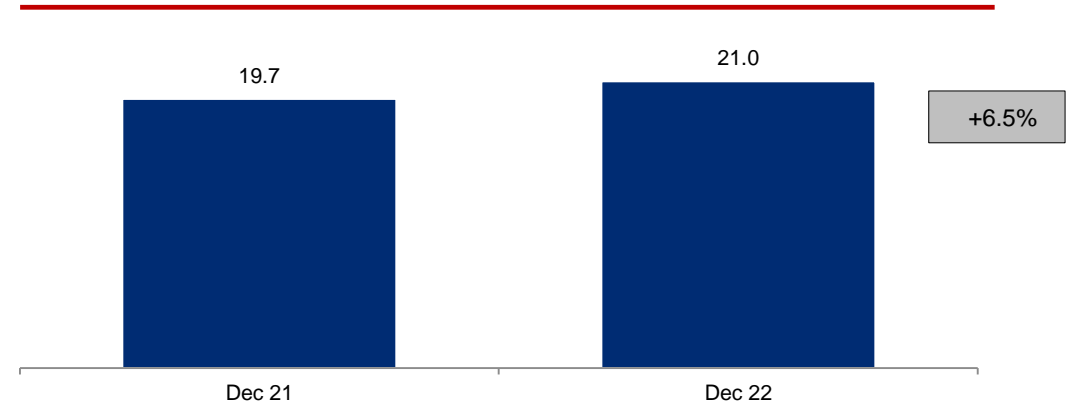


# Operating Performance 2022

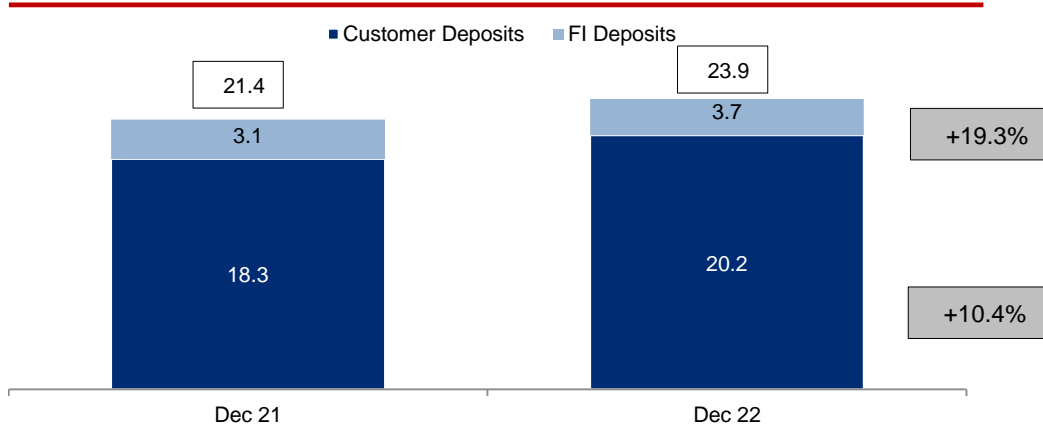
Total Assets (KDbn)



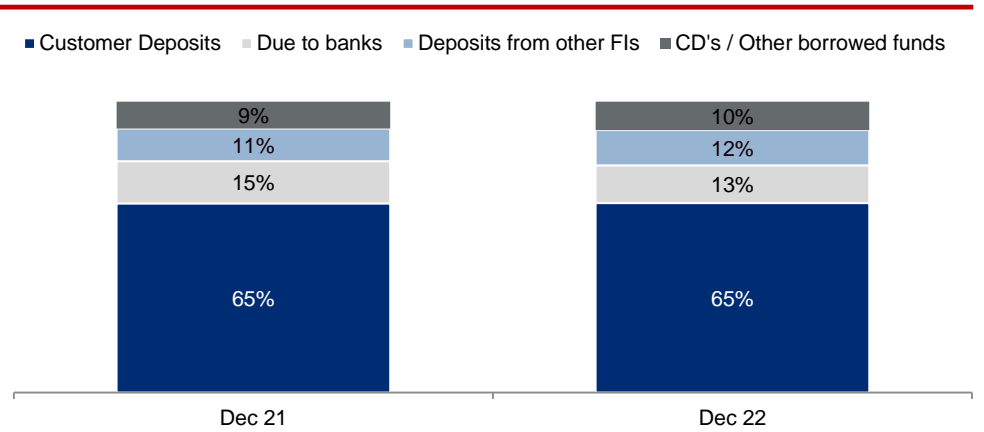
Loans, Advances and Islamic Financing (KDbn)



