PUBLIC

National Bank of Kuwait

3Q 2023

Earnings Conference Call

19 October 2023

3Q/9M 2023 National Bank of Kuwait Earnings Call

Sunday, 22 October 2023

Edited transcript of National Bank of Kuwait earnings conference call that took place on Thursday, 19 October 2023 at 3:00 pm Kuwait time.

Corporate participants:

Mr. Isam Al-Sager – Vice-Chairman and Group CEO, NBK

Mr. Sujit Ronghe – Group CFO, NBK

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

Chairperson:

Elena Sanchez – EFG Hermes

Elena Sanchez: Good afternoon everyone. This is Elena Sanchez and on behalf of EFG Hermes, I would like to welcome you all to the National Bank of Kuwait third quarter and the nine-months period for the year 2023. It is a pleasure to have with us in the call today Mr. Isam Al-Sager, NBK Vice Chairman and Group CEO, Mr. Sujit Ronghe, NBK Group CFO and Mr. Amir Hanna, Head of Investor Relations and Communications at NBK.

At this time, I would like to handover the call now to Mr. Amir Hanna.

Please go ahead Amir.

Amir Hanna: Thank you Elena.

Good afternoon everyone. Thank you for joining us for today's webcast to cover the financial results of NBK Group for the third quarter and the nine-months periods of 2023.

We will start the call with our usual disclaimer. So 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. 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. Please refer to the full disclaimer in our presentation for today's call.

Our Vice Chairman and Group CEO, Mr. Isam Al-Sager, will start the presentation by giving some opening remarks on the operating environment and the highlights of reporting period. This will be followed by a detailed presentation on the financials by Mr. Sujit Ronghe, our Group CFO. Following the presentation, we will answer any questions received through the webcast platform. And feel free to send any follow-up questions to our Investor Relations email address. Today's presentation is available on our Investor Relations website for your convenience.

Now let me handover the call to Mr. Isam Al-Sager for his opening remarks.

Isam Al-Sager: Thank you Amir.

Good afternoon everyone. I am pleased to join you today for our third quarter and nine-months earnings call.

Globally, markets remain under pressure due to escalating concerns on economic stability, sticky inflation readings and looming interest rates hikes. The IMF has repeatedly cut its global growth forecast during the year with current estimates settling at the 3% level for the year.

On the other hand, and despite the ongoing global economic challenges, sentiment towards GCC markets proved resilient in the face of downturns throughout the year. Benefiting from OPEC+ production cuts, rising oil prices and relatively lower levels of inflation; the GCC economies are well positioned to exhibit a positive economic outlook for the remainder of the year on solid activity helped by the ongoing reform drive aimed at diversifying the regional economy.

In Kuwait, economic activity showed signs of moderation amid global uncertainties, higher interest rates and oil production cuts. We expect Kuwait's GDP growth to see minor contraction for the year; largely due to negative oil GDP growth while non-oil GDP growth will remain fairly strong at 3.6%.

Along the same lines, the projects market in Kuwait is on track for its best annual performance since 2017; with year-to-date awards close to KD 2 billion. Outlook for 4Q should be positive on sustained higher oil prices and the expected cooperation between the parliament and government towards implementing key projects. Consequently, this should support non-oil GDP and provide further momentum for the remainder of the year.

On domestic politics, ease of tensions between members of the parliament and the government have been evident with the passing of some laws and extension of sessions to approve the budget. This could hopefully facilitate for a better political scene with the resumption of sessions.

As for NBK, we continued to deliver solid profitability trends during the period while affirming our ability to generate positive results in various economic conditions and cycles. We reported net profit of KD 431.1 million for the nine-month period ended September 2023, growing by 15.2%. Meanwhile, as for the three-months ended September 2023, we posted a year-on-year growth of 14.2% in net profits to reach KD 155.8 million; a record for the Bank's quarterly profits.

