ABK announces operating profits of KD 87.3 million

KUWAIT: Al Ahli Bank of Kuwait (ABK) yesterday announced Operating Profits of KD 87.3 million for 2015, up 5.8% from last year. Operating Income also saw a 9.3% jump to KD 128.5 million, while net loans and advances to customers increased by 25.8% over the same period, underlining the Bank's strong growth momentum. Net Profits, however, were down 19.2%, from KD 37.6 million to KD 30.4 million, following aggressive precautionary provisioning on the Kuwait book (KD 28 million for the 4th Quarter and total provisions of KD 61.4 Million for 2015) to reflect the current market volatility and depressed asset prices.

ABK will continue its conservative policy of provisioning during 2016. The Group's total assets at year-end increased by 24.6% to KD 4.36 billion, while customer deposits were 28.8% higher at KD 2.50 billion. Shareholders' equity amounted to KD 556 million, and the Group achieved a return on equity of 5.5%,with earnings per share of 19 fils.

The major event of the year was the successful acquisition of a 98.5% stake in Piraeus Bank of Egypt (PBE). This acquisition represents a key milestone for the Bank. It also generated an extraordinary net one-off gain of KD 8 million (Note that Operating Profits would have been KD 95.3 million had ABK included this gain relating to the acquisition of Piraeus Bank of Egypt). PBE provides banking services to its customers in corporate banking, retail banking, treasury, as well as leasing products through a fully-owned subsidiary. It operates 39 branches and contributed KD 428 million to the total assets of the Group.

Talal Behbehani, ABK's Chairman, said: "This year has been a very special year as it recorded a key milestone in the Bank's history with the acquisition of Piraeus Bank - Egypt. This represents a major step towards the Bank expanding its presence across the MENA region. ABK is now the second Kuwaiti bank operating in Egypt. "This is a good set of results, which show continuous improvements, while our top-line organic growth continues to accelerate. Consequently, the Board has proposed a cash dividend of 10 fils, subject to approval by the Bank's Annual General Meeting and financial regulators.

"The Bank's strong position was reaffirmed by Fitch, one of the world's leading credit rating agencies. Fitch issued an update in November confirming the Bank's stable outlook and its long term Issuer Default Rating (IDR) of A+. This confirmation of the Bank's solid position is an endorsement of our strategy and will help us to continue our growth in the future. "In closing I would like to recognize the Bank's management team and all ABK employees for their hard work and commitment.

Talal Behbehani

ABK's CEO Michel Accad

They are what differentiates us and makes us unique." ABK's CEO, Michel Accad, said: "The underlying progress of the Bank during the course of the year has been excellent, despite making further precautionary provisions on the Kuwait book, which is only prudent in the current economic climate. We owe a great deal of our success to the customer-focused strategy we have adopted, which has allowed us to deliver the highest service standards and provide customer experiences designed to make our clients' lives easier and simpler.

We will continue to invest in our infrastructure and systems, and we will further develop our 'Simpler Banking' concept, in line with the Bank's vision of "Reimagining a Simpler Bank" and its Core Values of Transparency, Integrity, Simplicity and Excellence. "I believe that the combination of ABK's customer-focused strategy and diversified business model is one that will both meet the needs of our customers and create long-term value for our customers and our shareholders."

In 2015 the Bank received a number of significant industry awards, which include: the Banker Middle East award for Best Retail Bank; Asian Banker award for Most Improved Retail Bank in the Middle East; Best Retail Bank from 'The European - a Thomson Reuters Affiliate; Best Loyalty Program in Kuwait, Banker ME; Elite Quality Recognition Award from JP Morgan Chase; Best New Product Award from Visa International; and the Award for Excellent Quality from International Commerzbank AG.

News in brief

Omantel scraps its $130 m dual-currency sukuk issue

MUSCAT: Oman Telecommunications Co (Omantel) scrapped plans for a $130 million, five-year dual-currency sukuk issue because the interest rates offered by lenders were too high, the company's chief executive said yesterday. Last month, the state-run company priced the sukuk at a profit rate of 5.3 percent, having received commitments worth $82.1 million in the US dollar tranche and 18.4 million rials ($47.9 million) in the rial tranche. But Omantel has now shelved plans to issue the sukuk "at the present time", it said in a statement to Muscat's bourse yesterday. "The interest rates on the sukuk were higher than what we expected," chief executive Talal Al-Mamari said. "We have taken the advice of our financial advisor that now is not the right time to issue the sukuk due to the current economic situation worldwide." The sukuk proceeds would have helped to fund construction of Omantel's new headquarters as well as diversify its investment portfolio. Mamari said the company's capital investments would not stop; he did not elaborate.

