



# National Bank of Kuwait

## Investor Presentation

2Q/1H 2024 Earnings Call

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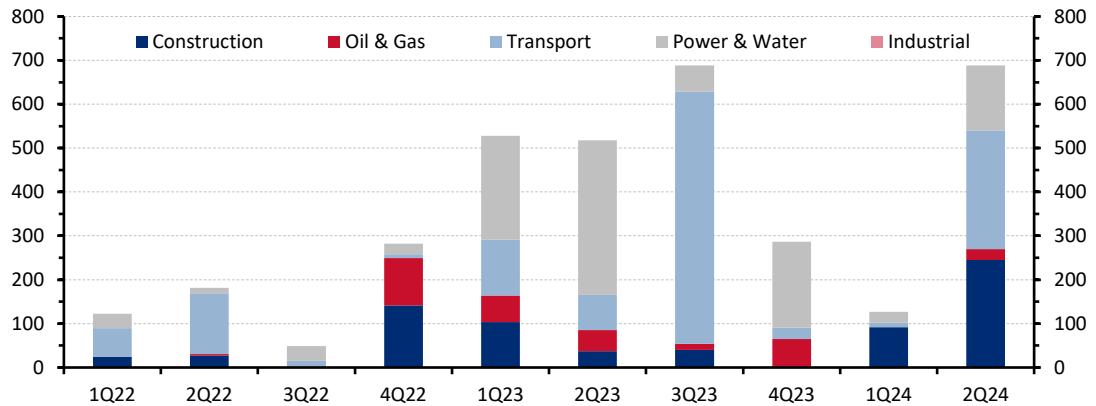
# Key Economic Highlights

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



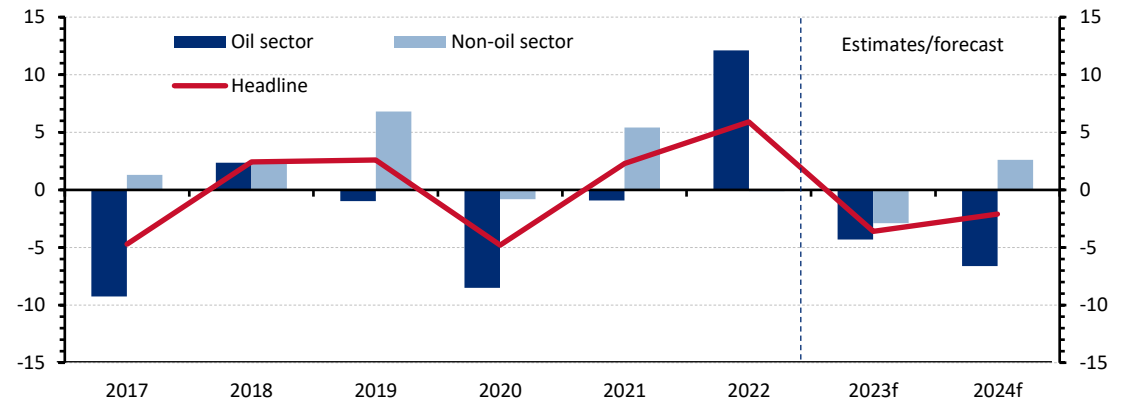
Oil markets remained tight in Q2 2024 but exhibited heightened volatility from easing geopolitical risk premium and OPEC+'s decision to return supply into the market starting in October 2024. ICE Brent closed Q2 2024 down 1.2% q/q at \$86.4/bbl and continued falling into July on Gaza ceasefire deal prospects.

Project Awards<sup>2</sup> (KD million)



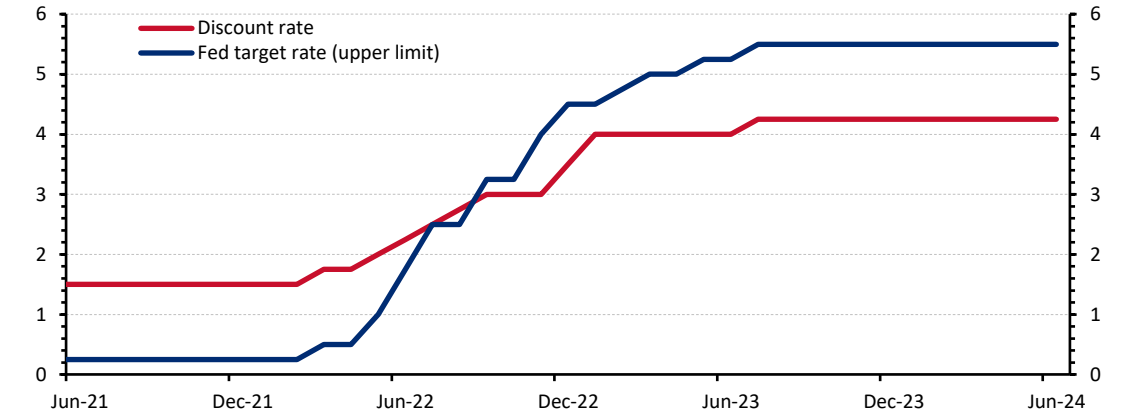
Project awards (value) surged in Q2 2024, rising to KD688mn (+444% q/q; +33% y/y), supported by construction and infrastructure-related project approvals as the government looked to speed up its cities' development plans.

Real GDP Growth<sup>1</sup> (% 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 Rate<sup>3</sup> (%)



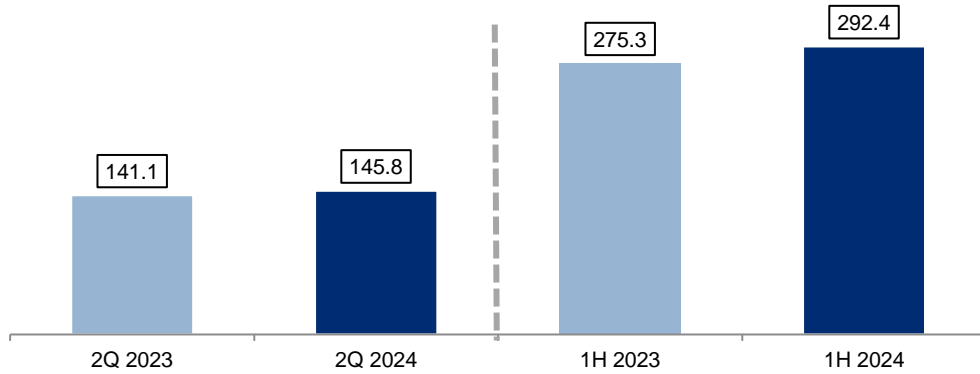
The CBK has remained its key policy rate at 4.25% since July 2023, having raised rates far less aggressively than the US Fed (cumulative +275 bps since March 2022 vs. 525 bps for the Fed).

