National Bank of Kuwait

FY 2021

Earnings Conference Call

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Edited transcript of National Bank of Kuwait earnings conference call that took place on Tuesday, 01 February 2022 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 2021 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 fourth quarter and 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 you joined us today for our FY 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 full year 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.

I am glad to join you today to update you on our performance, the key trends we witnessed as well as our key strategic initiatives during the year. From a macroeconomic front, the combined effect of the improving health situation, relaxation of restrictions and policy support allowed the global economy to expand and business activity to continue to revive in 2021. Despite the uncertainty surrounding the resurgence of Covid-19 variances, we believe that the peak of the pandemic has passed and economies became more effective in the face of potential implications. Given the fact that many risks might interrupt the recovery for 2022, NBK maintains its cautiously optimistic view with respect to growth prospects and a rebound in economic activity.

The operational environment in Kuwait is promising in 2022 and we are positive with regards to the opportunities that will emerge; in light of the high vaccination rates which would eventually enhance business sentiment and contribute positively to economic growth. This will also be supported by the state's improving fiscal standing from the recovery of oil prices.

Kuwait's economy witnessed a moderate rebound that was characterized by higher consumer spending, improvement in business activity and volumes as well as gradual recovery in government spending and project awarding, which is estimated to have reached KD 1.5 billion in 2021.

Prospects for improvement in the political front looked better following a successful National Dialogue. Gridlocks appear to have been resolved in a spirit of executive-legislative compromise; creating more room for mutual understanding to the passing of the long-waited fiscal reforms and laws. Furthermore, and as the post pandemic recovery and the political scene continue to stabilize, the projects markets is expected to see further recovery with an estimated KD 3.0 billion worth of awards in 2022.

Moving on to NBK, the strong growth and financial performance that was delivered in 2021 across all business lines has further improved the Bank's bottom line. Thanks to the proactive and conservative approach that NBK adopted since the beginning of the pandemic, we now bear the fruits of recording lower cost of risk levels that contributed positively in growing our net profits. Net profits for the year reached 362.2 million Kuwaiti Dinar; achieving a 47.1% increase over 2020.

Despite the continued state of uncertainty stemming from the repercussions of the pandemic, the Bank maintained its commitment towards achieving its strategic objectives. Our digital transformation continues to top our strategic agenda and we laid the foundation for future growth by launching Weyay, Kuwait's first digital bank, to better attract and serve the needs of the youth.

NBK will remain agile in positioning and endorsing ESG as a core principle to the way we conduct and operate our business. We have regular efforts to identify, quantify, and manage ESG practices in place while committing and delivering on others across various sustainability areas. Our commitment is ongoing, with special focus on assessing the direct and indirect environmental impact of our operations, especially as the risks of climate change continue to emerge.

With that, I want to conclude my comments and will now leave you with my colleague Sujit Ronghe, our Acting Group CFO, who will cover our quarterly and full year 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 twelve months period ended December 2021.

We have announced a net profit of KD362.2m for 2021. This is a 47.1% increase in bottom line profit over the last year.

Net profit for quarter four of this year was KD107.4m. This compares with quarter three profit of KD94.1m, an increase of 14.2% driven by lower credit provisions and impairment losses. The current quarter profit was 38.3% ahead of the corresponding quarter in 2020.

Before going into the details of our financial results, I would first like to say a few words regarding the overall operating environment of 2021.

While 2020 was characterized by implications of sudden onset of Covid-19, resulting in a slowdown of trade and business activities, lock-downs and travel restrictions, significant drop in benchmark interest rates, it would be apt to describe 2021 as the year of recovery. Steady oil prices, re-opening of airports and travel opportunities, improved business activity and significantly increased vaccine penetration in Kuwait resulted in improved operating environment. The world progresses towards normalcy, notwithstanding the recent surge in number of cases. Despite the element of overall uncertainty with respect to the pandemic, we are optimistic of continued improvement in coming months.

Now turning to the financial results for 2021.

As profiled at the top left of this slide, the KD115.9m i.e. 47.1% year on year increase in the net profit reflects a solid recovery by the Group, driven by continued growth in business volumes, increased operating income and lower credit provisions and impairment losses. Group lending in particular, registered a strong growth of KD2.2bn, i.e. 12.7% during 2021.