Our profits remain founded on diverse and sustained revenue streams while witnessing growth momentum across our various business sectors. We reported a year-on-year growth of 15.6% in net operating income to reach KD 863.8 million, mainly driven by the expansion of net-interest income as well as income derived from fees and commissions.

Our commitment to maximizing value extends to encompass all stakeholders. This is evident in our performance ratios with return on average assets at 1.58% and our return on average equity at 15.5% for the nine months period.

In pursuing its strategic objectives, the Group will continue leveraging its resilient business model, diversification strategy, healthy balance sheet, ample liquidity and strong capitalization to further solidify its position and reinforce prospects for future growth. Geographically, NBK will remain opportunistic in all its key growth markets with special focus on GCC, mainly KSA; as we are approaching the market on all fronts through our reputable franchise, wealth management expertise and digital capabilities.

Furthermore, benefitting from the substantial technological infrastructure, our strategic investments continues to strengthen our position as a market leader, expanding our capabilities to attract a broader customer base and nurturing the capabilities of our digital banking services. We aim to enhance our reliance on data analytics, artificial intelligence and machine learning to enhance customer's experience.

Likewise, and in line with our strategic approach to implement best ESG practices and initiatives, the Bank advanced its responsible banking services to customers to support their efforts towards green transition initiatives. In order to be a trendsetter among the private sector institutions in prioritizing ESG, we remain committed to the significance of such endeavors in driving the journey of sustainable growth.

With that, I will conclude my comments and leave you with my colleague Sujit Ronghe, our Group CFO, to cover quarterly and nine-months results in more details.

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 the financial results in respect of the first nine months of 2023.

We have announced a net profit of KD431.1m for 9M23. This is a 15.2% increase in bottom line profit over the comparable period of 2022.These results reflect a solid operating performance by the Group and demonstrate the continued growth in our businesses. NBK's strong operating performance has resulted in the Bank reporting the highest quarterly profit to-date.

Before going in to details of our financial results, I would first like to say a few words regarding the overall operating environment during the current year.

A higher interest rate regime and an overall stable operating environment in Kuwait have benefitted the Bank during 9M23. Inflationary conditions in USA and some other advanced economies have improved off late, although the risk of a possible recession still exists. Notwithstanding these risks and recent regional developments, we are cautiously optimistic that the overall operating environment will remain stable in the last quarter of 2023.

Now turning to the financial results for 9M23.

As profiled at the top left of this slide, net profit at KD431.1m reflects a yoy growth of 15.2%, KD56.9m. Underlying drivers for the robust bottom-line performance are increased interest rates, growth in business volumes and a strong operating performance. Group loans grew by 5.8% year on year across business lines and geographies. Investment securities also contributed strongly to Group assets with a growth of 16.2% v Sep 22.

The top right chart reflects operating surplus i.e. profit before provisions and tax for the current nine months at KD553.6m, a growth of KD87.8m, 18.8% over 9M22. Net operating income increased by KD116.4m, 15.6% whilst costs grew by KD28.6m, 10.1% over 2022.

3Q23 net profit at KD155.8m reflects a continued trend of quarter on quarter growth. Similarly, 3Q23 operating surplus exceeded that of the previous quarter by 6.3% on the back of a stronger operating income, mainly driven by growth in net interest income.

I will go into the main drivers behind movements in income, margins and costs shortly.

The operating income mix profiled at the bottom right hand continues to show a healthy mix with 23% coming from non-interest income sources.

Moving on now to the next slide.

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

The chart at top left reflects the net interest income of KD665.8m for 9M23, a growth of 21.8% over 9M22, largely benefiting from higher interest rates and yoy growth in loans and investment securities across segments and geographies. You would also note from the chart at the top right that Average earning assets grew by 6.9% from Sep 22, to reach KD34.6bn.

We see from the chart at the bottom left, that average NIM for 9M23 at 2.57% reflects an improvement of 31bps over 9M22 driven by a higher yield, despite increased funding cost. Group yield and funding cost for 9M23 was 5.72% and 3.52% respectively. The higher funding cost primarily results from the repricing of deposits at increased market rates and longer tenor funding sourced by the Group. At the same time, an overall stable base of low cost deposits continues to benefit the Group.

