

Business

NBK approves distribution of 20% cash dividends and 5% bonus shares



KUWAIT: National Bank of Kuwait (NBK) held yesterday its 2020 Annual General Meeting (AGM) and Extraordinary General Meeting (EGM), at which there was a quorum of 78.4 percent. The AGM and EGM approved the Board of Directors' recommendation to distribute 20 percent cash dividends to shareholders (equivalent to 20 fils per share) and the distribution of 5 percent bonus shares (5 shares for every 100 shares owned).

Maintaining Course

Nasser Al-Sayer, NBK Group Chairman delivered his speech at the 2020 AGM and EGM affirming that the COVID-19 pandemic's fallout affected all global economies and companies, and Kuwait and the Middle East were no exceptions. For the GCC, the impact was especially severe in light of a record-low oil price environment, at the beginning of the crisis, followed by fluctuations, at the same time they are fighting to contain the spread of the pandemic.

Sayer said: "Despite the challenging operational environment that we faced during the past year, we managed to achieve decent profits amounting KD 246.3 million, whereas operating profits stood at KD 530.9 million. These financial results for 2020 reaffirmed our resilient business model and a strong financial position, and showed continued payback of our diversification and digital transformation strategies."

Sayer pointed out that NBK's tremendous and well-thought-out investments in developing employees and digital infrastructure over the past years have proven to be prudent. Additionally, Boubyan Bank, the Islamic arm of the Group, along with the bank's international operations, continued to play an instrumental role in mitigating risks and diversifying sources of income.

Sayer noted that NBK faced the crisis in a solid position, as the size and liquidity of the group's balance sheet, along with healthy profitability, enabled it to continue to support customers and society. Moreover, during the year, all necessary measures were taken to enhance the strength of the bank's financial position amidst the unstable economic conditions caused by the pandemic.

"Our ability to sustain dividend policy while maintaining our solid capital base during this uniquely challenging year is a testament to the solidity of our strategic foundations, and a reflection of the trust placed in us by our customers and shareholders," he added.

Sayer explained that the Board of Directors has performed its duties in the best way, providing guidance and advice to the Executive Management to move the Group's operations forward. Sayer praised the bank's executive management and leadership team, and all employees who made tireless efforts during working remotely to help customers weather the challenges imposed by the pandemic. He also extended his thanks to the Central Bank of Kuwait for its efforts aimed to enhance the operational environment.

On NBK's performance of its social responsibility, Sayer said: "We are proud to continue our unshakable approach laid down by the founders for nearly seven decades with regard to our social responsibilities. In this context, we made a contribution to the fund set up to support government efforts in facing coronavirus outbreak, in addition to supporting the efforts of the Kuwaiti Red Crescent by providing ventilators and mobile clinics to help their efforts to contain the pandemic."

Concluding his speech, Sayer said: "Despite the difficulty of forecasting how the year 2021 will unfold, I am sure that the NBK has the strength, stability and operational resilience enabling it to face all possible scenarios and be up to the expectations of its shareholders and customers, as well as to carry on its historical role in supporting the Kuwaiti economy to recover from the impacts of this pandemic."

Proactive Strategy

On his part, Isam J Al-Sager, NBK Group CEO, said in his speech: "The year 2020 was exceptional, due to the challenging operating environment resulting from the pandemic, which demonstrated the bank's resilient business model, solid financial position, and the prudence of NBK's proactive strategy for diversification of income sources and digital transformation."

Sager stated: "This year was exceptionally challenging, not only due to the impacts of the coronavirus pandemic, but also the concurrent sharp decline in oil prices and historically low interest rates. These factors combined led to a decline in the volume of banking transactions across many sectors in all the markets in which we operate. The pace of project awarding and implementation in Kuwait also saw a significant slowdown due to the challenges imposed by the pandemic, in addition to the government's cutting of investment spending due to the decline in its revenues."

Sager indicated that these circumstances impacted the bank's operating results, as interest income was affected after re-pricing loans according to the new interest rates after the Central Bank of Kuwait cut the discount rate twice in last March to reach its lowest historical level. Additionally, fees and commission income was also affected by shutdown of economic activities as part of the precautionary measures to combat the spread of the pandemic, especially in the second and third quarters of the year. These circumstances, Sager noted, made it necessary for NBK to maintain a conservative risk management approach, by providing for prevailing uncertainty, especially that the crisis is still unfolding.

Exceptional policies

Sager indicated that it was normal that the financial results were affected by these repercussions. However, he emphasized that the exceptional policies adopted by the executive management minimized this impact and resulted in posting financial results allowing the Board of Directors to recommend distribution of dividends to shareholders. Total assets also grew by 1.5 percent to reach KD 29.7 billion, whereas loan portfolio grew by 5.7 percent to reach KD 17.5 billion, and customer deposits increased by 7.4 percent, to reach KD 17.1 billion.

