National Bank of Kuwait

2Q 2021

Earnings Conference Call

27 July 2021

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Edited transcript of National Bank of Kuwait earnings conference call that took place on Tuesday, 27 July 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

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 2Q and first half 2021 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 with us for our 2Q and first half 2021 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. 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 start the call by some remarks from our Group CEO, Mr. Isam Al Sager, followed by a detailed presentation on the quarterly and first half financials by Mr. Sujit Ronghe, our Acting Group CFO. Following the management presentation, we will answer your questions in the order they were received. Also, feel free to send any follow-up questions to our Investor Relations email address. And for your convenience, today's presentation is already available on our Investor Relations website.

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

Isam Al Sager: Thank you Amir.

Good afternoon everyone. Thank you for joining us today for our quarterly earnings webcast.

During the first half of this year, macroeconomic challenges and the disruption caused by the Covid-19 pandemic continued to create some headwinds. Despite witnessing a general improvement in the operating environment, we still believe a rapid return to normal levels of activity in the near future is unlikely. However, we have more confidence now that the gradual recovery that we have seen year-to-date will continue as the year progresses.

Throughout the first six months of the year, the increased vaccination rate along with some easing of mobility and other restrictions led to improved business confidence and increased activity level in Kuwait. Moreover, a boost to outlook has also come from oil prices, which recovered by more than 40% year-to-date.

Kuwait is on course to achieve non-oil growth of 3% in 2021 with economic activity continuing to gain traction in the second quarter of the year. We are seeing positive signs across sectors including good demand for credit by households and some acceleration in project activity, with about KD 2.2 billion expected to be tendered in 2021.

Moving to our results, we achieved net profit of 160.8 million Kuwaiti Dinar during the first half of 2021, growing by almost 45% year-on-year. For the three months ending 30 June 2021, we reported a net profit of KD 76.5 million Kuwaiti Dinar; a year-on-year increase of 129%. Our profitability was mainly driven by increased business volumes, growth in core banking fees as well as an improvement in cost of risk.

Although the low interest rate environment continues to post some challenges, the Bank proved resilient in defending and growing its margins through efficiently managing cost of funds.

Our strategy remains focused on the diversity of our operations, with various business segments making solid contributions to bottom line. Our scope to increase digitalization has achieved further success in delivering efficiencies within the organization and improving the convenience and quality of our products and services to customers. We continue to focus on accelerating our drive towards digital excellence as we look forward to becoming the leader in digital banking.

NBK remains committed to supporting the economy of Kuwait, its businesses, citizens, and residents. By delivering on our social as well as economic responsibilities to the country, we are helping to build a stronger future for all.

In this respect, we are more committed than ever before to integrating impactful ESG strategies across all aspects of our business. Our headquarters relocation to a new LEED gold certified building has led to considerable reductions in energy use, greenhouse gas emissions, and water consumption. Meanwhile, our support for the vaccination rollout, including for our own staff, is an important part of our social commitment.

ESG initiatives are becoming increasingly embedded in NBK's practices and mindset. Core components of the sustainability programme include continuing to enhance the materiality assessment including any gap identification, calculation of Sustainability Return on Investment, and better aligning NBK with national and international ESG frameworks. Additionally, we are currently working on few initiatives to better measure ESG impact, with the highest priorities focusing on assessing direct and indirect environmental impact as climate change risks continue to emerge.

With that, I want to conclude my comments and will now pass over the call to my colleague Sujit Ronghe, our Acting Group CFO, who will take you through our quarterly and first half 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 for the first six months of 2021.

We have announced a net profit of KD160.8m for 1H21. This is a 44.7% increase in bottom line profit over the corresponding period of the last year.

Before going into the details of our financial results, I would first like to say a few words regarding the overall operating environment so far this year.

The trend of a gradual recovery continued in the first six-months of 2021 reflecting improved levels of business activity, steady oil prices and significantly increased vaccine penetration in Kuwait. Although pandemic related uncertainties and restrictions prevail globally, we are cautiously optimistic of a continued improvement in coming months.