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

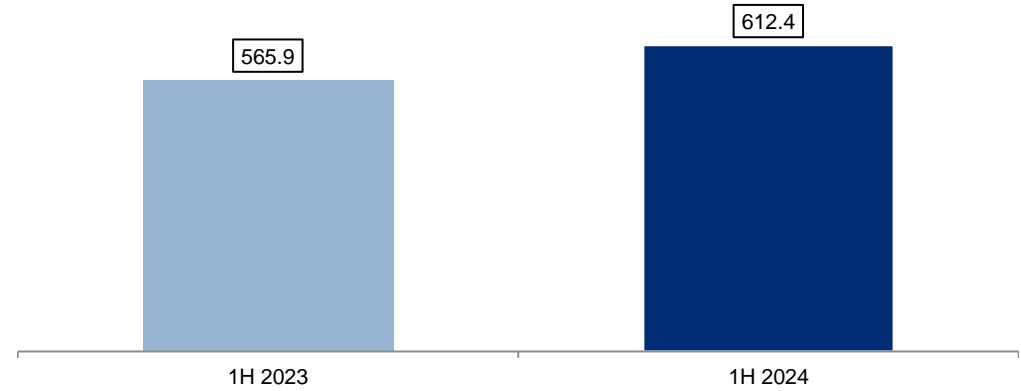


# Operating Performance & Profitability

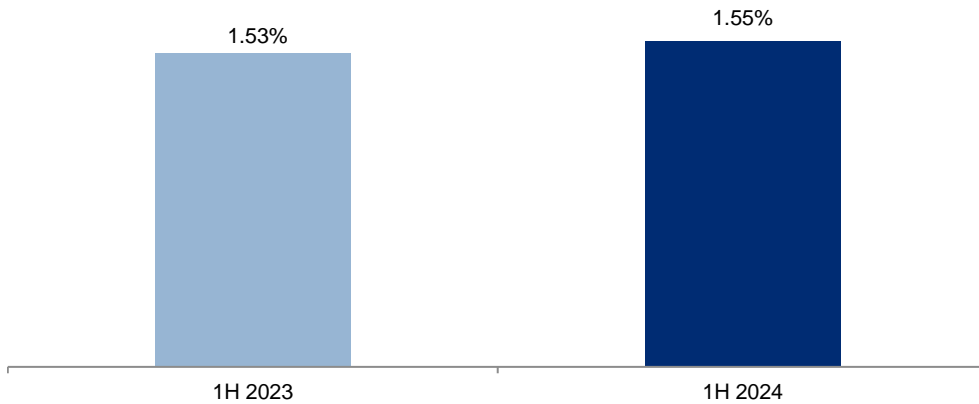
Net Profit (KDm)



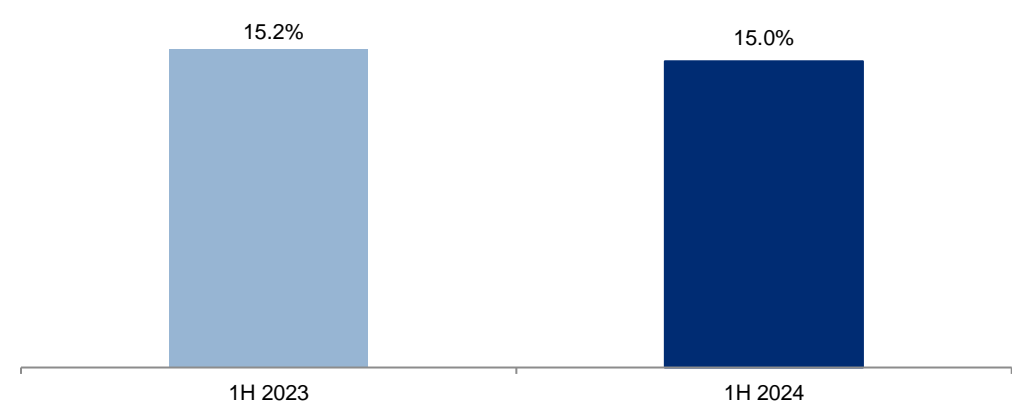
Net Operating Income (KDm)



Return on Average Assets

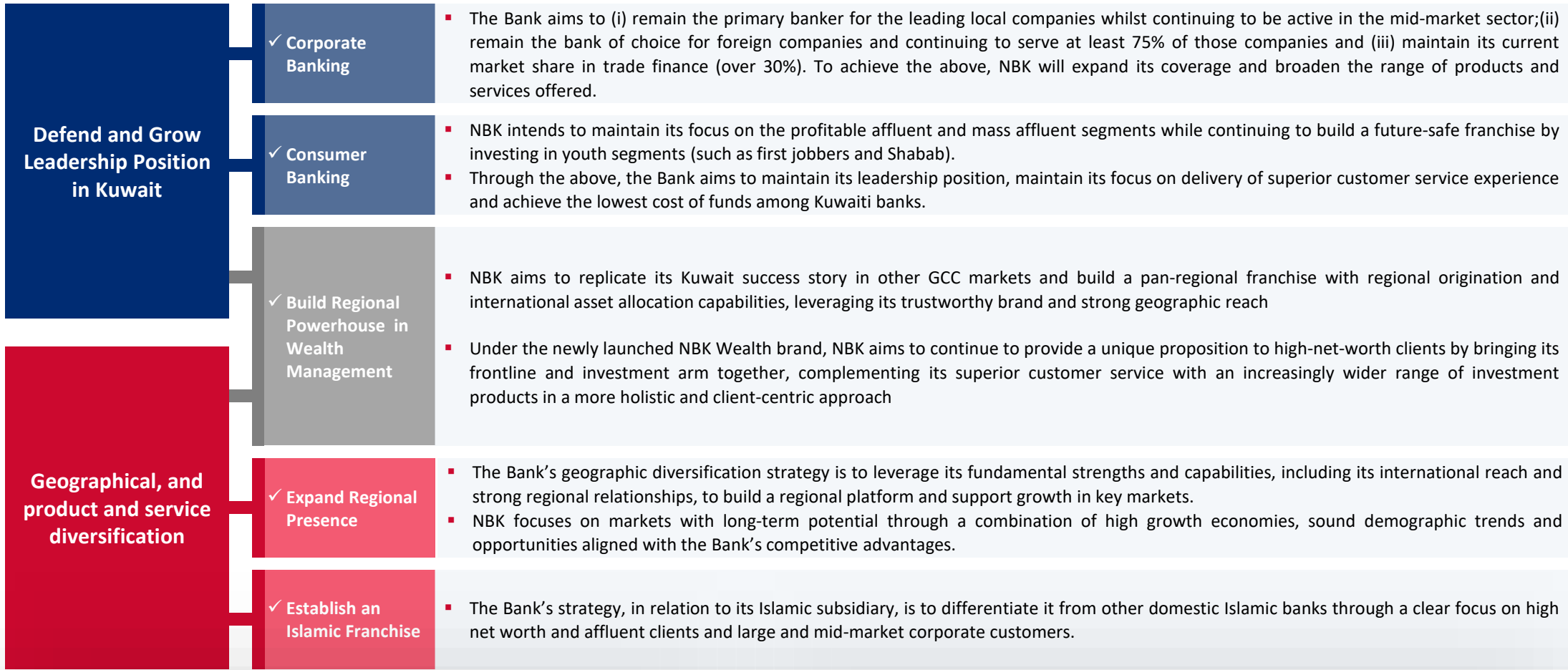


Return on Average Equity





# 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



بورصة الكويت  
BOURSA KUWAIT



كويت جديدة  
NEWKUWAIT



GREENHOUSE  
GAS PROTOCOL



SUSTAINABLE  
DEVELOPMENT  
GOALS



**PCAF**

Partnership for  
Carbon Accounting  
Financials

WE SUPPORT



\*Note: ESG ratings as of 30 June 2024.