Customer Deposits & FI Deposits\* (KDbn)



Funding Mix

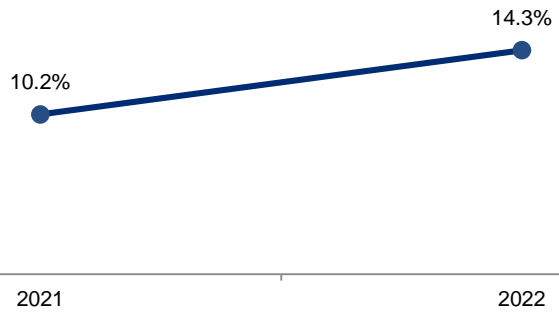


\*excludes due to banks

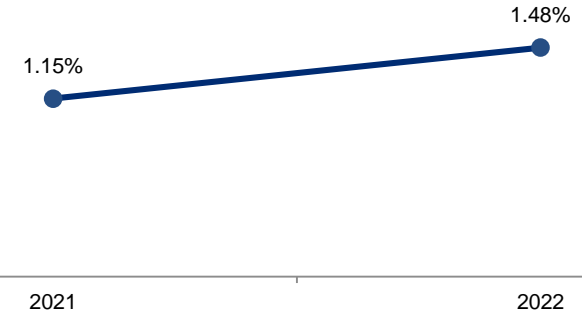


# Performance and Asset Quality Ratios 2022

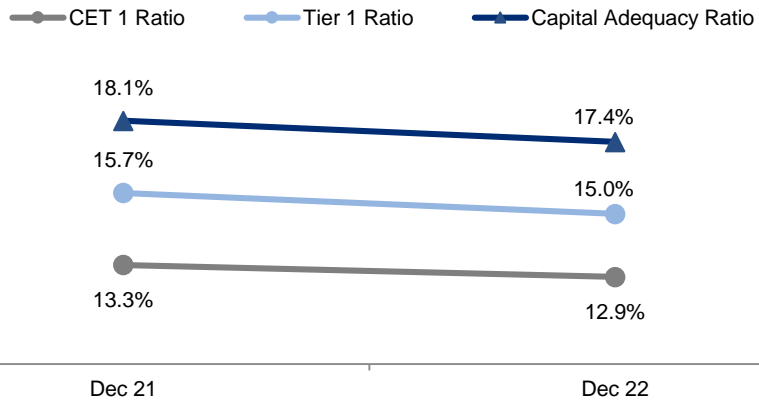
Return on Average Equity



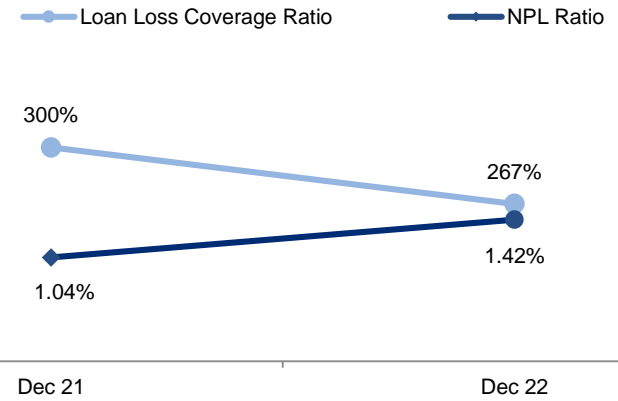
Return on Average Assets



Capital Adequacy Ratios



Asset Quality Ratios





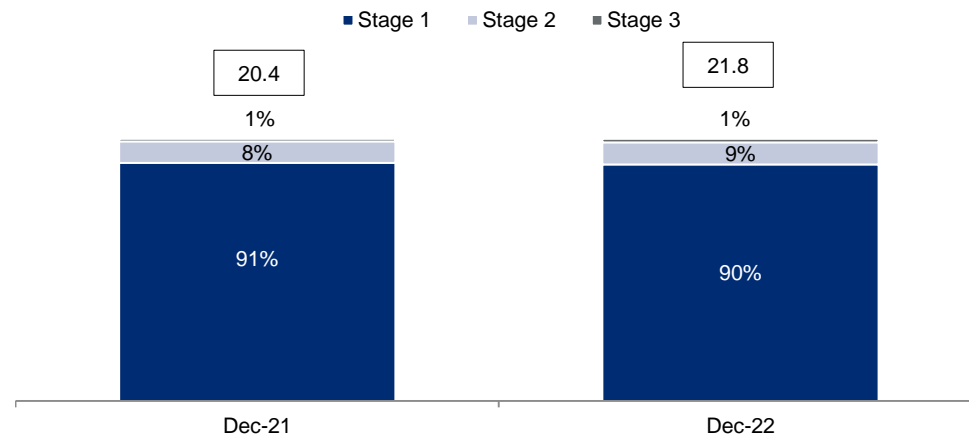


# Expected Credit Losses (ECL) 2022

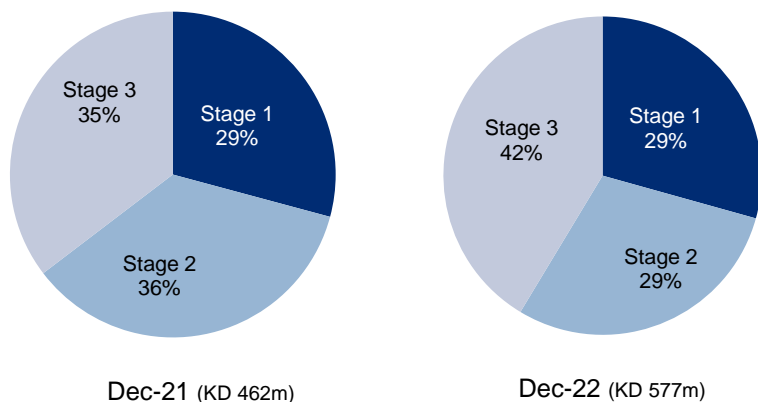
Financial Statements ECL Disclosure (KDm)

31 December 2022	Stage1	Stage 2	Stage 3	Total
