

Kuwait: 26/04/2023
Ref: 4255/2023

الكويت: 2023/04/26
الإشارة: 2023/4255

Mr. Mohammad Saud Al-Osaimi
CEO - Boursa Kuwait

السيد/ محمد سعود العصيمي المحترم
الرئيس التنفيذي - بورصة الكويت
السلام عليكم ورحمة الله وبركاته وبعد ،،،

Dear Sir,

Minutes of the Analysts' Conference call
for the First Quarter of 2023

محضر مؤتمر المحللين للربع الاول لسنة 2023

Reference is made to the provisions of Article no. (8-4-2) of Boursa Kuwait Rulebook issued by virtue of Resolution no. 1 of 2018 and its amendments concerning continuing the obligations of the listed companies classified under the "Premier Market Segment" under which Boubyan Bank is categorized.

بالإشارة الى أحكام المادة رقم (8-4-2) من قواعد البورصة الصادرة بموجب القرار رقم (1) لسنة 2018 وتعديلاته، والمتعلقة بالالتزامات المستمرة المطلوبة من الشركات المدرجة المصنفة ضمن شريحة-السوق الأول – (Premier Market) والتي تم تصنيف بنك بوبيان ضمنها.

We attach herewith a copy of the Minutes of the Analysts' Conference call for the First quarter ended 31/03/2023 held via Live Webcast at 01:00 pm (Local Time) on Wednesday, April 19th 2023, as per the requirements of the said article.

نرفق لكم نسخة من محضر مؤتمر المحللين للربع الأول المنتهي في 2023/03/31 الذي انعقد عن طريق بث مباشر على شبكة الأنترنت (Live Webcast) في تمام الساعة 01:00 (وفق التوقيت المحلي) من بعد ظهر يوم الأربعاء الموافق 2023/04/19؛ وذلك وفقا للمتطلبات الواردة في المادة المشار إليها أعلاه.

Best regards,

وتفضلوا بقبول فائق الاحترام ،،،

Adel Abdul Wahab Al-Majed
Vice-Chairman
& Group Chief Executive Officer



عادل عبد الوهاب الماجدي
نائب رئيس مجلس الإدارة
والرئيس التنفيذي للمجموعة

Q1 2023 Boubyan Bank K.S.C.P – Earnings Call

Edited transcript of the Boubyan Bank earnings conference call that took place on Wednesday, 19th April 2023 at 13:00 Kuwait Time

Corporate participants:

Mr. Abdulsalam Al Saleh – Chief Executive Officer

Mr. Mohamed Ibrahim – Group General Manager, Financial Control Group

Mr. Fawaz Tawfiqi – Investor Relations

Fawaz Tawfiqi: Good afternoon everyone, and thank you for joining us today. This is Fawaz Tawfiqi from Investor Relations. I am pleased to welcome you all to Boubyan Bank's earnings webcast covering the results for the first quarter of the 2023 year.

Joining me today is Mr. Abdulsalam Al Saleh, Chief Executive Officer and Mr. Mohamed Ibrahim, Group General Manager - Financial Control. I'd like to commence our call today by reading out a brief disclaimer which you can also find on page 2 of our presentation:

"Certain statements in this presentation may constitute forward looking statements reflecting the banks expectations. Accordingly, these are subject to risk and uncertainty, which may cause actual results to differ materially from the plans reflected within today's presentation. You are cautioned not to rely on such forward looking statements and the Bank does not assume any obligation to update its views of such risks and uncertainties or to publicly announce any revisions to the forward looking statements made herein"

In addition to the disclaimer I have just read, I urge you all to read the full text of our disclaimer on page 2 of the presentation pack.

Our format for today's call will include:

An overview of Boubyan's performance by Mr. Abdulsalam Al Saleh followed by a presentation on the Bank's financial performance by Mr. Mohamed Ibrahim.

Following this, we will have time for a Q&A session with attendees today. We will be receiving your questions through the webcast platform, and we will endeavour to answer all of your questions today, however, if any questions are left unanswered due to time constraints, or you have any further questions you wish to pose, please feel free to contact us through the Boubyan Investor relations email address, which you can find on our website.

