Toyota Corolla Sport with hydrogen engine

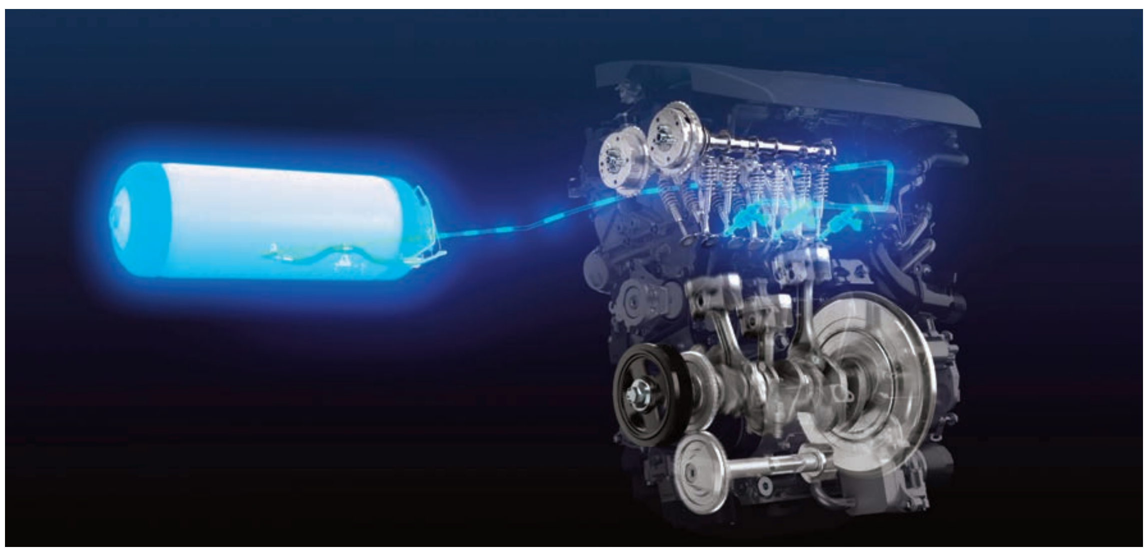
Toyota accelerating development of hydrogen engine technologies through Motorsports

KUWAIT: Underlining its commitment to achieving a carbon-neutral mobility society, Toyota Motor Corporation (Toyota) has announced that it is developing a new hydrogen engine. The engine has been installed on a racing vehicle based on Toyota's Corolla Sport, which will participate in competitive motorsports under the ORC ROOKIE Racing banner.

The vehicle is powered by a 1.6 liter in-line 3-cylinder turbo engine that uses compressed hydrogen as its fuel source. Its first race event will be the Round 3 NAPAC Fuji Super TEC 24 Hours Race, which takes place on May 21-23 as part of the Super Taikyu Series 2021 Powered by Hankook. By honing its hydrogen engine in the challenging environment of motorsports, Toyota aims to contribute to the realization of a sustainable and prosperous mobility society.

"We are excited to put our new hydrogen engine technologies to the test during this year's Super Taikyu

Adapted Corolla Sport to participate in Super Taikyu Series 2021 using new zero-emission engine that combines outstanding environmental performance with a fun and responsive driving experience



Series," commented Kei Fujita, Chief Representative, Middle East and Central Asia Representative Office, Toyota Motor Corporation. "Our participation underlines Toyota's commitment to achieving carbon-neutral mobility by exploring diverse technology options. I am especially excited as I believe there is a huge opportunity for the uptake of hydrogen in the Middle East. The region has a strong potential to produce clean hydrogen from both renewable energy and fossil fuel through the technology of Carbon Capture, Utilization, and Storage (CCUS)."

Fuel Cell Electrified Vehicles (FCEVs) such as Toyota's Mirai use a fuel cell in which hydrogen chemically reacts with oxygen in the air to produce electricity that powers the motor. Meanwhile, hydrogen engines generate power through the combustion of hydrogen using fuel supply and injection systems that have been modified from those used with gasoline engines, emitting zero CO_2 in the process.