Sager continued: "Our profitability, solid financial position and sustained growth of our balance sheets, despite the unprecedented challenges, demonstrate the success of the ini-

tiatives and policies we were quick to adopt in order to minimize the impact of the crisis, which focused on enabling our customers to make all their banking transactions without being affected by the lockdown measures, depending on our various digital channels and advanced payment solutions."

Sager said, "We followed a cost control strategy aimed to strike a balance between implementing stringent cost-cutting measures and continuing to inject the necessary investments to achieve our strategic goals."

"We were keen on completing our investments and implementing the digital transformation roadmap, and all our digital initiatives that proved to be very successful in light of our customers' reliance on our digital channels for 85 percent of their transactions during the year. Our tremendous digital capabilities were instrumental to ensure smooth flow of our operations, which enabled us to continue making progress in most of our strategic goals," he added.

Well-positioned for recovery

Sager mentioned that, in line with its policy aimed at diversifying the financing base, enhancing capital adequacy ratios, and benefiting from low interest rates, NBK issued subordinated Tier 2 bonds: one KD-denominated worth KD150 million, and another USD-denominated worth USD 300 million, and succeeded in obtaining one of the lowest pricing compared to peer GCC issuances. These issuances saw a remarkable demand from fixed-income investors, reflecting the bank's creditworthiness and internationally leading position.

Sager noted that throughout the year, the executive management placed the safety of customers and employees at the top of its priorities. To this end, it strived to enable customers to make all their transactions remotely, and to apply all precautionary measures at the branches, as well as maintaining a safe working environment to protect employees' health and safety.

Regarding the outlook for 2021, Sager said: "We believe that our diversification and digital transformation strategies, along with our solid financial position and leading franchise, and the policies and initiatives accomplished over the past year, make us better positioned for a gradual recovery in light of the accelerated vaccination drive and improving oil prices, and that we will be the biggest beneficiaries from the emerging opportunities as we proceed towards recovery in all the markets in which we operate."

Sager concluded his speech by thanking the members of the Board of Directors for their prudent advice and guidance. He also thanked the Group's employees for their dedication in performing their job duties during these exceptional circumstances, regardless of their positions, as well as the bank's customers inside and outside Kuwait, stressing that the bank always aspires to provide top-notch banking products and services in a way that meets all their expectations.

Solid foundations

On the sidelines of the AGM, Shaikha Al-Bahar, NBK Group Deputy CEO, said: "The year 2020 was one of the most challenging years for global economies since long generations, as the rapid spread of the pandemic forced countries to shut down major parts of their economies to protect their citizens, which led to the worst economic downturn in decades."

Bahar added: "While we could not predict the nature or extent of this crisis, we were fully prepared and well-positioned to provide the support needed by our customers and employees, thanks to our solid foundations in the operational and financial sides, and our continuous efforts over the years to build a solid capital base and focusing on our asset quality, minimizing risks, and enhancing the operational resilience needed to withstand potential economic shocks."

Bahar indicated that the record low interest rate environment had an impact on net interest income. However, this was offset by the decent growth in the loan portfolio and prudent cost control, and despite the increased provisioning and the pressure on the bank's revenues from some sectors, NBK outperformed other regional banks in terms of key financial indicators, and at the same time, maintained strong capitalization levels, with a capital adequacy ratio of 18.4 percent, and healthy asset quality levels, as non-performing loans ratio stabilized at 1.72 percent and loan loss coverage ratio stood at 220 percent.

Digital investments

Bahar continued: "Our geographical footprint and access to markets with great growth potentials are unique factors that give us an edge over our competitors, as our international operations continue to play a vital role in mitigating risks and increasing the diversification of income sources, whereas the growth in Islamic banking through Boubyan Bank, the group's Islamic arm, remains a key element of our diversification strategy, as the operating income from NBK's international operations reached KD 206.1 million, which is robust in view of the prevailing circumstances, contributing to 24 percent of the group's total operating income."

On the digital transformation front, Bahar said: "Despite the impacts of the pandemic, it offered us opportunities to accelerate the implementation of our digital transformation roadmap, which will help us take decisive steps to move forward with our comprehensive and sustainable digital transformation agenda. Throughout its long history, NBK does not hesitate to seize opportunities to consolidate its leading position and meet its aspirations that transcend geographical barriers."

Bahar emphasized that NBK's digital investments paid off during the crisis, as the bank's digital channels played a key role in customer service, since digital transactions increased to record levels, a trend that continues even after returning to normal levels of economic activities, especially as we continue to introduce continuous enhancements to NBK Mobile Banking App and develop branches to integrate with digital channels with the aim of enriching customer experience.

