National Bank of Kuwait

FY 2020

Earnings Conference Call

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Edited transcript of National Bank of Kuwait earnings conference call that took place on Tuesday, February 2nd, 2021 at 15:00 Kuwait time.

Corporate participants:

Mr. Isam Al-Sager – Group CEO, NBK

Mr. Sujit Ronghe – Acting Group CFO, NBK

Mr. Amir Hanna – Head of Investor Relations and Corporate Communications, NBK

Chairperson:

Elena Sanchez – EFG Hermes

Operator: Good day and welcome to the National Bank of Kuwait 2020 results conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Elena Sanchez. Please go ahead now.

Elena Sanchez: Thank you and Good afternoon and good morning everyone. This is Elena Sanchez and on behalf of EFG Hermes, I would like to welcome you all to the National Bank of Kuwait 4Q 2020 results conference call. It is a pleasure to have with us in the call today Mr. Isam Al-Sager, NBK Group CEO, Mr. Sujit Ronghe, NBK Acting Group CFO and Mr. Amir Hanna, Head of Investor Relations and Corporate Communications at NBK. At this time, I would like to handover the call now to Mr. Amir Hanna.

Thank you.

Amir Hanna: Thank you Elena.

Good afternoon everyone. We are glad to have you today on our FY 2020 earnings webcast.

Before we start, 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 expectations 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. You are cautioned not to rely on such forward-looking statements. 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 statements made herein. Also I would like to refer you to the full disclaimer in our presentation for today's call.

We will answer your questions after management's presentation and in the order they are received. Also, You can send any follow-up questions to our Investor Relations email address. Finally and for your convenience, today's presentation is already available on our Investor Relations website.

We have with us today Mr. Isam Al-Sager, our Group CEO, as well as Mr. Sujit Ronghe, our Acting Group CFO. Now let me handover the call to Mr. Isam Al-Sager, our Group CEO, for his opening remarks.

Isam Al Sager: Thank you Amir

Good afternoon and welcome to NBK's earnings call for the year ended 31 December 2020. Thank you for joining us today. I hope you and your loved ones are keeping safe as we continue to navigate these unpredictable times.

As you are aware, the global economic outlook remains uncertain, with the impact of Covid-19 expected to carry well into 2021. All markets are affected, and Kuwait and the Middle East are no exceptions.

In light of exceptionally challenging conditions, Group performance has come under pressure, but ultimately held up well. NBK demonstrated the strength and resilience of its business model as we moved to navigate the headwinds of the pandemic. Our strong digital capabilities were critical for ensuring the agility of operations with minimal disruption to services, enabling us to maintain progress towards most of our strategic goals. From the outset of the lockdown period, which was followed by gradual easing of restrictions on movement and business activities, measures were taken to ensure social distancing and safe working conditions for customers and staff, and the acceleration of a growing range of digital channels to enable back-end and customer-facing operations to move online.

As such, we are pleased with our reported results. We made considerable efforts to maintain a healthy balance sheet, and succeeded in doing so. Unsurprisingly, profitability came down because of low interest rate environment and higher precautionary provisions but we are cautiously confident that for 2021 we will see improved trends.

For 2020, we have reported a net profit of KD 246.3 million, a drop of 38.6% compared to last year. The Board of Directors has proposed a cash dividend of 20 fils per share, in addition to 5% bonus shares, subject to the approval of the general assembly. It is a source of pride for the Bank that we are in a position, despite the circumstances, to continue returning profits to our shareholders.

With a view to the year ahead, we will focus on exploiting our diverse geographic presence to reinforce profitability. In the MENA region, we will look to grow organically in key markets, in particular Egypt and Saudi Arabia. In Egypt, there are compelling retail and wholesale opportunities that we are very well positioned to seize while in Saudi Arabia, our wealth management proposition has generated strong momentum. In Kuwait, growth in Islamic banking through Boubyan Bank remains an important driver for earnings diversification.