3Q23 NIM for the Group improved further to 2.68%. Group yield for the current quarter was 6.12%, compared to 5.73% in 2Q23. Similarly, the Group funding cost increased to 3.85% during the current quarter from 3.55% in 2Q23.

At the bottom right of this slide, we can see drivers behind the 31bps increase in NIM from 2.26% in 9M22 to 2.57%. Loans and other assets backed by a strong year on year growth in interest rates and volumes, contributed a net increase of 127bps and 101bps to the NIM respectively. Higher funding cost negatively affected the NIM by 197bps.

Moving on now to the next slide.

As we can see at the top left of this slide, total non-interest income at KD197.9m for 9M23 was slightly lower than 2022. Fees and commissions income was strong at KD148.6m; Fx contributed KD29.4m, while other non-interest income sources (mainly investment income) contributed KD19.9m.

Fees and commissions income reported a strong growth of KD11.9m, +8.7% on 9M22, reflecting strong contributions across different lines of business and geographies. Fx income for 9M23 was lower than previous year, which had a larger benefit from favourable currency movements, including that on assets related to NBK's US$ AT1 issuance.

Other non-interest income increased by KD5.8m compared to 9M22. Included herein is the net investment income, favorably affected by higher market valuations and distributions.

Our fees and commissions income are from a well-diversified pool of geographies and lines of business. Also, major sources of non-interest income are core banking activities in respect of business related factors.

Turning now to operating expenses reflected in the top right hand chart. Total operating expenses for 9M23 at KD310.2m, were 10.1% higher than 9M22. The cost growth reflects increased activity levels at Kuwait and across the Group's network. Other administrative expenses also included Group's CSR donation of KD1.3m for the earthquake victims of Turkey, Syria and Morocco.

The Group's operating expenses reflect continued investments in key businesses initiatives, digital technologies and processes. This enables the Group to offer best in class service to its customers and optimize resources to improve operational efficiency.

NBK's digital channels and products continue to play a vital role in attracting and servicing customers, with increasing volume of electronic transactions. We also continue to press ahead with selective product offerings in certain geographies e.g. Global Wealth Management business, expansion of Islamic banking through Boubyan Bank and by leveraging our regional and overseas network.

As a result of the marked growth in operating income and controlled cost growth, the 9M23 cost to income ratio was at 35.9% compared to 37.7% in 9M22, and 38.2% for the full year 2022.

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

Total provisions and impairments for the current nine months amounted to KD65.8m, an increase of KD24.9m on 9M22. You would recollect that 9M22 and the fuller year of 2022 was characterized by significant specific provision recoveries. KD66.6m of the 9M23 charge was for provisions for credit facilities, in course of normal business activities at Kuwait and overseas locations. Specific provision was KD23.1m, whereas

KD43.6m was towards general provisions including a significant component of precautionary general provisions. The Group remains committed to its conservative approach in managing credit exposures.

The cost of risk for 9M23 was at 40bps compared to 18bps for 9M22, which benefited from provision recoveries as explained earlier.

It is worth noting that 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.

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 Group continues to benefit from its unique position amongst Kuwaiti banks in terms of geographical spread of operations and the ability to conduct business in both conventional banking and Islamic banking. This diversification provides a strong competitive advantage to the Group and gives a significant degree of resilience to Group earnings.

As you can see from the charts on the left hand side, operating income from the Group's international operations reflected a strong year on year growth of 12.6% in 9M23. Net profit at KD100m has remained stable in comparison to 2022 due to relatively higher loan provisions despite a stronger operating performance. International operations continue to contribute a healthy 25% and 23% to the Group's operating income and net profit respectively.

The Group's Islamic banking subsidiary Boubyan Bank delivered a net profit of KD61.1m, up 25.8% on 9M22 due to a strong operating income and lower provisions.