With that said, I would like to now hand you over to Mr. Abdulsalam Al Saleh to take you through a brief update on Boubyan's performance for the first quarter of the 2023 year.

Abdulsalam Al Saleh: Thank you Fawaz.

Good afternoon ladies and gentlemen and thank you for joining us.

I will start by giving an update on the overall operating environment followed by an overview on the bank's financial performance and strategic initiatives.

As you are aware, the 2023 year, so far, has witnessed certain historic events in the global banking sector with the collapse of 3 US banks while Credit Suisse underwent a forced sale to UBS in Switzerland. This, along with the ongoing Russia-Ukraine war, escalating cost of living pressures around the world amid multi-decade high inflation rates (though showing a declining trend), have all combined to weaken demand and raise the risk of a global recession. IMF has recently downgraded its outlook for global economic growth.

Although inflation eased; the higher core inflation and employment data continue to indicate higher probability that Fed will raise rates by 25 bps at their next meeting and forecast no cuts until 2024. Central banks are tightening monetary policies at an aggressive rate in order to bring inflation under control. This may result in slowing down credit growth.

The outlook has generally been positive for the GCC economies during the first quarter of 2023. The overall fiscal balances continue to improve and the economies had benefitted from the overall higher oil prices.

The Kuwait economy witnessed a good growth in GDP following stronger activity in the oil sector against a backdrop of higher oil prices. Kuwait budget surplus for the 2022/2023 year has stabilized around KD 2 billion. IMF projects a real GDP growth of around 1% for the year 2023.

On the monetary policy, as you are all aware, the Central Bank of Kuwait gradually increased the discount rate to 3.5 per cent by end of 2022 and further to 4 per cent during January 2023.

Despite the current challenging market conditions, our growth continued across all business lines.

Our net profit for the period grew by 22% YoY to reach KD 20.6 million with an earnings per share of 4.4 fils. This was achieved after allocating KD 10.4 million in provisions.

Our operating income grew 6% to just over KD 52 million driven by volume growth and profitability from the Bank's core business. We have strengthened our financial position with total assets growing at 8% year-

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on-year to reach KD 8 billion and the total financing portfolio also growing at 5% to KD 6 billion. Our customer deposits grew by 13% to reach over KD 6 billion. Our market share of financings also increased to 11.4%. We are maintaining the Non-performing loans at a very low level of 1.1%.

Furthermore our Ratings from Moody's, S&P and Fitch remain at A2, A and A respectively.

Moving on now to discuss our strategy.

The Bank remains committed in implementing its third five-year strategy "Boubyan 2023" which builds on the Group's robust domestic foundations and strengthening our international presence.

In the local market, we continue our customer centric approach by focusing on both corporate and retail banking services along with accelerating our digital banking value proposition. In terms of Retail Banking, clear focus on high net worth and affluent clients, maintaining a leadership position in customer experience and innovation continue to be our focus areas.

Moreover, Boubyan Bank continued attracting more companies across various sectors in the local market through offering a group of outstanding banking services and solutions that meet all the needs of corporate customers. The Corporate Banking Group is also keen on developing and improving advanced digital products and services.

During this year, Boubyan Bank announced the launch of a new service offered for the first time in the local market for instant collection of commercial receivables of suppliers and extension of payment terms for them, allowing customers to better manage their liquidity by improving financial statements of companies, through offering preferential financing rates through integrated solutions of a smart supply chain financing platform.

Recently, Nomo Bank, the digital bank of our subsidiary BLME, had taken its first steps towards geographic expansion in the GCC by announcing a new partnership with Abu Dhabi Commercial Bank 'ADCB' and its subsidiary: the Sharia-compliant Al Hilal Digital Bank, allowing the residents of the UAE to benefit from Nomo's digital products and services through the ADCB and Al Hilal Apps.

Also, earlier in 2023, Nomo announced the launch of the real estate financing product, which offers a unique investment opportunity for its customers in the Middle East to own real estate in the UK, whether for

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leasing or private housing, as the UK is considered one of the most attractive and important real estate markets in the world, in a step that marks the continuation of the Bank's well-established strategy towards developing & enhancing its digital infrastructure and providing the highest level of retail banking services to deliver convenience, ease, and security in digital payment solutions.