The Digital Transformation programme will continue at pace, in our effort to achieve regional leadership in digital banking. This will improve the efficiency of operations, and help us cut down growth in costs. For our customers, our commitment to enhancing online and mobile banking channels will lead to a more holistic and seamless journey, enabling us to cater to a wider clientele. It was clear in 2020 that digital channels were critical for the Bank's resilience to the pandemic.

We intend to maintain our conservative approach to risk, and continue to provide for uncertainty across sectors. This will help us position ourselves for an eventual return to more normal levels of economic activity and demand for credit. We will also continue to monitor costs, as this discipline has already enabled us to maintain operating expenses at an appropriate level.

I will finish by saying that NBK *still* benefits from a dynamic business model and strategy, supported by a strong balance sheet, healthy asset quality and comfortable liquidity levels. These characteristics have not changed, and will support us in withstanding the current crisis as we seek to return to profitable growth.

I will now hand over to my colleague, Sujit Ronghe, our Acting Group CFO, who will take you through our financials in more detail.

Please go ahead Sujit.

Sujit Ronghe: Thank you Mr. Isam.

Hello everyone, and welcome.

I am very pleased to have this opportunity to take you through our results in respect of the year ended 31 December 2020.

We have announced a net profit of KD246.3m for the year 2020. This is a 38.6% decrease in bottom line profit over 2019, while the operating surplus i.e. pre-provision and pre-tax profit fell by 10.2%.

You will note in following slides that the Group has yet again demonstrated the strength of its core franchise, a healthy balance sheet, benefits of geographic diversification and that of its unique ability to operate in conventional and Islamic banking streams.

As we know, the ongoing Covid-19 pandemic and the resulting shut downs, travel restrictions etc. adversely affected business activities across many industries, including Banking and FSI. Also lower oil prices, a depressed non-oil economic activity and a widening budget deficit affected Kuwait's macro-economic environment in 2020. The partial opening up of economies in the latter part of third quarter of the year resulted in a small improvement in the operating environment but an atmosphere of overall uncertainty with respect to the pandemic still prevails.

Now to the financial results for year 2020.

At first, I would like to mention here that during the first quarter of 2020, the Group, through its subsidiary Boubyan Bank, increased its ownership in the Bank of London Middle East (BLME) from 27.9% to 71.1%. The Group's 2020 financial results include the first time consolidation of BLME. At acquisition, BLME contributed KD538m and KD616m to Group's lending and total assets respectively.

I will now discuss the operating performance and financial results for the year 2020.

As profiled at the top left of slide number 9, net profit for year 2020 at KD246.3m was resilient despite the uniquely challenging business environment. We saw a significant drop in benchmark interest rates, lower economic activity which affected business volumes and elevated cost of risk. The 38.6% decline in net profit over the previous year stems from a lower operating surplus and higher provisions and impairments.

The profit for Q420 was KD77.7m. This compares with the Q320 profit of KD57.6m, an increase of 34.9% resulting from a lower cost of risk during the fourth quarter. The quarter four net profit was 21.6% lower than the corresponding quarter in 2019.

The Group's operating surplus shown on top right of this slide for 2020 was KD530.9m, a 10.2% decrease on 2019. Income dropped during the year by 5.9%, whilst cost growth was at 2.4%.

As regards quarterly performance, operating surplus for the Q420 was KD124.6m. This was KD21.4m i.e. 14.7% lower than that of Q320 due increased costs and lower income. The previous quarter benefited from higher other non-interest income, a significant part of which did not repeat in fourth quarter. Q420 operating surplus was KD15.7m i.e. 11.2% lower than the comparable quarter in 2019.

Moving now to operating income at the bottom left of the slide. Operating income for 2020 at KD842.5m, although 5.9% lower than 2019, has been resilient through these unprecedented times. An 8.1% decrease in the net interest income together with lower fees and a lower investment income adversely affected the year's operating income.

Operating income in respect of Q420 was KD210.1m, KD7.8m lower than the preceding quarter, which included the one off other non-interest income. I will go into the main drivers behind the movements in income, margins and costs in our later charts.