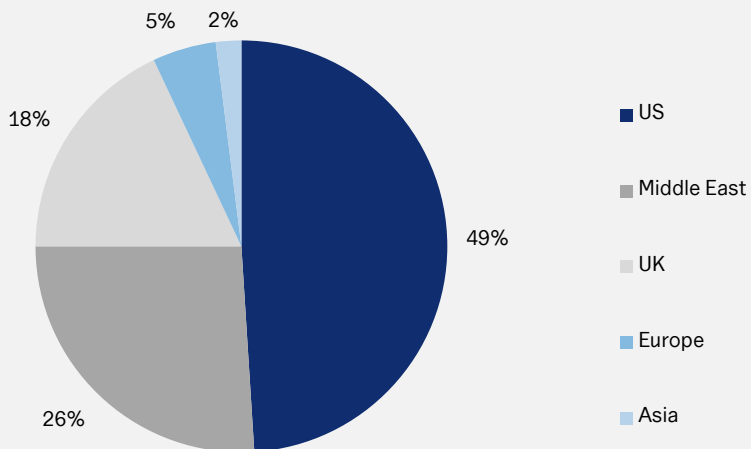
# NBK's Debut Green Bond

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.

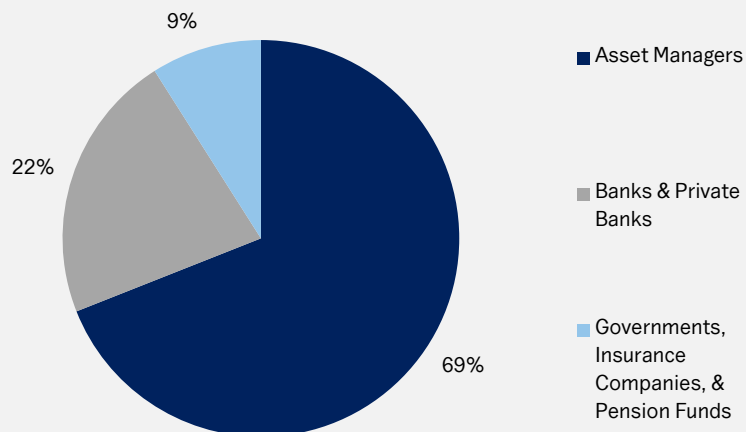
## Strong Investor Interest

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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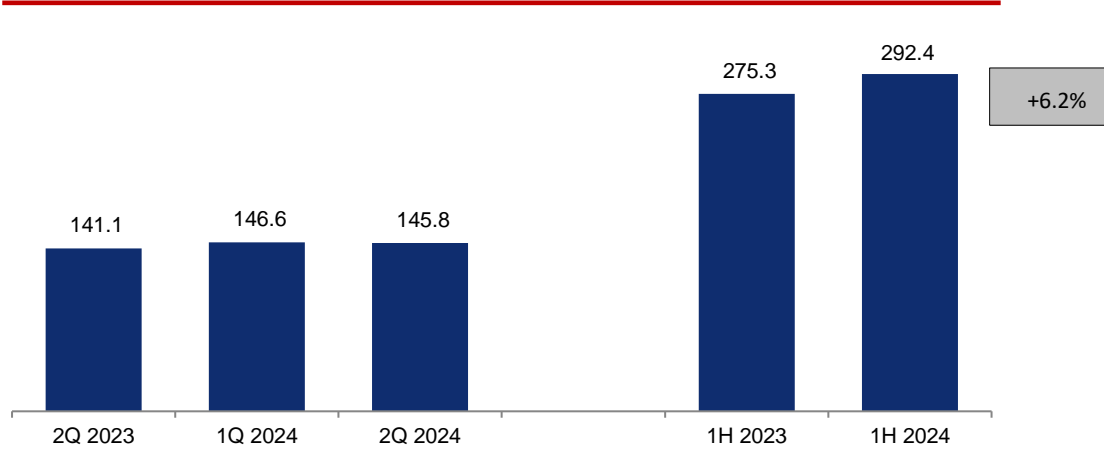
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Questions