Loans, advances and Islamic financing to customers	19,696	1,820	310	21,826
Contingent liabilities	3,800	655	12	4,467
Commitments (revocable and irrevocable) to extend credit	7,506	1,165	0	8,671
ECL allowance for credit facilities	169	169	239	577

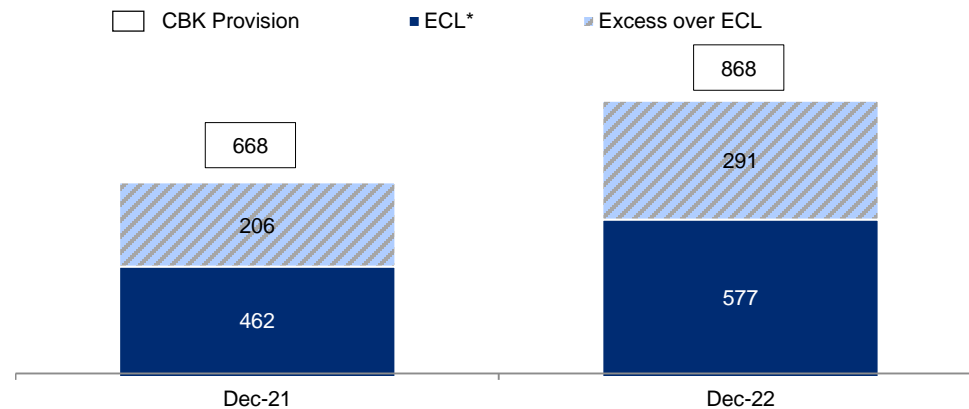
Total Gross Loans (KDbn)



ECL Allowance for Credit Facilities



CBK Credit Provisions vs IFRS 9 ECL (KDm)




\* ECLs as per CBK guidelines



## 2023 Guidance

	2022	2023 Guidance
Loan Growth	+6.5%	Mid to High Single Digit
NIM	2.30%	Expanding
Cost to Income ratio	38.2%	Broadly Stable
Cost of Risk	<i>3bps</i>	
Earnings	+40.5%	
Capital Adequacy	17.4%	