Now turning to the financial results for 1H21.

As profiled at the top left of this slide, the KD49.7m i.e. 44.7% year on year increase in the net profit reflects a solid recovery by the Group, demonstrated by continued growth in business volumes, increased operating surplus and lower impairment losses and credit provisions. Group lending in particular, registered a strong growth of KD1bn, i.e. 5.7% during 1H21.

2Q21 net profit at KD76.5m reflects a decrease of KD7.8m over the previous quarter due to increased credit provisions.

I would like to highlight here that Kuwait is currently undergoing a second consumer and instalment loans deferral scheme. The 2021 scheme is for a similar six-month period as in 2020, but only for eligible Kuwaiti customers who have requested instalment deferral. Unlike the 2020 scheme, wherein the cost of instalment deferral was charged to shareholders equity, the cost of the 2021 program would be fully borne by the Government of Kuwait.

The 2021 instalment deferral has resulted in a modification loss provisionally estimated at KD142m to the Group. There was no impact on the income statement and the amount receivable from the Government is included in other assets in the balance sheet.

Operating surplus i.e. pre-provision and pre-tax profit for 1H21 at KD282.4m was 8.5% higher than the comparable period of 2020. This was due to sound growth in both interest and non-interest income streams. Net operating income increased in 1H21 by KD38m, 9.2% over 1H20 whilst costs grew by KD15.8m.

2Q21 operating surplus at KD143m exceeded that of the previous quarter by KD3.5m, primarily due to higher net interest and net Islamic financing income, partly offset by cost growth.

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 26% 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 on the top left reflects net interest income of KD333.6m for 1H21, a growth of 4.7% over 1H20 benefiting from higher loan volumes and improving net interest margins. The trend of quarter on quarter improvement in NII has continued in 2Q21.

As is evident from the chart at the bottom left, 1H21 NIM reflects the continued recovery from the lows of previous year. While our yields took a significant hit early in the cycle, the net margin improved gradually due to a declining funding cost over the past few quarters.

You will note that the net interest margin averaged 2.28% during 1H21 and 2.26% in 1Q21. Current quarter NIM improved to 2.29% aided by decreased funding cost.

The Group's average yield for the 1H21 was 3.00%, compared to 3.76% in 1H20. The Group's funding cost averaged 0.82% during the current period compared to 1.72% in 1H20. 2Q21 yield and funding cost are at 2.98% and 0.79% respectively. The Group continues to benefit from a strong growth in low cost deposits that we witnessed in 2020. This has also allowed the Group to retire relatively costlier institutional deposits.

At the bottom right of this slide, we can see the constituent drivers that moved the average NIM upwards by 3bps, to 2.28% in 1H21 from 2.25% in 1H20. A lower funding cost favorably contributed to improve the NIM by 82bps whereas the combined movements attaching to loans and other assets adversely affected the NIM by 79bps.

Moving on now to the next slide.

As we can see at the top left of this slide, total non-interest income at KD118.9m for 1H21 reflected a growth of KD22.9m i.e. 23.8% on that of 1H20. Fees and commissions income contributed KD81.4m, foreign exchange activities KD15.9m and KD21.6m from other non-interest income sources.

Fees and commissions income was 13.8% higher than 1H20 reflecting strong contributions from all lines of business. Other non-interest income (primarily net investment income) grew by KD22.7m largely due to improved market valuations. Fx income for 1H21 was KD9.7m lower than 1H20 which had benefitted from a very favourable effect of currency movements on our $ AT1 bond issuances.

Our fees and commissions have been solid and 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 as opposed to more volatile income from trading activities.

Turning now to operating expenses reflected in the top right hand chart. Total operating expenses in 1H21 at KD170.1m, were 10.3% higher than the comparable period in 2020. Increases in both staff and other operating expenses for the current period, are reflective of the increased activity levels at Kuwait and across the Group's network, when compared to the situation that prevailed for the majority of 2020.