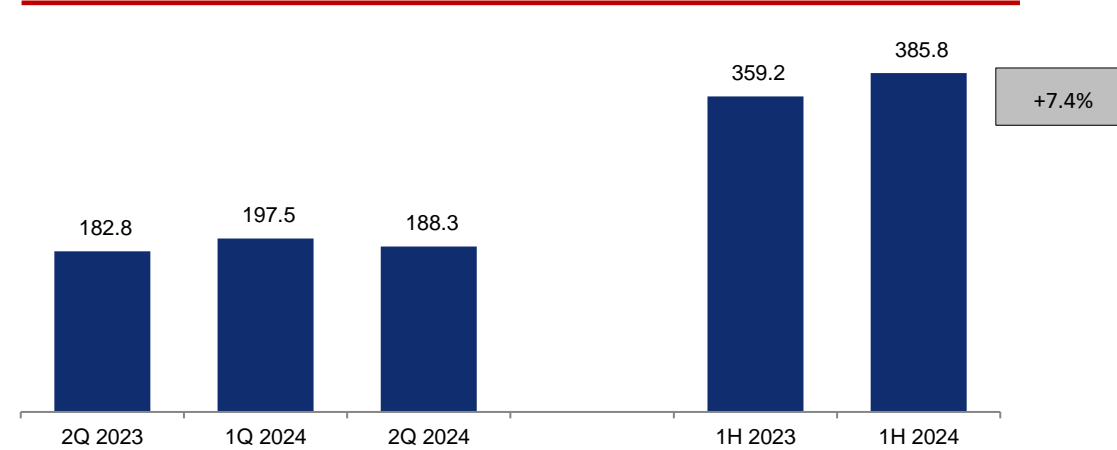


# Operating Performance 1H 2024

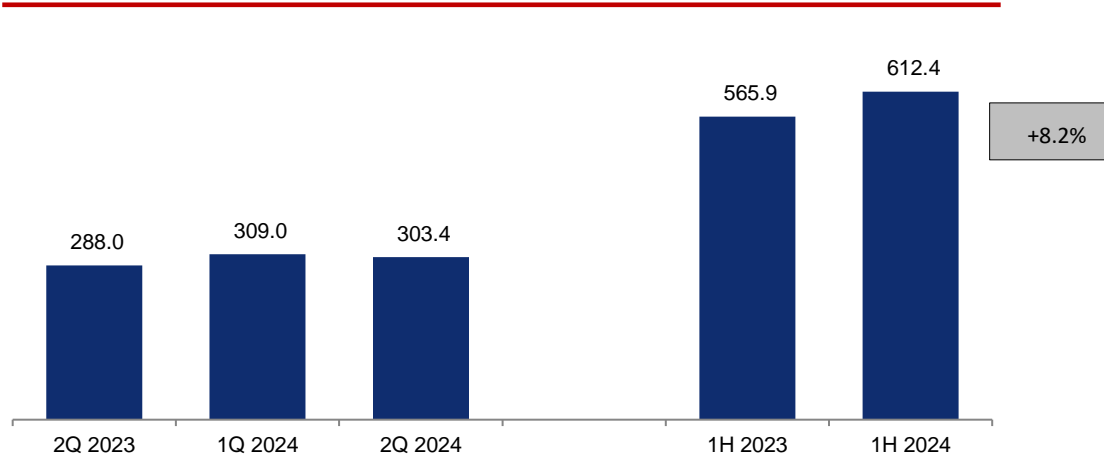
Net Profit (KDm)



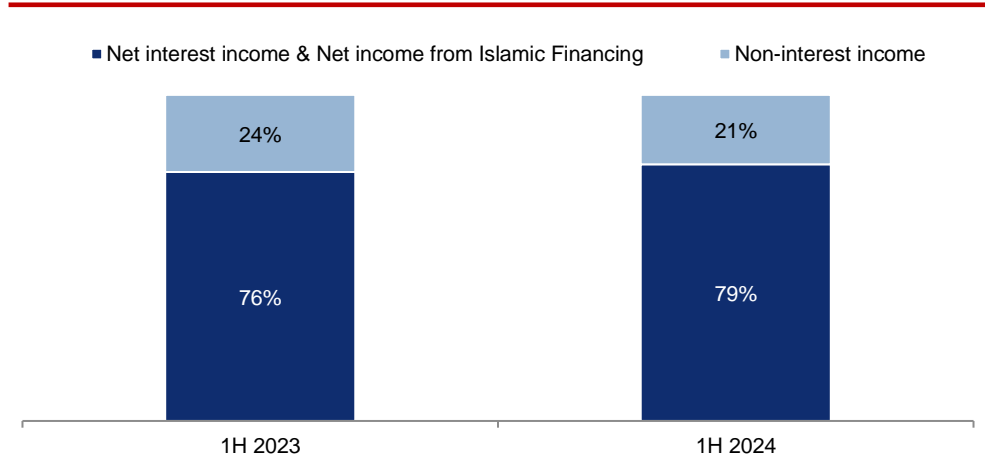
Operating Surplus (KDm)



Net Operating Income (KDm)



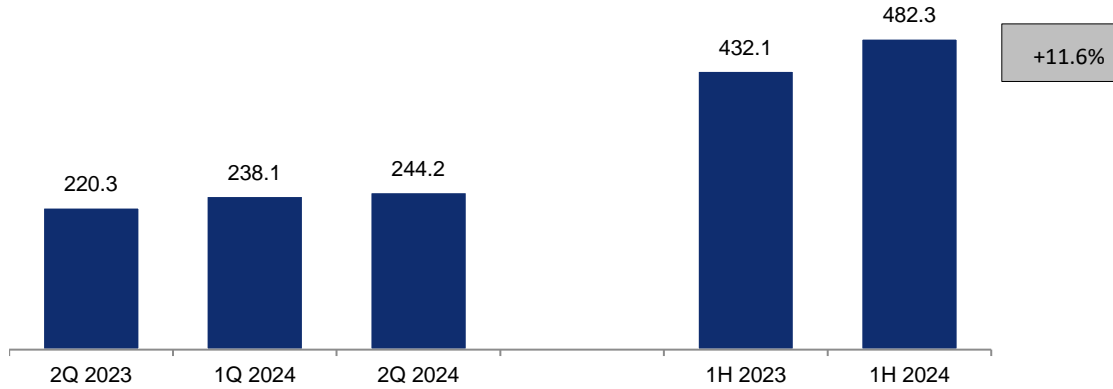
Net Operating Income Mix



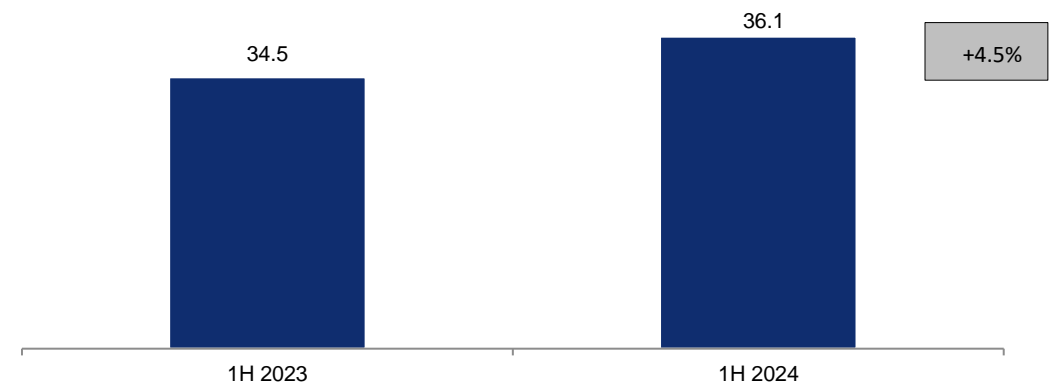


# Operating Performance 1H 2024

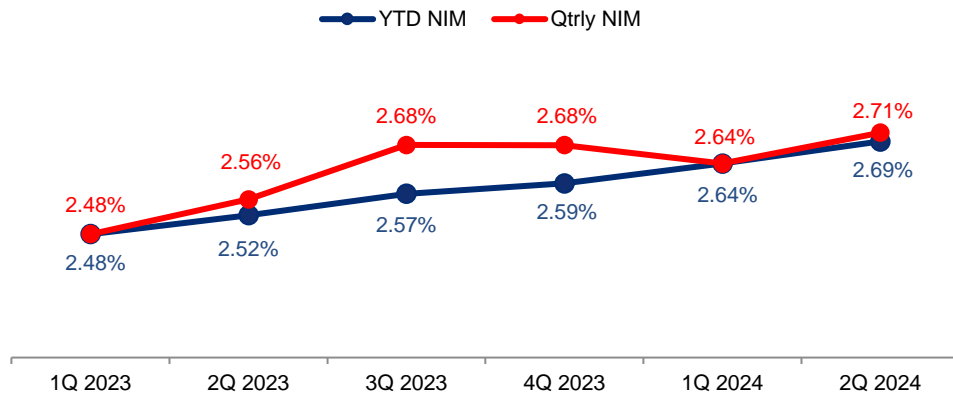
Net Interest Income\* (KDm)



