

REF : ABK/BA/150

Date : 30/07/2024

To: Boursa Kuwait

Dear Sirs,

**Subject : Analyst conference transcript and presentation for Q2-2024**

In compliance with the provisions of Article (8-4-2) of Boursa Kuwait Rulebook issued pursuant to Resolution No 1 of 2018 and amendments thereof, concerning the continuing obligations of the listed companies of "the Premier Market" under which Al Ahli Bank of Kuwait is categorized,

Al Ahli Bank of Kuwait would like to report the Analyst Conference for the Second Quarter ended 30 June 2024 held at 3:30 p.m. (local timing) on Monday 29 July 2024 through live broadcasting on internet (live webcast).

Kindly note that during the conference there was no disclosure of any material information that is not in the public domain.

We attach herewith the transcript and presentation of the Analyst conference for Q2-2024.

Best Regards,



**Fawzy Al-Thunayan**  
GM, Board Affairs





**Al Ahli Bank of Kuwait**  
**Edited Transcript – H1 2024 Investor's Call**

**Date:** 29<sup>th</sup> July 2024

**Time:** 3:30 p.m. KWT

**Speakers:**

- Mr. Abdulla Alsumait, Acting Group Chief Executive Officer (Acting GCEO)
- Mr. Shiamak Soonawalla, Group Chief Financial Officer (GCFO)
- Mr. Abdulaziz Jawad, Chief Strategy Officer (CSO)
- Mr. Yaqoub Almulla, Senior Manager - Investor Relations

**Host:**

EFG Hermes

**Moderator:**

Ahmed El-Shazly

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**Ahmed El-Shazly:**

Good afternoon, everyone and thank you for joining us today. This is Ahmed El-Shazly from EFG Hermes and I am pleased to welcome you to Al Ahli Bank of Kuwait's (ABK) H1 2024 earnings webcast.

I have with me here today, from ABK's management, Mr. Abdulla Alsumait, Acting Group Chief Executive Officer, Mr. Shiamak Soonawalla, Group Chief Financial Officer, Mr. Abdulaziz Jawad, Chief Strategy Officer, and Mr. Yaqoub Almulla, Senior Manager - Investor Relations.

I will now hand the call over to Mr. Yaqoub.

**Yaqoub Almulla:**

Good afternoon, everyone. Thank you for joining us today for our H1 2024 earnings webcast.

We will start our call with a disclaimer. I would like to bring to your attention that certain comments in this presentation may constitute forward-looking statements. These comments reflect the Bank's expectation and are subject to risks and uncertainties that may cause actual results to differ materially and may adversely affect the outcome and financial effects of the plans described



herein. The Bank does not assume any obligation to update its view of such risks and uncertainties or to publicly announce the result of any revisions to the forward-looking statement made herein. Please refer to the full disclaimer on slide 2 of our presentation for today's call.

We will continue the call with an overview from ABK's Acting GCEO, Mr. Abdulla Alsumait, followed by ABK's GCFO, Mr. Shiamak Soonawalla, providing an extended review on financials and performance. Then he will be followed by ABK's CSO, Mr. Abdulaziz Jawad, who will provide us with an overall update on ABK, strategy, and major projects. We will answer any questions received through the webcast platform. I trust everybody has had a chance to review our earnings release documents. They're available, including the earnings presentation that we'll be referring to during the call, on the Investor Relations section of ABK's website. Also, feel free to send any follow-up questions or required clarifications to our Investor Relations email [IR@abkuwait.com](mailto:IR@abkuwait.com).

Please allow me to hand it over to Mr. Abdulla.

**Abdulla Alsumait:**

Thank you, Yaqoub. Good afternoon, everyone, and thank you for joining us today. I am pleased to announce our impressive first half 2024 results. ABK maintained solid growth, creditable performance and recognizable achievements.

Moving to the key financial highlights and performance for this period, we have achieved a 22% increase in Net Profit attributable to shareholders from KD 23.9 million in 2023 to KD 29.1 million in the first six months of 2024, and a 20% increase in EPS from 10 fils to 12 fils, with a comfortable Capital Adequacy Ratio of 15.3%.

All financial indicators reflect our success in implementing strategic plans and keeping pace with economic changes. During the first half of this year, ABK maintained positive momentum, reflected in our improved profitability and asset quality ratios, including a NPL Ratio of 1.31%.

In an initiative to reinforcing the trust the Bank has among global companies, we participated in several financing deals and received numerous global awards, adding to our record of achievements. These awards were in recognition of the Bank's exceptional



performance and the provision of the best services, products, and banking solutions we offer.

ABK continues to work on its digital transformation plan and adopt the highest security standards across all businesses, by signing agreements from the use of artificial intelligence technologies, and live data dashboards across most functions, to improving performance and services, and innovating our banking solutions that add more customer value in the easiest and safest ways.

In reflection to the stability in the political scene and the government's ability to tackle significant economic challenges, ABK is fully prepared to finance large infrastructure projects that we expect will be launched in Kuwait. The Bank expresses hope and is confident in the ability to enhance the partnership between the public and private sectors in implementing Kuwait 2035 Vision's plans to advance economic activity and contribute to transforming Kuwait into a regional and global commercial and financial hub.

As we look to the future, ABK is prepared to capitalize on emerging growth opportunities, leveraging our financial strength and customer-centric philosophy. We continue to adopt the highest standards of corporate governance and transparency in achieving an optimistic performance by the end of 2024.

I am particularly proud of the progress we have made on several fronts with the introduction of new products, such as Family Banking, retail mortgage loans in the UAE and an increase in our card portfolio position. We are currently working on revamping our mobile banking application to provide state-of-the-art and best-in-class service to our customers.

I will now turn it over to my colleague, Mr. Shiamak, who will take us through the detailed financial aspects of our presentation.

**Shiamak Soonawalla:**

Thank you, Mr. Abdulla, and thank you all for joining our earnings call for the first half of 2024. In the first half of 2024, we have made remarkable progress in several key metrics that we will be discussing during this call.

Starting with our income statement, our Net Profit attributable to shareholders for H1 2024 has increased by 22%, reaching KD 29.1 million, compared to the same period in 2023. Our Earnings per



Share also reflected robust growth, rising by 20% from 10 fils last year to 12 fils this year. On the operational front, our Operating Income increased by 15% to KD 100.9 million, while our Operating Profit grew by 21% to KD 53.6 million. Our Capital Adequacy Ratio (CAR) stands at 15.3%, well above the regulatory requirement.

Moving on to our asset quality, I am pleased to report that our Non-Performing Loan Ratio stands at 1.31%. Additionally, our Loan Loss Coverage Ratio is an impressive 447%, underscoring our prudent provisioning policies and strong credit metrics. Furthermore, we draw attention to the fact that as at the half year end, we have KD 221 million of provisions that exceed IFRS requirements, providing substantial buffers against downside risks.

Our operational efficiency remains a priority, which is evident in our Net Interest Margin standing at 2.3%, an 8% improvement over H1 2023, and an Operating Profit to average assets ratio of 1.67%, a 19% improvement over H1 2023. These figures reflect the Group's strong performance and continued focus on profitability. Additionally, our Return On Average Equity has reached 9.5%, marking a significant 15% increase compared to the same period last year.

For H1 2024, the Group's Total Interest Income reached KD 72.4 million, a notable increase of KD 7.1 million or 11% over the same period in 2023. This growth is largely due to higher asset levels and a more favorable interest rate environment. However, our interest expense also rose by 21% to KD 157 million, as deposits were repriced in line with the interest rate hikes last year.

Our Group's Total Assets grew by 6% to reach KD 6.6 billion, and our loan portfolio expanded by 5% from KD 4.3 billion to KD 4.5 billion. Additionally, our Total Deposits are KD 4 billion, representing 65.9% of our Total Liabilities. We maintain a strong liquidity position with a Net Stable Funding Ratio of 113% and a Liquidity Coverage Ratio of 279%, both comfortably above regulatory requirements.

Turning to the factors driving changes in income, margins, and costs, our total Operating Profit saw a notable 21% increase compared to the same period last year, arising from better margins and improved non-interest income streams. Looking at the composition of our Operating Income of KD 100.9 million for H1



2024: 46% was from commercial banking, 40% from retail banking, and 14% from treasury operations. In terms of asset allocation, commercial banking accounted for 59%, retail banking for 13%, and treasury operations for 28%.

Fees and commissions made a significant contribution, growing by 31% compared to the same period last year and amounting to KD 21 million in H1 2024. Our fees and commissions are diversified across various regions and business sectors, with the bulk stemming from core banking operations. As a final point, our cost-to-income ratio for the current half improved to 46.9%, down from 49.5% in the same period last year, as we continue to enhance efficiency and optimize costs.

In summary, the first half of 2024 has been a period of significant enhancements in profitability, operational efficiency, asset quality, and a solid capital position. We remain positive about our performance for the remainder of the year.

I will now hand over to Mr. Abdulaziz for an update on strategy and major projects.

**Abdulaziz Jawad:**

Thank you, Mr. Shiamak. Good afternoon, everyone and let me start with discussing ABK's overall performance initiated with a macroeconomic update.

The July 2024 World Economic Outlook forecasted global growth to be at 3.2% in line with its previous outlook in April. The global economy also faces upside risks of inflation, raising the possibility of higher interest rates for an extended period, in the context of escalating trade tensions and increased policy uncertainty according to the IMF.

Shifting to the outlook in the GCC, economic growth is expected to rebound to 2.8%, according to the 2024 Gulf Economic Update. The positive outlook for the region's economy is due to expected increases in oil production as OPEC+ eases production quotas in the second half of 2024 and the result of strong performance in the non-oil sector and capital expenditures.

Specifically in Kuwait, economic growth is expected to recover to 2.8% in 2024, supported by a higher oil production of 3.6% with increased output this year and highlighting the inauguration of



Kuwait's first offshore drilling platform 'Nokhetha,' which now rests at its location in the northeast waters. The planned six-well offshore rig is key to increase reserves in oil and gas outputs by 6 billion barrels, bolstering Kuwait's financial strength and economic stability. The non-oil sector is projected to grow by 2.1% due to a stable political scene planning new reforms and the initiation of significant development projects. The aforementioned leads to Kuwait's construction sector expanding by 6.6% this year according to MEED, and government plans to invest over KD 350 million (circa \$1.1 billion) in the construction of several projects across the country.

Indicating our financial stability and strength as a trusted banking and financial partner in the Kuwaiti and regional markets, we have maintained high credit ratings of 'A' and 'A2' from Fitch and Moody's respectively. In addition, ABK is proud to have won two prestigious awards, 'Best Retail Bank – Egypt' and 'Excellence in Customer Protection/ Fraud Control – Kuwait' from MEED.

Moving on, our ABK2X strategy continues to drive noticeable outcomes as we continue to make significant progress in our strategy implementation, reflected by a successful H1 2024 which is progressing at a faster pace compared to ABK2X strategic targets, which were highlighted by my colleague, Mr. Shiamak, earlier. This period saw the realization of several group synergies through the completion of broader group entities' efforts, leveraging local successes. We have also achieved major milestones in the retail stream by completing all four phases of the branch sales productivity uplift initiative, enhancing our data-driven decision-making capabilities by launching our fully operational retail dashboard, and collaborating with major stakeholders in the Bank to develop a new lending program.

The Bank also witnessed the launch of new offerings, including the 'Al Tajer Plus' account which launched to benefit SMEs into growing their businesses and increase profitability. This comes alongside the introduction of the first-of-its-kind 'Family Package' in Kuwait's banking sector to offer integrated banking services to all family members.

Our digitization efforts are on track with a wave 1 mobile app launch by Q3 2024, in line with upgrading the Bank's online banking platform to a best-in-class transaction banking digital framework,



which includes standard non-lending service offerings for different market segments through a digital medium.

Shifting to our global presence, Egypt's external position considerably improved during the first half as the impact of the deals and agreements reached in March began to reflect on the macro data. Egypt's inflation has assumed a downward trajectory to reach 28.2% in May after having peaked at around 35.7% in February 2024.

ABK-Egypt kicked off the Core Banking System Upgrade project as a significant step forward for the Bank in providing customers with an elevated banking experience. In addition, ABK-Egypt launched the 'ABK NEXT' segment for youth to enjoy a wide range of products and services.

In the UAE, the focus on international business growth continued during H1 2024 through securing direct key mandates and opening new markets with key transactions. Notable transactions include, but are not limited to, the first Moroccan direct mandate in line with the new country initiative.

ABK-DIFC caters to booking units business which includes UAE, Egypt and Kuwait's CBD. Total funding base has been significantly diversified with long term bank borrowings, bilateral bank borrowings, and UAE & DIFC originated customer deposits.

Shifting to ABK Capital, our investment arm, we have launched two investment products, namely the Ijara Fund (Equipment Leasing Fund) and the International Private Credit Fund, which were introduced in collaboration with ABK and promoted through the 'successful referral' campaign.

Stemming from ABK's sustainability and ESG efforts, we are currently gathering internal data to evaluate our progress for this year. This comprehensive data collection will allow us to measure the effectiveness of our initiatives and identify areas for improvement.

