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MARKAZ'S PROFIT UP 40% DESPITE CHALLENGES

MARKAZ'S BOARD OF DIRECTORS REPORT

KUWAIT: Fluctuations in oil prices in 2016, have led to concussions in the local and regional financial markets and significant geopolitical events have caused major migrations and resulted in confusion of the free trade. All of this has contributed to pushing the global economy towards a direction that has not been seen over the past decades, represented in political rhetoric and protective policies in some of the most important economic blocs in the world.

For example, after the referendum, which resulted in United Kingdom's withdrawal from the European Union; the Euro area is currently experiencing more pressure caused by the growing threat of the public results of the elections of 2017 in countries such as France, Germany and Italy. As for the emerging markets, although their performance was better than performance of the developed markets, trading using high values and low liquidity by the markets may lead to fluctuations from time to time.

Following a structurally decline in the oil prices and a range of political and security unrest in the region, Gulf Cooperation Council (GCC) countries faced real options for economic reform regarding sustainability of its primarily model-based oil economy. However, these options had implications on welfare of citizens, markets and the system of the Gulf economy in general.

As a result of the economic and financial pressures faced by countries in the region during this year due to the drop in oil prices, Moody's downgraded its outlook for classification of sovereign debt of the Kingdom of Saudi Arabia as well as classification of the Kingdom of Bahrain and the Sultanate of Oman, and reviewed classifications for Kuwait, Qatar and the UAE. Reflecting these developments, the liquidity in the capital markets in the region has dropped S&P Pan Arab Index fell by 17.3% in January 2016, but it rectified its losses by the end of the year by an increase of 7.93%).

In response to the financial pressures resulting from decline in oil revenues, the governments of GCC have embarked the application of economic reforms. Most notably was the issuance of government bonds that aim to mitigate the effects of the fiscal deficit in the budgets, welcomed by the market. GCC has announced a plan for the application of value added tax (VAT) in 2018. Most governments of the member states had separately reduced supports of fuel and announced a plan to raise the electricity tariff.

In Kuwait - with the exception of the last quarter of 2016 - there was a decline in investor confidence and poor corporate performance during the year, which led to significantly limited yields of stock markets and reduction of the daily trading volume in a historical manner. As is the case in the rest of the GCC countries, the Kuwaiti stock market has recovered from a loss of 5% in August as per S&P Kuwait Index to close in higher ratio by 4.2% by the end of the year.

Despite the emerging challenges facing the global and regional investment environment, Kuwait Financial Centre (Markaz) increased by 40% in net profit for the shareholders in 2016 compared to the same in 2015. Several factors have contributed to improve the Company's profits, including diversity of the Company's total investment, higher operating income, fees and charges income, and flexible investment products of the Company and their adaptability on an ongoing basis along with the market conditions and the rich and huge record of the Company's activity in financial and financing services.

The Company also continued to gain confidence of many experts and specialists in the financial sector, as the Markaz had won last year's award of "Best Asset Manager in Kuwait" and "Best Investment Bank" by EMEA Finance, a magazine specializing in the financial sectors in Europe, Middle East and Africa. As well as, the Markaz in 2016 won the award of "The Most Innovative Investment Bank in the Middle East" and "Best Investment Bank in Kuwait" by Global Finance, a magazine specializing in the global finance and investment sector, issued from New York.

Financial Results for 2016

The Markaz in 2016has achieved a net profit of KD 4.03 million for the shareholders; ie 8 fils per share, compared to a net profit for shareholders that amounted 2.88 million, ie 6 fils per share in 2015, with a net profit to shareholders rose 40% on an annual basis as a result of high investments of the Company's values and the growth of their income from fees and charges. The aggregated shareholders' equity reached KD 93.28 million by the end of 2016.