Bahar explained that over the past year, and in recognition of NBK's efforts in supporting customers and employees, the bank was one of the few banks around the world to be recognized by receiving a number of prestigious awards in the areas

of innovation in digital banking services from Global Finance magazine, noting that the bank also scored a high rating in customer satisfaction index.

International expansion

Speaking about the outlook, Bahar said: "As we navigate into 2021, we will continue to focus efforts on leveraging the size and strength of our balance sheet to support our customers. In addition, having a combination of professional human cadres and advanced digital technology will remain a key factor for our success, as this will support the creation of distinguished propositions and solutions that attract new customers, and strengthen the relationships with existing customers."

Bahar continued, saying: "We will continue to give priority to a disciplined focus on managing cost to remain financially and strategically flexible, and we will align our business with our endeavors to create added value for our customers by empowering them and enriching their banking experience. We will continue to simplify and digitize their interactions with us to save time, provide convenience and added value. We will also provide AI-based solutions and enhance the analysis of data and core digital systems to identify and meet their needs and provide them with new and outstanding solutions."

On the international markets level, Bahar mentioned that the bank will continue its efforts to expand in the retail and wholesale sectors in the Egyptian market by investing in digital banking services and focusing on increasing new customers acquisition and simplifying their transactions. On the other hand, the bank will seek to expand its regional wealth management footprint, by enhancing its wealth management proposition (Watani Wealth Management Company) and linking it to the group's global wealth management platform, as well as increasing commercial banking offers in the Saudi market to gradually boost its presence in the Kingdom and increase this market's contribution to the group's bottom line.

Positive signs

Bahar stated: "Over the past few months, we have witnessed positive signs and indicators that give us optimism, and we are confident that our strategy will continue to achieve better returns for our shareholders across all of our key markets in the future. We stress that the executive management has a clear mission and an unwavering focus on preserving the bank's leadership, and this mission is supported by key principles represented in putting customers first, investing in our people and digital infrastructure, and benefiting from our broad geographical footprint, and we are confident that the implementation of this mission will help us sustain stable returns for our shareholders on the long term."

Bahar concluded: "We are proud of the role we played since the very beginning of the crisis in supporting our country and government's efforts to curb the spread of this pandemic, and we will certainly be there to support the recovery of our national economy from this crisis."

Operational resilience

Meanwhile, Salah Al-Fulaij, CEO of NBK-Kuwait, announced after the meeting: "The operating environment was exceptionally challenging, as Kuwait was one of the first and most keen countries to impose lockdown measures. This coincided with the slow pace of project implementation, low interest rates and the failure to approve the public debt law and guarantee financing for SMEs, which affected the business sector, as the IMF expected the economy to contract by 8.1 percent in 2020."

Fulaij pointed out that these challenges demonstrated the bank's resilient business model, which as reflected in the asset growth trends mainly driven by the growth of loan portfolio by 5.7 percent year-on-year, with the continued support of the Kuwaiti demographics for strong growth trends in consumer lending, in addition to the bank's leading position in financing government, oil and private sectors' institutions. Fulaij said: "Our crisis management focused on key pivots that aimed to continue focusing on digital initiatives and developing our digital channels to ensure uninterrupted services, consolidate our digital excellence, and provide the required support to our retail and corporate customers during the crisis, in addition to maintaining the safety of our customers and employees."

Speaking on digital initiatives, Fulaij said: "We launched advanced payment solutions for the first time in Kuwait at the beginning of the year, and we were the first to launch Samsung Pay in the third quarter. We also continued to invest in enhancing our digital channels, basically NBK Mobile Banking App, to which we added 22 updates. This was reflected in a 38 percent increase in the number of users and 51 percent in the number of transactions made using the app. At the end of the year, we opened our new branch at The Avenues Mall, unfolding NBK's futuristic approach to branches, as part of our digital transformation strategy."

The bank's digital excellence was recognized by naming it Best Consumer Digital Bank in Kuwait and the Middle East from Global Finance magazine.

Local dominance

Fulaij continued: "We defended our market share and maintained our leadership as the largest financier of government projects and the house bank for Kuwait Petroleum Corporation (KPC) and its subsidiaries. We succeeded in leading the banking sector to conclude a financing facility agreement worth KD 1 billion in favor of KPC. We also preserved our dominant share in financing foreign companies operating in Kuwait and cemented our relationships with most of these companies. Additionally, we signed a memorandum of understanding with Italian Export Credit Agency (SACE) to support and finance Italian companies operating in Kuwait. We were also keen to continue investing in developing innovative banking and treasury solutions and foreign exchange services to live up to international standards."

These efforts were recognized by winning the awards of Best Private Bank in Kuwait, Best Foreign Exchange Provider in the Middle East, and Best Trade Finance Bank in Kuwait from Global Finance magazine. Al-Fulaij pointed out.