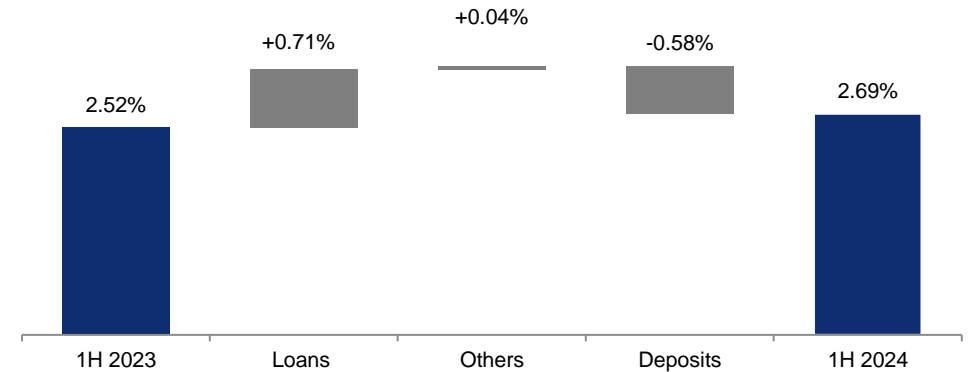
Average Interest Earning Assets (KDbn)



Net Interest Margin\*



Net Interest Margin Drivers

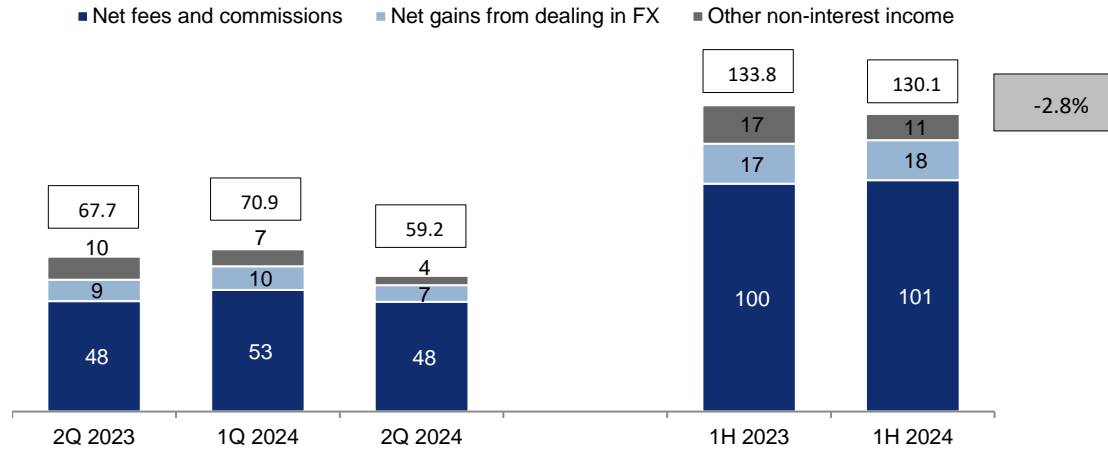


\*Includes net interest income and net income from Islamic Financing

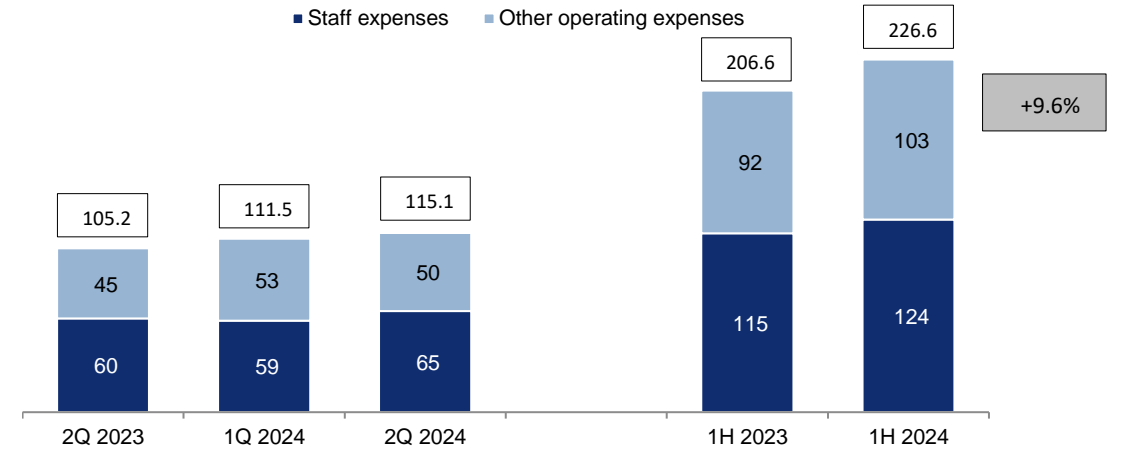


# Operating Performance 1H 2024

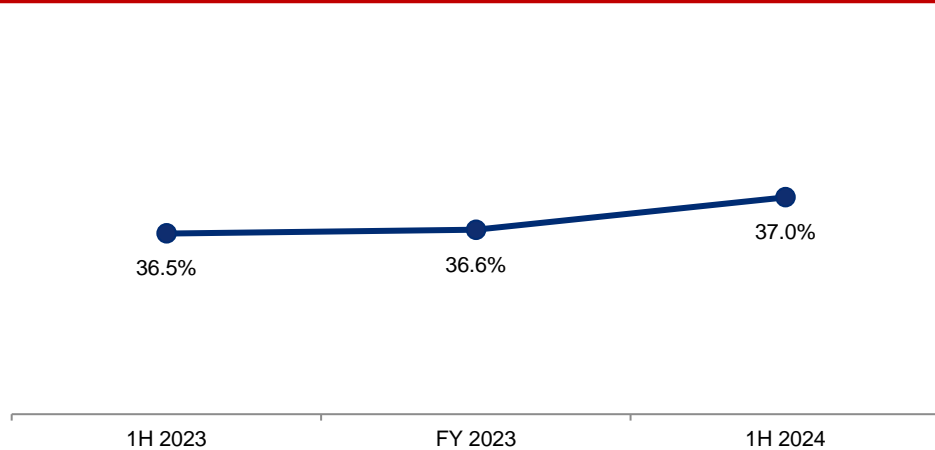
Non-Interest Income (KDM)



