



National Bank of Kuwait

Investor Presentation

2Q/1H 2024 Earnings Call

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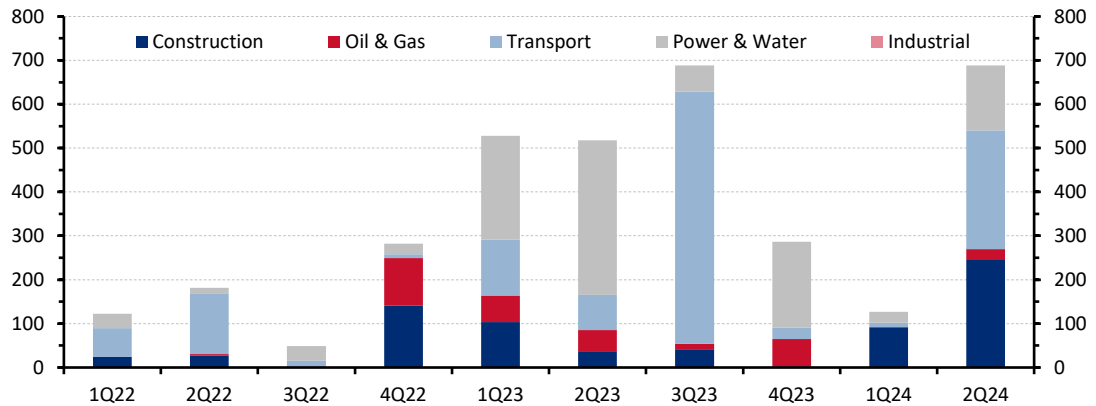
Key Economic Highlights

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



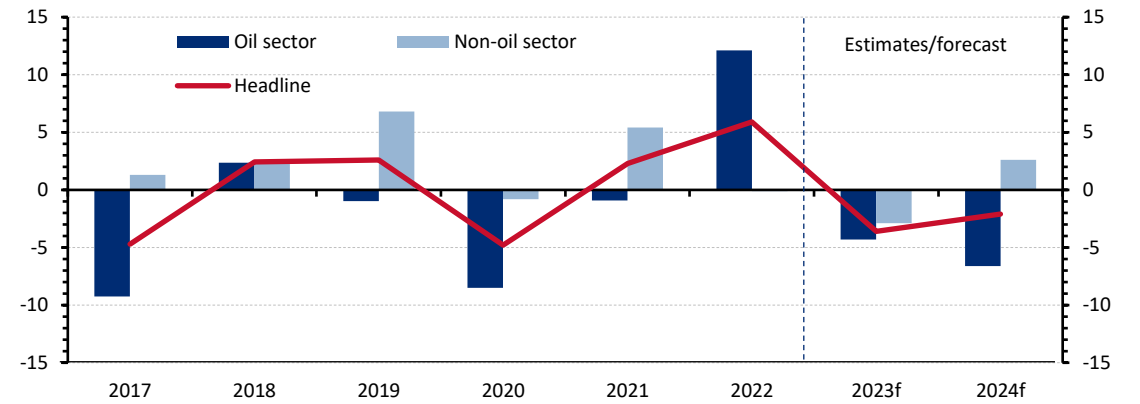
Oil markets remained tight in Q2 2024 but exhibited heightened volatility from easing geopolitical risk premium and OPEC+'s decision to return supply into the market starting in October 2024. ICE Brent closed Q2 2024 down 1.2% q/q at \$86.4/bbl and continued falling into July on Gaza ceasefire deal prospects.

Project Awards² (KD million)



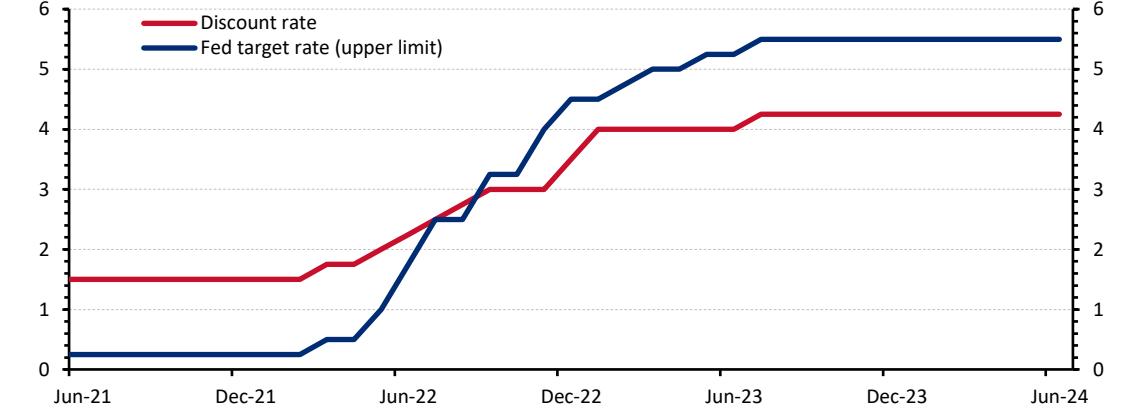
Project awards (value) surged in Q2 2024, rising to KD688mn (+444% q/q; +33% y/y), supported by construction and infrastructure-related project approvals as the government looked to speed up its cities' development plans.

Real GDP Growth¹ (% y/y)



Headline GDP growth is expected to turn more negative in 2024 amid lower oil production after Kuwait agreed to implement additional OPEC+ voluntary oil production cuts in H1 2024, though non-oil activity should improve.

Kuwait Discount Rate³ (%)



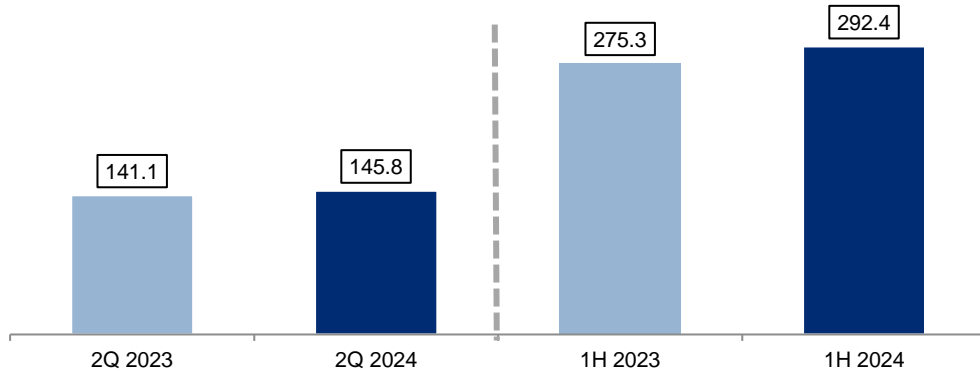
The CBK has remained its key policy rate at 4.25% since July 2023, having raised rates far less aggressively than the US Fed (cumulative +275 bps since March 2022 vs. 525 bps for the Fed).