Also, ABK plans to offer a 0% loan to finance solar energy systems as per the Ministry of Electricity & Water's (MEW) recommendation. The offer is at its final stage in the hope of being the first bank to provide these sustainable services.



As we navigate the remainder of 2024, our commitment to ABK's strategy execution will remain prudent and persistent to shaping a prosperous path forward.

Thank you for your attention, moving to Ahmed for the Q&A session.

## **Q&A Session**

### **Ahmed El-Shazly:**

Thank you for the presentation, gentlemen. We will now open the floor for questions. If you'd like to ask a question, you can send it through the Q&A box on your screen. We will pause for a moment to give everyone a chance to send in their questions.

We have received a couple of questions. Let's start with the first one.

Regarding the mortgage law giving commercial banks the ability to offer mortgages, when does the loan go out in Kuwait, and what would the law's effect be on ABK's loan book?

### **Abdulla Alsumait:**

We started the mortgage loan in the UAE. We're talking about financing a customer based in Kuwait, so, the cash flow is in Kuwait, and they apply for the loan here and we establish the loan in the UAE.

We stand at a good number now but I cannot reveal it. We started this year so, by the end of the year, we should have a good amount of mortgage loan granted there.

### **Abdulaziz Jawad:**

Mr. Abdulla, if you allow me to comment further. This is a new product that we have launched in collaboration with ABK-UAE. Regarding the mortgage law in Kuwait, we hear that the Cabinet of Ministers are working towards regulating the mortgage law in Kuwait.

As banks, we are very keen to have and support this product once it's regulated and approved by the Cabinet of Ministers and the Central Bank of Kuwait. It will definitely have a good impact on our financials and performance. It's worth noting that I think Kuwait is one of the few countries globally that don't offer a mortgage law to the residential properties.



- Ahmed El-Shazly:** Thank you. Moving on to the next question: Margin has compressed about 15 basis points QOQ. What are the drivers of this and how do you expect the margins to trend in the second half of this year?
- Shiamak Soonawalla:** The margins in the second half will continue to remain at the level we've experienced at the end of the second quarter.
- Managing the cost of funds is a challenge for us as we have to manage the ratios. Sometimes, during this process, we tend to have higher costs than we anticipate but it's a measure that we correct.
- I see our margins settling in at the level we have achieved for the rest of the year.
- Ahmed El-Shazly:** Okay, next question. What sectors drove the growth in Q2? Did it come from Kuwait or outside Kuwait?
- Shiamak Soonawalla:** It essentially and largely came from Kuwait's contracting and real estate sector. We had Kuwait and our global financial institutional business.
- Ahmed El-Shazly:** Do you participate in KSA deals as well?
- Shiamak Soonawalla:** Yes, we do. We have a DCM desk that operates from our DIFC branch. However, it has to be attractive and it has to meet expectations in terms of risk and return.
- Abdulaziz Jawad:** If you allow me to comment, Ahmed, on this particular point. We have a Non-Presence Countries (NPC) division that gives credit facilities to the countries we do not have operations in, like KSA, Qatar, Oman, and other countries as well. So, we definitely have some transactions in KSA, but as highlighted by Mr. Shiamak, they need to be attractive enough and fit our risk appetite in order to finance it.
- Ahmed El-Shazly:** Given that the year-to-date loan growth is already 5%, what is your expectation for growth in 2024?



**Shiamak Soonawalla:**

I expect growth to sustain until the end of the year and be between 5% to 7%.

**Ahmed El-Shazly:**

We have another question. Can you give us an update on political developments in terms of project awards and reforms? When can we expect to see this boost growth in Kuwait?

**Abdulla Alsumait:**

I think we are positive and are hearing a lot of good signals from the government. The government is talking about KD 16 to 18 billion of projects on the infrastructure of Kuwait. So, for ABK and other banks, I hope this will take place before the end of the year.

**Ahmed El-Shazly:**

We can pause for just another moment for any final questions. It seems that we have no further questions at this point. I'd like to thank everyone for joining and thank management for their time.

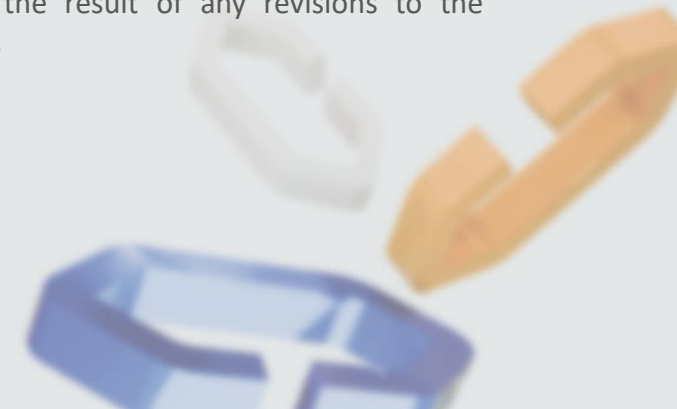


AL AHLI BANK OF KUWAIT  
**INVESTOR PRESENTATION**

H1 2024

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## SECTION 1

# ABK OVERVIEW AND FOOTPRINT



# AL AHLI BANK OF KUWAIT

## Overview

**ABK Cayman Island Limited**  
Established 2022  
Subsidiary

**ABK Egypt**  
Subsidiary Acquired 2015  
45 Branches

Egypt Leasing Company  
Subsidiary


Egypt Investments Company  
Subsidiary


**ABK Kuwait**  
Parent Entity Established 1967  
29 Branches  
(1 Fully Digitized Branch)  
Headquarters in Kuwait


**ABK Capital**  
Established 2006  
Subsidiary


**ABK UAE**  
Established 1977  
2 Branches (Dubai & Abu Dhabi)  
Established 2018  
1 DIFC (Off-shore Banking Branch)


# ABK OVERVIEW & BACKGROUND


- 


Established in 1967 by the Behbehani family, ABK has steadily become one of the leading Kuwaiti Banks retaining the same core shareholder base since its establishment.
- 

Headquartered in Kuwait City, the Group has three subsidiaries: Ahli Capital Investment Company, Al Ahli Bank of Kuwait – Egypt and ABK Cayman Island Limited, a branch network in UAE including an off-shore banking branch in DIFC with a Category 1 license.
- 

Provides a wide range of financial and banking services and products across all its markets which include: Corporate Banking, Retail Banking, Treasury & Investments.
- 

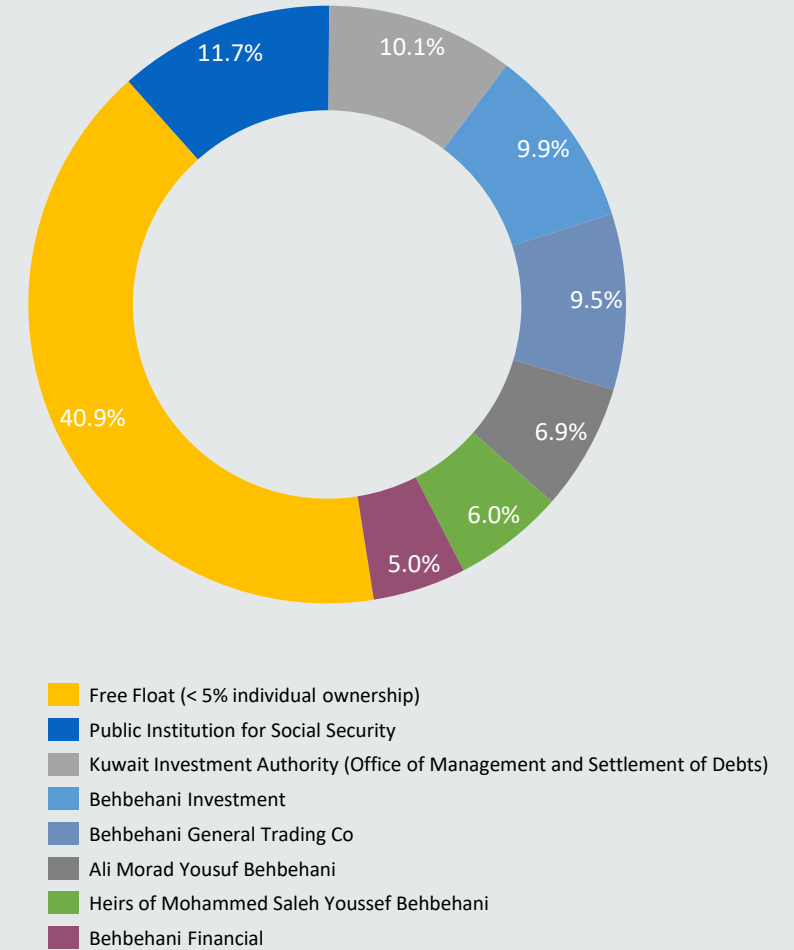
Has a total of 77 branches in three countries: 29 in Kuwait (1 Fully digitized), 2 full-service branches in Abu Dhabi & Dubai & 1 offshore banking branch in Dubai International Financial Centre (DIFC), & 45 branches in Egypt.
- 

Strong and well-established access to market by the issuances of KD 50 million subordinated Tier II bond in Oct-21 and another issuance of subordinated Tier II bond of KD 50 million in Nov-22
- 

Successful closing of 37 month syndicated loan financing for USD 825 million and a 37-month (with a 12 month extension option) USD 600 million Asia focused syndicated term loan facility in the DIFC Branch, in line with its strategy to become the international banking hub for the Group.
- 

In Sep-23 successfully completed a capital increase of KD 100 million (share Capital of KD 50 million & share premium of KD 50 million) representing 26.7% with an initial coverage of 331.4%

Ownership Structure



# OVERVIEW OF ABK'S AWARDS & RATINGS

## Ratings

### MOODY'S

Last Affirmed | Jun-24  
Long Term Rating | A2  
Outlook | Stable

### Fitch Ratings

Last Affirmed | Mar-24  
Long Term Rating | A  
Outlook | Stable

## Awards

### MEED

Best Retail Bank  
(Egypt)



Excellence in Customer  
Protection/Fraud Control  
(Kuwait)



# ABK KEY FINANCIAL HIGHLIGHTS



## Self-funded balance sheet

Customer Deposits: **KD 4Bn**  
Customer deposits / Total liabilities: **65.9%**



## Stable operating performance

Net Interest Margin: **2.3%**  
Operating Profit / Average Assets: **1.67%**



## Strong capital position

Tier 1 Ratio: **12.0%**  
CAR: **15.3%**



## Robust asset quality with excess provisions

Non-performing Loans Ratio: **1.31%**  
Loan Loss Coverage Ratio: **447%**  
Excess Provision over IFRS 9 requirement : **KD 221Mn**



## High liquidity & stable funding

Net Stable Funding Ratio: **113%**  
Liquidity Coverage Ratio: **279%**

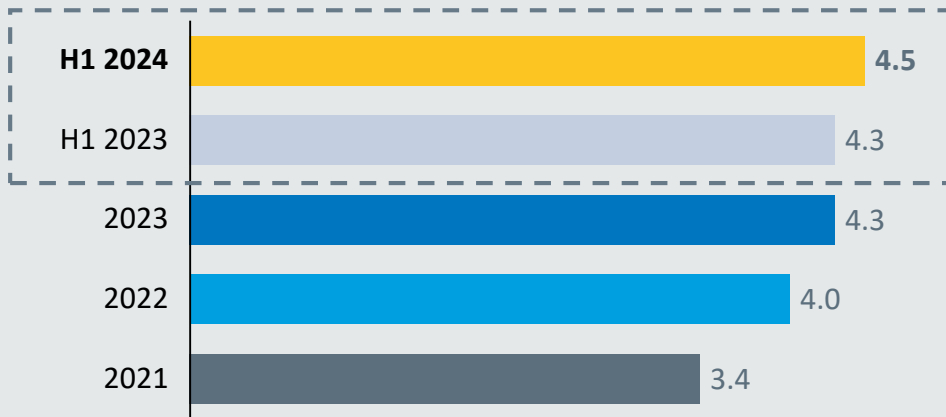


## Solid investor demand & established market access\*

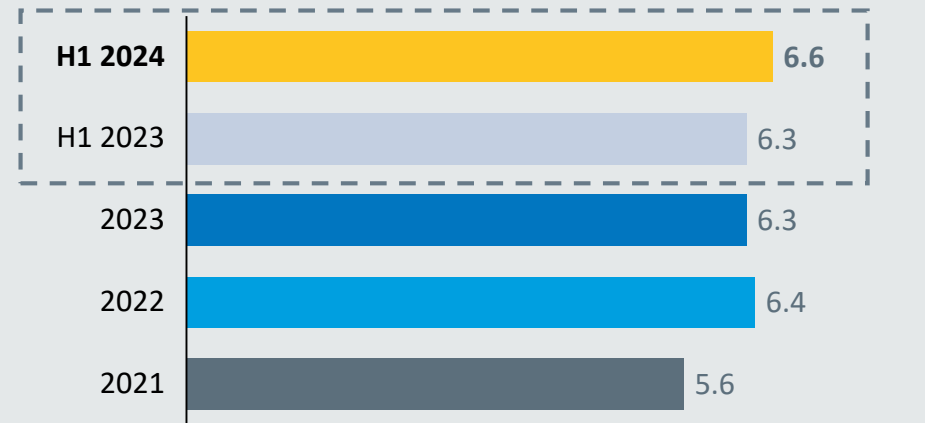
Number of Shares: **2,493,106,675**  
Market Capitalization: **KD 673Mn**