The operating income mix is profiled at the bottom right hand side of this slide. 75% of total operating income is in respect of net interest income and 25% from non-interest income sources. This compares with a mix of 77% and 23% in 2019.

Moving on now to the next slide.

Here we will look at net interest income and drivers behind its performance.

The chart on the top left reflects net interest income of KD633.5m for the year 2020, which was 8.1% down on KD689.2m for 2019. Net interest income although adversely impacted by the significant drop in interest rates has been reasonably resilient through this challenging period. In Kuwait, the Central Bank of Kuwait Discount Rate dropped by 150bps from October 2019 levels. The resultant drop in margins was in part offset by growth in loans and investments volumes.

Net interest income for the Q420, at KD160.9m was 4.4% in excess of the preceding quarter, but 6.6% down on Q419.

Interest earning assets averaged KD28.6bn during 2020. This was a 6.3% increase over the prior year's number. The increased interest earning assets essentially apart from BLME consolidation reflected the growth in lending and investment portfolios, details of which we will look at shortly.

As just mentioned, we experienced a contraction in our net interest margin vis a vis 2019. This was in part due to the timing effect on our book in respect of the significant decrease in the local discount rate that occurred towards the end of Q120. Our margins typically fall relatively quickly in a declining interest rate cycle due to the repricing characteristics of our book whilst awaiting the lagged impact of lower funding costs to take full effect.

At the bottom left hand of this slide you will see that the net interest margin averaged 2.21% during 2020. This compares to an average margin of 2.56% for 2019. Q420 NIM at 2.22% improved over the previous quarter (2.13%) but was significantly lower than Q419 reflecting the sudden drop in benchmark interest rates towards the end of Q120.

The Group's average yield for the year 2020 was 3.43%, compared to 4.45% in 2019. The Group's funding cost averaged 1.39% during the year, as compared to 2.14% in 2019. Group's yield and funding costs for Q420 stood at 3.08% and 0.98% respectively.

At the bottom right hand side of this slide, we can see the constituent drivers that moved the average NIM downwards by 35bps, to 2.21% in 2020 from 2.56% in 2019. The decrease in benchmark interest rates adversely affected the NIM by 105bps due to the combined movements attaching to loans and other assets, whilst the lower cost of funding improved the NIM to the extent of 70bps.

Moving on now to the next slide.

I will first address the Group's non-interest income at top left of this slide.

Total non-interest income for 2020 was KD209.1m, slightly ahead by 1.3% than that of 2019. Fees and commissions income and Fx income streams were negatively impacted due to slower pace of economic activity following a significant period of shutdown since mid-March. Similarly, lower mark-to-market valuations adversely affected investment income (included in other non-interest income). However, at KD24.9m, other non-interest income as a whole was strong, benefitting from sale of properties, primarily the KD9.9m gain on the sale of NBK's earlier head office (in Q3 2020) and KD11.8m Covid-19 related support received from Governments.

The composition of the KD209.1m total non-interest income was KD146.0m in respect of fees and commissions income, KD38.2m in respect of foreign exchange activities and a net KD24.9m from other non-interest income sources. Fees and commissions income was 7.1% lower than 2019 reflecting the slowdown in operating environment during majority of 2020.

Total non-interest income for Q420 at KD49.2m, was lower than that of the previous quarter, which included the gain on sale of head office building as mentioned earlier.

Our fees and commissions have been solid given the backdrop of challenging conditions and is from a well-diversified pool of geographies and lines of business. It is important to note that our major source of non-interest income is core-banking activities in respect of business related factors as opposed to a more volatile income from trading activities.

Turning now to operating expenses reflected at the top right hand chart. Total operating expenses in year 2020 were KD311.6m. This compares with KD304.3m in 2019, an increase of 2.4%.

This is a modest growth resulting from our actions to realign costs to reflect the lower levels of economic activity, albeit cost reduction will not entirely offset lower levels of income. Current year costs also includes COVID related contributions, BLME consolidation and impact of ongoing expansions in some of our key business.