I would like to highlight here that during 2021, Kuwait implemented a second consumer and instalment loans deferral scheme for six-month period as in year 2020. However, 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 of KD140m 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.

Coming back to operating results, as seen on the top right chart- operating surplus i.e. pre-provision and pre-tax profit for 2021 at KD547.4m reflected a growth of KD16.4m. Net operating income increased by KD63.8m, 7.6% over the previous year whilst costs grew by KD47.4m.

4Q21 operating surplus at KD132.7m was marginally higher than that of the previous quarter.

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 at top left reflects the net interest income of KD669.3m for 2021, a growth of 5.7% over 2020 benefiting from higher loan volumes and relatively stable net interest margins.

As it is evident from the chart at the bottom left, average NIM for 2021 at 2.21% is at the same level of 2020. Although yields have dropped since 1Q20, the net margin benefited from a declining funding cost.

The Group’s average yield for the 2021 was 2.94%, compared to 3.43% in 2020. The Group’s funding cost averaged 0.83% during the current year compared to 1.39% last year. 4Q21 NIM at 2.11% was lower than the previous quarter because of a decreased yield and a slightly increased funding cost.

The strong growth in low cost deposits that we witnessed last year has continued in the current year, although not at the same pace. This has also allowed the Group to retire certain relatively costlier institutional deposits.

At the bottom right of this slide, we can see that the 2021 average NIM remained at 2.21% similar to that of 2020. A lower funding cost favorably contributed to improve the NIM by 56bps compensating for lower yields attaching to loans and other assets.

Moving on now to the next slide.

As we can see at the top left of this slide, total non-interest income at KD237.1m for 2021 reflected a strong growth of KD28m i.e. 13.4% over 2020. Fees and commissions income contributed KD165.3m, foreign exchange activities KD39.8m and KD32m from other non-interest income sources (mainly investment income).

Fees and commissions income was 13.2% higher than 2020 reflecting strong contributions from all lines of business. Fx income for 2021 was 4.4% higher than 2020, benefitting from stronger transaction volumes while suffering from the impact of adverse currency movements on our $ AT1 bond issuances.

Other non-interest income grew by KD7m compared to 2020. Included herein is the net investment income, which grew by KD25.9m, largely due to improved market valuations. 2020 included KD9.9m gain on the sale of NBK's earlier head office and KD11.8m Covid-19 related support. Excluding these two exceptional items, the Group's total operating income reflects an underlying growth of 10.4%.

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.

4Q21 non-interest income at KD58m was marginally lower than 3Q21 mainly due to movement in investment valuations.

Turning now to operating expenses reflected in the top right hand chart. Total operating expenses in 2021 at KD358.9m, were 15.2% higher than 2020. A part of the cost growth in both staff and other operating expenses reflects increased activity levels at Kuwait and across the Group's network. As a result, the 2021 cost to income ratio was at 39.6% compared to 37.0% in 2020.

The Group's operating expenses are also impacted by ongoing 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.

Our digital channels and offerings continue to play a vital role in servicing customers, with electronic transactions reaching record highs. We also continue to press ahead with selective 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.

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

Total provisions and impairments for 2021 amounted to KD132.5m, a 46.2% decrease from KD246.4m in 2020. Of this, provisions for credit losses amounted to KD120.8m, 44.5% lower than previous year. The marked decrease in the current year stems from an overall improvement in the economic outlook and credit quality of certain exposures. At the same time, the Group has taken provisions in ordinary course of business for retail | corporate customers in Kuwait and overseas locations and continued with precautionary provisions as required. The Group remains committed to its conservative approach in managing credit exposures.

Resulting from the lower credit provisions, the cost of risk improved to 63bps compared to 121bps for 2020.

Additionally, the Group benefited from lower ECL and other impairments losses during the current year, which at KD11.7m were 59.4% lower than 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.

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.

At the top left chart on the slide, operating income from the Group's international operations grew by 8.7% to reach KD224m in 2021. We see that profit contribution from International operations at KD92.2m have improved significantly; benefiting largely from lower credit provisions and ECL charge and a stronger operating performance. International operations continue to contribute a healthy 25% to both operating income and net profit of the Group.

The Group's Islamic banking subsidiary Boubyan Bank delivered a net profit of KD48.5m, up 40.9% on 2020 resulting from strong operating results due to continued growth in business volumes.