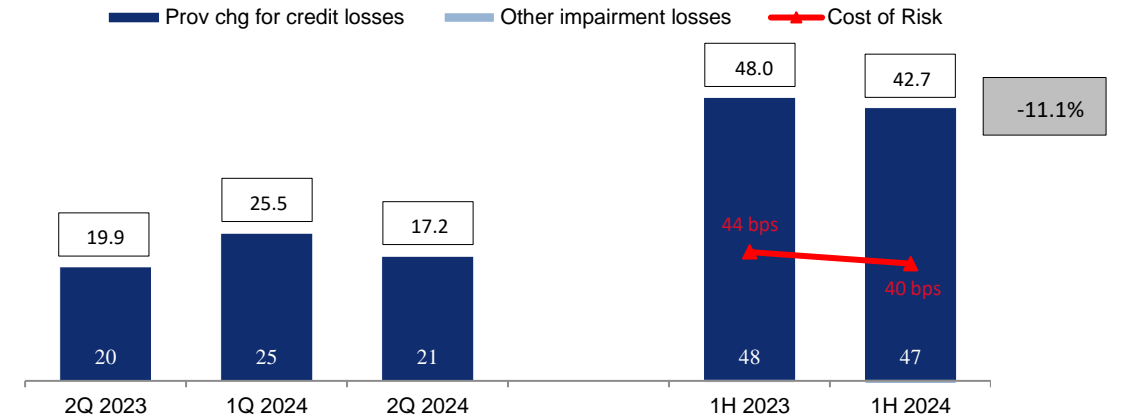
Operating Expenses (KDM)



Cost to Income ratio



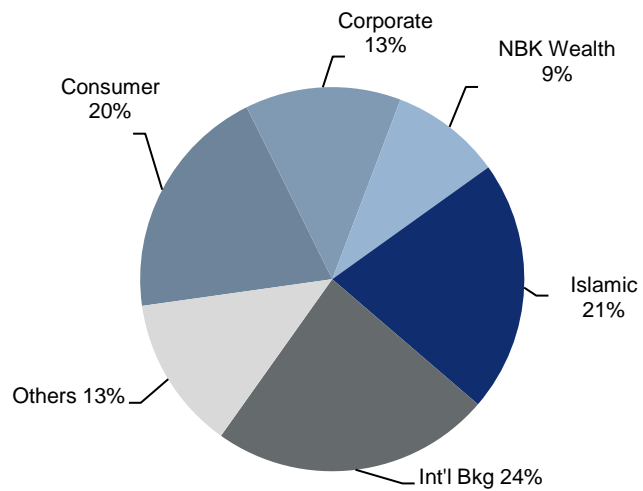
Provisions and Impairments (KDM)



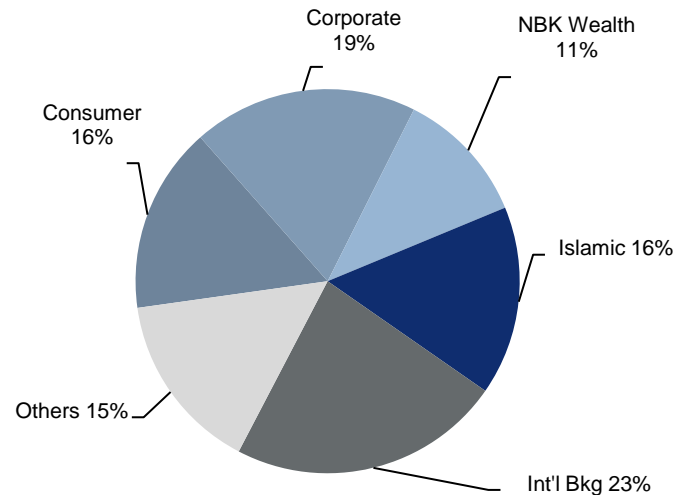


# Group Diversification

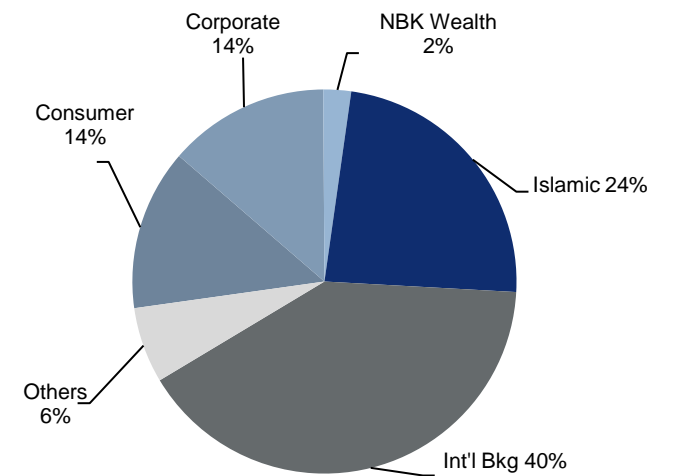
1H24 Op. Income by Business Line (%)



1H24 Net Profit by Business Line (%)



1H24 Total Assets by Business Line (%)