It is also important to note that the commencement of depreciation charge in respect of our New HQ and the fuller impact of commissioning our state of the art data center, have also contributed to the increase in costs.

Moving on to quarterly operating expenses, I would like to highlight that at KD85.5m, total costs in Q420 are KD13.7m in excess of the preceding quarter. Increased scale of business activity in Q420 resulted in a pick-up in operating spends and higher staff costs, mainly due to different variable pay components.

It would be pertinent to mention here that the Group continues to invest in its businesses (both front & back end technologies) and processes. This enables the Group to offer best in class service to its customers and optimize resources to improve operational efficiency.

The payback from our digital investments was evidenced during the crisis as our digital channels played a vital role in servicing customers, with electronic transactions reaching record highs, a trend that we see continuing even after the partial commencement of economic activities. We continue to press ahead with select product offerings in certain geographies e.g. Wealth Management business in Saudi Arabia, expansion of our Islamic banking operations at Boubyan Bank and our operations at NBK Egypt.

To conclude on the subject of costs, our cost to income ratio is at 37.0%, impacted by the lower income resulting from the rapid drop in interest rates in March 2020 and a slower pace of economic activity during the current year.

Moving on to provisions and impairments profiled on the bottom right hand side of the slide.

Total provisions and impairments for 2020 amounted to KD246.4m, a 90.0% increase from KD129.7m in 2019. Credit provisions for the period at KD217.7m include amounts provided for corporate customers in Kuwait and overseas, Kuwait retail portfolio, and incorporates a prudently accelerated precautionary charge to cater to a potentially worsening credit quality due to the impact of Covid-19. KD28.7m of other impairment losses reflect notably ECL provisions in respect of our investment book to cater for the effects of volatility that may arise in anticipation of worsening macroeconomic factors due to the impact of Covid-19 and also in respect of our operations in Lebanon.

The aggressive credit provisioning in the current year at KD217.7m vs. charge of KD122.6m in 2019 has led to increase our cost of risk to 121bps from 74bps for the previous year.

Total provisions and impairment charge for Q420 was KD38.8m vs. KD81.0m in Q320 and KD25.1m in Q419.

It is worth noting that despite elevated levels of credit provisions and impairments, the Group's Balance Sheet remains strong with a stable credit quality. NBK's capital base along with the ability to generate healthy operating profits provides a strong credit loss-absorption capacity – we will shortly look at the capital ratios in the subsequent slides.

Moving now to the next slide.

On this slide, I would like to expand on the matter of earnings diversification through the International and Islamic banking arms of the Group.

NBK is unique amongst Kuwaiti banks in terms of its geographical spread of operations, also because of its ability to conduct business in both conventional banking and Islamic banking. This diversification gives a significant degree of resilience to Group earnings and provides what we consider a strong competitive advantage to the Group.

Looking firstly at diversification by geography.

Referring to the top left chart on the slide, operating income at KD206.1m from NBK's international operations was strong despite the prevailing conditions and reflected a decrease of 6.6% compared to KD220.7m in 2019. NBK's international operations contributed KD49.9m to the Group net profit compared to KD112.2m for 2019, primarily due to higher credit provisions and impairment charges.

You will find on the chart at the top right of this slide that despite the challenging business conditions, International operations continue to contribute a healthy 24% to the Group operating income compared to 25% during 2019. However, resulting from the significant increase in credit provisions and impairments as mentioned above, International's contribution to the Group net profit decreased to 20% as against 28% during 2019.

The Group's Islamic banking subsidiary Boubyan Bank delivered profits of KD34.4m for 2020, 45.1% lower than the previous year net profit of KD62.6m; due to increased credit provisioning. However, I would highlight that the operating surplus at Boubyan Bank has been strong with an increase of 9.9% compared to 2019.

Finally, on the chart at the bottom right corner, you will note that Boubyan's share of assets increased to 22% of the Group reflecting growth in loan and investment volumes, plus the consolidation of BLME. International operations contributed a steady share of 34% to Group assets, whereas conventional domestic operations contributed 44%.

Moving to the next slide.