French Hermes warns of fading chic in sales

PARIS: French luxury goods group Hermes warned yesterday that sales growth would probably fall below target this year because of economic and political uncertainties, prompting a sharp fall in its share price. Hermes sales in 2015 rose by 18 percent from the previous year, the company also reported, and by 8 percent once the favorable impact of the strong dollar was stripped out. In the fourth quarter alone, sales were up 15 percent, and 7 percent at constant exchange rates, "despite the impact of the recent events in France and, to a lesser extent, in Europe", it said. But weakness in the luxury goods sector in the wake of terror attacks in Paris and elsewhere would probably take its toll on turnover this year, it warned. "Due to the economic, geopolitical and monetary uncertainties around the world, sales growth in 2016 could be below the medium-term goal of 8 percent revenue growth at constant exchange rates," it said. Hermes, which is to publish full annual earnings in March, gave an early indication that its profit margin on operations would be close to 2014's 31.5 percent.

Tourism: A tenth of the world economy

PARIS: Terrorism and epidemics now and again make a dent in tourism numbers, but the sector usually quickly rebounds and it now employs hundreds of millions and accounts for a tenth of global output. Here are five key points about the sector, which grew 4.4 percent last year to nearly 1.2 billion people taking a trip outside of their country: Europe (including Russia) remains the most visited region with 609 million visiting last year, followed by the Asia-Pacific region at 277 million visitors, and the Americas at 190 million. However the number of visitors to north Africa fell by 8 percent according to data from the UN World Tourism Organization (UNWTO). In 2014, international tourism receipts from lodging, meals, transportation and purchases hit $1.5 trillion, up from 900 billion in 2010. The Chinese were the biggest spenders, followed by Americans. Tourism accounts for 10 percent of gross domestic product and accounts for one in 11 jobs, according to the UNWTO. China, the United States and Britain led outbound travel growth in 2015, while Russians and Brazilians travelled less due to the economic crises in their countries.

After Germany, France reports falling output

PARIS: Industrial production in France, Europe's second biggest economy, fell again in December, data showed yesterday, a day after powerhouse Germany reported a surprise drop in output. France's industrial output dipped by 1.6 percent in December after also slipping 0.9 percent the previous month, the national statistics agency INSEE said. In December it was weighed down by the transport equipment, agriculture and food industry sectors. Manufacturing output also fell by 0.8 percent, after increasing by 0.6 percent in November, INSEE said in a statement. Unusually mild weather hit electricity and gas production, while output in the auto sector decreased 3.7 percent, it added. Figures released Tuesday cast a shadow over the outlook for Germany, showing a surprise drop in industrial production in December, as well as a decline in exports. According to data compiled by the economy ministry, German industrial output fell by 1.2 percent in December, disappointing analysts' expectations for a modest increase. Factory output-a key yardstick for gauging the health of Europe's biggest economy-had already declined fractionally by 0.1 percent in November.

Maersk profit plunges amid weak trade, low oil prices

COPENHAGEN: Danish conglomerate AP Moller-Maersk yesterday reported an 82-percent drop in annual profit as its shipping unit was hit by lower freight rates and its oil business suffered from lower oil prices. Shipping unit Maersk Line, seen as an international trade bellwether as it controls around 15 percent of global sea freight, was hit by a "combination of low demand and high supply increase... in the second half of 2015," the group said in a statement. Net profit plunged to $925 million (821 million euros) from $5.19 billion a year earlier as revenue dropped 15 percent to $40.30 billion.

Indonesia plans 'big bang' opening of economy to foreign investment

E-commerce, retail, healthcare among sectors to be opened up

JAKARTA: Indonesian President Joko Widodo yesterday unveiled plans for a "big bang" loosening of restrictions on foreign investment in nearly 50 sectors to encourage competition in an economy long dominated by powerful vested interests. The president's proposal, which will ease rules in the e-commerce, retail, healthcare, movie and several other industries, could pit a relative newcomer on the political stage against an establishment resistant to change.