Combustion in hydrogen engines occurs at a faster rate than in gasoline engines, resulting in a characteristic of good responsiveness. While having excellent environmental performance, hydrogen engines also have the potential to relay the fun of driving, including through sounds and vibrations.

Toyota has long engaged in the innovation of engine technology and is applying the technologies that it has continued to refine through its participation in motorsports in production vehicles, with the GR Yaris launched last September being one example. In addition, Toyota intends to apply the safety technologies and know-how that it has accumulated through the development of fuel cell vehicles and the commercialization of the Mirai.

The hydrogen-powered race vehicle will be fueled using hydrogen produced at the Fukushima Hydrogen Energy Research Field in Namie Town, Fukushima Prefecture. Toyota has been strengthening its efforts toward achieving carbon neutrality by promoting the use of hydrogen through the popularization of FCEVs and numerous other fuel-cell-powered products. By further refining its hydrogen-engine technologies through motorsports, Toyota is targeting the realization of an even better hydrogen-based society.

NBKE Economic Report

Kuwait: Robust household but weak business credit in 1Q2021

- Domestic credit started the year on a relatively weak note as it increased by 1% q/q, with y/y growth at 2.8% through March.
- Business credit continued to be muted, with y/y growth of just 0.6% by the end of March.
- Household credit remained robust growing by 8.1% y/y, the highest annual expansion in 4.5 years.
- Domestic deposit growth was weak in 1Q2021, driven by both private-sector deposits as well as government ones.
- The six-month deferral of household credit installments of Kuwaiti borrowers, all else equal, is expected to strengthen even further the net growth of household credit.

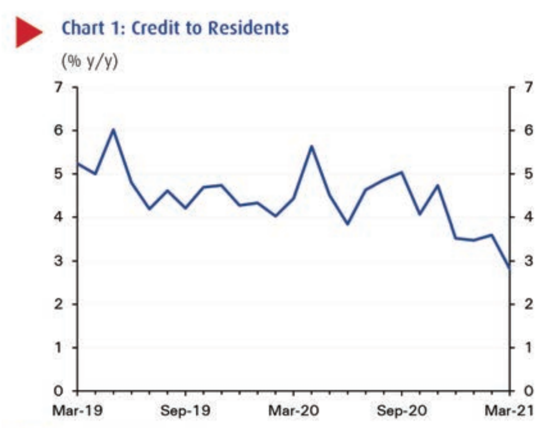
KUWAIT: Domestic credit started the year on a relatively weak note as it increased by 1 percent q/q, with y/y growth at 2.8 percent through March. For the third consecutive quarter, household lending was the main growth driver, while business credit remained muted. The pandemic-related uncertainty and disruptions continued to weigh on business lending so far this year. In addition, business lending was supported last year by the emergency tapping of credit lines, which expectedly is playing a less important role so far this year. On the other hand, ongoing high demand/resilient valuations in the residential real estate sector and robust consumer spending are supporting household lending growth, which has touched multi-year highs.

Business credit growth stood at just 0.6 percent y/y by the end of March 2021, impacted by very high growth in March of last year that was likely driven by emergency tapping of credit lines given the onset of the pandemic. Nevertheless, growth was resilient in some sectors, such as industry (+3.4 percent y/y) and oil/gas (+3.2 percent). On the other hand, credit to the trade sector continued to be among the weakest since mid-2020, falling by 7.6 percent y/y through March. Credit to real estate, the sector's heavyweight, increased by 2 percent to account for around 43 percent of total business credit by the end of 1Q2021.

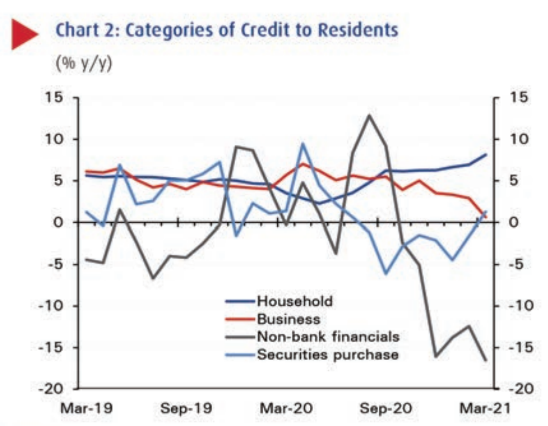
Household credit remained robust in 1Q2021, with y/y growth at 8.1 percent through March, the highest annual expansion in 4.5 years. This accelerating expansion was driven by housing loans, which increased by 8.7 percent. In contrast, personal consumption loans were broadly flat in 1Q2021 and y/y growth softened to 8.9 percent, likely impacted by the shrinking expatriate population.