Finally, on the chart at the bottom right corner, you will note that International operations and Boubyan Bank contributed 41% and 22% respectively to Group's total assets enforcing the diversification agenda of the Group.

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 KD36.8bn at Sep 2023, a 6.1% increase on Sep 22.

Group loans and advances at KD21.8bn registered a yoy growth of KD1.2bn i.e. 5.8% and KD798m, 3.8% during this first nine months of the year. EGP devaluation against the US$ has adversely affected the KD value of loan growth since 9M22. Loan growth was achieved at Kuwait in both conventional and Islamic sectors and at International operations.

Customer Deposits i.e. non-bank and non-FI deposits at KD20.9bn, reflect a strong yoy growth of 8.6% and 3.7% over Dec 22. The Group has continued to benefit from its strong base of core, franchise retail deposits. As can be expected in a rising interest rate scenario, we noted a limited migration from lower cost deposits to time deposits. However, the rate of migration has slowed in recent months and the overall funding mix remains stable and favorable to the Group.

NBK's stable retail deposit base reflects a sustained focus on the deposit gathering aspects of our business, leveraging our longstanding ability to capitalize on the Group's strong brand, customer appeal and credit ratings.

Customer deposits comprise a healthy 67% of total funding mix of the Group.

I want to highlight that the Group continues to maintain healthy liquidity levels & comfortably exceeds minimum requirements of Basel III ratios.

Moving now to the next slide.

Here we will look at the impact 9M23 financial results had on certain key performance metrics.

The Return on Average Equity for the current nine months improved to 15.5% from 14.1% in Sep 22. Similarly, Return on Average Assets now stands at 1.58% compared to 1.47% for 9M22.

At 16.1%, total Capital Adequacy Ratio remained strong, although adversely affected by non-inclusion of interim profits and interim dividend of 10 fils per share in the Group's regulatory capital. CET1 and Tier1 ratios were 11.8% and 13.9% respectively.

As regards asset quality, you would note that the NPL ratio was at 1.74% compared to 1.42% as at December 2022. Loan loss coverage ratio stands at 220% reflecting the conservative provisioning policy of the Group.

Moving to the next slide

I would now like to discuss Expected Credit Losses (ECL) on credit facilities as per 'IFRS 9 calculated in accordance with CBK Guidelines'. As per the regime adopted by CBK, Banks calculate the credit provisions required (i.e. the amount in the balance sheet) as per CBK instructions and compare it with the ECL on credit facilities as per 'IFRS 9 in accordance with CBK guidelines'. Consequently, the charge to income statement is based on the higher of the two balance-sheet amounts.

It is important to note here that CBK guidelines for calculating ECL on credit facilities as per IFRS 9 are on a more conservative basis compared to the original accounting standard.

The key chart on this slide at the bottom right reflects that ECL provision required as at Sep 23 was KD611m, slightly higher than Dec 22 levels, resulting from volume growth, coupled with increased NPL.

Although IFRS 9 ECL and CBK provisions are two different regimes and should not be compared as such, as at Sep 2023, the balance sheet provision as per CBK instructions exceeds the ECL by KD298m. This provides ample cushion for the Group to withstand any possible adverse effect of prevailing uncertainties on ECL provision requirements.

Now to the final slide in this section.

Before concluding, allow me to summarize our financial performance in 9M23.

As mentioned earlier, benefit of increased benchmark interest rates, a strong operating performance combined with a healthy balance sheet, comfortable liquidity levels and a strong capital base were features of NBK's 9M23 results.

Looking forward, ongoing international geo-politics and the risk of a possible recession could result in a macroeconomic environment that is less conducive to growth. We however remain cautiously optimistic that the overall operating environment will be stable during coming quarter.

Now turning to the guidance for the last quarter of 2023.

As regards loan growth, the Group reported a loan growth of 3.8% during 9M23. Given the current geo-political and the general macroeconomic situation, we continue to expect the overall loan growth for 2023 to be in mid-single digit range.