It would be the most far-reaching yet in a string of stimulus packages rolled out over the past six months to drive industry and employment beyond the economy's traditional mainstays of agriculture and mineral extraction. Southeast Asia's largest economy has been growing at its slowest pace in six years because of falling commodity prices and cooling growth in major trading partner China. But Widodo told Reuters in an interview at the presidential palace he was very optimistic that growth would rebound to 5.3 percent this year after a slide to 4.8 percent in 2015.

His trade minister, Tom Lembong, told Reuters separately that the planned overhaul of the so-called 'Negative Investment List" signaled a greater openness to foreign investment and would partly prepare the country for free trade agreements, including eventually the Trans-Pacific Partnership (TPP). "We are seriously considering deregulation across the board, but focusing on e-commerce, healthcare, and creative industry," Widodo said ahead of a cabinet discussion of the proposals. "There are 49 sub-sectors (affected) so in my opinion this is the big bang."

Lembong said retail was also among the sectors that would be opened up, and there would be some degree of deregulation in each of the 16 main sectors on the negative list, which include agriculture, forestry, energy, communication and transport. In some cases this would raise the limit on foreign stakes in companies from a minority to a majority, helping Indonesia comply with limits on "equity caps" stipulated under the TPP and other trade pacts, like one under negotiation with the European Union. The healthcare push, which would open up investment in hospitals, clinics and laboratory services, could bring a sea-change in a country where at present foreign medical professionals are not allowed to practice. Although foreign direct investment into Indonesia has risen in recent years, it remains among the lowest in Southeast Asia in relation to total investment and gross domestic product. Foreign investors have pushed for years for a greater access to opportunities in Indonesia's vast domestic market, valued at some $840 billion at market exchange rates. Singapore was Indonesia's largest foreign investor last year, with a 20.2 percent share of the $29.28 billion total realized investment, followed by Malaysia and Japan, the Investment Coordinating Board said last month.

JAKARTA: An Indonesian trader checks her tablet computing device during trading at a securities office in Jakarta. — AFP

History of protectionism

Indonesia has a long history of protectionism, and vested interests have often stood in the way of trade and investment from abroad. The last revision to the negative list was done in 2014 and was seen by many as less investor-friendly. Widodo said that, so far, he has not faced any political backlash or resistance to the steps he has taken towards liberalization.

"For me competition is very important," he said. "If we have already launched our deregulation, the bureaucracy and the system must follow the new rules." Widodo's meteoric rise from furniture businessman to president of the world's third-largest democracy - and the first to come from outside the political or military establishment - was widely seen in 2014 as a watershed moment for Indonesia. Supporters had predicted that the former governor of Jakarta would root out corruption, promote people based on merit rather than connections and create a vibrant economy.

Instead, as economic growth sagged last year, critics said he seemed out of his depth at times and battling to get around politicians determined to preserve the status quo. A cabinet reshuffle last August, which brought experienced technocrats into his team, set a new tone. Since then Widodo's administration has rolled out nine stimulus packages cutting red tape, offering tax breaks and loosening regulations. Widodo said there were two prongs to his growth strategy: Deregulation to create competition, efficiency and better services, and infrastructure development. His government has struggled to disburse funds for roads, ports and power stations, and many critical infrastructure projects were hamstrung by bickering ministers and red tape.

However, data released last week showed that investment growth picked up in the last quarter of the year thanks to rising public spending. The final quarter also saw a jump in foreign direct investment, taking its rise for the year to 2.8 percent in dollar terms. Despite the collapse in commodity prices, the mining sector saw the most inward investment, followed by transport, warehouses and telecommunications. Bank Indonesia spurred growth prospects further in January by cutting interest rates for the first time in 11 months. Widodo said in the interview he wanted to see rates even lower but could not force the hand of an independent central bank. — Reuters

Infiniti Al Babtain launches its Hala February campaign

KUWAIT: Abdulmohsen Abdulaziz Al Babtain Co, the exclusive agent of Infiniti in Kuwait, launched the Hala February campaign celebrating the national and independence day of Kuwait. As part of participating in the patriotic celebrations, Infiniti Al Babtain is giving exclusive offers on services and registrations to give customers the best value to the Hala February success in this special month. Infiniti Al Babtain is offering a one-year full insurance and a five years free service for new Infiniti buyers, free third party insurance and free car registration. The offer includes all Infiniti cars throughout the whole month. Therefore, the customer has to just buy the car and worry about nothing more when it comes to services and registrations.