Sources: ¹ CSB, NBK estimates; ² MEED Projects; ³ As per latest Central Bank of Kuwait (CBK) rate hike on 26/07/2023;

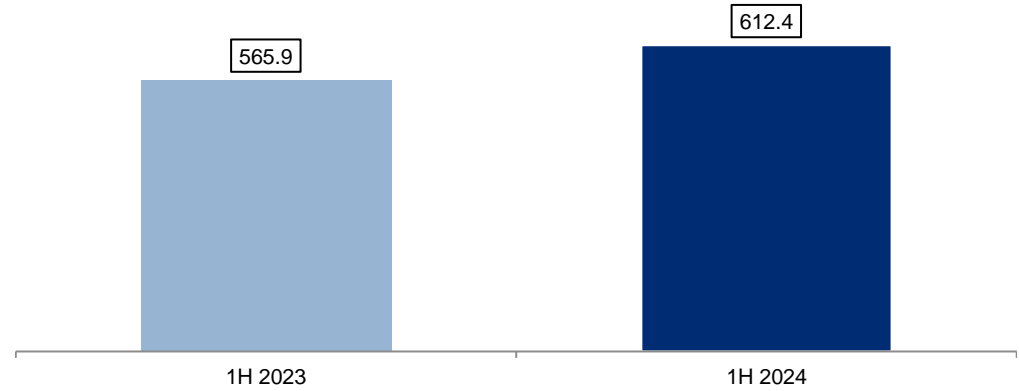


Operating Performance & Profitability

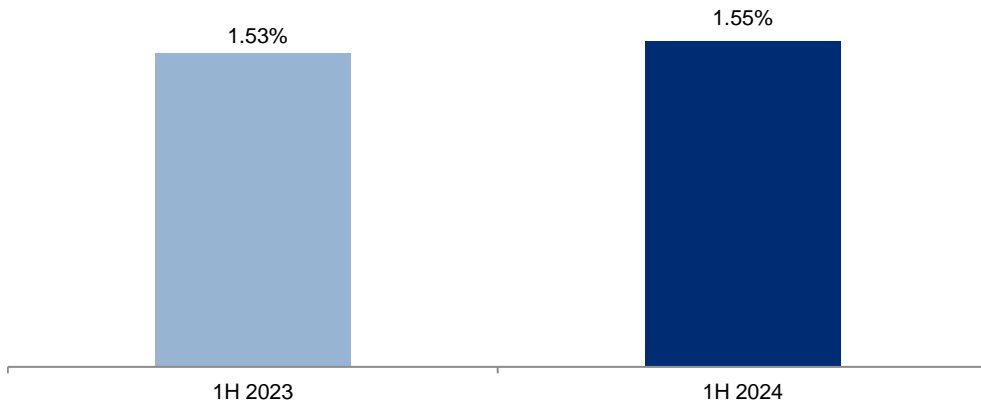
Net Profit (KDm)



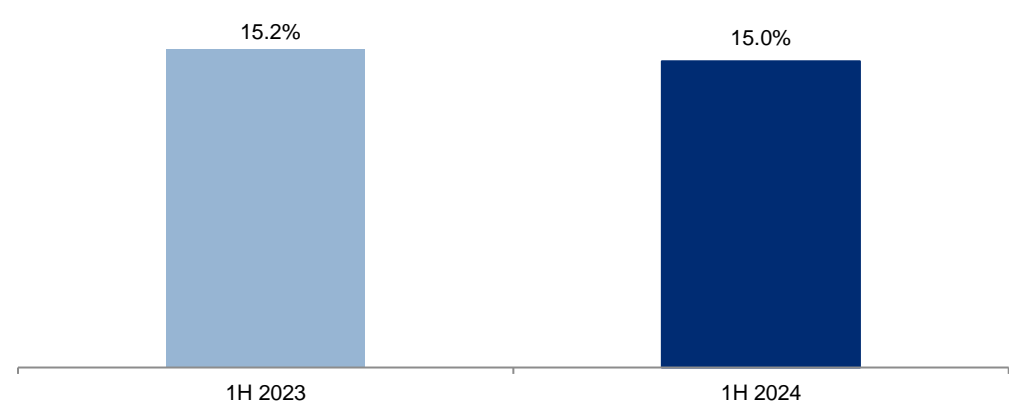
Net Operating Income (KDm)



Return on Average Assets

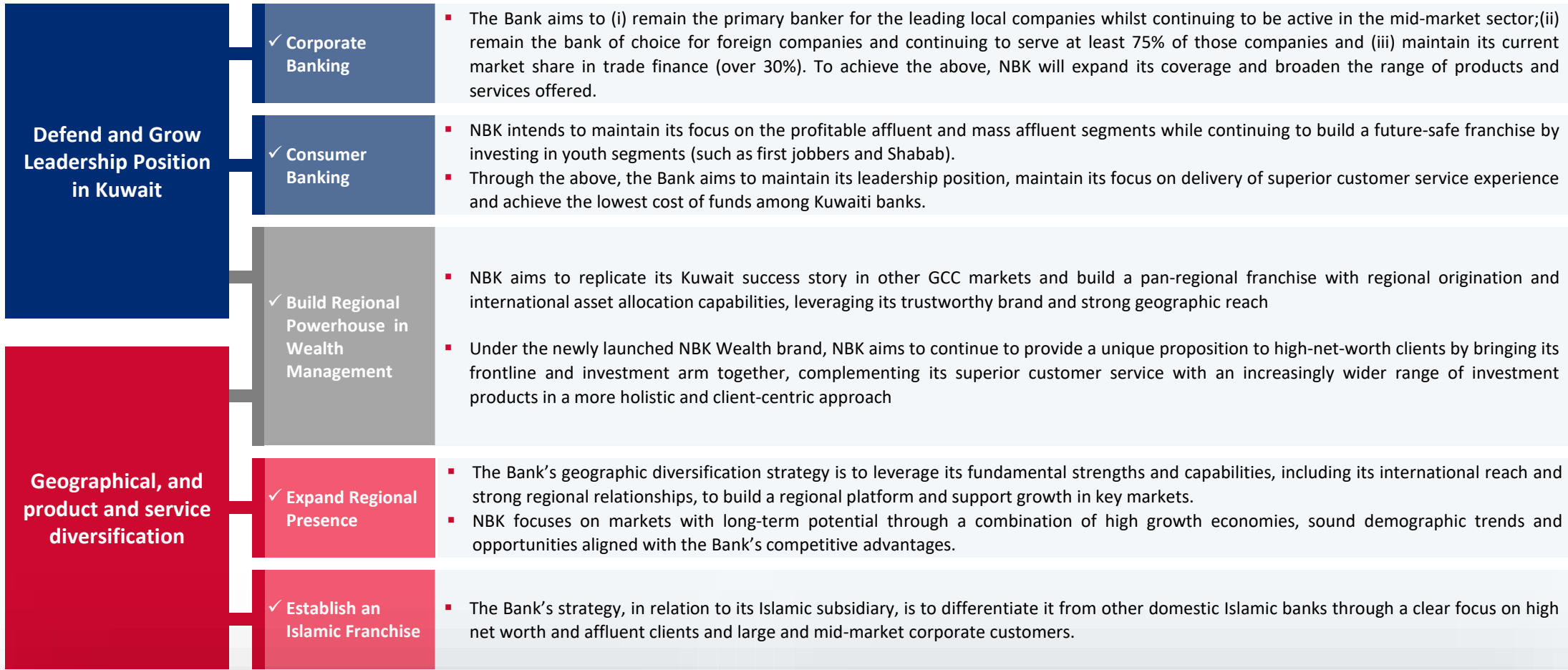


Return on Average Equity





NBK's Strategy



Digital Transformation

ESG Transition

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.