# FINANCIAL SNAPSHOT (KD'Bn)

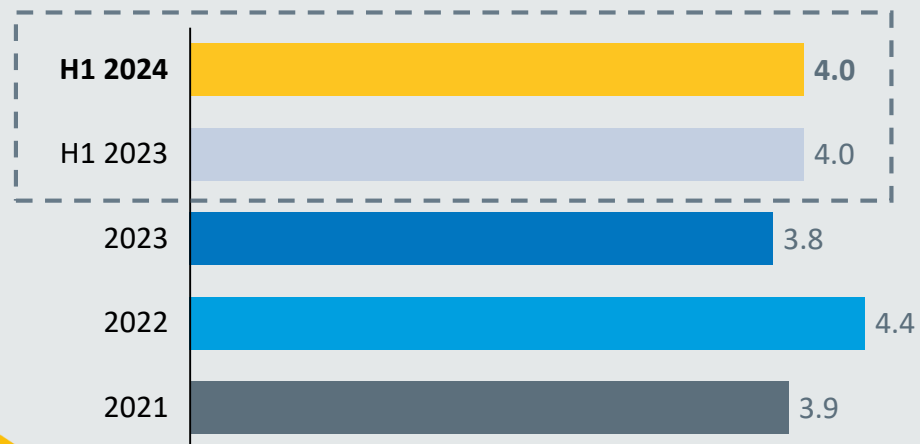
## Net Loans & Advances



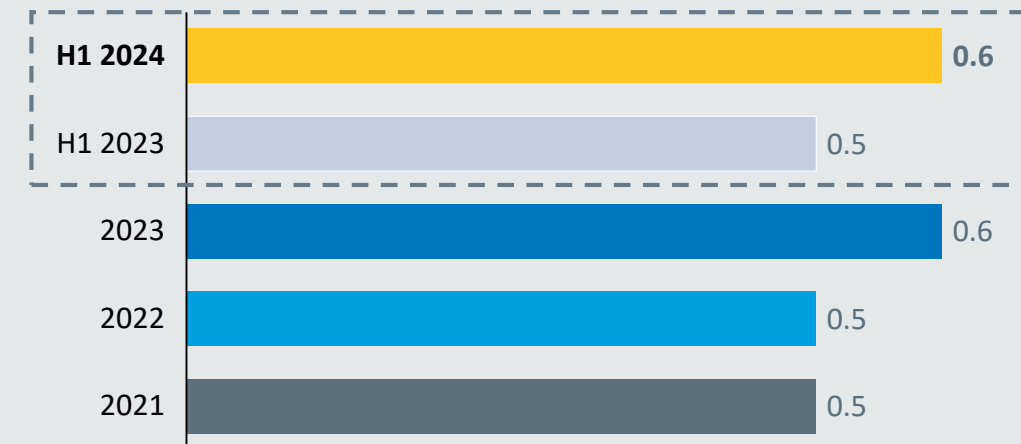
## Total Assets



## Customer Deposits

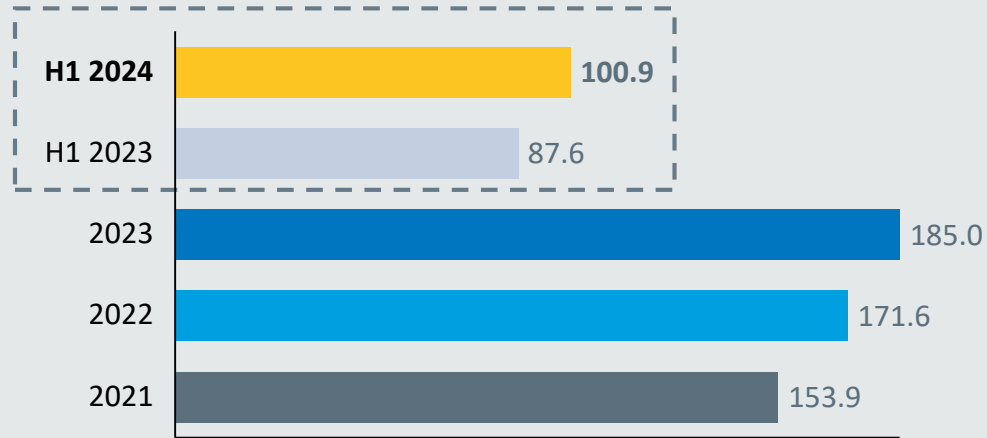


## Shareholders' Equity

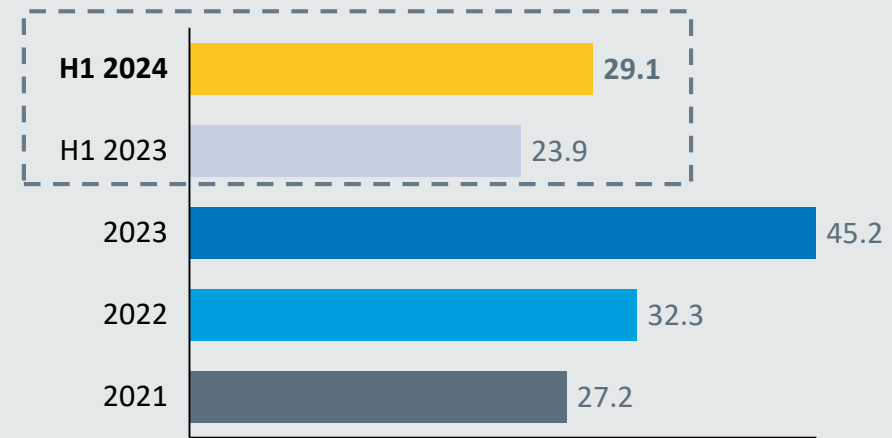


# FINANCIAL SNAPSHOT

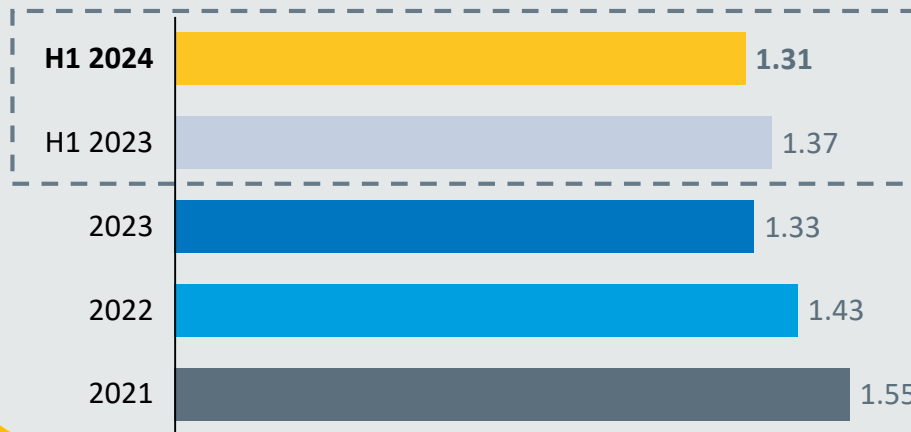
### Total Operating Income



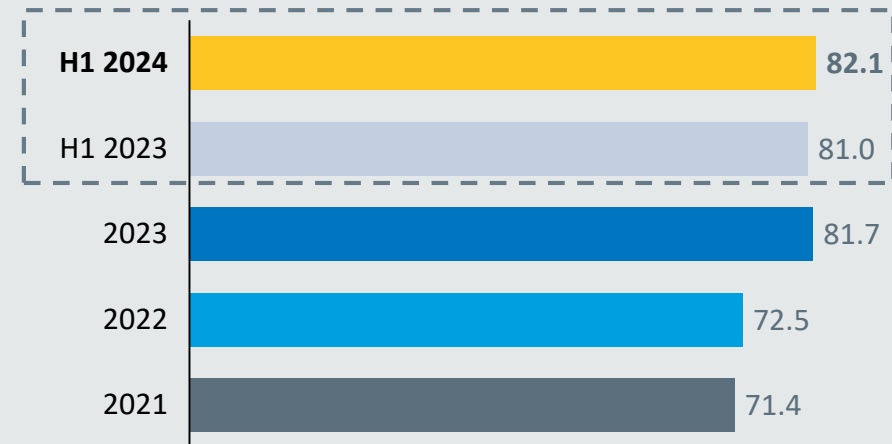
### Net Profit Attributable to Shareholder's of the Bank



### Non Performing Loans (%)

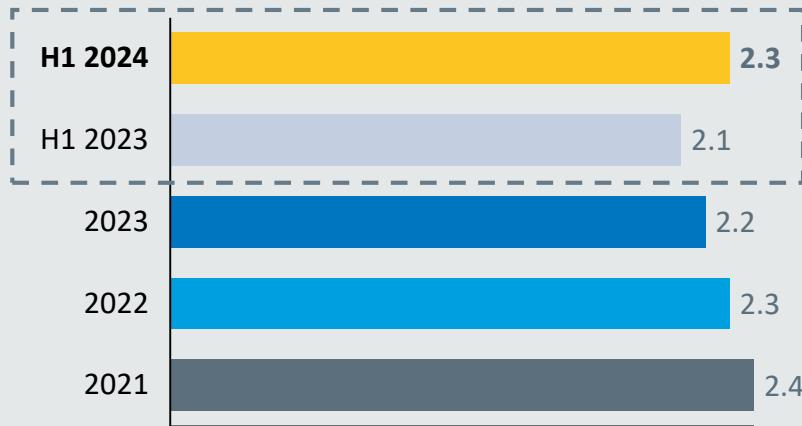


### Loans to Deposit Ratios (%)

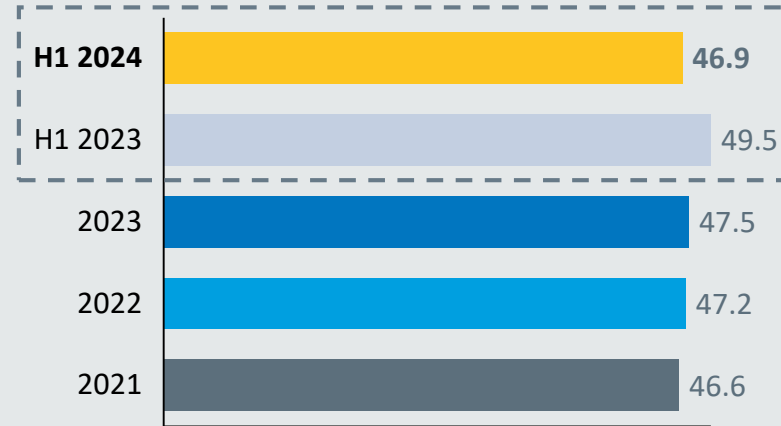


# FINANCIAL SNAPSHOT

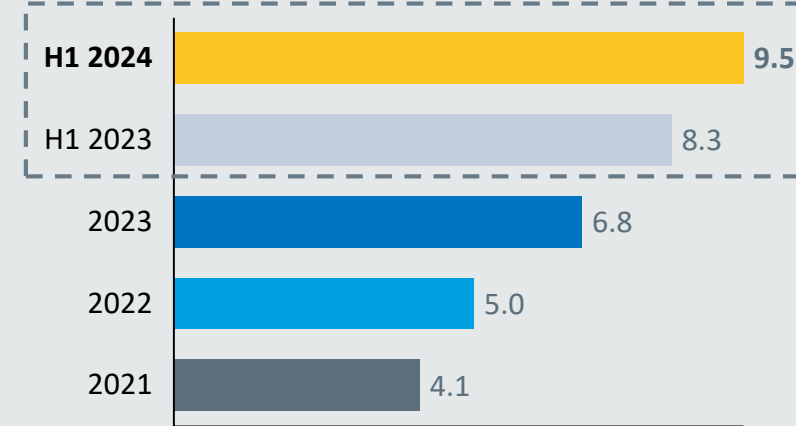
### Net Interest Margin (%)



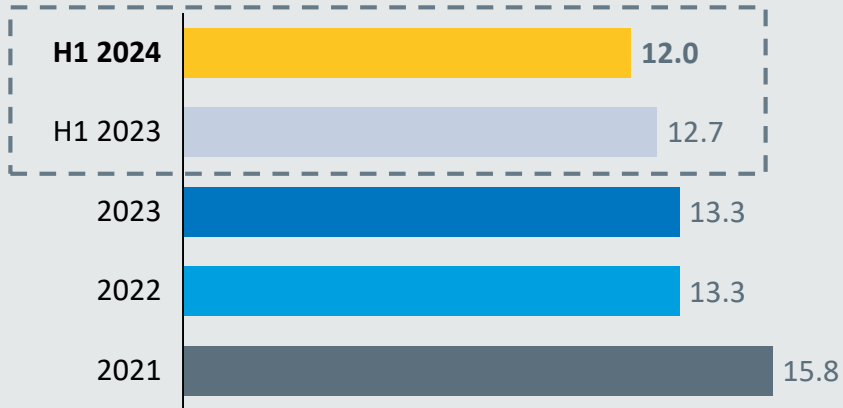
### Cost / Income Ratio (%)