Hala February is considered the biggest celebration throughout the whole year and it gets many participants from all ages and gives them a combination of art, culture, religion and entertaining activities. That is exactly why Abdulmohsen Abdulaziz Al Babtain always wanted and always will want to be a part of this patriotic celebration. There is no doubt Infiniti Al Babtain's Hala February offers are just a continuation to the many offers Infiniti Al Babtain always gives throughout the year and the exceptional and very professional services that our professional and experienced team provides to please our loyal customers.

Infiniti is considered one the very famous luxuries, elegant and attractive car brands all over the world. Infiniti cars are also known for their power and always up-to-date techniques, which makes Infiniti cars one of the smartest and most developed cars. All these values are for sure shown in the Infiniti showroom by Abdulmohsen Abdulaziz Al Babtain, which gives our unique VIP customers a very luxuries experience. The showroom has a very special spot to guarantee the customers the best most amazing experience and the service center is very well equipped, fast and accurate to provide the best service to our loyal customers. Now Infiniti Al Babtain is asking all our VIP clients to come celebrate Hala February and enjoy our exceptional offers and luxurious cars.

No easy way out for Deutsche Bank as investors 'lose faith'

Two top 10 investors running out of patience with turnaround

FRANKFURT: Deutsche Bank bosses face a formidable task to drag its shares off a 30-year low, with reassurances about its capital levels doing little to improve investor confidence and few other options on the table to trigger a recovery. Germany's flagship lender has trailed its rivals in bouncing back from the 2008 financial crisis, hamstrung by having to pay out billions of dollars in fines to end a string of legal disputes and ageing technical infrastructure. It is the last of the major European banks to embark on a painful restructuring of its bloated investment bank, in the face of tougher regulation that reduced profitability, and the cost of that overhaul contributed to it posting its biggest annual loss on record last month.

Deutsche Bank's shares have fallen around 40 percent since the start of the year, leading a slump across the European banking sector - with a relief rally on Tuesday after the bank said it had reserves to pay coupons on its riskiest type of debt extinguished and erased by the afternoon. Shareholders are worried about the ability of management to execute a two-year turnaround plan, announced last October, against the backdrop of a deteriorating global economic outlook and negative interest rates.

"Investors have completely lost their faith in the bank," a top 10 shareholder told Reuters, adding that a fast recovery in the share price was unlikely given the magnitude of the problems weighing on the company. Several investors told Reuters they feared Deutsche would need to tap markets for more capital - despite raising a total of nearly 20 billion euros ($22.6 billion) from investors in 2010 and 2014 - to deal with regulatory and legal issues. "We believe that Deutsche Bank has a capital shortfall of up to 7 billion euros, depending on the outcome of a range of litigation issues, which could necessitate a highly dilutive capital increase," Citi analysts wrote in a note last week.

Deutsche Bank declined to comment on its capital position when contacted by Reuters. But the bank's co-Chief Executive John Cryan wrote to employees on Tuesday, telling them they could reassure clients the bank's capital position was "absolutely rock solid". "The market also expressed some concern about the adequacy of our legal provisions but I don't share that concern. We will almost certainly have to add to our legal provisions this year but this is already accounted for in our financial plan," he added. But several investors said they felt time was running out for the bank to show successes - such as returning to profit or stabilizing its share price - after other large lenders had moved on and closed the chapter of financial crisis.

'No benefit of doubt'

"There's no benefit of the doubt," another top 10 investor said, adding currently investors were voting with their feet. "Two years (as planned by Cryan for the revamp) is a long time. There's no margin for error." Questions are also being raised about the quality of the bank's supervisory board. "We miss competence in financials on the supervisory board," said the first top 10 shareholder, adding that support for Chairman Paul Achleitner was also waning and a new face was needed for a fresh start for the bank. "However, at this stage, there's no obvious candidate to succeed him, so he will likely be kept in charge until the end of his mandate in May 2017," the shareholder said.

Deutsche declined to comment on Achleitner's position or about investor concerns about the board. A share price slide of this magnitude - Deutsche's market value has roughly halved from a year ago to around 19 billion euros - would normally trigger speculation that it could become a takeover target. — Reuters