The Fundamental Guiding Forces of NBK's ESG Journey

ESG Ratings*



SUSTAINALYTICS

NBK's score improved to 27.1 – Medium Risk, from 27.4 previously

MSCI
ESG RATINGS



MSCI upgraded NBK ESG ratings to 'BBB' in August 2023



"C" score for 2023 for both the Climate Change and Forests Categories



Listed on FTSE Arab Federation of Capital Markets Low Carbon Select Index



FTSE4Good

Constituent of the FTSE4Good Index Series

S&P Global

NBK scored 35/100 in S&P Global rating



NBK Headquarters awarded the Gold LEED Certification

ESG Governance

- A Board approved ESG Governance Structure and Framework that assigns ESG responsibility across members of the Executive Management.
- A Sustainability and Climate Change (S&CC) Committee, chaired by the Vice Chairman and Group CEO and with direct Board oversight.
- Under the jurisdiction of the S&CC Committee, five sub-committees are established which comprise of members of the Executive Management, assigning them with ESG roles within their relevant areas.
- ESG-specific KPIs have been developed and formalized for the members of the Executive Management.
- The sub-committees are responsible for monitoring the progress of NBK's net zero emission pathways, establishing ESG governance and risk management controls across operations and portfolios, cultivating an ESG culture across the Group, maximizing social impact and community engagement, as well as evaluating and endorsing all new proposed use of proceeds of green bonds and other sustainable finance transactions.

National and Global Frameworks



PCAF

Partnership for Carbon Accounting Financials

WE SUPPORT



*Note: ESG ratings as of 30 June 2024.



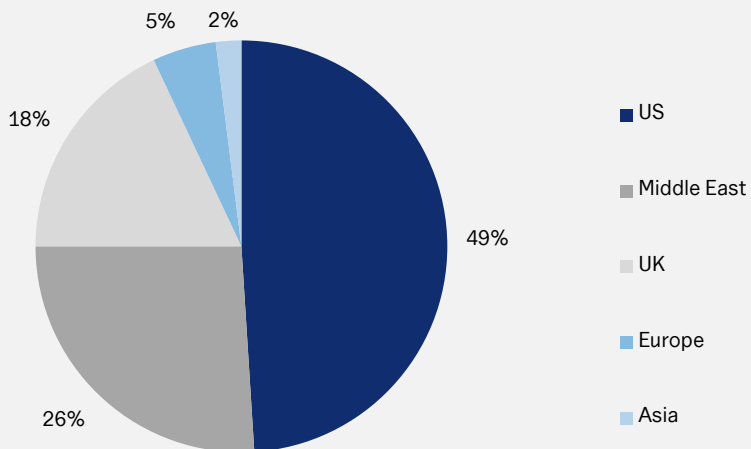
NBK's Debut Green Bond

In June 2024, NBK successfully issued its debut 6NC5 green bond under its Sustainable Financing Framework, raising USD 500 million to support the financing of low-carbon initiatives. By issuing this green bond, NBK strengthens its dedication to environmental stewardship and climate action, aiming to channel and mobilize capital towards a low-carbon economy by focusing on *green projects*. The issuance further supports NBK's ESG ambitions; including achieving carbon neutrality in line with Kuwait's national commitment by 2060.

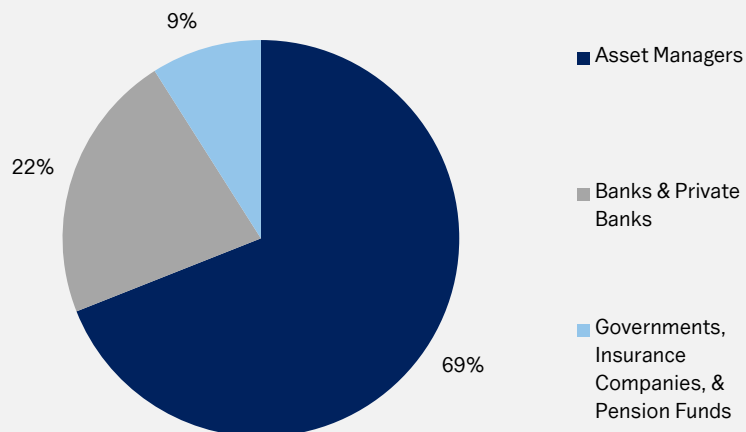
Strong Investor Interest

NBK's issuance saw strong reception from a diverse array of global investors and financial institutions:

Geographic Distribution of Investors (%)



Interest by Investors' Type (%)



Key Highlights

USD 500 million Green Bond

5.5% Coupon Rate

+95 bps over US Treasuries

3x Oversubscribed

First green issuance out of Kuwait

To view NBK's Sustainable Financing Framework: [NBK Sustainable Financing Framework 2022](#)

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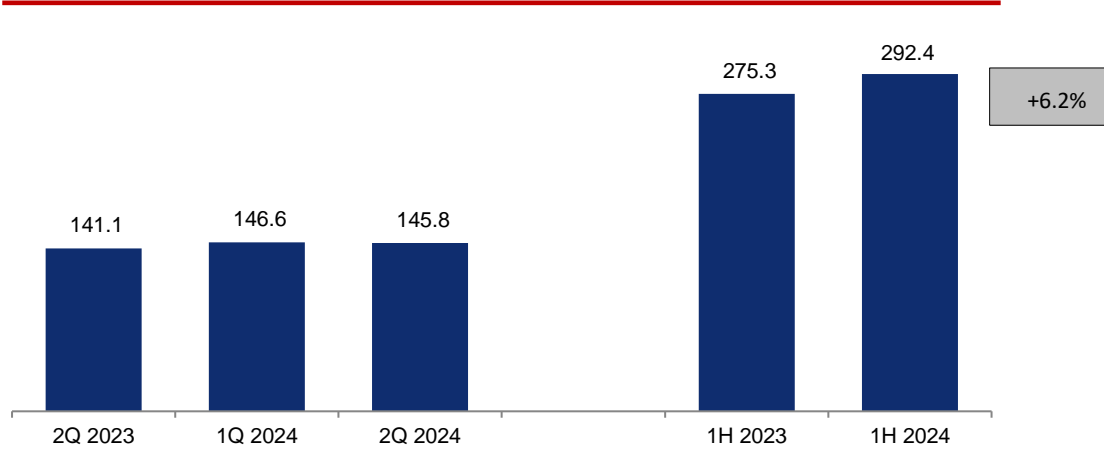
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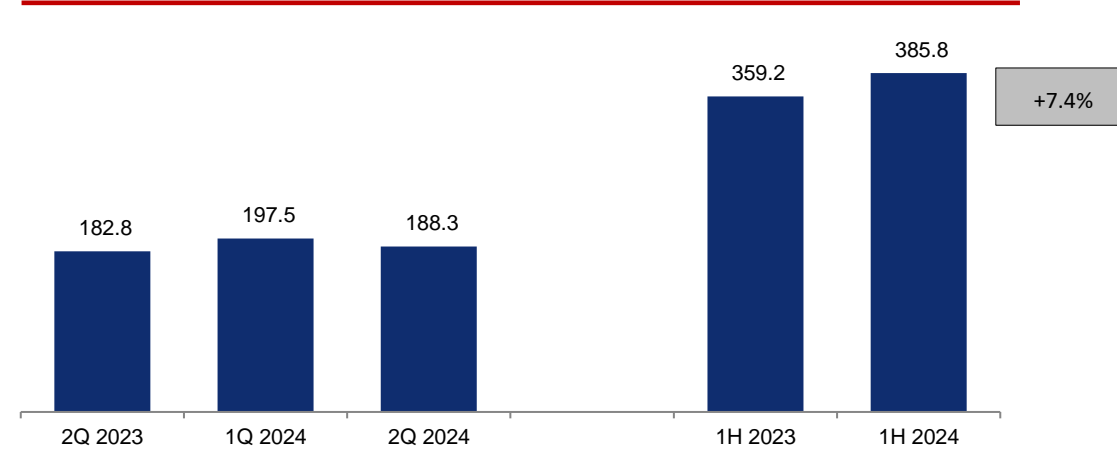