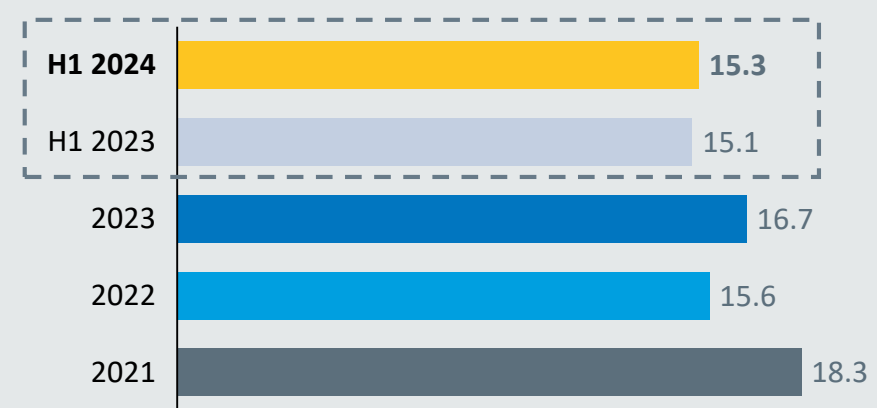
### Return on Average Equity (%)



### Tier 1 Ratio (%)



### Total Capital Adequacy Ratio (%)



# KEY HIGHLIGHTS

## Stable funding base and good liquidity buffers

- 65.9% of the total liabilities consist of customer deposits
- Liquidity coverage ratio and net stable funding ratio of 279% and 113% against regulatory requirement of 100% for each benchmark
- Leverage of 7.6%, above the 3.0% required by the CBK Basel III leverage ratio



## Solid well-diversified revenue generating capacity with high growth opportunities

- Group's geographical Footprint supports revenue generation, loan distribution and deposit collection
- Group's international operations comprise the operations of its UAE branches and its ABK Egypt subsidiary contributing around 46% of operating income and 35% of assets
- Consistent strategy in Kuwait along with risk managed opportunistic growth in regional markets including Egypt and UAE



## Robust capitalization, strong credit ratings along with a fortress balance sheet

- Recognized as a D-SIB with Tier 1 ratio of 12.0% and CAR of 15.3%
- Well above the Tier 1 ratio and CAR levels of 11.0% and 13.5% respectively (including D-SIB) required as per the CBK's regulation
- Maintained by strong internal capital generation with sound track record of profitability and solid revenue generating capacity
- Strong credit rating of A2 and A from Moody's and Fitch respectively



## Clearly defined group strategy and five-year transformational plan

- Group has clearly defined three strategic pillars and 10 strategic priority areas for the five years to 2026
- Scale and create value in its core business
  - Sustain and de-risk its business
  - Innovate and enable to support the other two strategic pillars



## Committed shareholder base and a well-experienced management team

- Established in 1967 by the Behbehani family, ABK has retained the same core shareholder base since its establishment
- Well-diversified shareholding base backing the long-term vision of the Bank
- Has a strong and stable Board and a long-serving executive team with a proven track record in Kuwait



## Banking on a sustainable journey - strong performance across ESG indicators

- Alignment with GRI, UN SDGs, New Kuwait Vision 2035, UAE Vision 2030, and the Egypt Vision 2030
- Select ESG Indicators include commitment to gender diversity (35% Females amongst new hires H1 2024), investing in youth prospects (30.7% YOY increase in fresh graduate hires), commitment to ethical business practice (zero incidents), investment in local procurement (64.5% H1 2024), monitoring GHG emissions, waste generation and water consumption.



## SECTION 2

# OPERATING ENVIRONMENT



# SNAPSHOT OF KUWAIT'S ECONOMY

## Key Economic Indicators



**Population  
2024**  
4.9 Mn\*

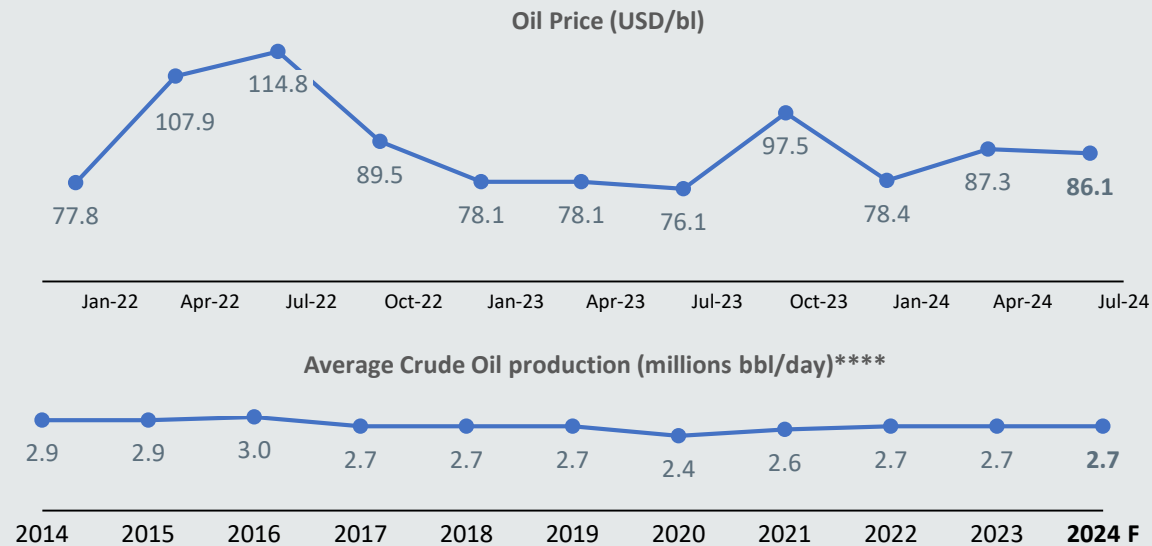


**Inflation  
May 2024**  
3.17%

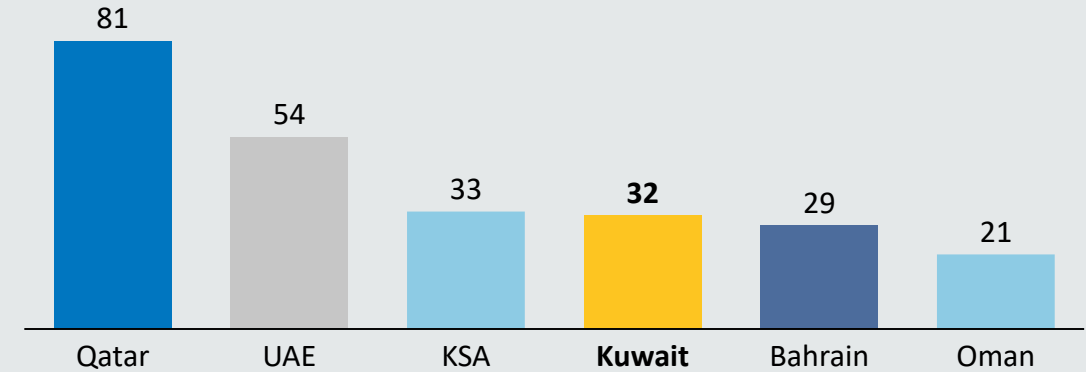


**CBK Benchmark  
Rate**  
4.25%\*\*

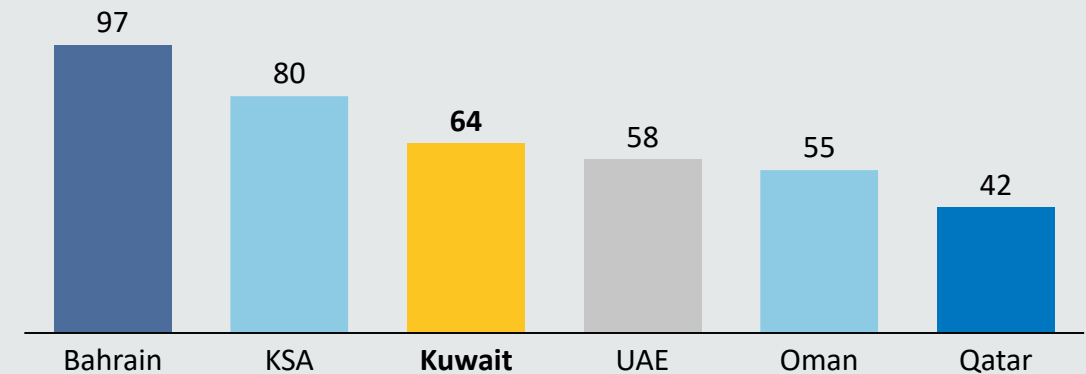
## Evolution of oil price and Kuwait's - average daily crude oil production



## GCC GDP per capita (2024) (USD'000)\*\*\*



## Fiscal Oil price breakeven 2024 projections compared to other GCC countries (USD/Bl)\*\*\*\*



\*Population Source: Kuwait Central Statistical Bureau Estimate as of 1<sup>st</sup> January 2024

\*\*As of 26<sup>th</sup> July 2023 CBK Announcement

\*\*\*GDP per Capita Source : IMF 2024

\*\*\*\*Fiscal Oil Price Breakeven & Average Crude Oil Production July 2024 Regional Economic Outlook-IMF (REO)

# SNAPSHOT OF KUWAIT'S BANKING SECTOR



The banking sector is highly regulated by the CBK. Leading supervisory practices are in place to monitor interest rates charged, lending limits and concentrations, investment limits, liquidity, and capital adequacy

Provisions required by CBK instructions have been more precautionary in nature and higher than the ECL calculated under IFRS 9 according to CBK guidelines creating additional buffers in the banking system

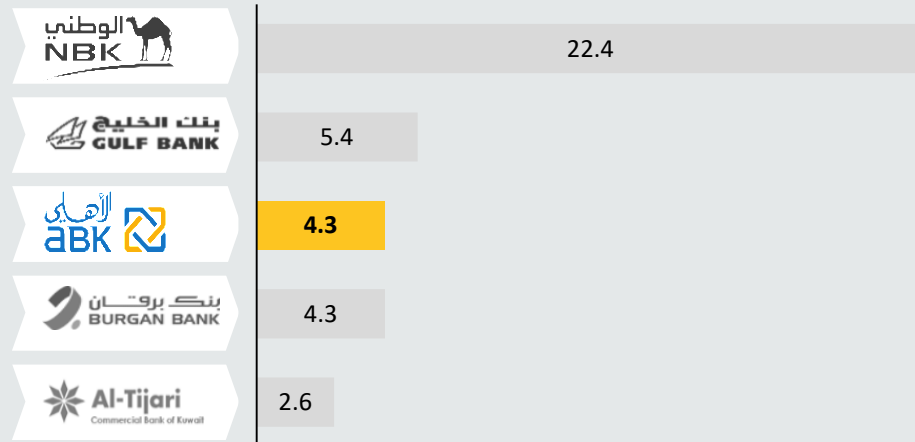
The government's financial strength reinforce both capacity and willingness to provide support to the banking sector

Capital adequacy standards under the Basel III framework were implemented by CBK in June 2014

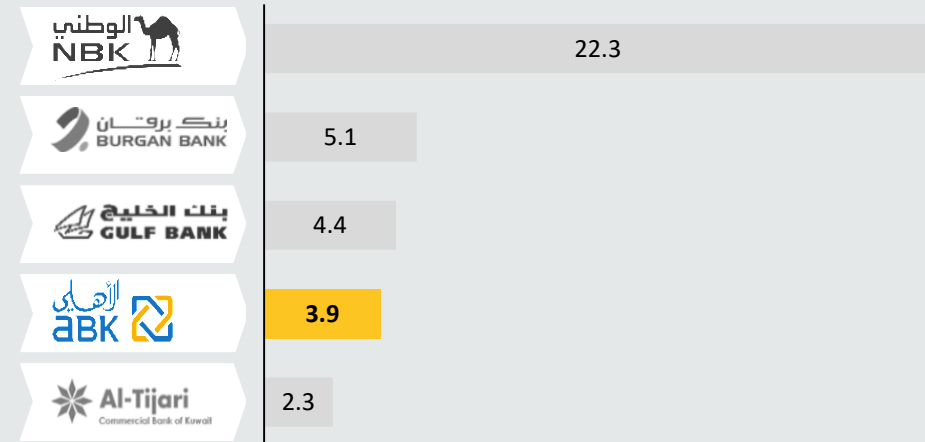
100% Guarantee on customer deposits held with local banks under the Deposits Guarantee Law

# PEER COMPARISON

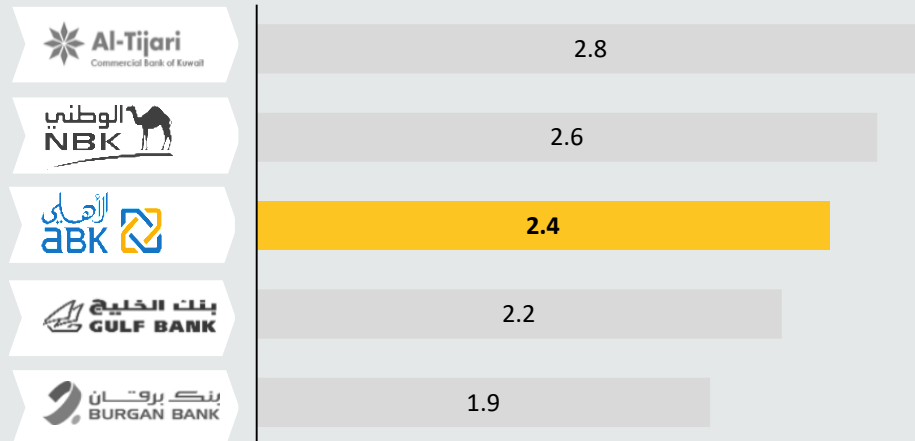
## Loans & Advances (KD Billion)