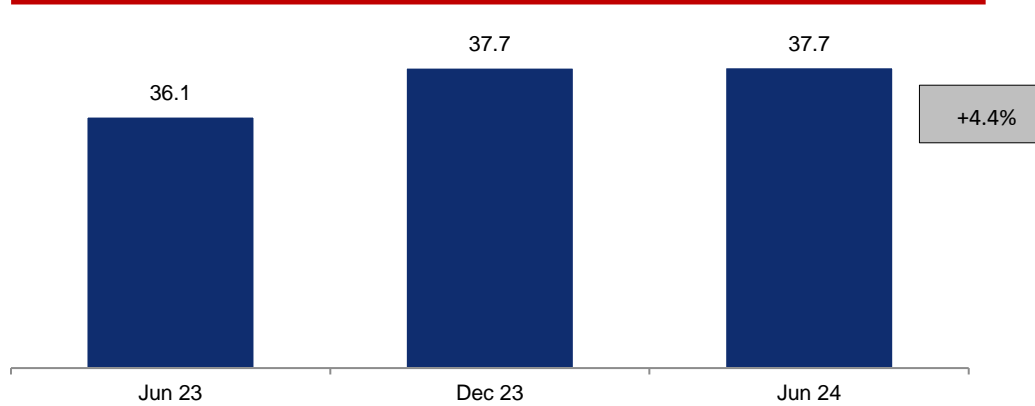


Source: Segment analysis note of 1H24 FS

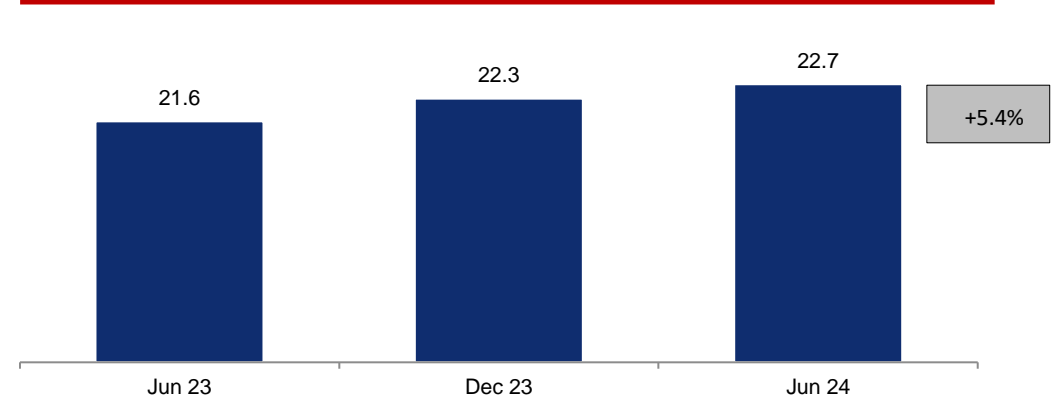


# Operating Performance 1H 2024

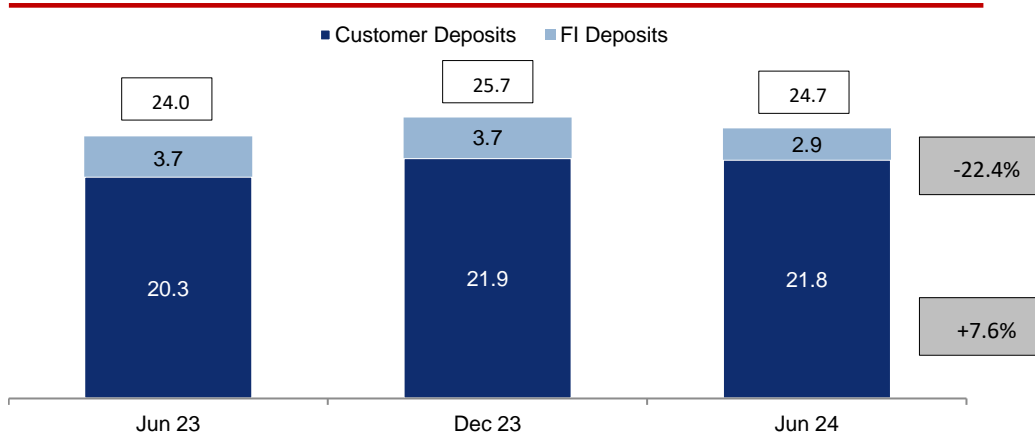
Total Assets (KDbn)



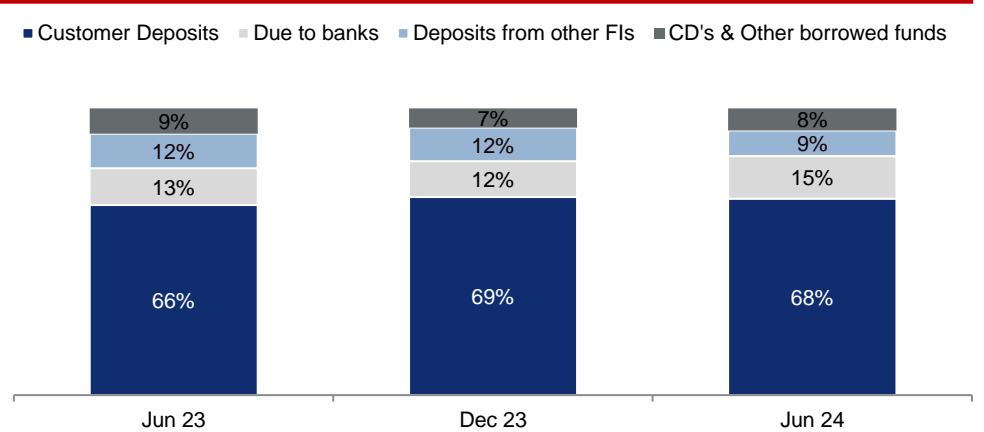
Loans, Advances and Islamic Financing (KDbn)



Customer Deposits & FI Deposits\* (KDbn)