Operating Performance 1H 2024

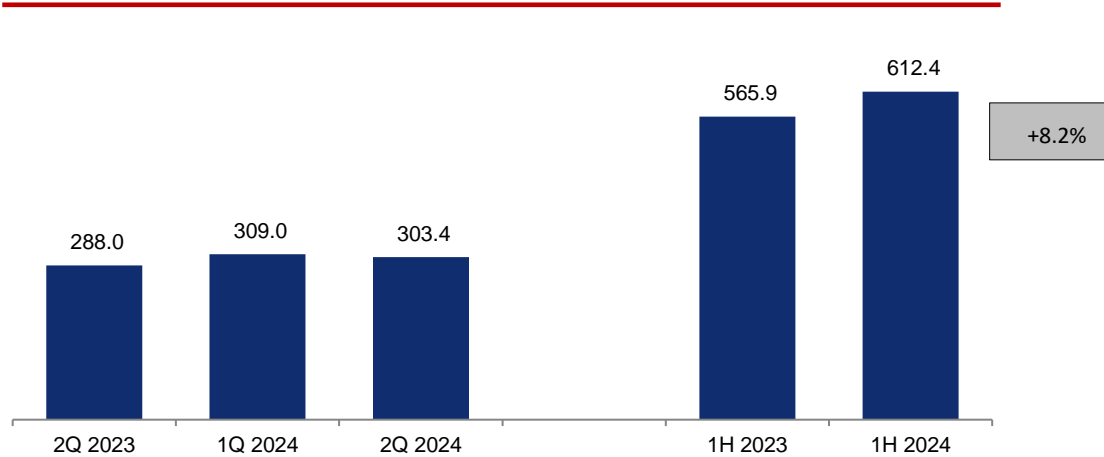
Net Profit (KDm)



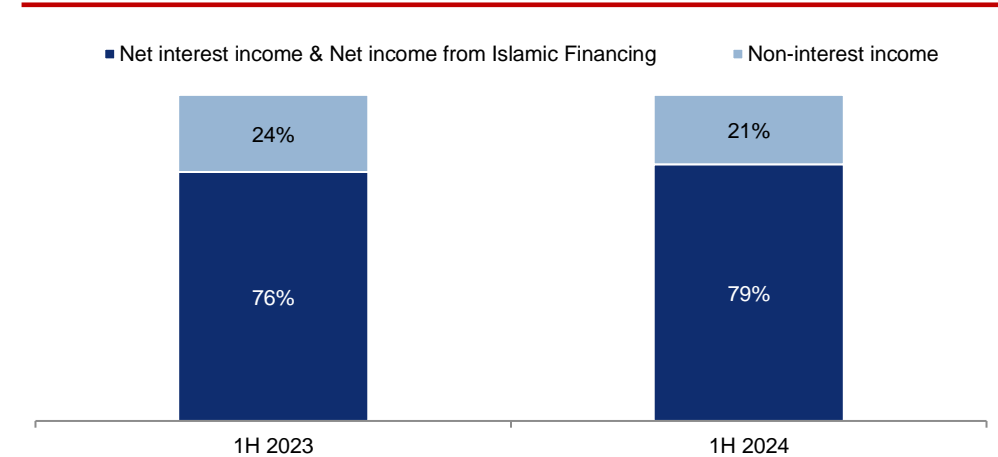
Operating Surplus (KDm)



Net Operating Income (KDm)



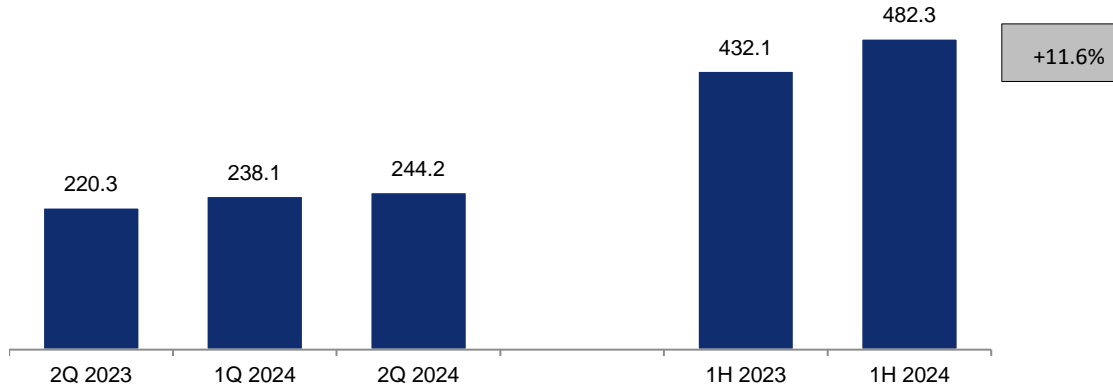
Net Operating Income Mix



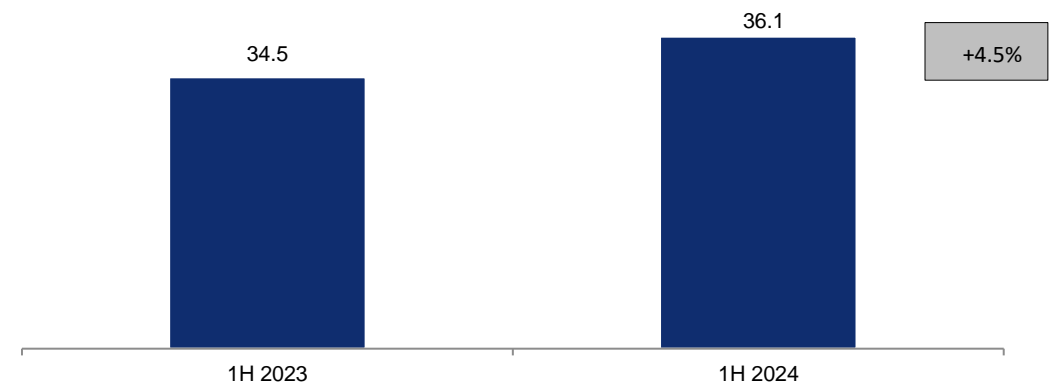


Operating Performance 1H 2024

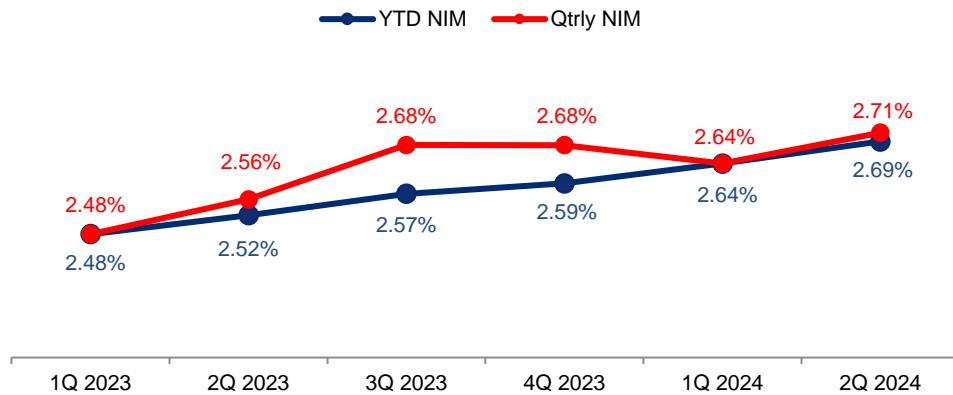
Net Interest Income* (KDm)