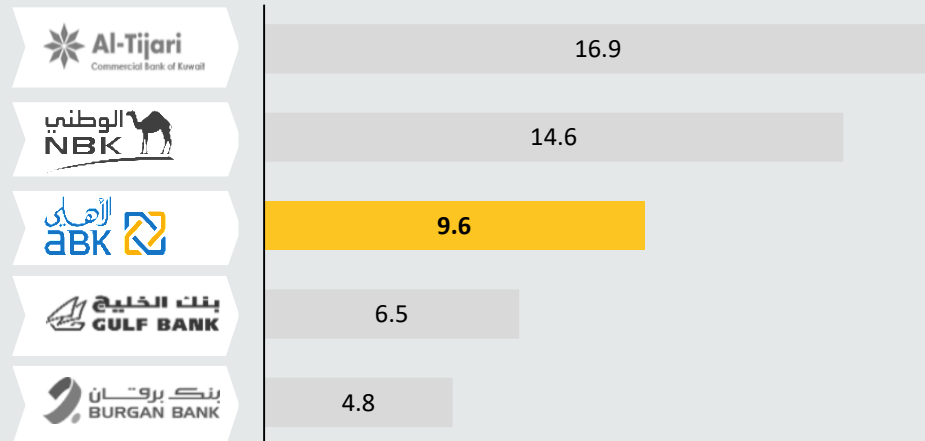
## Customer Deposits (KD Billion)



## Net Interest Margin (%)



## Return on Equity (%)



## SECTION 3

# STRATEGY AND BUSINESS OVERVIEW



# ABK'S VISION, MISSION, AND CORE VALUES

## The Foundation of ABK's Strategy

ABK's strategy supports our Vision and Mission across our values that define our holistic approach to each element of our organization from processes and product development to talent management and client service.



## Vision

Reimagining a simpler bank



## Mission

To consistently provide experiences that simplify and enrich people's lives

## Core Values



### Simplicity

Ensure business activities and tasks are executed in an efficient and effective manner.



### Integrity

Being honest and showing a consistent and uncompromising adherence to ethical values.



### Transparency

Being open, straightforward, and unbiased in all our dealings.



### Excellence

Always strive to exceed our customers and colleagues' expectations.

# ABK'S STRATEGIC PRIORITY AREAS



## Core business & risk areas



### Scale & Create Value

**Kuwait:** Scale franchise in retail, private banking, and commercial banking

**Egypt:** Maintain growth momentum, continuous focus on risk

**UAE:** Grow selectively; focus on diversification/synergy benefits

**Cross-group:** Leverage synergies across network



### Sustain & De-Risk

#### Risk strategy & appetite:

Develop commensurate risk appetite enabling prudent growth across geographies, sectors & products

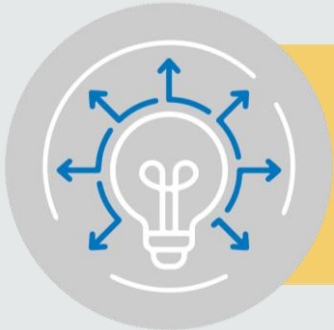
#### Next-gen risk capabilities:

Revamp risk processes & tools and leverage data & advance analytics to enhance effectiveness and efficiency


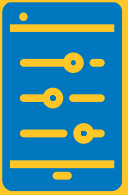

#### Efficient capital & liquidity management:

Deploy efficient capital and funding supporting our growth ambitions

# ABK'S STRATEGIC PRIORITY AREAS



**Core enablers areas:  
Innovate & Enable**

	<p><b>Digital &amp; Advanced Analytics transformation:</b> Implement comprehensive digital and advanced analytics roadmap focused on customer experience as well as efficiency gains</p>
	<p><b>Technology &amp; operational excellence</b> Build modern, agile, and secure IT function, unlock efficiencies through disciplined spend management and structural operating model shifts</p>
	<p><b>Winning talent &amp; culture:</b> Maintain a winning &amp; performance culture, develop &amp; retain talent (incl. digital talent), nurture future Kuwaiti leaders</p>

# OVERVIEW OF ABK'S BUSINESS SEGMENTS



## Commercial Banking

A holistic range of various cash & non-cash facilities to local and international entities.



## Retail Banking

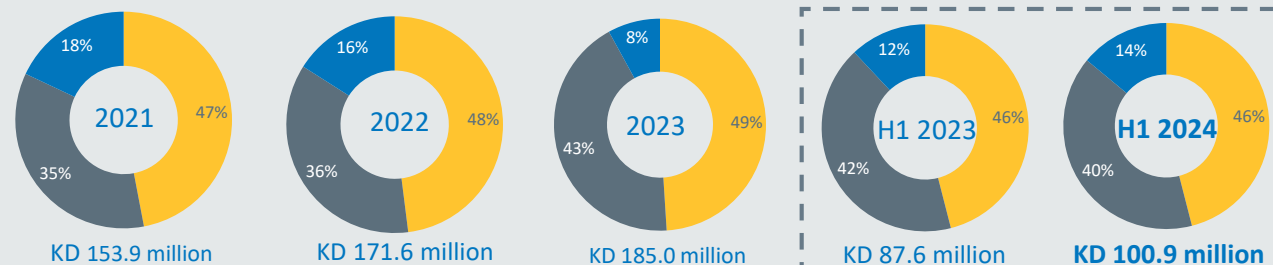
Full set of retail banking products and services including loans, credit cards, deposits, and digital solutions.



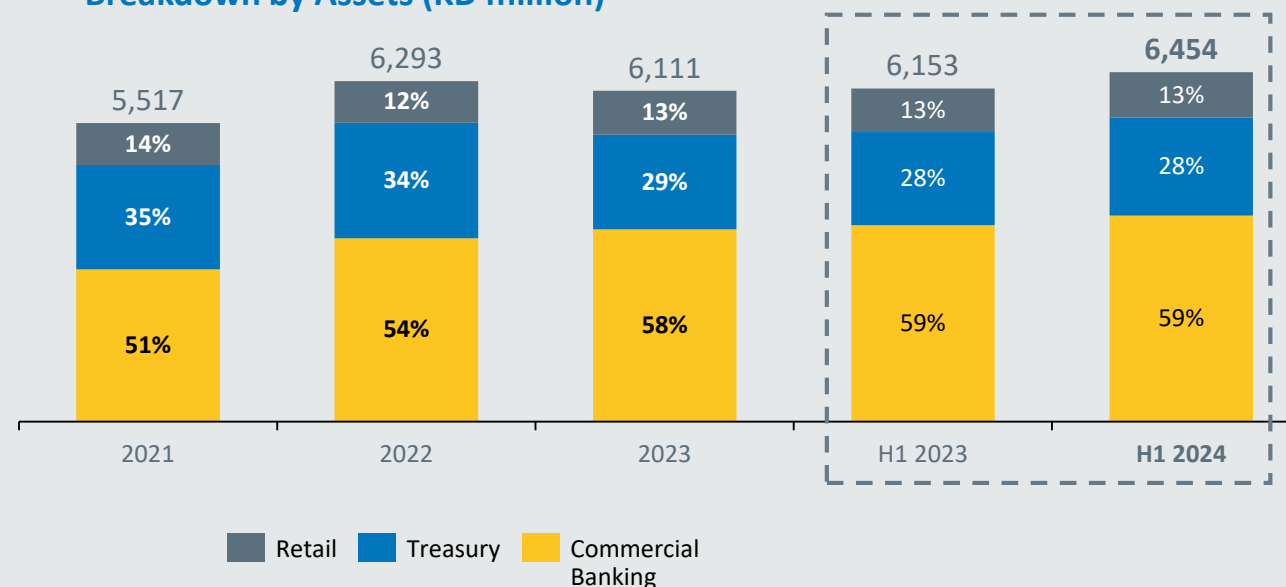
## Treasury & Investment

Treasury services provided to customers includes money market transactions, foreign exchange transactions including derivatives and fixed income transactions under the investment activities.

### Breakdown by Operating Income



### Breakdown by Assets (KD million)



# COMMERCIAL AND RETAIL BANKING



## Commercial Banking

### Corporate Banking

- Split into 2 divisions (Corporate Banking & Structured Finance), 10 specialized business units
- Offering a wide & broad spectrum of financial products and services to local & international entities in various sectors

### International Banking

- Operations from the Group's Head Office in Kuwait is responsible for the Bank's relationship with major international banks and correspondent banks around the world, including the Nostro and Vostro accounts for and within the Group
- The international banking division manages the Group's institutional and multi-national corporate loan portfolio through relationship managers



## Retail Banking

- Offers its customers with best-in-class & secure retail products and services through its integrated distribution network, comprising 29 branches and a direct sales force, as well as simple, secure and accessible digital banking solutions.

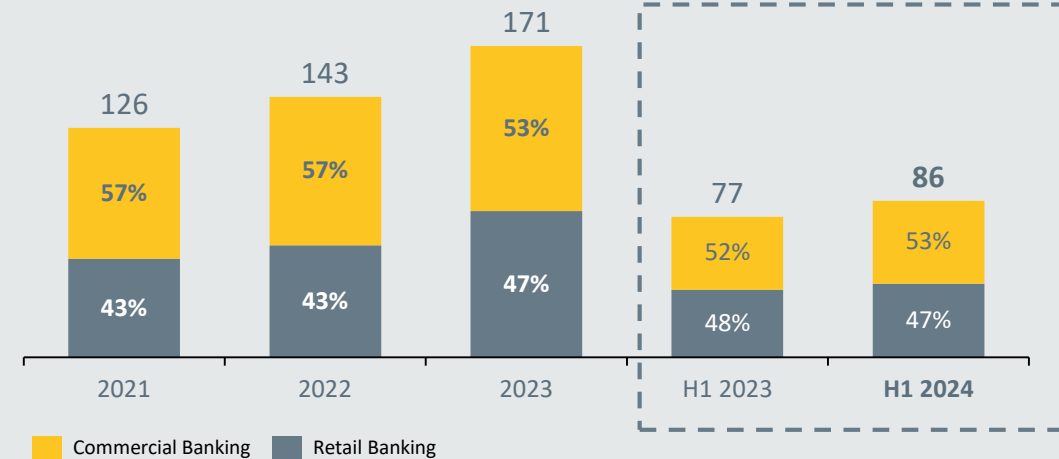
### Key Stats – Kuwait

29 branches – Including a fully digitized branch, 136 ATMs & 3 ITMs (interactive teller machines) as of Jun-24

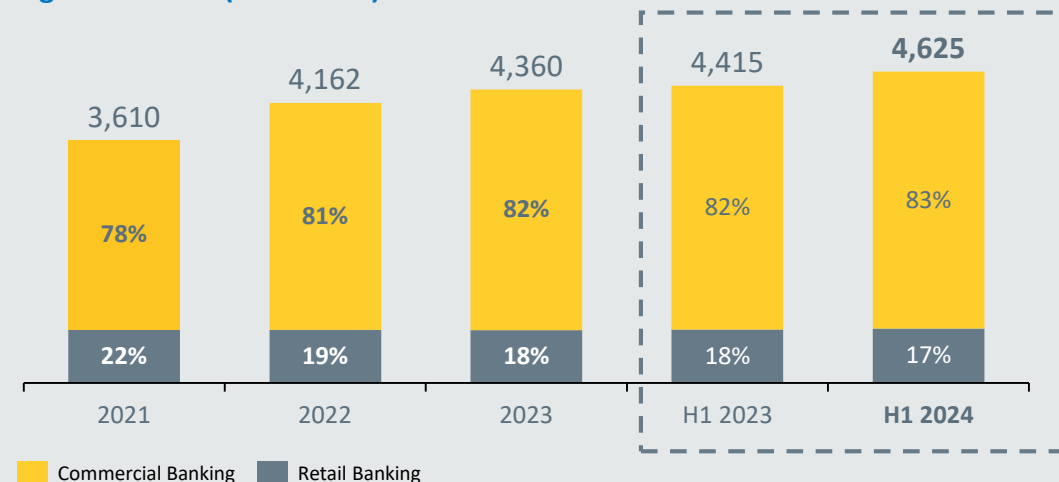
### Key Stats – Egypt

45 branches and 117 ATMs across major cities as of Jun-24

Operating Income (KD million)



Segment Assets (KD million)