Funding Mix



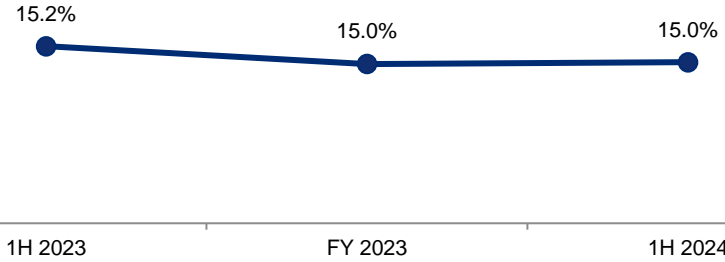
\*excludes due to banks



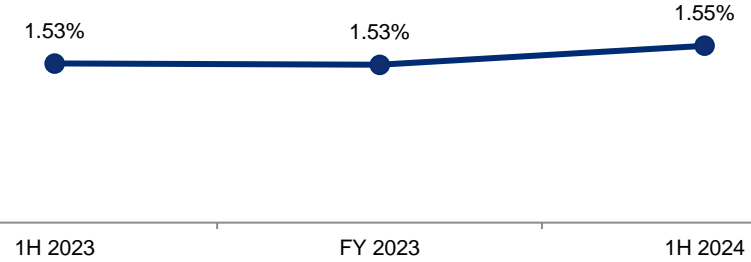


# Performance and Asset Quality Ratios 1H 2024

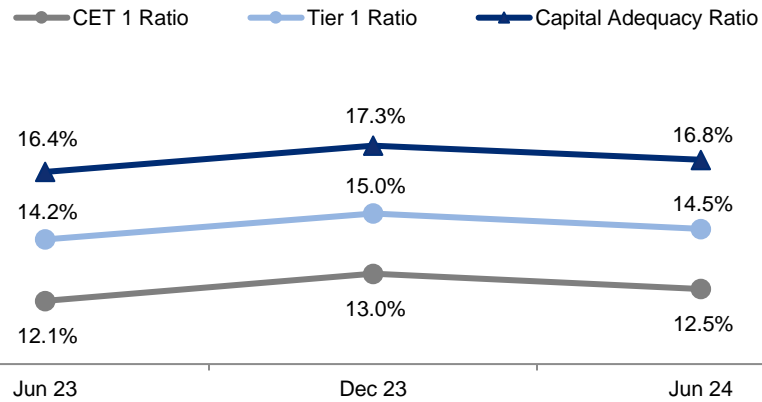
Return on Average Equity



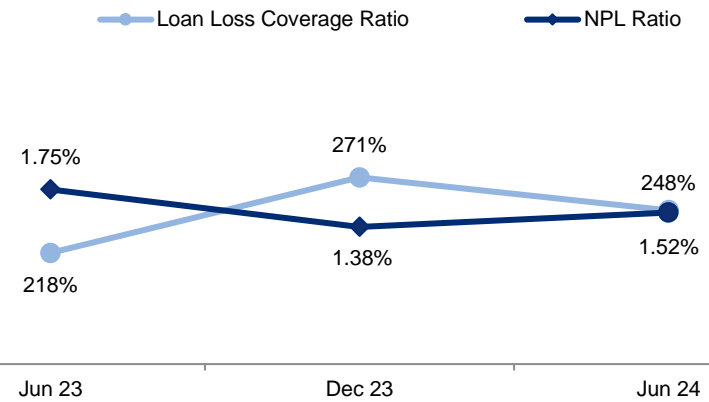
Return on Average Assets



Capital Adequacy Ratios



Asset Quality Ratios



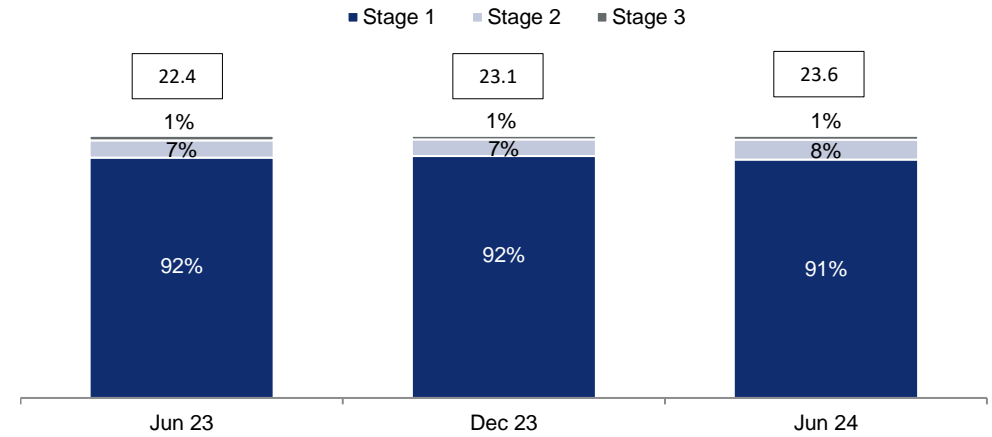


# Expected Credit Losses (ECL) 1H 2024

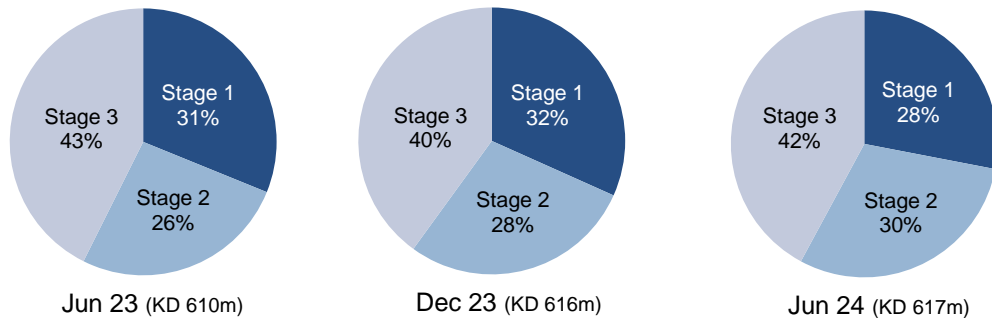
Financial Statements ECL Disclosure (KDm)

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

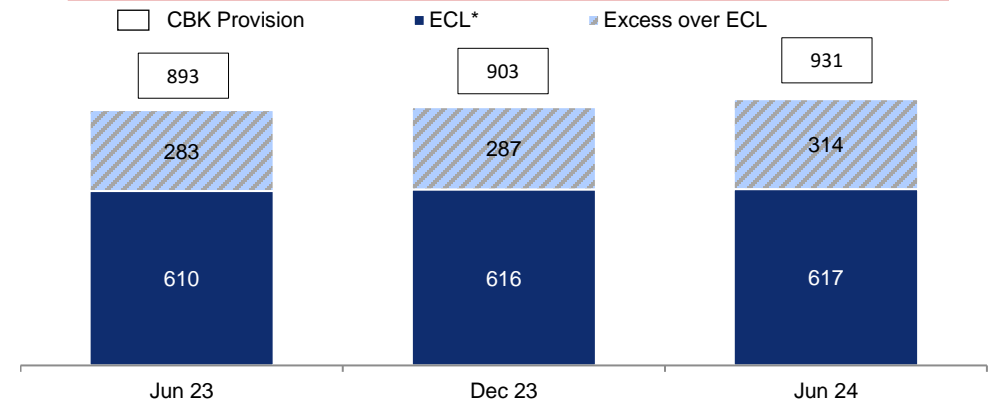
Total Gross Loans (KDbn)



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%
<b>Net Interest Income</b>	<b>346</b>	<b>383</b>	<b>11%</b>
Murabaha and other Islamic financing income	191	224	18%
Finance cost and Distribution to depositors	105	125	19%
<b>Net Income from Islamic financing</b>	<b>86</b>	<b>100</b>	<b>16%</b>
<b>Net interest income and net income from Islamic financing</b>	<b>432</b>	<b>482</b>	<b>12%</b>
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%)
<b>Non-interest income</b>	<b>134</b>	<b>130</b>	<b>(3%)</b>
<b>Net Operating Income</b>	<b>566</b>	<b>612</b>	<b>8%</b>
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%
<b>Operating Expenses</b>	<b>207</b>	<b>227</b>	<b>10%</b>
<b>Op. profit before provision for credit losses and impairment losses</b>	<b>359</b>	<b>386</b>	<b>7%</b>
Provision charge for credit losses and impairment losses	48	43	(11%)
<b>Operating profit before taxation and directors' remuneration</b>	<b>311</b>	<b>343</b>	<b>10%</b>
Taxation	22	32	42%
Non-controlling interests	14	19	40%
<b>Profit attributable to shareholders of the Bank</b>	<b>275</b>	<b>292</b>	<b>6%</b>



## 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%
<b>Total Assets</b>	<b>36,085</b>	<b>37,676</b>	<b>4%</b>
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%
<b>Total Liabilities</b>	<b>31,392</b>	<b>32,729</b>	<b>4%</b>
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%
<b>Equity attributable to shareholders of the bank</b>	<b>3,682</b>	<b>3,920</b>	<b>6%</b>
Perpetual Tier 1 Capital Securities	439	439	0%
Non-controlling interests	572	588	3%
<b>Total equity</b>	<b>4,693</b>	<b>4,946</b>	<b>5%</b>
<b>Total liabilities and equity</b>	<b>36,085</b>	<b>37,676</b>	<b>4%</b>



## 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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Vice Chairman and Group CEO Opening Remarks

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**Questions?**



**Thank You**



# National Bank of Kuwait

## Investor Presentation

2Q/1H 2024 Earnings Call