The Bank continues to manage cost to reflect current levels of economic activity while continuing the ongoing investments in key businesses initiatives, technologies and processes. This enables the Group to offer best in class service to its customers and optimize resources to improve operational efficiency.

Our digital channels continue to play a vital role in servicing customers, with electronic transactions reaching record highs. We also 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 through Boubyan Bank and our operations at NBK Egypt.

Our cost to income ratio at 37.6% has trended marginally upwards from 37.0% for full year 2020.

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

Total provisions and impairments for 1H21 amounted to KD97.2m, a 23.2% decrease from KD126.6m in 1H20. Provisions for credit losses amounted to KD94.3m, reflecting amounts provided in ordinary course of business for retail, corporate customers in Kuwait and overseas locations as well as an element of precautionary provisions. While credit provisions have somewhat declined during 1H21, the Group remains committed to its conservative approach in managing exposures considering protracted disruptions arising from the Covid-19 pandemic.

The cost of risk for 1H21 was 102bps compared to 112bps for 1H20 and remains below 121bps for the full year 2020.

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 – we will shortly look at the capital ratios in the subsequent slides.

Moving now to the next slide.

On the next 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 geographical spread of operations and the ability to conduct business in both conventional banking and Islamic banking. This diversification gives a significant degree of resilience to Group earnings and provides a strong competitive advantage to the Group.

Referring to the top left chart on the slide, operating income from the Group's international operations grew by 3.6% to reach KD112.6m in 1H21. Profit contribution from International at KD32.6m improved significantly benefiting largely from lower credit provisions and ECL charge in 1H21. International operations continue to contribute a healthy 25% and 20% to the Group operating income and net profit respectively.

The Group's Islamic banking subsidiary Boubyan Bank delivered a net profit of KD21.5m, up 25.1% on 1H20 resulting mainly from a strong Islamic financing income due to continued growth in loans, business volumes and an improved NIM.

Finally, on the chart at the bottom right corner, you will note that International operations and Boubyan Bank contributed 37% 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 KD31.6bn at June 2021, a 6.3% increase on KD29.7bn as at December 2020.

Group loans and advances at KD18.5bn, registered a strong growth of KD1bn, 5.7% over December 2020. Growth was achieved in Kuwait, NBK's International operations and at Boubyan Bank.

Customer Deposits i.e. non-bank and non-FI deposits, increased to KD17.4bn during 1H21. The continued growth in core franchise deposits allowed the Group to retire relatively expensive institutional deposits and thus ensured an overall favorable funding mix. The Group, in particular, experienced continued growth in retail deposits, both conventional and Islamic.

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

Customer deposits comprise a healthy 66% of total funding mix of the Group.

In 1H21 NBK successfully refinanced the USD700m Perpetual Tier 1 capital securities issued in April 2015. Also, Boubyan Bank issued USD500m Tier 1 Sukuk and redeemed the USD250m Tier 1 Sukuk issued in May 2016.

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

Moving now to the next slide.

Here we will look at the impact 1H21 financial results had on certain key performance metrics.

The Return on Average Equity for the current six-month period was 9.2% compared to 6.3% in 1H20 and 7.0% for full year 2020. Similarly, the Return on Average Assets improved to 1.05% from 0.75% in 1H20 and 0.82% for the full year 2020.

At 18.2% the total Capital Adequacy Ratio remained strong and stable, marginally below 18.4% in December 2020. CET1 and Tier1 ratios were 13.4% and 15.7% respectively. It would be pertinent to note that interim profits for are not included in calculation of the above capital ratios.

As regards asset quality, the NPL ratio at June 2021 increased to 2.45% from 1.72% as at December 2020. The increase in NPL is largely attributable to a group of customers against whom the bank has initiated legal proceedings. As a result, of higher NPL, the loan loss coverage ratio dropped to 152% in June 2021. The impact on the Group's NPL and coverage ratios is expected to be short-term in nature and the trend should normalize in due course. These interim adjustments should not have a material impact on the bank's financial position as the abovementioned exposures are more than adequately secured.