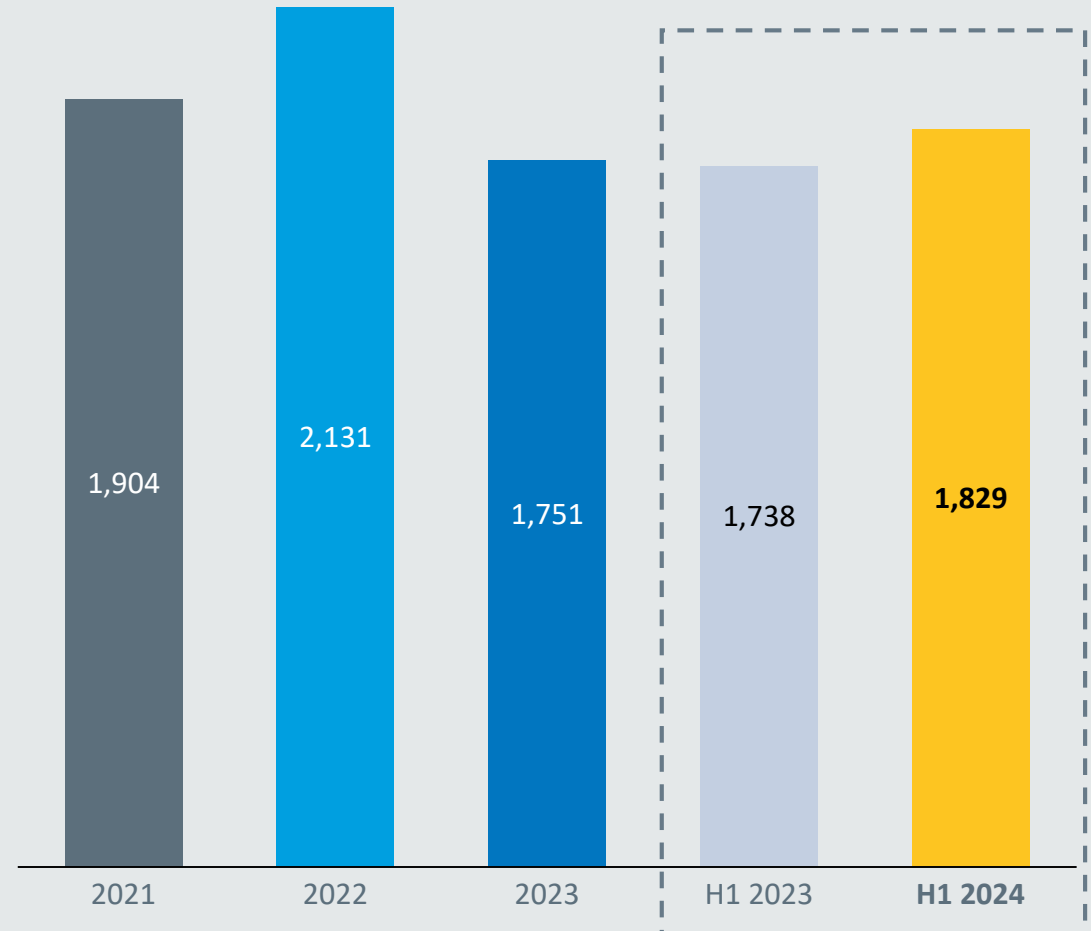
# TREASURY & INVESTMENTS



## Treasury & Investment

- The Group's Treasury manages the Group's assets and liabilities and liquidity requirements under the supervision of the Asset and Liabilities Committee (ALCO)
- Manages the money market books and money market funding positions for the Group's own account to fund its domestic and international foreign-currency assets
- Undertakes a range of foreign exchange business, across both spot and forward markets, largely on behalf of the Group's customer base, and conducts a limited amount of proprietary foreign exchange trading within the constraints of what the Group considers to be prudent risk guidelines
- Maintains a portfolio of government treasury bills and bonds to meet relevant regulatory requirements and to manage surplus domestic currency liquidity
- The Group's investment unit is responsible for managing the Group's fixed income portfolio with the objective of realizing income while minimizing the risk of default

Segment Assets (KD million)



# INTERNATIONAL OPERATIONS

*The Group's International operations encompass the operations of its UAE branches & its ABK Egypt subsidiary contributing around 46% of operating income & 35% of assets*



## Al Ahli Bank of Kuwait – UAE

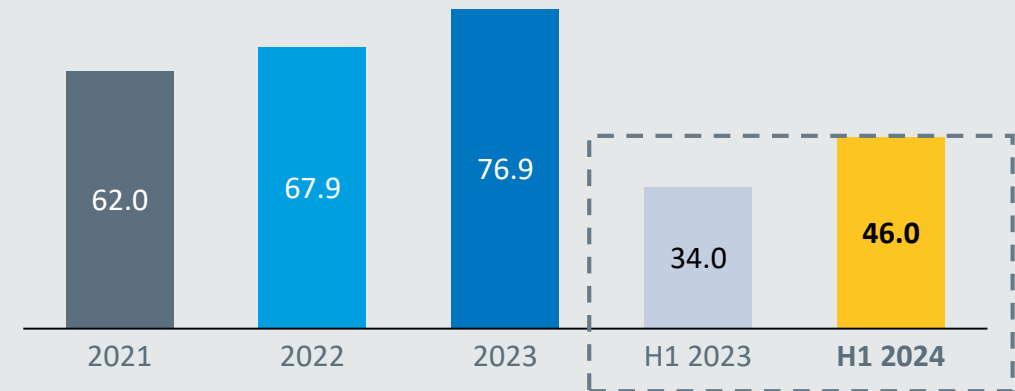
- First Kuwaiti Bank in the UAE and currently has three branches, located in Dubai, Abu Dhabi and DIFC, respectively
- Operating for over 40 years in Dubai where its Branch was originally opened to support the needs of Kuwaiti businesses in Dubai
- Abu Dhabi Branch opened in 2009, since then the Group has expanded its UAE activities to provide retail deposit taking services to customers in the UAE, as well as a range of financing and treasury solutions to corporate customers
- DIFC Branch opened in Apr-18 and was granted the Category 1 license in Jan-22



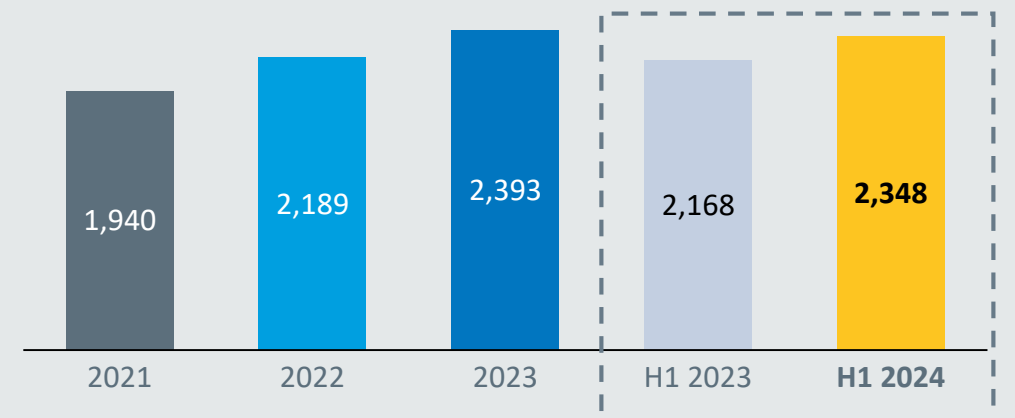
## Al Ahli Bank of Kuwait – Egypt

- Acquired in Nov-15, since renamed Al Ahli Bank of Kuwait – Egypt
- Provides revenue and asset diversification and an opportunity to leverage economic links between Kuwait and Egypt
- Higher margins and growth rate potential in Egypt vis-à-vis Kuwait
- 45 branches and 117 ATMS spread across major cities in Egypt as of Jun-2024

Operating Income (KD million)



Total Assets (KD million)



# ABK SUSTAINABILITY FRAMEWORKS



## Main Reporting Framework Global Reporting Initiative

- A sustainability reporting standard widely used by various organizations around the world
- It is composed of a set of universal standards (general disclosures), as well as topic-specific standard disclosures

## GHG protocol

- Is a standardized framework for organizations to measure, manage and report their greenhouse gas emissions



## International Framework for Sustainability

- The United Nations Sustainable Development Goals (SDGs) consists of 17 goals which cover the following dimensions:
  - Economy
  - Environment
  - Community
  - Labor rights
  - Equality



## International ESG Rating

- ESG rating agencies assess and rate organizations' ESG performance and investments based on information provided in the public domain or by the organization itself.
- Assessments are quantified into annual scores using unique frameworks and criteria.
- The scores provide investors with insights on how well an organization is managing its ESG performance and risks.



## Kuwait Frameworks for Sustainability Kuwait National Development Plan (KNDP)

- Economic diversification
- Infrastructure development
- Human capital development
- Environmental sustainability
- Governance & institutional reform
- Social development

# ABK SUSTAINABILITY

## 2022 REPORT HIGHLIGHTS



### Customers at Our Zenith

- 87.5% Customer Satisfaction Index (CSI)
- 12 branches with special needs support
- 50% Net Promoter Score (NPS)



### Invested in Our People

- 131,395 total training hours provided
- 30.7% YOY increase in fresh graduate hires



### Committed to Gender Diversity

- 38% female employees (13.8% YOY)
- 31% females in management positions (18% YOY)



### Invested in Local Procurement

- 80.6% of total procurement expenditure allocated to local supplier
- Cut procurement expenditure by 35.4% YOY



### Dedicated to Our Community

- A total of KD 218,974.12 invested



### Supported Community Economic Development

- 24.9% YOY increase in SME loans
- 14.9% YOY increase in workforce



### Monitored Electricity Consumption

- 8,585.0 kWh electricity intensity/employee



### Invested in Digital Transformation

- 70% of total online transfers were made through the mobile banking application in 2022



### Diverted Waste from Landfills

- 91.7% of paper waste recycled at ABK-Kuwait
- 100% of paper waste recycled at ABK-Egypt



### Monitored Water Consumption

- 114,641,392.4 liters
- 49,223.4 liters/employee

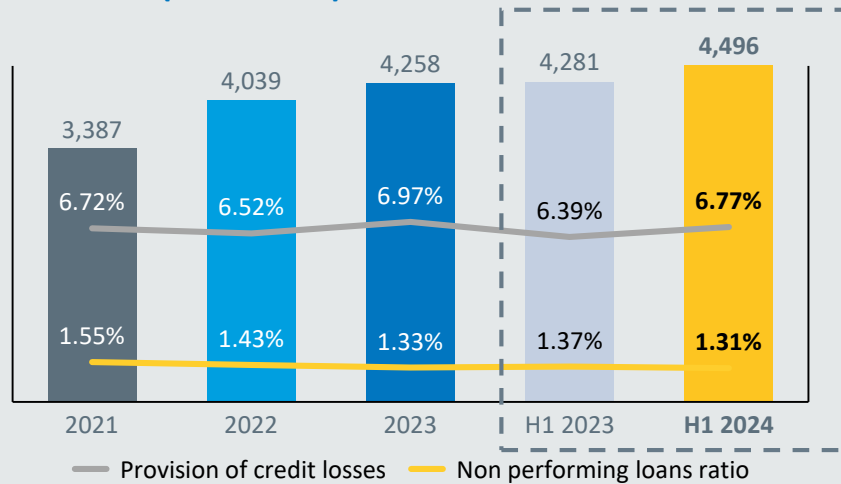


### Measured our GHG Emissions

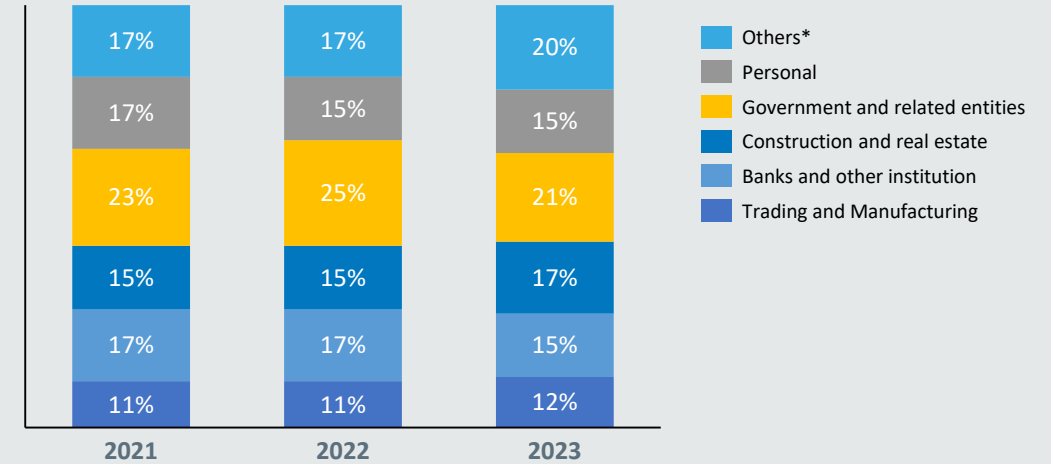
- Total: 13,709,977.6 kgCO<sub>2</sub>e
- Scope 1: 592,483.0 kgCO<sub>2</sub>e
- Scope 2: 12,119,331.2 kgCO<sub>2</sub>e
- Scope 3: 998,163.4 kgCO<sub>2</sub>e