Here we will look at some of the movements in key volumes during the period.

As profiled on the chart at top left, the Group total assets reached KD29.7bn at December 2020. This is a 1.5% increase on KD29.3bn assets at December 2019.

Group loans and advances as at December 2020 were KD17.5bn, an increase of KD1.0bn i.e. 5.7% over December 2019. Kuwait conventional business, Boubyan Bank and BLME consolidation were major contributors to the loan growth during 2020.

Customer Deposits (profiled at the bottom left chart), reached KD17.1bn in December 2020 and were KD1.2bn i.e. 7.4% ahead of December 2019 - just for purposes of clarity please note that customer deposits as defined here do not include deposits taken by the Group from financial institutions. This is in keeping with the presentation of customer deposits in our published financial statements.

An important underlying message here is that within the headline numbers we continued to see a favorable movement in the Groups overall funding mix. We experienced very strong growth in core franchise deposits, noting in particular excellent growth in deposits at the retail banking arms of the Group in Kuwait, both conventional and Islamic.

The growth in retail deposits reflects a sustained focus on the deposit gathering aspects of our business, leveraging NBK's long standing ability to capitalize on the Group's strong brand, customer appeal and credit ratings.

The Group's overall funding mix is profiled on the bottom right hand of this slide. Customer deposits now comprise 69% of the total mix, which is higher than the 65% at December 2019.

It would be worthwhile to note that a part of this significant growth stems from the limited spending opportunities for a major part of 2020 and the consumer loan-installment deferral. Further, the Group also retired relatively expensive institutional deposits, whilst maintaining strong liquidity levels.

I want to highlight that the Group, despite the relaxation offered by Central Bank of Kuwait was able to maintain originally mandated liquidity levels & Basel III ratios.

Additionally, in November 2020, the Bank further strengthened its capital position by successfully issuing Subordinated Tier 2 bonds of KD150m and US$300m with a tenor of up to 10 years. The Bank also exercised the call option to redeem Subordinated Tier 2 bonds of KD 125m issued in November 2015.

Moving now to the next slide

Here we will look at the impact that the 2020 financial results had on certain key performance metrics.

The Return on Average Equity for 2020 was 7.0% reflecting the impact of lower profit in the year vs. 12.3% for 2019.

Similarly, the Return on Average Assets was 0.82% vs. 1.42% for 2019.

Profitability ratios have been impacted by the unprecedented drop in margins and curtailed fee income opportunities, given the lower levels of economic activity and elevated cost of risk.

The Group reported a strong Capital Adequacy Ratio (profiled at bottom left of this slide) of 18.4% vs. 17.8% as at the previous year-end. The T1 capital ratio at December was 16.0%, whilst the CET 1 ratio was 13.6%.

As regards Capital, it is important to draw your attention to the consumer loan deferral program. All Kuwaiti banks implemented a program to postpone instalments on consumer & other instalment loans and credit cards for a period of six months effective April 2020 with cancellation of interest resulting from this deferral. The instalment deferral resulted in a loss of KD150m to the Group from the modification of contractual cash flows.

The Central Bank of Kuwait instructed banks to adjust the Day 1 modification loss through Equity. KD130m of this charge was attributable to shareholders equity after adjusting for the Group's holding in Boubyan Bank. This charge will be applied equally over 4 years starting 2021 for Capital Adequacy Ratio calculation purposes.

As regards asset quality, the NPL ratio increased from 1.10% in December 2019 to 1.72% at December 2020 given the aggressive credit provisioning referred to earlier. The loan loss coverage ratio of 220% at end of 2020 remains at comfortable levels. Now to the final slide in this section

Before concluding, allow me to quickly summarize the events that characterized our financial performance in 2020, and to comment on how 2021 might be expected to unfold.

The year 2020 had to bear unprecedented consequences of the sudden global spread of Covid-19 pandemic, resulting in wide spread lock-downs, a significantly reduced level of global economic activity and an atmosphere of general uncertainty. The steep decline in interest rates and consequently margins, lower fee income opportunities, together with a substantially increased cost of risk resulted in a 38.6% drop in the Group bottom-line.