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 chart at the top left of this slide reflects the staging information on loans and contingent liabilities together with ECL on credit facilities as at 30 June 2021. You will note in the chart at the top right that as at June 2021, 88% of gross loans and advances are in Stage 1 with 9% in Stage II and 3% in Stage III. The increase in Stage III exposures was largely due to reclassification of the Bank's exposure to the specific group of customers mentioned earlier.

The chart at the bottom right reflects that the ECL requirement as at June 2021 increased to KD631m from KD605m at December 2020. This was primarily due to the net increase in Stage III exposures after considering the impact of eligible collateral, partly offset by reduction in Stage 2 ECLs due to the improving trend of forward looking macro-economic factors.

Although IFRS 9 ECL (as per CBK guidelines) and CBK provisions are two different regimes and should not be compared as such, as at 30 June 2021, the balance sheet provision as per CBK instructions exceeds the ECL based on CBK guidelines, by KD123m. 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 1H21. The continued recovery and gradual improvement in underlying operating drivers, strong loan growth, increased operating surplus, lower provisions and impairments, a healthy balance sheet, comfortable liquidity levels and a solid capital base were features of NBK's 1H21 results.

Now turning to the guidance for the remainder of 2021.

As we remain cautiously optimistic of a continued revival in trade activities, aided by significant vaccination efforts etc., challenges and uncertainties arising from the pandemic still remain. The current low interest rate environment is expected to remain unchanged during the coming year. All 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 during 1H21 was strong at 5.7%. We are expecting a mid to high single digit growth for the full year 2021.

The net interest margin averaged 2.28% for 1H21 benefiting primarily from the lower funding cost. We expect the full year 2021 net interest margin to remain broadly stable.

Our cost to income ratio is currently at 37.6%. A challenging interest rate environment, the current macroeconomic situation 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.

Thank you very much for your time.

Back to Amir.

Amir Hanna: Thank you Sujit.

Thank you Mr. Isam.

As our usual practice, we will pause for a minute to get all the questions and then group them to have one response to each topic for the sake of time. Will be back in a minute.

We're back with few topics to discuss. We'll start with few questions on NIM trends, asset yields and cost of funds. Sujit will take that question; the question is asking about the improvement in asset yields in the first half and if we expect this to continue in the second half as well? What are your expectations to the cost of funds in the second half? Accordingly, how NIMs are viewed for the rest of the year?

Sujit.

Sujit Ronghe: On the yield front- in fact, we are still seeing a small contraction in overall yield at the Group level quarter-on-quarter. That is quite natural especially when new assets are booked at lower interest rates. Also, assets have been repricing during the period at lower interest rates. More or less, expecting the yield that we have seen for the 2nd quarter at 2.98%. There could be a minimal impact on the yield going forward.

The funding cost side is where we are having a major benefit as it has improved from 1Q to 2Q this year. As of 2Q, the funding cost was at 0.79% and we are expecting that funding cost to remain more or less stable or there could be small improvement. A large part of improvement is dependent on the continuation of our CASA deposits and how long the benefit from these deposits would continue.

Overall, on the NIM front, we expect NIM to remain at levels seen for the current 6 months period.

Amir Hanna: Another few questions on the second deferral program on the retail side, its modification losses, how this will be dealt with and the accounting treatment of the government covering the modification losses?

Sujit Ronghe: As I mentioned earlier in my discussion, the 2nd deferral program that was introduced by the Kuwaiti Government during the 2Q 2021 is more or less similar in the operational aspect to the program that was introduced in 2020. However, there is one major difference. The cost of the 2021 program i.e. the modification loss arising similar to 2020 (which was taken in shareholders equity last year), will be compensated fully by the Government of Kuwait based on a Law passed by the Parliament.