Now turning to the NIM. As mentioned earlier, 9M23 NIM has improved to 2.57% benefiting from higher interest rates and stronger volumes compared to the last year. In general, the current environment of higher interest rates is expected to continue for a longer period than previously anticipated. We should also expect increasing competition and the funding cost to remain high, despite Group's healthy overall funding mix. Our guidance is for an expansion in NIM compared to 2022 and we expect the full year 2023 NIM to remain broadly similar to 9M23, with a potential for a small upside.

The 9M23 cost to income ratio was 35.9%, compared to 38.2% for the full year 2022. We expect the full year 2023 cost to income ratio to be below 2022.

The cost of risk in 9M23 was 40bps given the sizeable precautionary general provisions. In absence of significant credit recoveries as in 2022, the full year 2023 cost of risk is expected to remain in the range of 40-50 bps. Given the current macroeconomic uncertainties, it would not be prudent to give a specific guidance on earnings / capital adequacy. We are hopeful of maintaining capital adequacy ratio in line with our internal targets above the regulatory minimum.

That ends my presentation.

Thank you very much for your time.

Back to Amir.

Amir Hanna: Thank you Sujit.

Thank you all for listening, we have few of questions so we'll try to group the questions in the list.

So we'll start with a question on Saudi Arabia, can you give an update on Saudi Arabia and what it represents as a percent of total corporate loans.

Sujit Ronghe: As mentioned earlier, Saudi Arabia is a focus area for the bank's regional growth. In Saudi Arabia we are looking at two verticals of our business. We have 3 branches in Saudi Arabia which are typically engaged in corporate banking business.

In addition to loans, we also have exposure to Saudi companies in form of investment securities purchased. These are two areas with respect to the corporate side of the business.

To expand our Global Wealth Management initiative, we have incorporated a wealth management company in Saudi Arabia. This company focuses on increasing our customer outreach by providing Saudi and regional customers NBK's Wealth Management offerings, by leveraging our overseas network.

Amir Hanna: What is the percent of deposits in overall funding subject to repricing rates?

Sujit Ronghe: As we mentioned in earlier calls, CASA deposits which are currently in high 30s when compared to total non-bank deposits, are less sensitive to changes in interest rates.

The remaining are essentially time deposits across different tenors maturities are subject to repricing.

Amir Hanna: Could the 3Q OPEX levels be the run rate for upcoming quarters?

Sujit Ronghe: We have seen a stabilization of OPEX growth over the last quarter. Opex growth used to be in the low double digit a year or few months ago.

We could expect opex growth to be around 10% give or take, in incoming quarters.

Amir Hanna: Question on Egypt, do you expect to see a bit of pickup in defaults in Egypt?

Isam Al-Sager: I have to mention that this year was a very challenging year for the Egyptian economy as inflation and devaluations continues to pressure on the market while the recent sovereign rating downgrades added further challenges to the already deteriorated situations.

Egypt went through many economic shocks and we will take some time and I think there is a lot of time required to reduce this tension and to recover from the current situation.

This can lead to some pickup in defaults across the system but we are not expecting anything material in our operations because of our risk appetite in Egypt and the diversity of our book.

That said, the Egyptian economy is one of the largest in the most diversified in the region and has a lot of potential in growth once back on track.

As for NBK, I think the devaluation of the Egyptian pound will mainly impact the group in terms of contributions of Egypt which keeps getting smaller when we translate local accounts to KD for consolidation.

Egypt representation remains small in the Group context with less than 5% of total group assets, and I think it will continue to be that way for some time.

Amir Hanna: Question on capital, CET1 fell to 11.8% at the end of Q3 vs a requirement of 11.5%, are you comfortable with that level?

Sujit Ronghe: If you look at the Capital Adequacy trend even in prior years, the September quarter would be where our Capital Adequacy Ratio would be at its minimum. The reason for this is that the Central Bank rules do not allow inclusion of interim profits in the regulatory capital.