# LOANS, PORTFOLIO, FUNDING AND LIQUIDITY

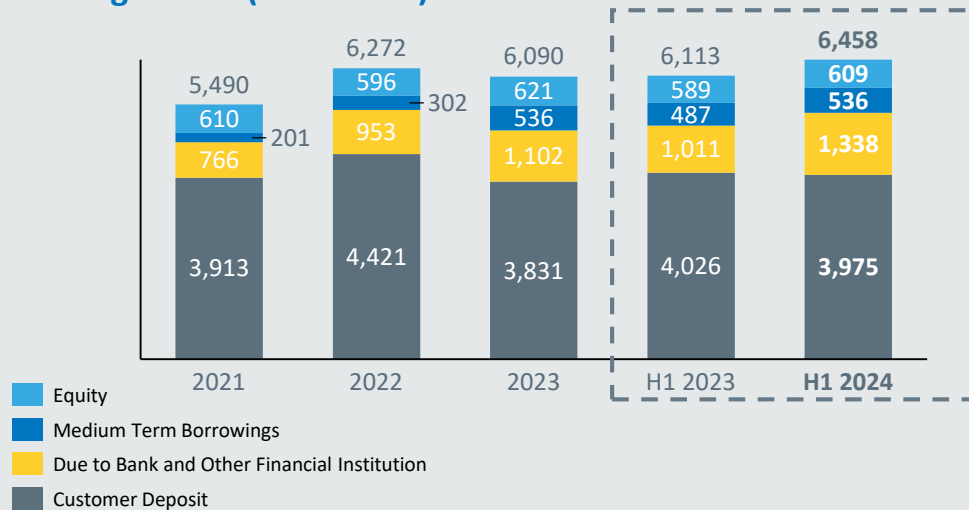
### Loan Portfolio (KD million)



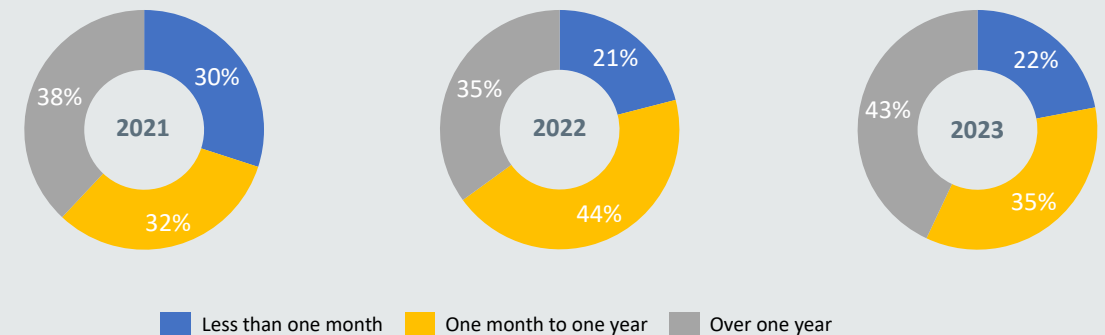
### Gross Maximum Exposure by Credit Risk



### Funding Profile (KD million)



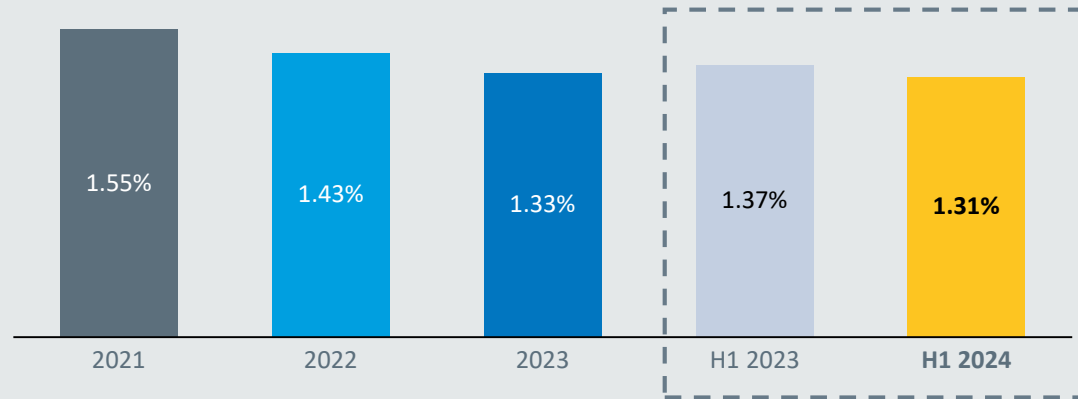
### Maturity Profile for Liabilities



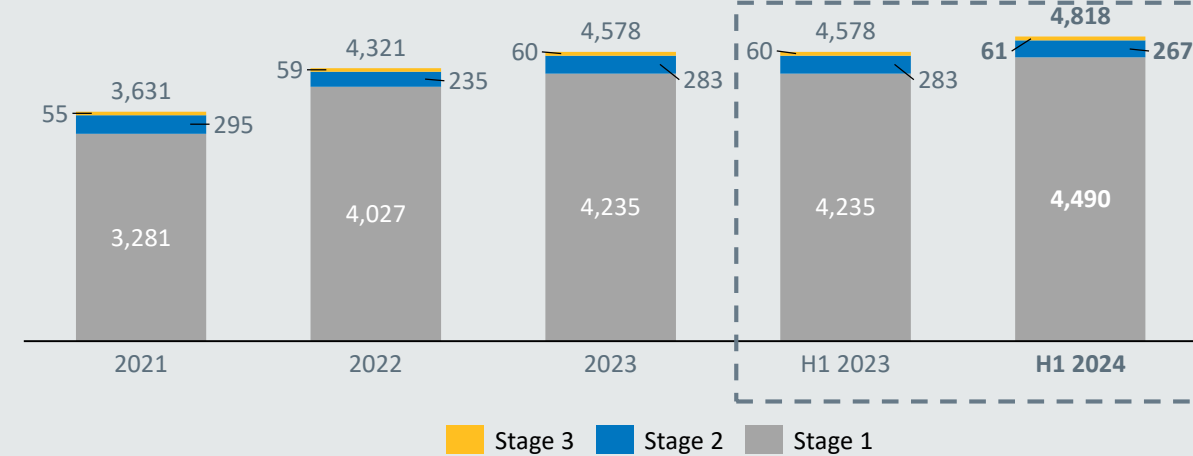
\*Others: include Crude oil & gas, Agriculture, Public utilities and Other services

# ASSET QUALITY OVERVIEW

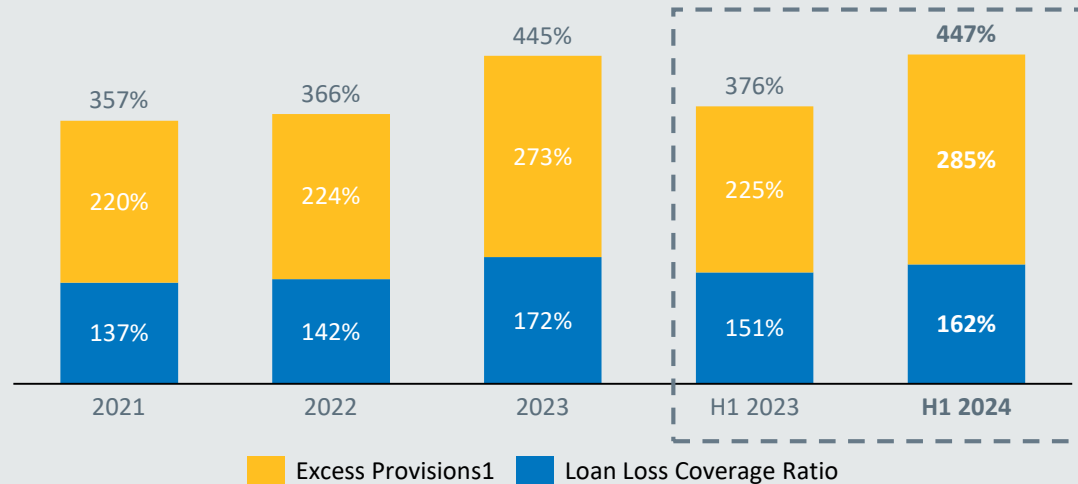
### Non-Performing Loan Ratio (%)



### Stage-wise Breakdown of Gross Loans (KD million, %)



### Loan Loss Coverage Ratio and Excess Provisions (%)



- Expected credit losses on credit facilities determined under IFRS 9 according to the CBK guidelines amounted to KD 126Mn, which is KD 221Mn lower than the provision of KD 347Mn for credit losses under CBK Instructions
- Impairment of credit facilities are recognized at higher of ECL on credit facilities under IFRS9 according to CBK guidelines or the provisions required by CBK instructions relating to classification of credit facilities and calculation of provisions

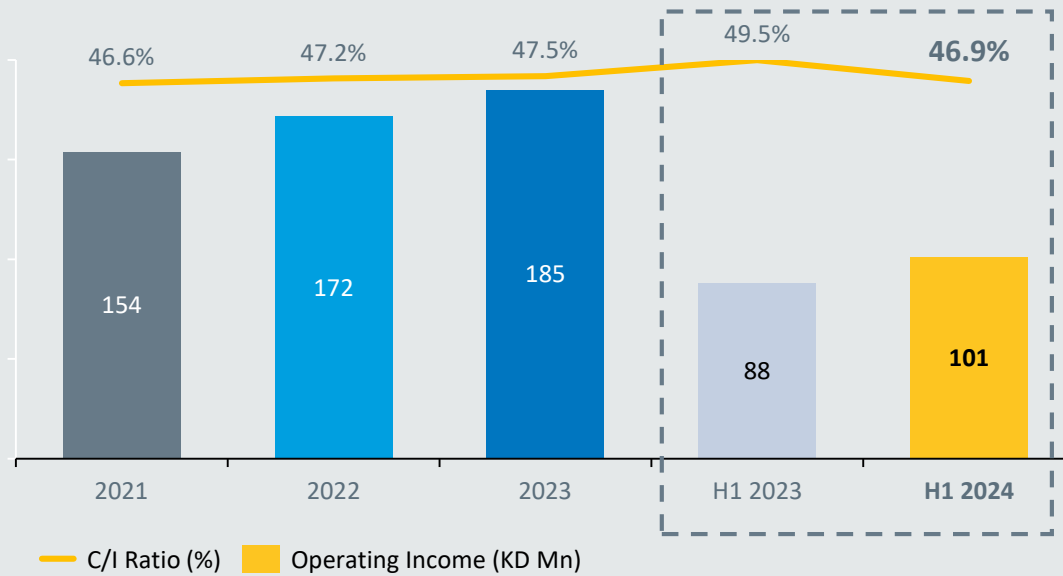
## SECTION 4

# FINANCIAL PERFORMANCE HIGHLIGHTS

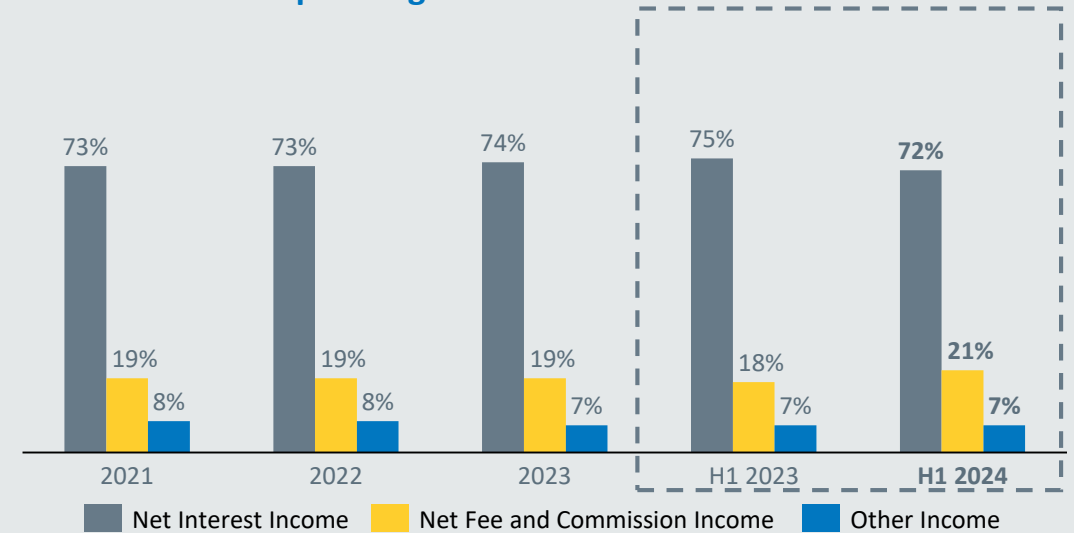


# OPERATING PERFORMANCE

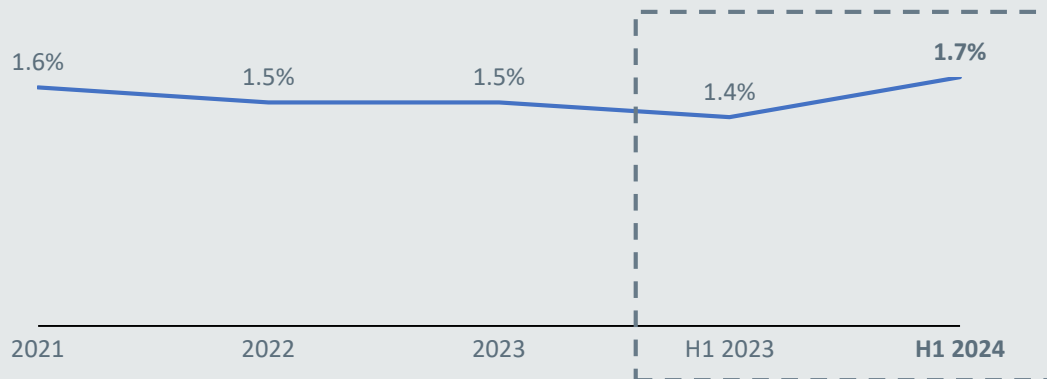
Operating Income (KD million) & Cost to Income (%)