In essence, we have a charge to the P&L by way of the modification loss resulting from changes to the contractual cash flows, which will be fully compensated by the Government, setting off the loss amount in income statement. This is why we are not seeing any impact on the income statement resulting from the 2021 deferral program.

On the balance sheet side, the amount receivable from the Government (KD 142 million) that I have referred to earlier is included in other assets.

Amir Hanna: A couple of questions on the mortgage law? Is there any update? What kind of opportunity?

Isam Al-Sager: There are no updates yet but as we explained in previous calls the need for the law is undoubted.

The existing housing finance mechanism by Kuwait Credit Bank will hinder the efforts to resolve the growing residential housing demand, especially considering the young population of Kuwait.

If a mortgage law is passed, the banks will benefit, as they will offer a new product that is expected to have large demand in the Kuwaiti market similar to what we have seen in other GCC countries.

Amir Hanna: A couple of more questions on loan growth in the first half, specifically in the 2nd quarter, the drivers behind it and growth outlook for the rest of the year.

Sujit Ronghe: The loan growth that we saw during the first half was very strong at 5.7%, almost a KD 1 billion on Dec-2020. The growth was mainly driven by consumer lending and corporate in Kuwait, international banking which contributed significantly to the growth and of course Boubyan Bank which continued its pattern of strong growth quarter-on-quarter and year-on-year. In all, growth in loans was attributable to all business lines of NBK.

Moreover, there was an element of benefit to the Bank from the loan deferral program introduced in the 2nd quarter. The consumer loan installments that were due during the period (say from mid-May 2021) were not received and this resulted in additional growth in consumer loans.

We expect the growth to continue in the coming 6 months, supported by a large pipeline of loans within international locations and at Boubyan. As the deferral program ends, we may also witness growth on the consumer side as well. We are quite bullish with on the continuation of growth in loans at mid to high single digit for the full year 2021.

Amir Hanna: A question on investment income and if the growth trends that were witnessed in the first half will be sustainable on the longer-term.

Sujit Ronghe: Investment income is a story that relates to 2020. In 2020, the FVPL (fair value through P&L) portfolio of the Bank took a hit from the repercussions of the pandemic and low market valuations. Most of the market valuations have come back and the increase that we see is driven by improved fair valuations.

How much it will grow from here or how long it will last is dependent on the market turnout in the coming period.

Amir Hanna: Couple of question on the increase in NPLs in the second quarter, and which sector these are coming from?

Isam Al-Sager: This is coming from various sectors, the increase in NPLs in the second quarter is the result of the bank's decision to take legal proceedings against a group of clients. This is a normal activity that the bank undertakes to maintain the strength of its legal and financial position against different exposures.

The negative impact on NPLs from this action is temporary and we expect NPLs to gradually return to normal levels as the issue is resolved, especially that those exposures are adequately secured. And more importantly, there will be no material impact on the bank's financial position from these interim movements.

Amir Hanna: Questions on liquidity and the relaxation of the rules but the Central Bank and when will it end?

Sujit Ronghe: The relaxation that was offered by the Central Bank is expected to continue until the end of this year. That said, the benefit of the funding cost that we have experienced during these six months is not directly related to the relaxation of the liquidity rules by the Central Bank. NBK enjoys a significant portion of CASA deposits and we have seen strong growth in CASA deposits in the last year, which continued to grow even this year. Therefore, the favorable mix of funding and the ability to retire expensive deposits is what has caused the lower funding costs and we expect this benefit to continue till the end of the year.

Amir Hanna: Question are repeating. Loan growth and the drivers

Question on the ratings and the recent rating action by S&P on the sovereign and its impact on the bank's operations.