The Markaz's total operating income was KD 13.93 million by the end of 2016 with an increase of 24% compared to the total operating income for 2015, which amounted to KD 11.26 million. The Company's income from fees and charges of KD 7.80 million with an increase of 6% compared to 2015. On 19th December 2016, the Markaz paid the entire principal amount and accrued interest to holders of bonds issued in 2011 with a total value of KD 22 million on time. On 26th December 2016, the Markaz continued the issue of bonds with a nominal value of KD 25 million for a period of five years. The new issue was widely welcomed which reflects the confidence enjoyed by the Markaz, as well as the issue of quality and high creditworthiness enjoyed by the Company.

In terms of financial ratios set by the Central Bank of Kuwait, the ratio of the Company's total liabilities to total shareholders' equity stood at 0.36:1, which indicates the low ratio of the Markaz's borrowing than the ratio imposed by the Central Bank of Kuwait at 2:1. Also, the payable liquid assets ratio during this month to total obligation of the Markaz reached 21.21% compared to the minimum imposed by the Central Bank at 10%. These ratios reflect the Company's ability to fulfill its obligations and financial durability thanks to the availability of comfortable liquidity ratio.

Outlook

The Board of Directors recommended a cash dividend at the rate of 6% of the nominal value of the share, i.e.6 fils per share for the shareholders registered in the Company's records on the date of the General Assembly meeting, noting that the Board had recommended a remuneration to the Board members for 2016 amounted to KD 84,000. The Board of Directors confirms integrity and fairness of all financial data as well as reports related with the Company's activities.

Given the unprecedented economic conditions in the region and the world, we expect that uncertainty in the investment climate will continue in the long term, with the emergence of new challenges in the medium term. Our strengths are still represented in the prudent policies, risk management, and flexibility of our investment operations and products and their ability to adapt to rapidly changing market conditions. To ensure that the Company continues to successfully pass the challenges and to take efficiently advantage of opportunities, we will continue to adopt a set of initiatives that are based on the philosophy of the Markaz to grow steadily and sustainably.

These initiatives include the following: To enhance the financial flexibility by diversifying the Company's long-term funding sources, through a set of common bonds and loans, which will contribute to the extension of the borrowing Company's long-term entitlement and to strengthen its credit rating; To create new sources of fees through the promotion and development of advisory services provided by the company through supporting the public and private sectors regionally and capacity development in the financing of major projects; To work on developing automation systems, which is one of the ongoing initiatives of the Markaz that represent the core of our operations strategy, qualifying us to continue raising the Company's efficiency by reducing our operating costs, improving risk management tools, and intensifying our activities at the lowest cost.

We expect that the turbulent conditions in the GCC stock markets happened in 2016 will continue throughout 2017 as well, with some attractive investment opportunities. We will follow a defensive policy in these markets to keep the total assets under the Company's management, targeting new investment opportunities to create positive returns. This is a strategy that has improved our performance in 2016.

For Global Real Estate, the conditions are still favorable to meet the needs of investors looking for income-generating, and low-risk investments as well as those looking for low-risk short-term real estate development opportunities. We expect that 2017 will be a positive year, as investments we set out during the past three years will be sold. So this will generate attractive profits for our investors. We also expect to hold the first acquisition of real estate transaction in Europe in the first quarter of 2017, with a preference for Germany and other northern European countries with strong economic fundamentals and positive demographic factors.

In 2017, we expect that merging operations, acquisitions and consulting will attest growth driven by the government projects and projects of partnership between both public and private sectors and medium-sized companies' deals. This which will enable the Markaz reaping the benefits of a strong trademark and the process of building capabilities that have been refined significantly over the past years during the activity of financial and financing services.

We expect that prosperity of fixed income category will continue in 2017 benefiting from the sovereign bond issues and corporate bonds. However, the demand for the "Markaz' Fixed Income Fund" would rise with increase in interest rates and expansion of the bond market in the region. Concerning issuing bonds, the Markaz will continue in attracting tasks of consultation, management and distribution of issues as a result of its track record.