Credit for securities purchase supported overall growth in 1Q2021 as it expanded by the fastest quarterly rate in 1.5 years. On the other hand, deleveraging by non-bank financial institutions continued in 1Q2021 with credit to that segment falling 16 percent y/y.

Looking ahead, we still expect credit growth of around 4-5 percent in 2021. The six-month deferral of household credit instalments of Kuwaiti borrowers, all else equal, is expected to strengthen even further the net growth of household credit, given that the deferral results in loans staying longer on banks' balance sheets. An improvement in the operating environment, including positive developments on the virus front, will likely support business credit growth, although lower projected emergency working-capital funding (a phenomenon witnessed strongly in 2020 given the pandemic) might be a drag on growth. The approval of the "loan guarantee" law, while positive for SMEs, is not expected to have a main impact on overall credit growth given its small size (capped at KD 500 million), which represents only 1.2 percent of total outstanding domestic credit by the end of March. Finally, in an effort to continue supporting the banks and the overall economic recovery, the Central Bank of Kuwait (CBK) extended its relaxed capital adequacy and liquidity measures for an additional six months (until the end of June 2021).



Source: Central Bank of Kuwait



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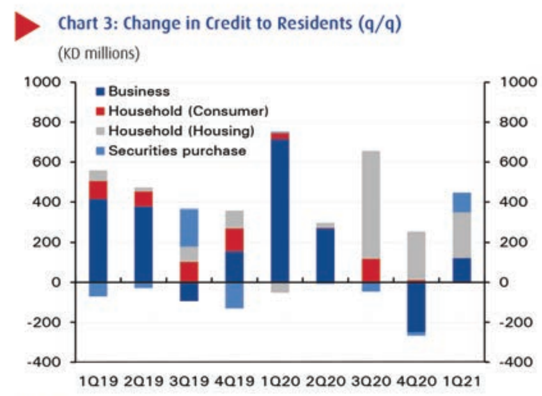

Source: Central Bank of Kuwait

Weak deposit growth in 1Q2021

Domestic deposit growth continued to be muted (+1 percent y/y), driven by both private-sector deposits as well as government ones. Private-sector deposits dropped (-2 percent) for the second quarter in a row, pressuring the y/y growth to just 1.9 percent. Government deposits were even weaker, falling by 8.2 percent (KD 655 million) q/q, which may be related to the liquidity constraints that the government has been facing.

Looking at the breakdown of KD private sector deposits, however, shows a more favorable view for the banks with sight and savings accounts actually soaring by around 20 percent y/y, while the more expensive time deposits dropped by 9.5 percent y/y. The steep fall in interest rates and the deferral of credit instalments last year are two drivers for the changing composition of private sector deposits. Money supply (M2) broadly tracked private sector deposits, increasing by 1.9 percent y/y.

The weakness in domestic deposits so far this year was partially compensated by higher non-resident deposits, which have increased by 7.2 percent q/q, while the sector's simple loans-to-deposits ratio inched up to 90 percent by the end of 1Q2021 from 87 percent at the end of 2020. Finally, the deferral of household credit instalments of Kuwaiti borrowers is expected to provide some support for the growth of private-sector deposits going forward.

Policy interest rates on hold

The CBK's discount rate has remained at 1.5 percent since March 2020 and will probably stay at that level for now given that the US Federal Reserve is unlikely to hike its policy rate anytime soon. Commercial interest rates (weighted averages as calculated by the CBK) on KD-denominated loans and deposits continue to very gradually trend lower after the relatively sharp decrease witnessed last year, partly reflecting, on the lending side, the ongoing downward repricing of household loan portfolios.