Finally, on the chart at the bottom right corner, you will note that International operations and Boubyan Bank contributed 40% 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 KD33.3bn at December 2021, an 11.9% increase on December 2020.

Group loans and advances at KD19.7bn, registered a strong growth of KD2.2bn, 12.7% over December 2020. Loan growth was achieved at Kuwait – in both conventional and Islamic sectors and through International operations. It would be pertinent to note that a part of the loan growth in Kuwait was due to non-collection of instalments under the 2021 consumer loan deferral program that commenced in 2Q21 for a period of six months.

Customer Deposits i.e. non-bank and non-FI deposits, increased 6.9% to KD18.3bn as at December 2021. Non-bank FI deposits increased by 7% to reach KD3.1bn. The Group continued to experience growth in its core franchise retail deposits- both conventional and Islamic, albeit at a lower rate than the previous year. This allowed the Group to retire relatively expensive institutional deposits and thus ensured an overall favorable funding mix.

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 65% of total funding mix of the Group. Other borrowed funds include NBK's issuance of US$1bn 6 year senior unsecured bonds in September 2021.

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 2021 financial results had on certain key performance metrics.

The Return on Average Equity for the current year improved to 10.2% from 7% in 2020. Similarly, Return on Average Assets now stands at 1.15% compared to 0.82% for 2020.

At 18.1%, the total Capital Adequacy Ratio remained strong and stable, marginally below 18.4% in December 2020. CET1 and Tier1 ratios were 13.3% and 15.7% respectively. Important to note that December 2021 ratios include the impact of amortization of the modification loss on the 2020 consumer and instalment loans deferral program, that was charged to the last year's retained earnings. The total modification loss of KD130.5m is being amortized over four years starting 2021.

As regards asset quality, you would note that the NPL ratio improved to 1.04% compared to 1.72% as at December 2020. The year on year drop in NPL ratio stems from the improvement in credit quality of certain exposures and write offs.

As a result, the loan loss coverage ratio has improved to 300% in December 2021.

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. The chart at the top right reflects that as at December 2021, 91% of gross loans and advances are in Stage 1 with 8% in Stage II and 1% in Stage III.

The chart at the bottom right reflects that the ECL requirement as at December 2021 decreased to KD462m from KD605m at December 2020. The net decrease in ECL is the largely attributable to improvement in forward-looking macroeconomic factors as well as in the credit quality of certain exposures and write-offs.

Although IFRS 9 ECL and CBK provisions are two different regimes and should not be compared as such, as at December 2021, the balance sheet provision as per CBK instructions exceeds the ECL by KD206m. 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 2021.

A continued recovery and a noticeable pick-up in the improvement of underlying operating drivers, strong loan growth, lower provisions and impairments, a healthy balance sheet, comfortable liquidity levels and a solid capital base were features of NBK's 2021 results.

Now turning to the guidance for 2022.

As the world progresses towards normalcy, notwithstanding the recent surge in number of Covid-19 cases and despite the element of overall uncertainty with respect to the pandemic, we are optimistic of continued improvement in the general operating environment in the coming year. Benchmark interest rates are expected to gradually increase in the current year, the timing and extent of which remains to be seen.

As regards loan growth, the Group reported a strong loan growth of 12.7% during 2021, aided by the 6 months moratorium on consumer loan instalments and in part a particularly strong growth in 4Q21, some of which was short term in nature. Since a part of this growth is not likely to repeat, we are expecting loans to increase by a high single digit during the coming year.

With respect to the NIM, in a base case scenario, without considering possible increases in benchmark interest rates, we are expecting NIM to be broadly at levels similar to the 2021 average of 2.21%. However, the NIM would potentially stand to benefit from interest rate hikes.

The 2021 cost to income ratio is currently at 39.6%. In a consistent interest rate scenario and in continuation of our investment program in support of various Group initiatives, we expect the cost to income for 2022 to remain largely similar to 2021. Of course the ratio is poised to benefit from the favorable impact of interest rate hikes on the Group's topline.

Given that we are not fully out of pandemic related uncertainties, it would not be prudent to give a specific guidance on cost of risk and consequently on earnings / capital adequacy. At 63bps the average cost of risk for 2021 has reflected a significant improvement over 121bps for 2020. We are cautiously optimistic of a favourable cost of risk for 2022 similar to 2021 levels. We are also 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, we already have some questions so we will take the first batch of questions.