In conclusion, we cannot fail to thank the stuff of the Markaz for their tireless efforts to maintain the Company's position as one of the most stable, innovative and credible financial institutions in the region, while preserving the work ethics and values that embody one of the pillars of the success of the Markaz as a sustainable financial institution. We would also like to thank all regulatory authorities of the Central Bank of Kuwait, the Capital Markets Authority, the Kuwait Stock Exchange, the Ministry of Commerce and Industry, as well as public and private sector institutions and civil society groups for their trust and partnership with the Markaz aiming at achieving the common good.

HOW 'ISLAMIC' BAR BECAME FRENCH ELECTION SCANDAL

SEVRAN: Amar Salhi is still amazed at how his scruffy bar north of Paris sparked an election scandal after it featured on national television in December during a report about Islam and women. In footage shot with hidden cameras and broadcast during prime-time by state media giant France 2, two women activists were seen facing a hostile welcome as they tried to go for a drink in the Jockey Club. "There's no mixing in this bar," one client was heard saying. "You're not in Paris here... it's a different mentality, it's like the village back home (in north Africa)," said another.

One of the women left disgusted, comparing the situation in the multi-ethnic suburb of Sevran to Saudi Arabia. In a matter of hours of the report airing, social media lit up with comments, from members of the far-right National Front but also others across the political spectrum appalled by the sight of women's rights being trampled. In the minds of some, the report appeared to crystallize widespread fears about the impact of immigration or Islamists imposing their rules in a country traumatized by a series of deadly terror attacks since 2015. "Here's the result of decades of submission," wrote National Front vice-president Florian Philippot.

Salhi's business became a punching bag as the Socialist party selected its presidential candidate in January, and has been a feature in speeches and debates ever since. Even left-leaning centrist Emmanuel Macron, who talks admiringly of France's ethnic diversity, was still referring to the need to ensure "women can sit down on a cafe terrace" until recently. His wife, a former school teacher, is said to have been shocked by the report. "Everyone has been attacking me, everyone," sighs Salhi, a welcoming 59-year-old Frenchman of Algerian origin, his voice hoarse and his face lined by lack of sleep.

Things started changing at the beginning of last month when the French media began casting doubt on the original investigation. "It (the report) doesn't represent me at all!" the father-of-two added as several women mingled among his mostly male clientele who come to drink and bet on horse racing. He is still appalled at how his business-and not unemployment, poverty or housing problems-had drawn so much attention ahead of the two-stage election this Sunday and on May 7.

Minority within a minority

France has Europe's biggest Muslim community, estimated at around five million, a legacy of its colonial history in Africa and its desire for cheap labor in the booming post-war years. Hakim El Karoui, the author of a major study on Muslims in France last September, believes the footage from the Jockey Club misrepresented the bar-but it was so explosive because it rang true. "There are segregated areas in France, segregated because there are only immigrants there... where the cultural norms are of Africa, not of France in the 21st century," he said. He believes successive governments have looked the other way as ghettoes built up and an aggressive strain of political Islam took hold, particularly among disaffected young people.

According to a survey that formed part of Karoui's controversial study for the respected Montaigne Institute last year, 28 percent of Muslims in France reject the values of the French republic. "They are in favor of polygamy, they are against secularism, around 70 percent (of this minority) are in favor of women wearing the burka," he says, reeling off the problems. The study called "A French Islam is possible" also showed about half of Muslims in France (46 percent) were integrated fully, while another 25 percent were judged as conservatives somewhere between those two groups. Following three major Islamist-inspired attacks since 2015, most election candidates broadly agree on the need to continue cracking down on radical mosques and being stricter on foreign funding of the religion. But there is much wider, politically charged debate about French national identity and whether to go further with the country's strict secularism, which led to bans on veils and religious symbols in schools as well as the burqa in public spaces. A separate survey in March by Ipsos showed that only 39 percent of respondents believed "the way Islam is practiced in France is compatible with the values of French society." Yasser Louati, a campaigner against Islamophobia in France, sees the Jockey Club footage as more yet more damaging stereotyping and warns about deepening the stigmatisation experienced by moderate Muslims. — AFP

SEVRAN: French bar owner Amar Salhi serves a customer at his bar in Sevran, northeast of Paris. — AFP