Additionally, interim dividend of 10 fils / share paid during the year was excluded from the regulatory capital. Hence, our CAR is typically at its lowest level at the end of 3Q and recovers in the last quarter, when we get the benefit of retained earnings for the full year.

You would note, even in September 2022 CET1 Capital Ratio was 11.8% which is similar to where are today and it rose to 12.9% at the end of last year.

Amir Hanna: What are the main challenges ahead that interest rates will continue to remain high?

Sujit Ronghe: It appears that interest rates would remain high well in to the next year. From that point of view, the bank has historically benefitted in terms of higher interest margins and net interest income when the interest rates remain high.

On the challenges front, higher interest rates means there will be tough competition for achieving business growth and deals. From a net interest income view point, the challenge could actually come once interest rates start decreasing.

Amir Hanna: Question on expected changes in the tax regime, what would be the impact on NBK assuming corporate taxes in Kuwait rise to 15%?

Sujit Ronghe: As you would be aware, BEPS2.0 was adopted by 143 countries who are signatories to the Inclusive Framework established in 2016. Kuwait is not yet a signatory to the Inclusive Framework, although we understand from media reports that steps are being taken in this direction.

The Pillar II of BEPS2.0 Pillar two (also referred GloBE rules) introduces a global minimum Effective Tax Rate of 15% for Multi-national Entities i.e. Groups with a global revenue of Euro 750 million or more. Hence GloBE rules will be applicable to NBK Group in future.

The Pillar II rules are expected to be in force partly in 2024 and the remaining rules in 2025 and are subject to local legislations in respective countries.

We are closely monitoring developments on corporate taxation front, both locally and internationally and preparatory work in this regard is underway. As things stand today, we do not expect GloBE Rules to have a material impact on the Group's tax situation for the next year.

Amir Hanna: A question on mortgage. Is the mortgage law included to be a legislative priority? Is there any visibility on the scope of the law financing or building a new home or may also include secondary market; and what is the financial impact if approved?

Isam Al-Sager: We still maintain our view of the importance of passing the mortgage law to lift the burden on fiscal position on one hand and to clear the que of the housing authority applications given the increasing demand to provide residential housing to citizens.

We have witnessed serious developments on the mortgage law throughout the year including the passing of a new law to establish Housing Cities companies recently, which should accelerate housing distributions with the participation of the private sector given the opportunity.

The mortgage law is listed among the priorities of the government's legislative agenda; and we maintain our optimistic view that the law will be approved by the parliament and we hope this will take place during this upcoming parliamentary cycle.

I think it is too early to talk about the details of the financial impact of this.

Amir Hanna: There are 3 or 4 questions on the growth trend that took place in NIMs in Q3, the drivers of change, the outlook going forward and the repricing mechanism. We will group all of them as one question. Sujit.

Sujit Ronghe: Starting with the growth in NIM in the 3Q, we saw growth in NIMs resulting from the 25bps hike in CBK discount rate as well as in international rates. We also had a more favorable asset mix, from the growth in loans and investment securities, helping the increase in yield.

With respect to the yield forecast in the future, if the interest rate scenario remains constant for next few quarters, we would expect yields to remain stable. There is room for upside with respect to the repricing of consumer loans. Consumer loans in Kuwait reprice every 5 years; meaning that loans booked in 2018 or 2019 are subject to repricing during this year or in of 2024. There is a positive gap between 2018-19 interest rates and the current levels. This would benefit the bank to an extent with respect to consumer loans portfolio.

A significant majority of our corporate loans are repriced immediately upon a change in discount rate. Thus, we don't see any probability of major repricing of corporate loans.

Overall, we are expecting the yields and the NIM to remain more or less stable; with some room for improvement during next year.

Amir Hanna: There is a question on corporate vs. retail loan growth in 2024. Sujit.