How should we think of interest rate sensitivity in NBK i.e. how much NII / NIM benefit from 25bps hike? In the previous cycle, CBK did not pass all US rate hikes into the discount rate (which led to limited margin benefits), do you anticipate such risks again in the current cycle?

Sujit Ronghe: Given that there are various views on the extent, timing and quantum of FED rate hikes, we prepared a baseline scenario without any increases in interest rates. We also need to note that along with interest rate hikes on the Fed side, the frequency and quantum of CBK discount rate are also key to the Bank's results. That said from an overall estimate point of view and assuming that CBK rates will be following the FED rates we can expect 25 bps rate hike to contribute an additional amount of roughly KD 12-14 million on an annualized basis to the NII. The full year impact of a 25bps hike in interest rates, both at the FED and CBK levels can be expected to be circa 4-5 bps on the NIM.

On the CBK's intention to follow the FED rate hikes, well historically the CBK has not necessarily followed at the same rate at which the FED rates have changed. In the current situation, we can expect the CBK to be more aligned with the FED than previously. As per our expectations, at least for the first few increases the CBK could be aligned with the FED rate increases.

Amir Hanna: The second question is covered already, how many rate hikes are you building into your FY22 budgets? You want to highlight the budget specifically to clarify the guidance?

Sujit Ronghe: Yes, we have mentioned in the guidance that our NIMs will be broadly stable on a baseline assumption of no change in FED rate or CBK rates. As I have answered a short while ago that is our baseline scenario and the impact can be added on to the forecast based on the numbers I quoted earlier.

Amir Hanna: Could you share some insights into the significant write-offs that you saw in FY21 (likely 2H'21), what segment / sectors / counterparty loans were these? Were these Kuwaiti loans or in international?

Sujit Ronghe: As far write offs are concerned we should take into consideration that the bank's conservative policy has existed for quite some time now. The bank regularly assesses the credit risk and can creates provision whenever necessary and this was very evident during the pandemic years (2020 and 2021) as well. That said, when the facilities are 100% provided for, the bank tends to write off the provision while retaining the right of recovery in the future. The amount that we are seeing as being written-off is a result of topping up the provisions and we have seen similar instances in the past as well. This is more or less in the regular course of business for the bank and across geographies and segments of lending.

Amir Hanna: What resulted in the healthy increase in customer deposits in Q4'21?

Sujit Ronghe: The bank focuses on increasing deposits to keep a very healthy and well-diversified pool of deposits across segments and across geographies. In the fourth quarter we had the same focus and we can see some benefits of this focused approach towards gathering more deposits coming to fruit in some of our international locations.

Amir Hanna: A question that includes three parts. Any updates on the mortgage law, debt law and repayment of the govt. receivable (against the customer loan deferrals in FY21)

Isam Al-Sager: On the debt law, we are still of the view that the law will eventually be passed with some commitment from the government to rationalize the proceeds in more productive spending towards longer term economic development. From a budget deficit point of view only, now there is less pressure on the Government considering the recent increase in oil prices. That said the deficit will continue so the government has no choice but to seek the approval of the law. With what I said earlier that there is sort of an agreement between the parliament and the government that should help in the dialogue to approve the law.

On the mortgage side, I think it is more or less the same thing, it is about time to approve the mortgage law. It is a very important topic considering the commitment of the state to provide residential housing in Kuwait especially for the young population that is more than 60% of the total Kuwait population.

The existing subsidized structure to finance housing by Kuwait Credit Bank has worked historically but there is more burden on the bank and also there is no other alternative but to get the law approved.

With regard to payment deferrals, in 2021 the deferral program resulted in modification losses of about KD 140 million to the bank. This will all be borne by the government with no impact on our income statement. The amount is still in receivables but it will be collected from the government hopefully soon.

Amir Hanna: More questions on the financials. Cost of risk in 4Q2021 was better, is this just year-end when off in nature or sets the tone for 2022 also any change in approach by CBK around provisions? Sujit.

Sujit Ronghe: The cost of risk in 4Q2021 was very low in comparison with earlier quarters. I would not take that as an indication for the trend that we expect for the year 2022. Our expectations for 2022 are more in line with the average cost of risk for 2021 and are not expecting a very low cost of risk. That said, NBK as usual would maintain its conservative approach towards provisioning, similar to what we have been doing for many years, which would continue in the future as well.