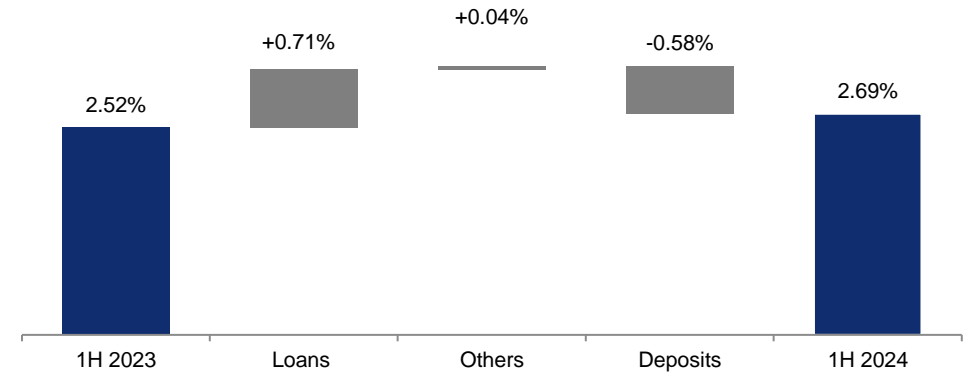
Average Interest Earning Assets (KDbn)



Net Interest Margin*



Net Interest Margin Drivers

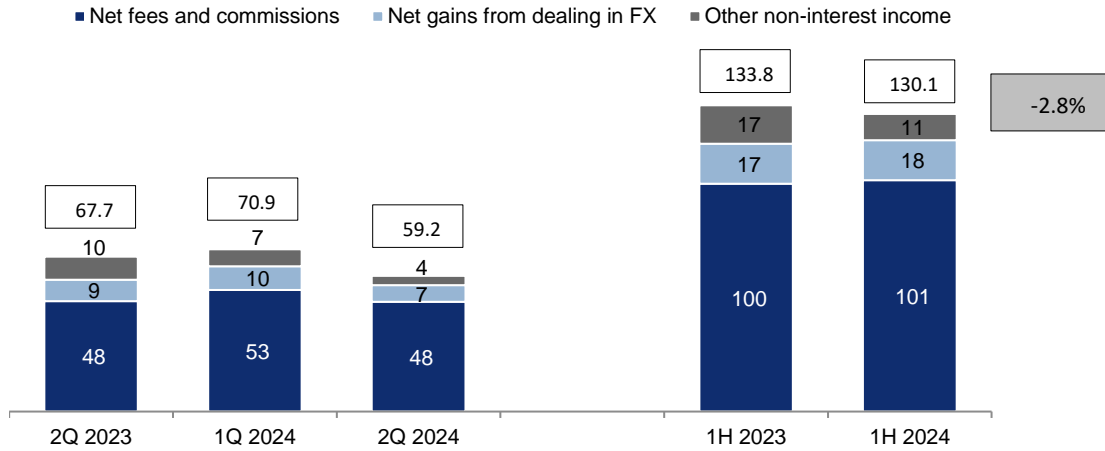


*Includes net interest income and net income from Islamic Financing

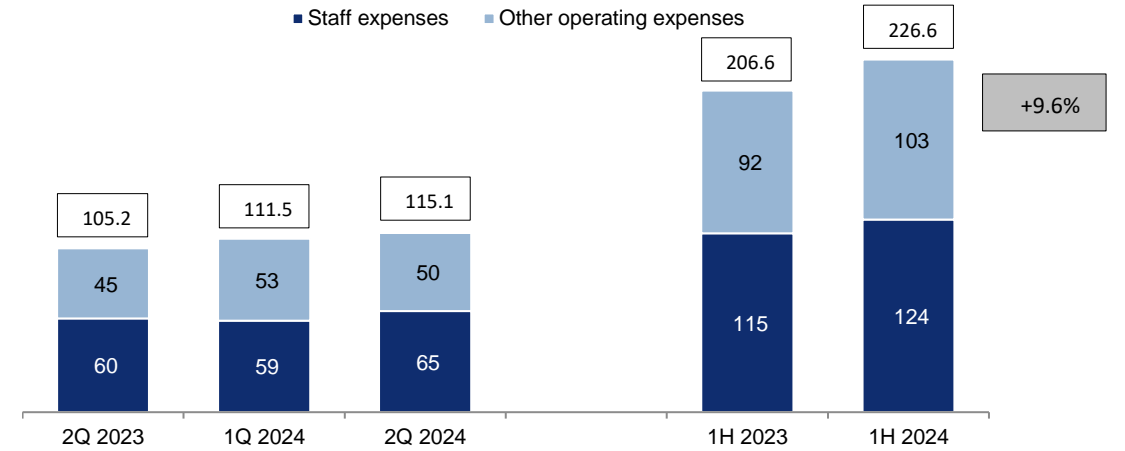


Operating Performance 1H 2024

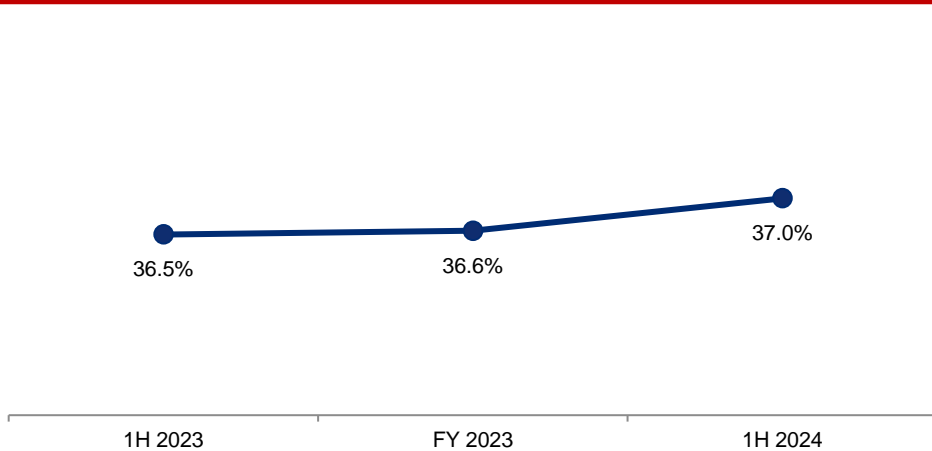
Non-Interest Income (KDM)



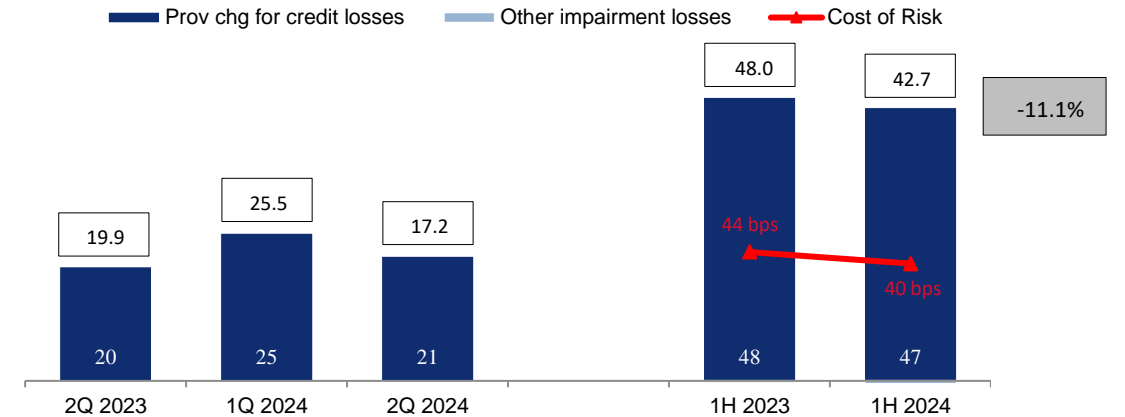
Operating Expenses (KDM)