Our excellence in delivering the best customer service and digital products continues to be affirmed, with the Bank recently being the recipient of multiple prestigious awards including being named the fastest growing brand in Kuwait at a growth rate of 33% by Brand Finance, Best Islamic Bank in Kuwait by Global Finance for the seventh consecutive year, Best Islamic Bank in customer service for the twelfth consecutive year in addition to receiving the First Place Award in Customer Service as a Country Winner across all economic sectors in Kuwait by Service Hero.

This is an overview about Boubyan and our major achievements. Now, Mohamed will take you through the Bank's financial performance with more details

Mohamed Ibrahim: Thank you Mr. Abdulsalam and good afternoon everyone. It is my pleasure to take you through our financial results for the first quarter of 2023.

As you can see on the top left of the slide, the bank reported a net profit of KD 20.6 million, a growth of 22% compared to the corresponding quarter of prior year, with an earnings per share of 4.4 fils.

Operating profit grew by 6% to reach KD 27.6 million. This will be discussed in more details throughout the next slides.

The bank's RoAE decreased compared to the same period last year due to the effect of the KD 200 million rights issuance that took place during Q2 of 2022. However, the Bank's RoAA increased to 1.1%.

Now moving on to the operating income components, we can see that Operating income increased by 6% to reach around KD 52.6 million. This was mainly driven by the increase in fee and investment income.

As for the Bank's net financing income, which decreased by 5% to KD 39.8 million, was negatively impacted during the last twelve months by the multiple increases into the benchmark rates for deposits repricing without correspondence increase in discount rate. This along with other behavioural elements has resulted into margin compressions.

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Nevertheless, our Net Financing Income is expected to improve with the gradual repricing of assets for the last 2 CBK discount rates increases.

Fees and commissions income grew by 72% year on year reaching KD 7.8 million reflecting the growth in business activities across retail, corporate and wealth management segments. However, this has some element of seasonality factor which will normalise this growth in the coming quarters to the lower double digit level.

Investment income also grew by KD 1.7 million due to growth in our investment portfolio and the improvement of its performance.

Now, we will move to slide 9 and discuss operating expenses. Operating expenses, on a consolidated level, grew by 6% compared to the same period last year. This growth is in line with inflation and the scaling of operations. This has resulted cost to income ratio to 47.6% at a consolidated level and the cost to average assets was maintained at 1.3%.

We will now move onto provisions on slide 10, we can see that the total impairment provision was KD 10.4 million out of which KD 5 million was precautionary.

The bank's loss ratio and provisions as a percentage of operating profit was maintained at 0.5% and 38%

I would like to highlight that IFRS 9 provision was lower than the provision as per CBK by over KD 125 million and accordingly we have reported the CBK provision in our financials being higher of the two.

Now moving on to slide 12 regarding our Balance sheet.

Overall, our total assets grew by 8% compared to Q1 2022. This increase was mainly driven by the strong organic growth in the Bank's financing portfolio, fixed income and investment portfolio.

In general, the composition of total assets has been broadly consistent with prior year, with the financing portfolio represents 74% of total assets. Liquid assets to total assets ratio was maintained at a comfortable level of around 20%.

Customer deposits grew 13% year on year with its composition in sources of funding increasing to 77%. Around 10% of the funding source is from medium term funding through its Sukuk program, bilateral and Tier 1 to stabilize and diversify the funding sources.

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The bank has maintained its domestic loan to deposit ratio at a comfortable level of approximately 85.7%

We now move on to slide 13 to discuss the performance of our financing portfolio. Our net financing portfolio grew by KD 299 million year on year or 5%. The growth in financing portfolio without taking into consideration the fluctuation in GBP prices was around 6%. The growth was sourced mainly from corporate segments.

The composition of our financing portfolio is still balanced between corporate and retail segment of 59% and 41% respectively.

Non-performing loans remains fairly stable at 1.1% with a coverage ratio of 286%.

We now move on to our last section on Capital Ratios on page 15.