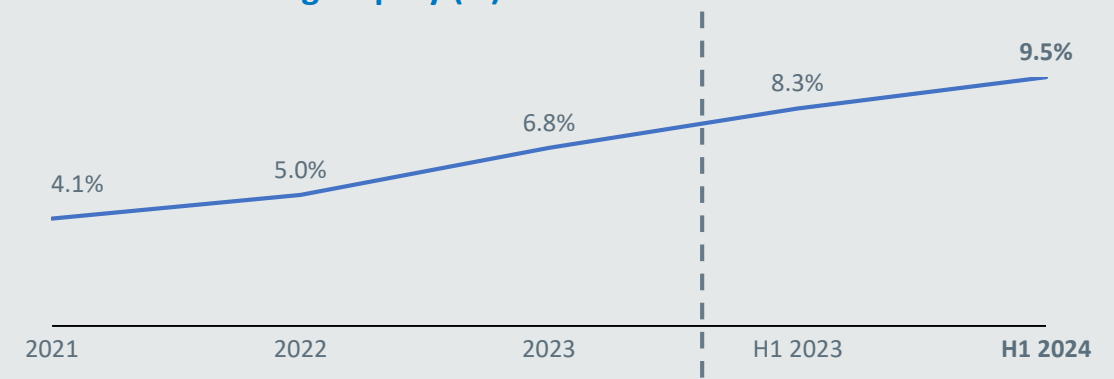
Breakdown of Operating Income



Operating Profit / Average Assets (%)

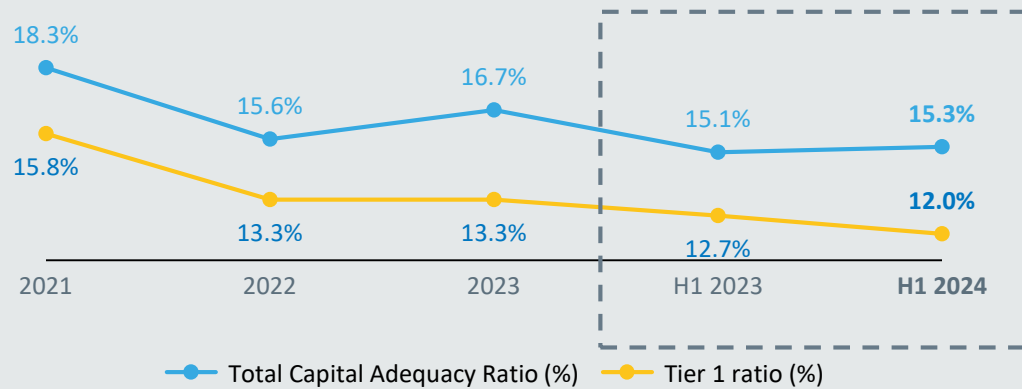


Return on Average Equity (%)

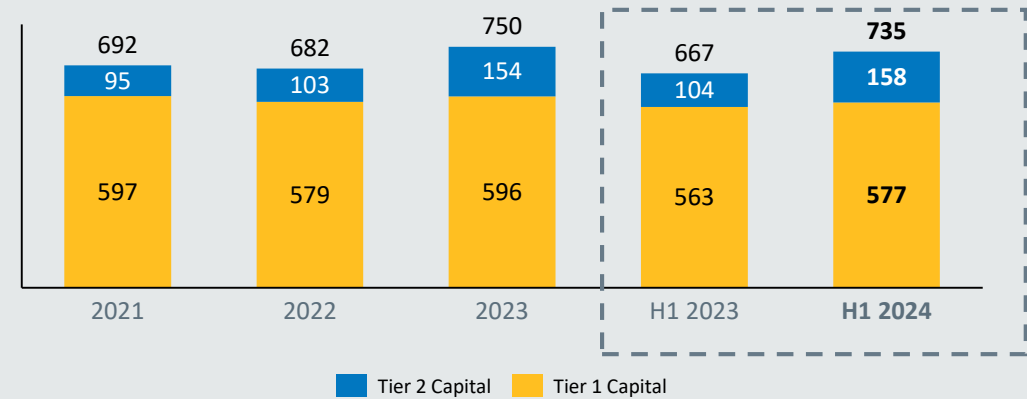


# CAPITALISATION OVERVIEW

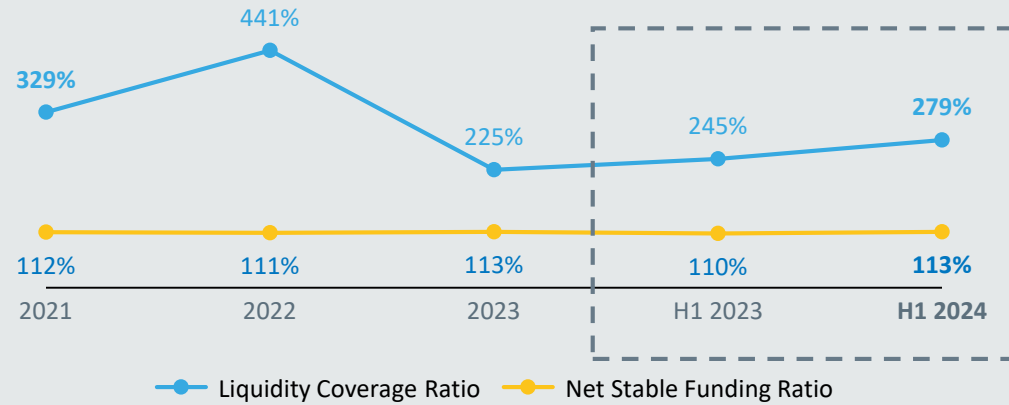
### Tier 1 Ratio and Capital Adequacy Ratio (%)



### Regulatory Capital (KD'Mn)



### Net Stable Funding Ratio and Liquidity Coverage Ratio



### Key Central Bank of Kuwait Regulations & Requirements

Common Equity Tier 1	9.50%
Tier 1 Capital Ratio	11%
Capital Adequacy Ratio	13%
D-SIB surcharge	0.50%
Net Stable Funding Ratio	Equal to at least 100% on an ongoing basis effective from 1st January 2018
Liquidity Coverage Ratio	Minimum of 100%
Loan to Deposit Ratio	Capped at 90%
Investment Limits	Total ratio of securities portfolio excluding fixed income securities shouldn't exceed 50% of bank's capital base

SECTION 5

# APPENDIX



# BALANCE SHEET

BASED ON CONSOLIDATED IFRS FINANCIALS

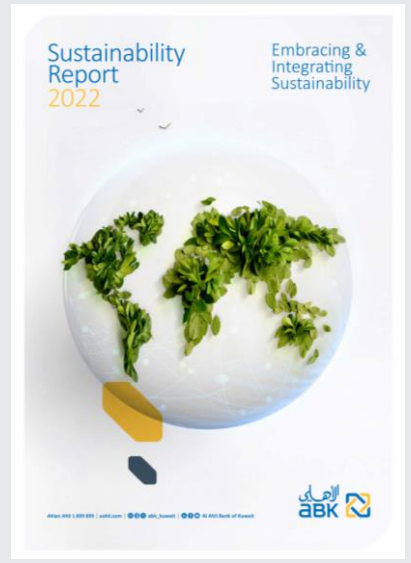
KD'000	2021	2022	2023	H1 2023	H1 2024
<b>Assets</b>					
Cash and balances with banks	1,147,795	1,138,750	691,432	795,612	790,624
Kuwait Government Treasury bonds	54,500	20,500	17,500	20,500	10,000
Central Bank of Kuwait bonds	139,101	167,884	163,712	171,050	149,621
Loans and advances	3,387,000	4,038,940	4,257,708	4,280,843	4,496,263
Investment Securities	653,482	797,363	900,812	757,133	918,711
Investment in Associate	26,952	29,376	31,228	29,889	31,728
Premises and equipment	60,275	56,706	107,065	54,795	103,527
Intangible Assets	17,960	11,406	8,855	8,947	5,699
Other assets	140,273	161,175	110,933	164,363	132,082
<b>Total Assets</b>	<b>5,627,338</b>	<b>6,422,100</b>	<b>6,289,245</b>	<b>6,283,132</b>	<b>6,638,255</b>
<b>Liabilities and shareholders' equity</b>					
<b>Liabilities</b>					
Due to banks and other financial institutions	765,617	952,959	1,101,754	1,010,855	1,337,964
Customer's deposits	3,913,337	4,421,247	3,830,891	4,026,445	3,974,836
Medium-term borrowings	200,636	302,218	536,401	487,116	536,328
Other liabilities	137,463	149,685	199,347	169,395	180,524
<b>Total liabilities</b>	<b>5,017,053</b>	<b>5,826,109</b>	<b>5,668,393</b>	<b>5,693,811</b>	<b>6,029,652</b>
<b>Shareholders' equity</b>					
Share Capital	170,012	178,513	237,439	187,439	249,311
Share premium	108,897	108,897	158,897	108,897	158,897
Treasury shares	(5,135)	(5,135)	(5,135)	(5,135)	(5,135)
Reserves	244,286	221,827	228,351	206,287	204,329
Equity attributable to shareholders of the Bank	518,060	504,102	619,552	497,488	607,402
Perpetual Tier 1 Capital Securities	90,750	90,750	-	90,750	-
Non-controlling interests	1,475	1,139	1,300	1,083	1,201
<b>Total equity</b>	<b>610,285</b>	<b>595,991</b>	<b>620,852</b>	<b>589,321</b>	<b>608,603</b>
<b>Total liabilities and shareholders' equity</b>	<b>5,627,338</b>	<b>6,422,100</b>	<b>6,289,245</b>	<b>6,283,132</b>	<b>6,638,255</b>

# INCOME STATEMENT

## BASED ON CONSOLIDATED IFRS FINANCIALS

KD'000	2021	2022	2023	H1 2023	H1 2024
Interest income	202,033	269,327	413,538	195,077	229,389
Interest expense	(89,538)	(143,950)	(276,146)	(129,767)	(157,006)
<b>Net Interest Income</b>	<b>112,495</b>	<b>125,377</b>	<b>137,392</b>	<b>65,310</b>	<b>72,383</b>
Fees and commissions	28,742	32,519	34,861	16,021	21,010
Net gains from dealing in foreign currencies	4,343	4,289	4,481	1,885	3,071
Gain/ (Loss) on sale of investments	2,049	1,907	1,222	200	432
Dividend income	1,072	1,638	1,638	1,187	1,399
Share of results of associates	2,427	3,382	3,053	1,714	1,940
Other income	2,735	2,455	2,376	1,309	701
<b>Operating Income</b>	<b>153,863</b>	<b>171,567</b>	<b>185,023</b>	<b>87,626</b>	<b>100,936</b>
Staff expenses	(38,855)	(45,830)	(48,414)	(23,937)	(25,706)
Other operating expenses	(26,140)	(28,121)	(33,669)	(16,497)	(18,908)
Depreciation and amortisation	(6,738)	(7,110)	(5,844)	(2,933)	(2,757)
<b>Operating expenses</b>	<b>(71,733)</b>	<b>(81,061)</b>	<b>(87,927)</b>	<b>(43,367)</b>	<b>(47,371)</b>
<b>Operating profit for the year</b>	<b>82,130</b>	<b>90,506</b>	<b>97,096</b>	<b>44,259</b>	<b>53,565</b>
Provision On					
Credit Facilities	(45,400)	(46,166)	(38,695)	(15,600)	(18,714)
Net (impairment)/release on investment securities and others	(350)	(1,262)	(814)	(377)	(269)
<b>Profit /(loss) for the year</b>	<b>36,380</b>	<b>43,078</b>	<b>57,587</b>	<b>28,282</b>	<b>34,582</b>
Directors' fee	(570)	(760)	(865)	-	-
Taxation	(8,415)	(9,940)	(11,275)	(4,231)	(5,336)
<b>Net Profit /(loss) for the year</b>	<b>27,395</b>	<b>32,378</b>	<b>45,447</b>	<b>24,051</b>	<b>29,246</b>
<b>Attributable to:</b>					
Shareholders of the Bank	27,212	32,291	45,185	23,908	29,055
Non controlling Interest	183	87	262	143	191
<b>EPS (fils)</b>	<b>12</b>	<b>13</b>	<b>19</b>	<b>10</b>	<b>12</b>

# ANNUAL REPORT





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