Cost to Income ratio



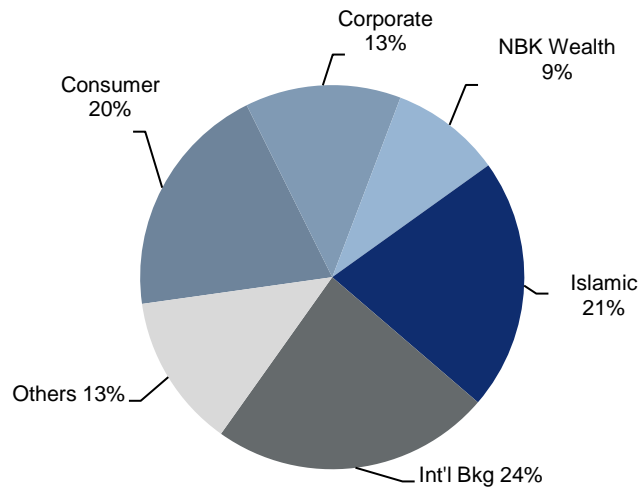
Provisions and Impairments (KDM)



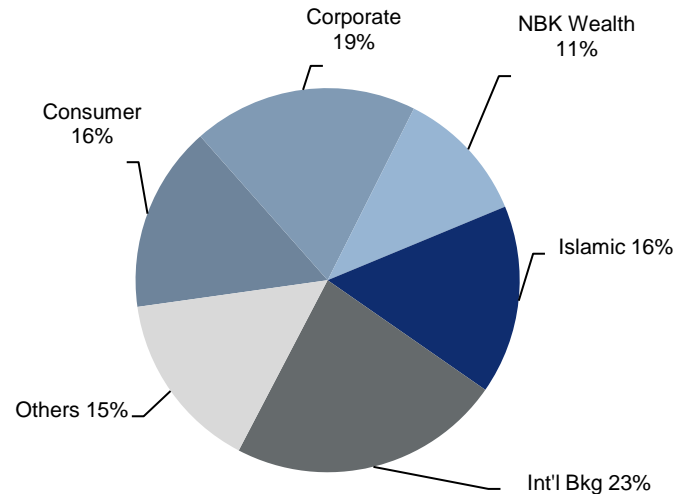


Group Diversification

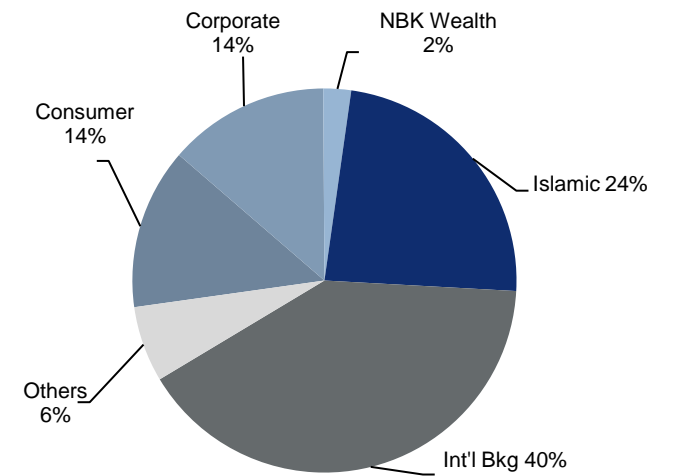
1H24 Op. Income by Business Line (%)



1H24 Net Profit by Business Line (%)



1H24 Total Assets by Business Line (%)

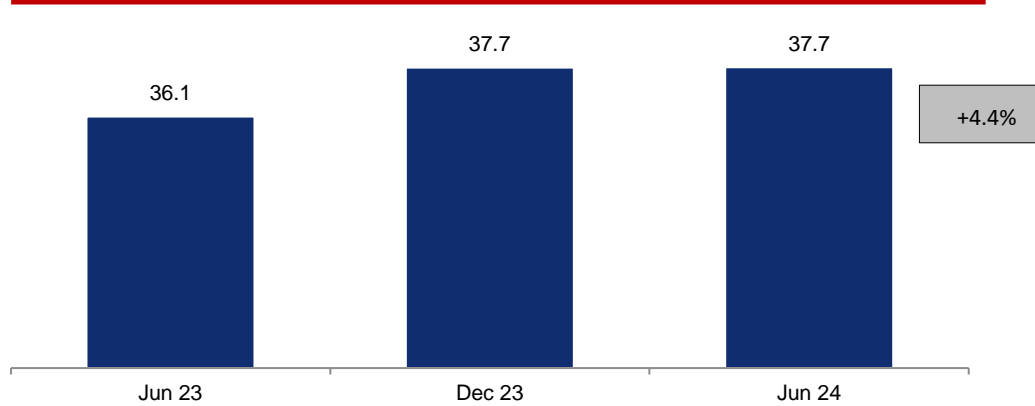


Source: Segment analysis note of 1H24 FS

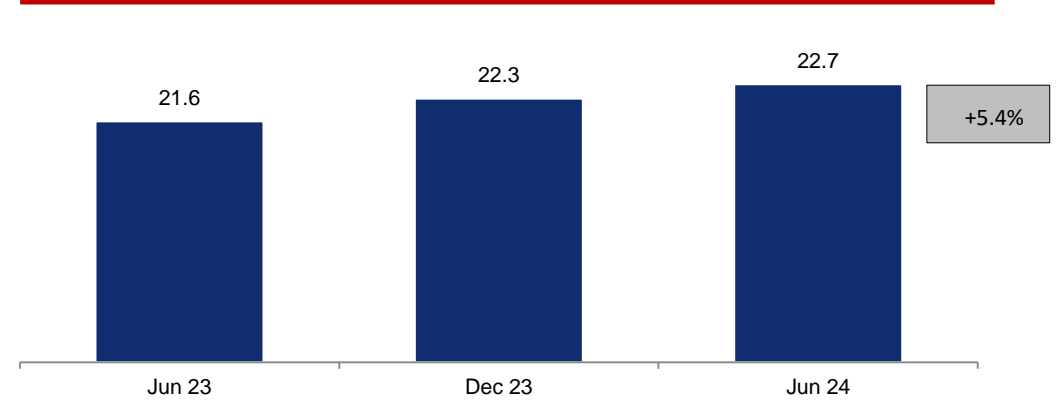


Operating Performance 1H 2024

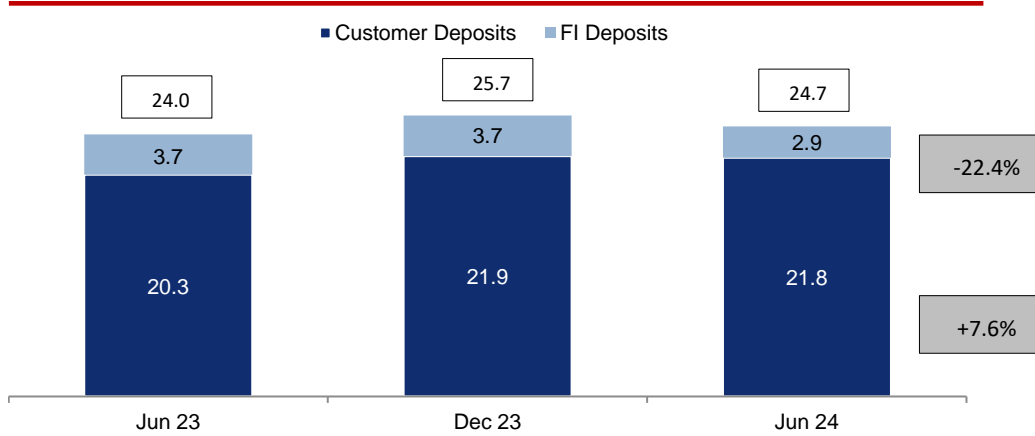
Total Assets (KDbn)