This therefore is very much the prevailing context as we turn to expectations for 2021.

Although economic activity has partially resumed, continued increase in Covid-19 cases in many countries and consequent lock-downs etc. together with local uncertainties means that the operating environment remains challenging. Also, the current low interest rate environment is expected to remain unchanged during the coming year. This makes it difficult to provide a meaningful guidance on some of the key metrics. Of course, the guidance being provided is after due consideration as regards timing and other factors, which will get refined over time.

As regards loan growth. Loan growth in 2020 was 5.7%. We expect to see mid to high single digit growth for the full twelve-month period 2021.

The net interest margin averaged 2.21% in 2020 and was 2.22% for the Q420. With the interest rates environment more likely to remain unchanged, we expect the full year 2021 net interest margin to remain broadly at current level.

Our cost to income ratio averaged 37.0% in 2020. A challenging interest rate environment, the current macroeconomic situation, an increasingly competitive landscape, together with the continuation of our investment program in support of various Group initiatives will result in this ratio remaining in the high thirties.

Guidance on Cost of Risk is not included as although business and economic activities have partially resumed, the pandemic is not yet over and its global repercussions are still unfolding. Hence we are of the opinion that it is not prudent to give guidance on cost of risk and consequently on earnings / capital adequacy. We are however hopeful of maintaining capital adequacy ratios in line with our internal targets above the regulatory minimum.

That ends my presentation.

However, before handing back to Amir I would like to summarize by saying that the results for the year 2020 have been satisfying in light of the benign operating conditions and demonstrate the Bank's ability to withstand headwinds and uncertainties. The results reflect a resilient operating income, good growth in core franchise deposits and well-contained costs. Also, a healthy balance sheet, comfortable liquidity levels and a solid capital base have been a feature of NBK's 2020 results.

Looking ahead, the Group continues with its strategy of diversification, investing in people and emerging digital technologies, while selectively reinforcing its geographic footprint. We are hopeful of the Bank's ability to capitalize on its strengths and remain optimistic of a recovery in 2021, notwithstanding the various challenges and uncertainties.

Thank you very much for your time.

Back to Amir.

Amir Hanna: Thank you everyone for listening to the call and the management presentation.

We will break for a minute. We have some questions in but for the sake of time, we will group questions according to topics, so we can answer as many as possible. We will pause now and will be back to answer questions as we go.

We have many questions but half of them are revolving around the NIMs and the trends on yields and cost of funds.

I will leave the floor for Sujit to answer expectation of NIMs for next year and how the yields and cost of funds will be trending.

Sujit.

Sujit Ronghe: As we said, there was an improvement in the NIMs in the 4th quarter of the year. This is what we had expected; because of the way that our liability book is structured. Time deposits as and when they mature, especially the more expensive longer tenor ones booked last year got replaced by lower cost deposits and hence we saw that the funding costs improved remarkably in the 4th quarter of 2020.

That said, I think we have achieved the level of benefit in overall funding cost to a large scale. And we are not expecting a very large or any significant movement in the funding cost for the year 2021.

There could be a very small improvement, but we also need to look at NIM from the terms of yield and how yields will behave in 2021. Therefore, our NIMs on an overall basis, should remain around the levels that we saw during the last quarter of 2020.

Thus, we don't expect any major improvement in NIMs or any major dilutions in NIMs during 2021.

Amir Hanna: Also couple of questions on NPL trends in Q4 vs Q3 and the impact of that on improved provisioning trends in Q4

Isam Al-Sager: I would say that in the 2nd and 3rd quarter of 2020, there was a high level of uncertainty around the operating environment and the management took a very conservative view on the liquidity of some customers; which eventually led into building high provisioning buffers. Those are mostly specific provisioning towards these groups of clients; which in turn reflected towards easing provisioning for the 4th quarter. .

Overall, the provisions improved in the 4th quarter compared to the 2nd and 3rd during the year.

