

## Business

SUNDAY, JANUARY 20, 2019

**12** Tesla to cut 7% of workforce amid tough profit outlook**13** Boubyan Bank records net profit of KD 56.1 million for year 2018**14** Zain launches 'All Zainers are Winners' campaign for prepaid, postpaid customers

DUBLIN: Examples of gold bullion are on show at Merrion vaults in Dublin. In a vault under the streets of Dublin, a pot of gold owned by anxious investors is growing every day as Britain edges closer to leaving the EU without a deal. — AFP

# NBK reports FY net profit of KD 370.7m

## Net profit increases by 15.0% on previous year • Total assets reach KD 27.4 billion

KUWAIT: The National Bank of Kuwait ("NBK", the "Bank" or the "Group") has announced its financial results for the 12-month period ended 31 December 2018. NBK reported a net profit of KD 370.7 million (\$1.2 billion), which increased by 15.0 percent on 2017, with total assets increasing by 5.4 percent to reach KD 27.4 billion (\$90.4 billion). Customer loans and advances increased by 6.9 percent to KD 15.5 billion (\$51.1 billion), while customer deposits increased by 4.4 percent to reach KD 14.4 billion (\$47.4 billion). The Group's Board of Directors has proposed a cash dividend distribution of 35 fils per share, representing 35.0 percent of the nominal share value in addition to 5 percent bonus shares, all subject to approval by shareholders at the AGM.

NBK maintained a conservative approach to risk, reflected in the confirmation of strong long-term credit ratings. The Bank's robust asset quality metrics held steady, with the NPL/gross loans ratio at 1.38 percent and an NPL coverage ratio of 228.1 percent. The Group maintained a high level of capitalization, with a capital adequacy ratio of 17.2 percent, comfortably in excess of the Central Bank of Kuwait's requirement.

Commenting on the results, NBK Group Chairman, Nasser Al-Sayer, said: "We are pleased to report another year of solid performance. The Bank has continued to benefit from Kuwait's strong fiscal position, which largely protected the country from regional economic volatility during the year. GDP growth is projected to reach 2.2 percent, and the pipeline of scheduled project awards remains strong. The role that NBK will play in supporting economic growth and the agenda of 'New Kuwait 2035' is assured, as it remains the bank of choice for financing public and private projects.

Having increased the scale and contribution of our international operations, while consolidating our leadership position in Kuwait, we achieved considerable progress in pursuit of our diversification strategy. Our diversification extends to the product and service offering, growth in existing geographies, our approach to new business opportunities, and our commitment to a digital transformation that will position the Bank for future growth."

Group net operating income grew by 7.4 percent year-on-year to reach KD 883.2 million (\$2.9 billion), with improved earnings driven by an increasingly diverse range of income generators from across business units. Non-interest income accounted for 22 percent of net operating income in 2018 with robust fee generation across units, as

Nasser Musaed  
Abdulla Al-Sayer

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the Bank continues to seek opportunities for improving non-interest income. International banking operations accounted for 29 percent of the Group's net profit, increasing from a contribution of 28 percent in 2017. Islamic Banking, through subsidiary Boubyan Bank, provided further diversity to the income profile, with a growing contribution to Group net profit.

NBK Group CEO, Isam Al-Sager, commented: "While the local and regional banking sector faced challenges due to a high level of liquidity putting pressure on credit growth, NBK recorded another set of exceptional results, as the breadth of its operations and the scale of our international footprint mitigated risk. Earnings from our core banking activities clearly reflect NBK's underlying institutional strength, which is supported by a strategy that hedges risk by diversifying income across products, customer types and geographies, while maintaining a competitive advantage in the domestic market through both a conventional and Islamic offer. NBK remains a safe haven, in light of its high credit ratings and recognition of its prudent risk management approach - as borne out by another year of inclusion in Global Finance's list of the World's 50 Safest Banks.

A core component of the diversification theme in 2018 was the considerable effort made by the Bank towards its digital transformation. The program is cross-segment and cross-geography, impacting internal processes and systems as well as the experience and opportunities of our customers." Effective cost management policies saw cost growth of just 4.1 percent, compared with 5.3 percent in 2017, resulting in a cost-to-income ratio of 31.3 percent

compared with 32.3 percent in the previous year. The Bank's profitability metrics delivered positive results, with return on average assets of 1.38 percent compared with 1.28 percent in 2017 and return on average equity of 12.0 percent compared with 10.8 percent for the previous year. Basic earnings per share (EPS) were 58 fils at year-end (50 fils in 2017), with equity attributable to shareholders increasing by 3.3 percent to KD 2.9 billion (\$9.7 billion).

Al-Sager concluded: "Our strategic pathway remains essentially unchanged. Our primary objective is to deliver superior returns to shareholders, which we will achieve by

defending our leadership of core businesses, maintaining our dominant share of the domestic Kuwaiti market, achieving growth in target segments and exploiting our international presence. Having achieved particularly robust performance in Egypt, we will look to consolidate and build upon recent growth in that market; while in Saudi Arabia we will seek to grow the client-base and AuMs of the recently launched Al-Watani Wealth Management Company. We look forward to maintaining our commitment to both customers and shareholders, as we build a more diverse and sophisticated banking offer."

## A month into US shutdown, the economy blinks first

WASHINGTON: After four weeks, the partial shutdown of the US government has begun to rattle the world's largest economy, particularly hitting consumer sentiment, a mainstay of growth.

A closely-watched monthly consumer survey on Friday touched its lowest level since President Donald Trump's election in 2016, suffering its biggest one-month drop in more than six years, according to University of Michigan economists. Americans have less confidence in the economy's strength in 2019, while 800,000 government workers are furloughed or work without pay as Trump battles on Democratic lawmakers over funding for a wall on the Mexican border.

The shutdown, which began December 22, directly affects only 0.5 percent of the labor force, but indirectly, it is beginning to hit morale for more than half of US consumers, according to the report.

When government operations resume, federal workers should ordinarily get back pay. But this may not be true for contractors, who could have to eat the loss.

As the work stoppage continues, economists have progressively raised their estimates for its cost to GDP growth. White House economists doubled their estimate early this week, determining that after a month, the shut-

down would shave a half percentage point off the first quarter. Influential central banker John Williams, president of the New York Federal Reserve Bank, upped the ante on Friday, saying the first quarter could lose a full percentage point. "It is going to be a drag on consumer spending and the economy in the first quarter directly, enough to pull growth down by up to a half percentage, or maybe even a percentage point, if it continues," he told a local banking conference, according to Bloomberg.

### Fundamentals are solid

Nevertheless, Williams said there could be a post-shutdown rebound, as had been the case in the past.

The battle over wall funding coincides with other clouds on the horizon, as a recent Fed survey showed. The US-China trade war, sharp volatility on stock markets that left the major Wall Street indices in correction for a month, and fumbled public statements from the central bank also made investors shudder.

With a slowing global economy and trade uncertainties, the Fed for now expects 2.3 percent growth in 2019, down sharply from the growth of about three percent expected for 2018.

Forecasts for the first quarter of this year are not yet available. The fundamentals of the economy remain sound, analysts say, even if much economic data-including home and retail sales or the trade deficit-is not being produced during the shutdown. Gregory Daco, chief US economist at Oxford Economics, said in an analytical note on Friday that some were sure to claim the Michigan survey "signals an imminent recession." But he said the index had already been too high in recent months, meaning it was due to fall. — AFP