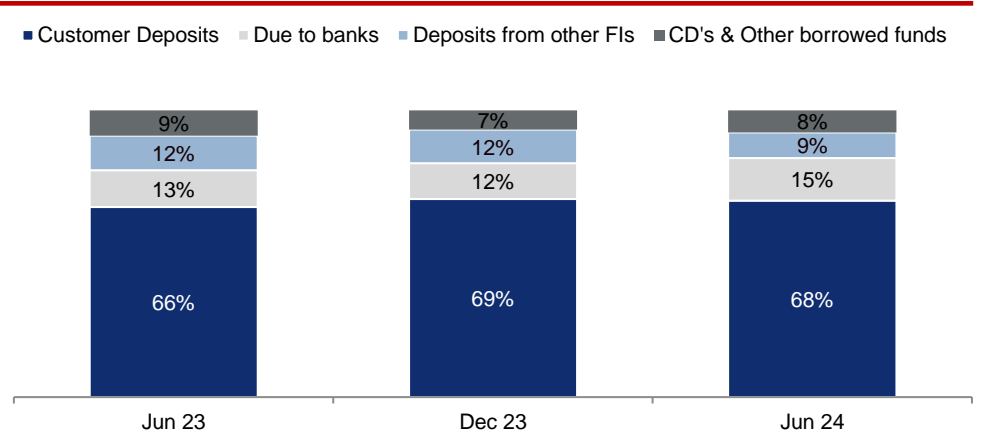
Loans, Advances and Islamic Financing (KDbn)



Customer Deposits & FI Deposits* (KDbn)



Funding Mix

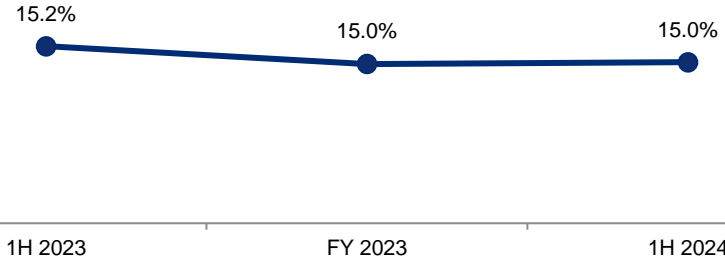


*excludes due to banks

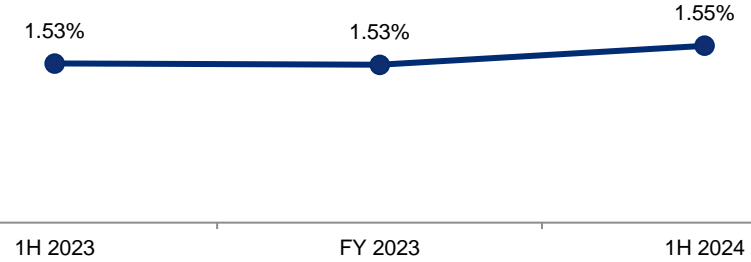


Performance and Asset Quality Ratios 1H 2024

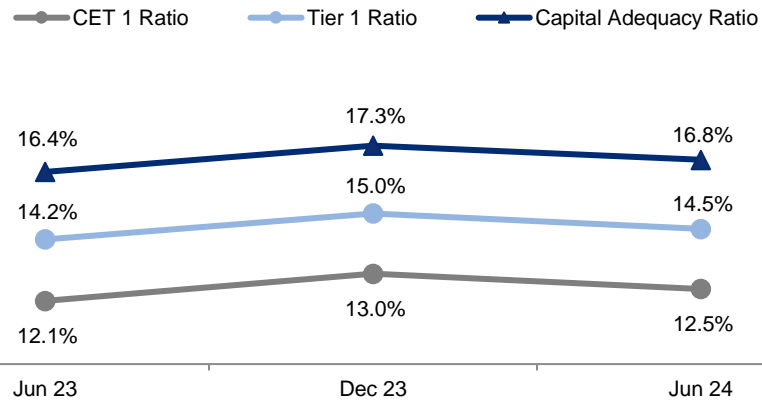
Return on Average Equity



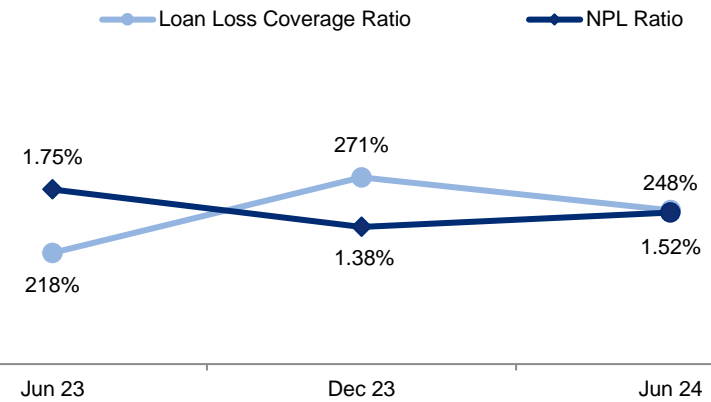
Return on Average Assets



Capital Adequacy Ratios



Asset Quality Ratios



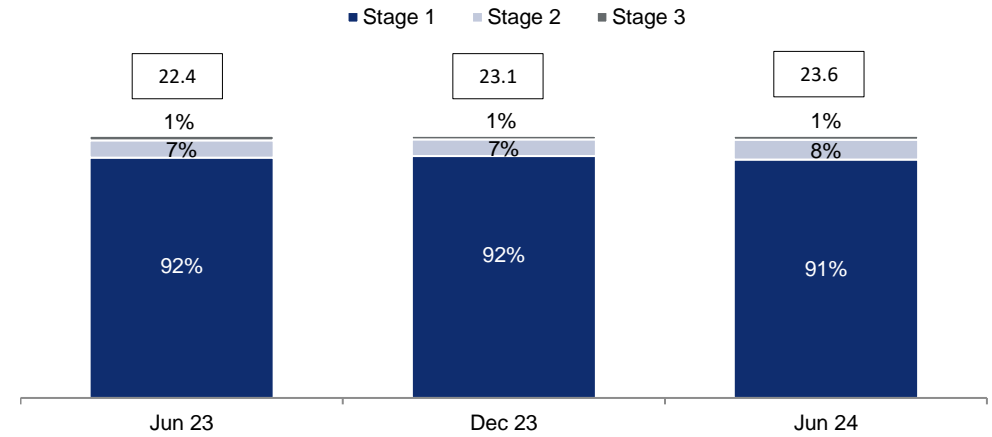


Expected Credit Losses (ECL) 1H 2024

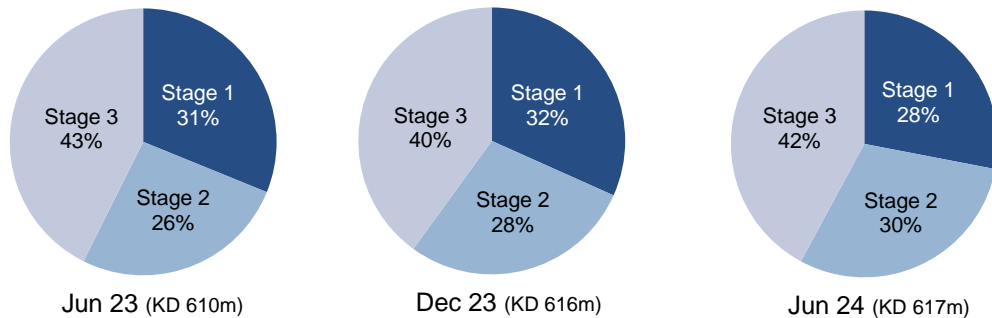
Financial Statements ECL Disclosure (KDm)

| 30 June 2024 | Stage 1 | Stage 2 | Stage 3 | Total |
|--|---------|---------|---------|--------|
| Loans, advances and Islamic financing to customers | 21,465 | 1,796 | 358 | 23,619 |
| Contingent liabilities | 4,125 | 700 | 16 | 4,841 |
| Commitments (revocable and irrevocable) to extend credit | 9,123 | 869 | 0 | 9,993 |
| ECL allowance for credit facilities | 173 | 184 | 260 | 617 |