Amir Hanna: Question on the 2022 growth; do you expect growth to be driven mainly by corporates rather than retail; which are at risk of repayment. What is your guidance for 2022 loan growth; which I think we covered.

Under the follow up on the same question; do you have any updates on the mortgage law? I think we already covered that as well.

I think answering mainly the drivers of loan growth in 2022.

Sujit Ronghe: The Group enjoys a very strong pipeline of loans across different segments whether it is corporate in Kuwait, International, Islamic, all through our network. The growth would come from the corporate segment across countries. We also need to note that retail growth in 2021 was higher due to the consumer loans deferral program. Banks in Kuwait did not collect installments for 6 months and that has led to a higher growth in retail segment. We are certainly not expecting the same level of growth to happen. As I mentioned in my discussion, we expect a high single digit growth in loans for the Group across different sectors, countries and segments.

Amir Hanna: Question on rate sensitivity which I think also we covered in a lot of detail and direction of the central bank CBK following Federal rate hikes; I think that was also covered.

What is your outlook concerning asset quality pressure in Kuwait and NBK? More specifically, do you expect an increase in new provisions due to new virus concern and probable deterioration in asset quality?

Sujit Ronghe: As far as NBK is concerned, the Bank has a very conservative credit risk policy and also a prudent provisioning policy, as we have seen in the last 2 years. The operational cycle in Kuwait is back in action despite the increase in number of COVID cases, we are not concerned at this stage, about a deterioration in asset quality in the country. I think any impact on the asset quality would remain to be seen, based on the length of time for which the numbers of COVID infection cases keep on increasing. If this comes under control within the next few months and given the operational aspects of the country, we should not see any impact on the asset quality as far as NBK is concerned.

Amir Hanna: Another question on funding and NIMs. You mentioned the favorable funding costs contributed to higher margins in 2021. Do you expect cost of funds to rise in 2022?

Sujit Ronghe: Typically, the cost of funds would rise to an extent, depending on the Fed rate and CBK rate hikes. However, we also expect the yields to increase simultaneously. We have given a guidance of a stable NIM, which would benefit in the case of interest rate hikes given that our asset book typically reprices at a faster pace than our liabilities. That is where we would see an advantage in the interest rates hike cycle.

Amir Hanna: At this point the same questions are coming again. We will break for a while and if there are no more questions we will conclude.

Another question on the mortgage from a different angle. Do you expect the re-capitalization of Kuwait Credit Bank to delay the approval of the mortgage law or cancel it? Mr. Isam.

Isam Al-Sager: Well. It is a good question but the answer is really difficult to answer it at this stage. The existing subsidized structure to finance citizens housing by Kuwait Credit Bank has worked historically. Although, there is more pressure on the government now and is becoming a bottle neck for today's efforts in resolving the growing residential housing demand among Kuwaitis.

Even with the recent discussions revolving around the re-capitalization of KCB, there is still a significant gap left in that sensitive sector. We estimate the volume of funding needed to be around KD 3.5 billion in the short term; 2-3 years. The amount is closer to KD 25 billion over the next ten years. So it is really hard to say if the re-capitalization will cancel or delay the mortgage law.

Passing the mortgage law will be more feasible to the government in our opinion.

Amir Hanna: With the launch of the new digital only bank and ongoing digital investments, can we expect over time branch closures?

Sujit Ronghe: Digital offerings of the Group are focused for the Kuwaiti youth who are more digitally inclined and technology oriented. That doesn't mean that the branch model will not be present in the future. We will continue with our branch network in the future; based on our experience to-date. Branches have served us well in being contact points with people at large. Even in today's time, a large segment of the population still visits the branch to get their transactions executed and we believe that this segment should not be ignored.

The digital offerings will be over and above our existing network and we will continue to create products and offerings for all segments; initially focusing the youth of Kuwait.

Amir Hanna: What is the Bank's current CASA ratio as a percentage of total deposits?

Sujit Ronghe: Typically, the Bank has enjoyed very high CASA ratio. At a Group level, we have seen the ratio increasing to nearly 50% of non-bank deposits in the last 2 years. Even in 2021, when spending opportunities had increased, the CASA ratio remained intact and this is a big plus for the Bank.

Amir Hanna: We do not have any more questions as we have covered most of the topics.

Thank you very much for attending the call today and thank you Elena for hosting the call.

With that, we conclude our call for today and thank you once again for attending.