Customer support

Regarding the bank's role in supporting customers, Fulaij indicated that NBK and the banking sector launched exceptional initiatives to mitigate the impact of the crisis including a deferral program for the installments of all consumer loans and credit card for six months, without any resulting interest or fees, as well as deferring the installments of SMEs loans and stopping collection of fees on POS terminals and digital channels for three months. The bank also provided soft loans to its corporate and SMEs customers.

Fulaij affirmed that NBK was committed to enable customers make all their transactions, saying: "We launched the mobile branch initiative, and reached our customers in quarantined areas during the full lockdown by providing mobile ATMs. And as part of our endeavors to serve all our customer segments, we opened our new branch at the headquarters of Kuwait Boursa, and were closer to our customers through our digital channels and social media platforms, which reached 1.7 million followers."

These customer support efforts were recognized as NBK was named Best Retail Bank in Customer Service in Kuwait, according to Service Hero Index.

Fulaij highlighted that the bank's employees received full support during these exceptional circumstances, and a series of questionnaires were conducted about employees' awareness and confidence in the measures taken by the bank during these times. This helped create new programs and resources to support them, with a strong focus on their health and safety.

Furthermore, in order to protect our people, Fulaij indicated that the bank has taken all necessary actions to keep them safe, and has not stopped to provide them with training by re-designing all training courses according to virtual reality technology, as the bank organized 71 training programs and workshops that were attended by 1137 participants, and 2,625 employees received mandatory training courses, which are unprecedented levels NBK succeeded to achieve, despite the exceptional circumstances.

NBK's leadership

Fulaij pointed out that while the bank strives to weather the continuing crisis, it is looking forward to the future and focusing on preserving NBK's leadership and its dominant market share in Kuwait by continuing to implement its digital transformation roadmap that supports the achievement of all the bank's strategic objectives, basically acquisition of more customers from the youth segment.

"We aim to maintain our leadership in financing development projects, support and finance expansion of the oil and private sector projects. We also seek to continue our strategy aiming to penetrate the medium-sized companies market to increase and diversify our corporate customer base. We are also looking forward to complete the strategy of creating integration between branches and digital services, as opening the Avenues branch was just the beginning of unveiling this strategy," he added.

Thanks and appreciation.

At the end of his speech, Nasser Al-Sayer, on behalf of all Board members and the Executive Management team, extended thanks to HH Sheikh Nawaf Al-Ahmad Al-Sabah, the Amir of Kuwait, and HH Sheikh Mishal Al-Ahmad Al-Sabah, the Crown Prince, for their continued support for the stability and growth of the Kuwaiti economy. He also thanked the Central Bank of Kuwait and the Capital Markets Authority for their efforts to make Kuwait a more attractive investment destination.

In addition, Sayer thanked the shareholders for their trust in National Bank of Kuwait, and also expressed his special gratitude to the bank's customers in Kuwait and throughout the region and the whole world for their loyalty and continuous support. Sayer also thanked the Group's Board of Directors for their prudent advice and leadership. He also expressed his appreciation for the relentless efforts of the Executive Management of the National Bank of Kuwait and their constant endeavors to sustain the bank's progress, and accentuated the instrumental role of the bank's employees to gain the confidence placed by customers and shareholders in the bank.

Dividend distribution date

Cash dividends and bonus shares will be distributed as of Tuesday dated 30.03.2021, for the shareholders registered in the bank's shareholders' records as at the end of the due date set to Thursday dated 25.03.2021.

Eid and Saidi elected as independent board members

The General Assembly elected Robert Maroun Eid and Nasser Amin Saidi as independent members for the remainder of the membership term for the current session of the board, in compliance with corporate governance regulations issued by the regulatory authorities.

Eid, who holds a PhD in banking and finance from the Sorbonne University in Paris, held many executive positions in many leading financial institutions including Saudi Home Loans Company (SHL), Arab National Investment Company (ANB Invest), MetLife and Arab National Bank Cooperative Insurance Company (AIG ANB). He also worked as Managing Director and Chief Executive Officer at Arab National Bank - KSA from 2005 to 2020, and as Managing Director and CEO of National Bank of Kuwait (International) PLC (NBKI) from 1998 to 2005.

Saidi, who holds a PhD from the University of Rochester in USA, also held several positions. He served as the Minister of Economy, Trade and Industry in Lebanon from 1998 to 2000 and the Vice Governor of Banque du Liban (Central Bank of Lebanon) from 1993 to 2003. He also was a Member of UN Committee for Development Policy (UNCDP) from 2005 to 2006, and the Chief Advisor to the Minister of Finance - UAE from 2005 to 2006 and the Chief Economist (previously) for Dubai International Financial Center (DIFC) from 2006 to 2012 and also served as the Executive Director of Hawkamah Institute for Corporate Governance from 2006 to 2012.