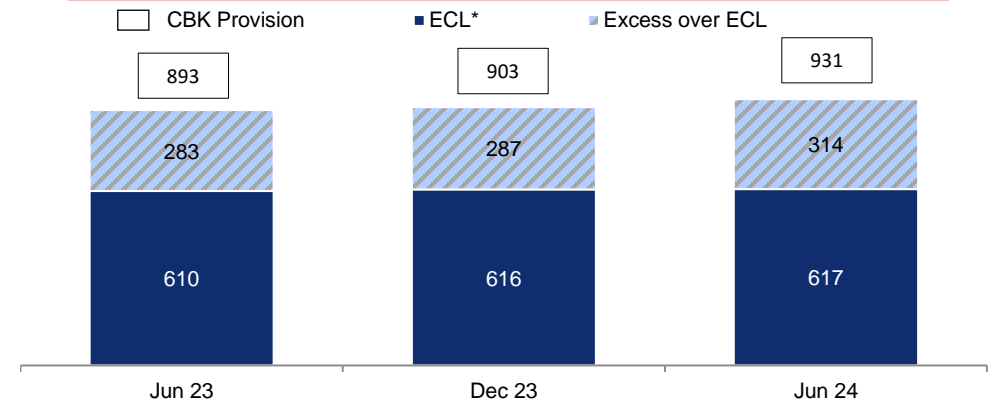
Total Gross Loans (KDbn)



ECL Allowance for Credit Facilities



CBK Credit Provisions vs IFRS 9 ECL (KDm)



* ECLs as per CBK guidelines



2024 Guidance

| | FY 2023 | 1H 2024 | 2024 Guidance (v/s 2023) |
|----------------------|---------------|---------------|-----------------------------|
| Loan Growth (ytd) | +6.1% | +2.0% | Mid Single Digit |
| NIM | 2.59% | 2.69% | Stable ↑ |
| Cost to Income ratio | 36.6% | 37.0% | High 30s |
| Cost of Risk | <i>36 bps</i> | <i>40 bps</i> | <i>40 – 50 bps</i> |
| Earnings (yoy) | <i>+10.1%</i> | <i>+6.2%</i> | |
| Capital Adequacy | <i>17.3%</i> | <i>16.8%</i> | |

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Consolidated Statement Of Income *(KDM)*

| <i>KDM</i> | 1H 2023 | 1H 2024 | YoY Growth (%) |
|--|------------|------------|----------------|
| Interest Income | 756 | 897 | 19% |
| Interest Expense | 410 | 514 | 26% |
| Net Interest Income | 346 | 383 | 11% |
| Murabaha and other Islamic financing income | 191 | 224 | 18% |
| Finance cost and Distribution to depositors | 105 | 125 | 19% |
| Net Income from Islamic financing | 86 | 100 | 16% |
| Net interest income and net income from Islamic financing | 432 | 482 | 12% |
| Net fees and commissions | 100 | 101 | 1% |
| Net investment income | 16 | 11 | (32%) |
| Net gains from dealing in foreign currencies | 17 | 18 | 1% |
| Other operating income | 1 | 1 | (29%) |
| Non-interest income | 134 | 130 | (3%) |
| Net Operating Income | 566 | 612 | 8% |
| Staff expenses | 115 | 124 | 8% |
| Other administrative expenses | 69 | 79 | 14% |
| Depreciation of premises and equipment | 22 | 23 | 7% |
| Amortisation of intangible assets | 1 | 1 | 0% |
| Operating Expenses | 207 | 227 | 10% |
| Op. profit before provision for credit losses and impairment losses | 359 | 386 | 7% |
| Provision charge for credit losses and impairment losses | 48 | 43 | (11%) |
| Operating profit before taxation and directors' remuneration | 311 | 343 | 10% |
| Taxation | 22 | 32 | 42% |
| Non-controlling interests | 14 | 19 | 40% |
| Profit attributable to shareholders of the Bank | 275 | 292 | 6% |



Consolidated Statement Of Financial Position *(KDM)*

| <i>KDM</i> | June-2023 | June-2024 | YoY Growth % |
|--|---------------|---------------|--------------|
| Cash and short term funds | 3,819 | 3,596 | (6%) |
| Central Bank of Kuwait bonds | 891 | 775 | (13%) |
| Kuwait Government treasury bonds | 196 | 181 | (8%) |
| Deposits with banks | 1,669 | 1,691 | 1% |
| Loans, advances and Islamic financing to customers | 21,564 | 22,732 | 5% |
| Investment securities | 6,145 | 6,899 | 12% |
| Land, premises and equipment | 489 | 500 | 2% |
| Goodwill and other intangible assets | 529 | 508 | (4%) |
| Other assets | 783 | 795 | 2% |
| Total Assets | 36,085 | 37,676 | 4% |
| Due to banks | 3,924 | 4,696 | 20% |
| Deposits from other financial institutions | 3,687 | 2,861 | (22%) |
| Customer deposits | 20,270 | 21,818 | 8% |
| Certificates of deposit issued | 1,461 | 1,072 | (27%) |
| Other borrowed funds | 1,250 | 1,392 | 11% |
| Other liabilities | 801 | 890 | 11% |
| Total Liabilities | 31,392 | 32,729 | 4% |
| Share capital | 793 | 833 | 5% |
| Proposed bonus shares | - | - | - |
| Statutory reserve | 378 | 396 | 5% |
| Share premium account | 803 | 803 | 0% |
| Treasury share reserve | 35 | 35 | 0% |
| Other reserves | 1,674 | 1,853 | 11% |
| Equity attributable to shareholders of the bank | 3,682 | 3,920 | 6% |
| Perpetual Tier 1 Capital Securities | 439 | 439 | 0% |
| Non-controlling interests | 572 | 588 | 3% |
| Total equity | 4,693 | 4,946 | 5% |
| Total liabilities and equity | 36,085 | 37,676 | 4% |



Performance Measures 1H 2024

| | June-2023 | June-2024 |
|------------------------------|-----------|-----------|
| Return on Average Assets | 1.53% | 1.55% |
| Return on Average Equity | 15.2% | 15.0% |
| Net Interest Margin | 2.52% | 2.69% |
| Cost to Income | 36.5% | 37.0% |
| NPLs to Gross Loans | 1.75% | 1.52% |
| Loan Loss Reserves to NPLs | 218% | 248% |
| CET 1 Ratio | 12.1% | 12.5% |
| Tier 1 Ratio | 14.2% | 14.5% |
| Total Capital Adequacy Ratio | 16.4% | 16.8% |

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Questions?



Thank You



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