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# Consolidated Statement Of Income *(KDM)*

<i>KDM</i>	2021	2022	YoY Growth (%)
Interest Income	661	948	43%
Interest Expense	155	364	NM
<b>Net Interest Income</b>	<b>506</b>	<b>584</b>	<b>15%</b>
Murabaha and other Islamic financing income	228	288	26%
Finance cost and Distribution to depositors	65	115	78%
<b>Net Income from Islamic financing</b>	<b>163</b>	<b>172</b>	<b>6%</b>
<b>Net interest income and net income from Islamic financing</b>	<b>669</b>	<b>756</b>	<b>13%</b>
Net fees and commissions	169	182	8%
Net investment income	28	16	(44%)
Net gains from dealing in foreign currencies	30	55	86%
Other operating income	4	1	(75%)
<b>Non-interest income</b>	<b>231</b>	<b>254</b>	<b>10%</b>
<b>Net Operating Income</b>	<b>900</b>	<b>1,010</b>	<b>12%</b>
Staff expenses	201	220	9%
Other administrative expenses	116	125	8%
Depreciation of premises and equipment	34	39	14%
Amortisation of intangible assets	2	2	0%
<b>Operating Expenses</b>	<b>352</b>	<b>386</b>	<b>10%</b>
<b>Op. profit before provision for credit losses and impairment losses</b>	<b>547</b>	<b>624</b>	<b>14%</b>
Provision charge for credit losses	121	5	NM
Impairment losses	12	40	NM
<b>Operating profit before taxation and directors' remuneration</b>	<b>415</b>	<b>578</b>	<b>39%</b>
Taxation	34	47	39%
Directors' remuneration	0	1	NM
Non-controlling interests	18	21	14%
<b>Profit attributable to shareholders of the Bank</b>	<b>362</b>	<b>509</b>	<b>41%</b>

# Restated Unaudited Consolidated Statement Of Income 2021\* (KDM)

KDm	Q1'21	Q2'21	Q3'21	Q4'21
Interest Income	160	166	166	169
Interest Expense	38	37	39	42
<b>Net Interest Income</b>	<b>122</b>	<b>129</b>	<b>127</b>	<b>128</b>
Murabaha and other Islamic financing income	56	57	58	57
Finance cost and Distribution to depositors	16	15	16	18
<b>Net Income from Islamic financing</b>	<b>40</b>	<b>42</b>	<b>42</b>	<b>39</b>
<b>Net interest income and net income from Islamic financing</b>	<b>162</b>	<b>171</b>	<b>168</b>	<b>167</b>
Net fees and commissions	40	43	44	43
Net investment income	8	10	6	4
Net gains from dealing in foreign currencies	7	6	9	9
Other operating income	3	0	0	0
<b>Non-interest income</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>56</b>
<b>Net Operating Income</b>	<b>220</b>	<b>230</b>	<b>227</b>	<b>224</b>
Staff expenses	46	49	55	51
Other administrative expenses	26	29	30	31
Depreciation of premises and equipment	8	9	9	8
Amortisation of intangible assets	0	0	0	0
<b>Operating Expenses</b>	<b>81</b>	<b>87</b>	<b>94</b>	<b>90</b>
<b>Op. profit before provision for credit losses and impairment losses</b>	<b>139</b>	<b>143</b>	<b>132</b>	<b>133</b>
Provision charge for credit losses	43	52	20	7
Impairment losses	(0)	3	6	3
<b>Operating profit before taxation and directors' remuneration</b>	<b>97</b>	<b>88</b>	<b>107</b>	<b>123</b>
Taxation	8	9	9	9
Directors' remuneration	-	-	-	0
Non-controlling interests	5	3	4	7
<b>Profit attributable to shareholders of the Bank</b>	<b>84</b>	<b>76</b>	<b>94</b>	<b>107</b>

\*Restated unaudited income statements for ease of reference only.