Isam Al-Sager: On the downgrade, we know that Kuwait's ratings have been on a negative outlook by S&P for some time and for the same obvious reasons that we all know, most importantly the lack of reforms and lack of funding strategy for politically driven reasons. This is unfortunate for the banking sector as there is usually a direct impact on banks' ratings from any sovereign rating action

But fundamentally and as all rating agencies have clearly stated in their comments, the banking sector in Kuwait is very strong and enjoys very comforting levels of profitability, liquidity, capitalization and asset quality.

And although our rating outlook was changed to negative following the action taken on Kuwait's ratings but the ratings themselves were affirmed confirming our solid fundamentals and accordingly we do not expect any impact on our operations.

Amir Hanna: A question on the cost of risk and the trends in operating costs and how do we see it until the year-end

Sujit Ronghe: Operating costs for the six months of 2021 show an increase compared to 1H20 . We should look at this in terms of the comparable period in 2020 when the country was under lockdown for parts of Q2 and Q3. Hence, many of the costs were not incurred because there was no opportunity to do business to the extent that we could in 2021. Now all such costs have come back e.g. we have headcount growth to support our operations, increased business services cost which were not incurred last year because of the lock down etc. This has resulted in higher costs, both staff costs driven by head count and increments and non-staff costs driven by stronger level of activity in Kuwait and overseas.

As for the cost to income ratio, we are expecting the cost to income ratio to be in high thirties i.e. around current levels, possibly slightly more but below 40%.

Amir Hanna: There are many questions on the second deferral program and seems there is a bit of confusion on its impact. Again there is another question on the modification losses and their impact on the bank from the deferral program.

Isam Al-Sager: Well this time it is optional and this program is very similar to the deferral program we had in 2020 with few exceptions but most important difference from last time is that the new deferral program is approved through a law by the parliament and its cost will be covered by the Government as Sujit has explained.

Amir Hanna: On Guidance of normalized ROE and cost of risk and how management views direction from here.

Sujit Ronghe: We saw that cost of risk in 1H21 was lower than the first half of last year and also for the full year of 2020. We are seeing a gradual reduction and expect the cost of risk for 2021 to be lower than that of 2020. At the same time, the bank continues to prudently keep provisions as necessary to reflect current uncertainties given that we are not out of the COVID pandemic. That said, we expect cost of risk for 2021 to be lower than last year, but it is difficult to quantify at this point of time.

Amir Hanna: Couple of questions on the bank's sustainability policy he way it is trending compared to the rest of GCC banks and international standards.

Isam Al-Sager: As I mentioned ESG generally is becoming a top priority across the Group and for its operations in various markets. In recent years we have expanded our sustainability disclosures and have been issuing a detailed sustainability report since 2017.

Today we are more committed than ever to integrating impactful ESG strategies across all aspects of our business. And as I mentioned earlier in my opening comments, our recent move to the new headquarters that is a LEED gold certified building is a demonstration for this commitment as immediately we saw a reduction in energy use, gas emissions and water consumption.

We are currently working on various initiatives to better measure and disclose ESG activities with more focus on assessing direct and indirect environmental impact. I also urge you to see our sustainability disclosures where we have detailed our sustainability approach and what we have achieved so far in aligning our practices with national and international ESG frameworks.

Amir Hanna: One more question on Capital and it would be our last question for the sake of time. The question is asking about the impact of the reflection of the 2020 modification losses starting this year on the capital ratios.

Sujit Ronghe: The modification loss that we charged to shareholders equity in 2020 will be amortized over four years for the calculation of capital adequacy ratios. We do not see a significant impact of this loss on the overall capital adequacy ratio because of the spread out over four years.

Amir Hanna: There is a final comment on the impact of SME guarantee program and how would that reflect on the bank's asset yields.

The SME market in Kuwait is relatively small and the exposure of the banking system generally is very immaterial so we are not expecting any significant impact on asset yields or on balance sheet growth from the program.

So with that we will conclude today's call, please send us any follow up questions on Investor Relations email and we will respond to these questions as soon as we receive them.

Thank you very much for attending today's webcast and with that I conclude the call.