Our capital adequacy increased to 18.6% from 15.5% in Q1 2022 against a minimum requirement of 14% (including D-SIB of 1%). This was mainly due to the successful rights issuance program which was concluded back in Q2 2022.

Risk Weighted Assets reported a year-on-year growth of 7% to reach KD 5.2 billion, which was driven by asset growth as discussed earlier.

As you can see, the majority of our regulatory capital is in Common Equity Tier 1, which increased to 78% following the rights issue. This is followed by additional Tier1 at 16%.

And finally, the leverage ratio reached 10.9% which is broadly in line with the market and well above the regulatory minimum.

Before I hand over for the Q&A session, I would like to make some remarks on our guidance going further into the 2023 year.

With regard to loan growth, we still expect to achieve high single digit growth at a group level, despite the current market conditions, driven by a balanced growth between corporate and retail financing.

With regards to margins – we expect a recovery from the current level of 2.2% to 2.4% on average for 2023 assuming parallel shifts in discount and benchmark rates during 2023.

Our cost-to-income is expected to stabilize at an average of 48% for 2023.

Cost of risk is expected to have a declining trend throughout 2023 compared to 2022.

With this, I would like to conclude my briefing on the financial performance. Now, I would like to handover to Fawaz for the Q&A session.

Fawaz Tawfiqi	<p>Thank you Mr. Mohamed.</p> <p>We will now start our Q&A session. Ladies and gentlemen, if you wish to participate in our Q&A, please type your question using the question box on screen. Then click the submit button. Thank you for holding.</p>
Fawaz Tawfiqi	<p>Thank you for holding. Our first question asks: what are the drivers behind the sequential NIM expansion and how do you see NIM trending in the coming quarters?</p>
Mohamed Ibrahim	<p>The expansion that we are expecting in NIM will be driven by the latest increases in CBK Discount by 100 Basis points (i.e.50 basis points during December and 50 basis points during January). These will improve NIM with the gradual repricing of our assets.</p>
Fawaz Tawfiqi	<p>Next questions asks: can you mention the drivers of strong fee income growth in Q1-23 which was well above credit growth?</p>
Mohamed Ibrahim	<p>There were income related to credit card with timing difference compared to last year (last year it was realized in Q2). So throughout the year, it will normalize our growth to the lower double digits as per my previous guidance.</p>
Fawaz Tawfiqi	<p>In your NIM guidance of 2.24% for FY23, what was the interest rate changes assumption?</p>
Mohamed Ibrahim	<p>Actually our guidance was 2.4% and I mentioned the reason related to the latest CBK discount increase.</p>
Fawaz Tawfiqi	<p>What is the share of CASA to total deposits and how it has changed Y-o-Y and Q-o-Q?</p>
Mohamed Ibrahim	<p>Currently, the CASA on a standalone level is approximately 33% and on a consolidated level it's almost 31%. More or less it is stable compared to Q4 last year and it is down from Q1 last year and this is what I</p>

	mentioned regarding the behavioral elements: because of the current rate environment, we saw some migration from CASA to fixed deposits.
Fawaz Tawfiqi	Is 6% Y-o-Y growth in OPEX a run rate we can assume for the rest of the year?
Mohamed Ibrahim	No, actually for OPEX, I can say we had some timing impacts. However, we believe the run rate of high single digits could be the base case.
Fawaz Tawfiqi	Next question asks: does your guidance for lower cost of risk in 2023 still hold?
Mohamed Ibrahim	Yes. Still, our guidance for lower cost of risk is our base case. However, we still might have different conservative scenarios considering the overall economic condition in local and international markets.
Fawaz Tawfiqi	Is there any plan for the implementation of Basel IV in Kuwait any time soon?
Mohamed Ibrahim	Nothing communicated from the regulator so far regarding this subject.
Fawaz Tawfiqi	<p>Ladies and gentlemen, we'd like to thank you all for your attendance today and remind you that should you wish to ask any follow up questions you may do so through the investor relations email address listed on our website.</p> <p>A reminder that the presentation slides and transcripts of this call will be published on both the Boubyan and the Kuwait Boursa Websites within the coming days.</p> <p>Thank you.</p>