## Restated Unaudited Consolidated Statement Of Income 2022\* (KDM)

KDM	Q1'22	Q2'22	Q3'22	Q4'22
Interest Income	172	201	256	319
Interest Expense	47	66	100	151
<b>Net Interest Income</b>	<b>125</b>	<b>134</b>	<b>156</b>	<b>168</b>
Murabaha and other Islamic financing income	61	68	74	85
Finance cost and Distribution to depositors	18	22	32	44
<b>Net Income from Islamic financing</b>	<b>43</b>	<b>45</b>	<b>42</b>	<b>41</b>
<b>Net interest income and net income from Islamic financing</b>	<b>169</b>	<b>180</b>	<b>198</b>	<b>209</b>
Net fees and commissions	43	49	44	45
Net investment income	12	(2)	2	3
Net gains from dealing in foreign currencies	10	14	26	5
Other operating income	0	0	0	(0)
<b>Non-interest income</b>	<b>66</b>	<b>62</b>	<b>73</b>	<b>53</b>
<b>Net Operating Income</b>	<b>235</b>	<b>242</b>	<b>271</b>	<b>262</b>
Staff expenses	52	56	56	56
Other administrative expenses	29	28	31	38
Depreciation of premises and equipment	9	10	10	10
Amortisation of intangible assets	0	0	0	0
<b>Operating Expenses</b>	<b>90</b>	<b>94</b>	<b>97</b>	<b>105</b>
<b>Op. profit before provision for credit losses and impairment losses</b>	<b>145</b>	<b>147</b>	<b>174</b>	<b>158</b>
Provision charge for credit losses	12	(4)	19	(22)
Impairment losses	0	12	1	26
<b>Operating profit before taxation and directors' remuneration</b>	<b>132</b>	<b>139</b>	<b>154</b>	<b>153</b>
Taxation	9	13	13	13
Directors' remuneration	-	-	-	1
Non-controlling interests	7	4	5	5
<b>Profit attributable to shareholders of the Bank</b>	<b>117</b>	<b>121</b>	<b>136</b>	<b>135</b>

\*Restated unaudited income statements for ease of reference only.



# Consolidated Statement Of Financial Position *(KDM)*

<i>KDM</i>	December-2021	December-2022	YoY Growth %
Cash and short term funds	5,082	5,323	5%
Central Bank of Kuwait bonds	830	881	6%
Kuwait Government treasury bonds	417	212	(49%)
Deposits with banks	885	1,490	68%
Loans, advances and Islamic financing to customers	19,722	20,998	6%
Investment securities	4,911	5,635	15%
Investment in associates	4	3	(17%)
Land, premises and equipment	456	475	4%
Goodwill and other intangible assets	581	535	(8%)
Other assets	368	786	NM
<b>Total Assets</b>	<b>33,257</b>	<b>36,338</b>	<b>9%</b>
Due to banks	4,099	4,018	(2%)
Deposits from other financial institutions	3,136	3,741	19%
Customer deposits	18,281	20,178	10%
Certificates of deposit issued	1,339	1,802	35%
Other borrowed funds	1,267	1,244	(2%)
Other liabilities	668	721	8%
<b>Total Liabilities</b>	<b>28,789</b>	<b>31,703</b>	<b>10%</b>
Share capital	719	755	5%
Proposed bonus shares	36	38	5%
Statutory reserve	360	378	5%
Share premium account	803	803	0%
Treasury share reserve	35	35	0%
Other reserves	1,587	1,614	2%
<b>Equity attributable to shareholders of the bank</b>	<b>3,540</b>	<b>3,623</b>	<b>2%</b>
Perpetual Tier 1 Capital Securities	439	439	0%
Non-controlling interests	489	573	17%
<b>Total equity</b>	<b>4,467</b>	<b>4,635</b>	<b>4%</b>
<b>Total liabilities and equity</b>	<b>33,257</b>	<b>36,338</b>	<b>9%</b>




## Performance Measures 2022

	December-2021	December-2022
Return on average assets	1.15%	1.48%
Return on average equity	10.2%	14.3%
Net interest margin	2.21%	2.30%
Cost to income	39.2%	38.2%
NPLs to gross loans	1.04%	1.42%
Loan loss reserves to NPLs	300%	267%
Tier 1 capital	15.7%	15.0%
Tier 2 capital	2.4%	2.4%
Capital adequacy ratio	18.1%	17.4%



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**Questions?**



**Thank You**



# National Bank of Kuwait

## Investor Presentation

FY 2022 Earnings Call