Sujit Ronghe: The retail book has not grown in Kuwait, given the higher interest rates environment. That said, we have seen some movement starting to happen this quarter but how long it will sustain remains to be seen.

However on the corporate side, not only in Kuwait but also in our international network, we witnessed solid activity in terms of loan booking and transactions in respect to credit facilities. We expect the trend to continue throughout next year as well; resulting in a sound growth in 2024.

Amir Hanna: The second part of the earlier question asks, what are the chances of retail debt forgiveness bill being passed in Kuwait? As this will be a strong retail growth catalyst.

Isam Al-Sager: The forgiveness bill is politically driven and we don't think that it will materialize. It has to go through a long cycle in order to be passed, from the parliament to approval of the government.

It is not the first time that this topic comes to demand by many parliament members, and we are of the belief that it will not pass through.

Amir Hanna: A question on cost; cost growth has been easily 10% if not higher since several quarters. It looked like an above the line growth rate. Do you expect cost growth to remain in low teens – high single digit in the medium term?

Sujit Ronghe: As mentioned earlier in my discussion, the bank has been focusing on improving digital technologies and providing enhanced services and products to customers. This comes with an initial cost, which the bank has been incurring.

The 10%-12% growth in cost that we have witnessed during the last couple of years is quite normal; considering the nature of the activity taking place across the Group.

Going forward, we are looking at a cost growth of c.10% to remain in place for the next year; noting that NBK's cost to income ratio is comparable to that of the banking sector in Kuwait. In that sense, we don't see costs to be above the line as far as Kuwait is concerned.

Amir Hanna: A question on the update of the projects market and the recent pickup witnessed recently.

Isam Al-Sager: Although we witnessed a lot of delays in awarding mega projects during the past few years, the current positive momentum dominates the scene with project awards reaching close to KD 2 billion year-to-date.

The recent hike in oil prices, if continues, will be positive for business sentiment as this will pave the way for the government to continue with its commitment to spend on infrastructure; reflecting positively on non-oil GDP growth and business credit activity.

There are promising signs for projects in que to be awarded this year, given the positive circumstances.

Amir Hanna: Couple of questions on the loan book in terms of loan growth expectations and the exposure to different geographies?

Sujit Ronghe: As I mentioned earlier, although the loan growth on the retail side in Kuwait was muted, we saw a good growth in the corporate sector. We also good growth coming through Boubyan Bank and our international network- be it regional or beyond GCC.

Loan growth excluding the retail book has been quite robust across different geographies. Regarding the outlook for loan growth, this year we have seen loan growth of 3.8% for the 9 months and is expected to be around 5% for the full year. It is rather early to estimate how things will unfold considering the current macroeconomic situation but we are hopeful of repeating this year's performance.

We would be able to provide a better view as we see implications of inflation and higher interest rate rates going forward.

Amir Hanna: Is the bank participating in syndicate loans in Saudi?

Isam Al-Sager: As we mentioned we are growing in the Saudi market and syndicate loans is part of that growth. Yes we did participate in some syndicate loans and we are looking at it case by case.

Amir Hanna: What are the expectations of FX income going forward?

Sujit Ronghe: The FX income for the current 9 months can be considered a normal level for FX income, in comparison to last year. A large component of this FX income stems from transaction volumes be it money transfers or credit card related. We expect these transactions levels to remain healthy during the coming year. At the same time a part of the income is related to the assets which are derived from our US$ AT1 issuances and this income depends on the dollar movement.

A stronger dollar means a better FX benefit for us and vice versa. Hence, without considering the movements related to the US$, at a transactional level we are hopeful for the FX income growth to remain in place.

Amir Hana: There are no more questions on the list. That concludes our call for today.

Thank you all for listening and for attending the call today.

As mentioned earlier, if you have follow up questions or any further details are required, please email us at our investor relations email address and we will reply at our earliest.

Elena back to you.

Elena Sanchez: Thanks to NBK's management for the presentation today and insights provided.

Thank you everyone for joining the call.

This concludes the call.