Amir Hanna: A question on the deferral of the corporate book and if the Bank is still offering it? What is the size of the deferrals so far?

Sujit Ronghe: As you know, there were two deferral schemes in place during the year 2020. One was on the consumer loans and credit cards , which was more at a portfolio level. The other one was on the corporate side of the business.

The corporate deferrals were different from the consumer deferrals because corporate deferrals were evaluated on a case by case basis unlike the consumer deferrals which was at the portfolio level.

Each and every corporate whom wanted to benefit from this deferral, had to apply to the Bank and the bank had the option to accept or reject the application. If approved, the interest was deferred for 2 quarters e.g. the first collection happening in 4Q2020 and the second to be collected by 1Q2021.

We have seen a part of the impact of deferrals on both consumer and corporate deferral schemes, and the repayments are per our expectations and we are not seeing any cause for concerns arising from these deferrals at this stage.

As for the size of corporate banking deferrals, they were not very significant, in fact they were lower than 5% of our overall corporate banking book and it did not have any material impact on the income for 2020.

Amir Hanna: A question on CASA deposits and its percentage of deposits.

Isam Al-Sager: Well, CASA deposits are around 40-50% of non-bank deposits; it depends on how we look at it.

Amir Hanna: Given the recent trends in the funding structure, how will your funding mix change in 2021?

Sujit Ronghe: We are not expecting any significant change in the funding mix in 2021. In 2020, we benefitted from higher growth in consumer and retail deposits; mainly CASA deposits. We have also seen in the last quarter despite the start of repayments and the economy starting to open up, the CASA deposits have remained stable and hope that this trend continues as the year progresses.

Amir Hanna: A question if there is an update on the debt law legislation?

Mr. Isam…

Isam Al-Sager: Well, we just have a new parliament that has been elected 2 months ago. I believe that sooner or later, the debt law has to be approved. It is more of a political decision that has to be taken by the parliament. In order to finance these mega projects, it is necessary that the government pushes for the approval of the debt law.

On the long term, I am very positive that it will be approved.

Amir Hanna: Questions are repeating so we are waiting for more questions to come in.

A question; could you please reiterate your announcement pertaining to dividends

Isam Al-Sager: As I mentioned we announced dividends of 20% cash and 5% stock dividend.

We expect our general assembly will take place during the first week of March, and the distribution should be around 4 weeks later; subject to acceleration of regulatory approvals.

Amir Hanna: There couple of questions on different stages of the loans under IFRS9 reporting. Apparently, we don't report IFRS9 accounts on the credit side, so none of those specifics are publicly available. We only report it to the regulator at this point.

Reversals in specific provision were attributable to which sector? Sujit

Sujit Ronghe: Reversals in specific provisions were not specifically attributable to a particular sector. They came from different sectors including retail and certain corporate sectors.

Amir Hanna: Has NBK started collecting fees on items that were suspended during COVID 19?

Sujit Ronghe: What has happened is that fees income would have restarted in terms of certain transactions types e.g. trade finance activity was very low during the pandemic lockdowns, which would have reconvened. The AUM activity which was low earlier, has restarted. These are the fee income lines along with credit card related fee income that we are expecting to benefit from in 2021.

Amir Hanna: Another question on margins, what drove the QoQ NIM jump in the last quarter?

Sujit Ronghe: As I mentioned it was primarily due to the maturity of long-term deposits that we have booked earlier. These deposits were replaced by shorter-term deposits at a lower rate. It is the way our book is structured, long-term deposits take some time to renew at lower rates and that is exactly what happened in Q4.

Amir Hanna: Are you still offering deferred loans to corporate customer on case-by-case basis?

Sujit Ronghe: Not really, the deferral was based on applications from corporates and we are not seeing any new applications in this year.

Amir Hanna: I think that is it, I know there some more questions that we have not answered but for the sake of time if your question was not answered please send it to Investor Relations email and we will get back to you on your question.

With that I will conclude the call from our side. Thank you very much and back to the operator.

Operator: Ladies and gentlemen, that conclude today's call. Thank you for your participation, you may now disconnect.