

## Business

# KFH key component of Kuwait 2035 vision, says Al-Nahedh

## KFH earnings webcast for first half 2019

**KUWAIT:** Kuwait Finance House Group CEO, Mazin Saad Al-Nahedh said that the positive financial results and the operating profits stemmed from the focus on the core banking activities. They reflect the stable and sustained growth in profitability, encompassing all indicators, confirming the success of our long-term strategy despite the challenging economic and political developments.

He added during the first half 2019 - KFH Earnings Webcast: "Our efforts have been focused on maintaining profit growth rates and implementing the best banking practices in full compliance with supervisory and sharia directives. This in addition to taking advantage of technology, administrative and organizational plans. These plans include raising employee efficiency, innovation, customer care, ensuring the interests of the shareholders, depositors and increasing the return on their investments."

He indicated keeping in mind the current public projects in the pipeline, the banking sector is well-equipped to play an important role to support the long-term development of Kuwait's infrastructure. KFH is involved in nearly every major financial transaction in Kuwait, from financing government and private companies for local projects to financing their ventures abroad and internationally.

Al-Nahedh confirmed that KFH is a key component of the Kuwait 2035 vision as a leading Islamic financial institution enabling national development and growth of the financial services industry, while also helping facilitate the growth and diversification of investment efforts of many other economic sectors.

### Sukuk market

He added that KFH Group has succeeded in consolidating its position in the Sukuk market. The bank has arranged issuances worth more than \$5 billion for companies and governments through KFH Capital, the investment arm of KFH. This is in addition to launching a new index for dollar-denominated Sukuk issuances in the global markets.

Regarding the potential Acquisition of AUB Bahrain, Al-Nahedh explained that KFH has disclosed to the regulatory authorities and the market the latest developments in this regard and there are no further updates at this time, and it will disclose as and when any new developments take place.

### Solid earnings

Group's Chief Financial Officer at KFH, Shadi Zahran said that the Group has achieved Net Profit After Tax (NPAT) attributable to shareholders for the period ended 30th June 2019 of KD 107.7 million higher by KD 12.4 million or 13.1 percent compared to H1 2018 of KD 95.2 million.

He added that total operating income at KD 392.4 million increased by KD 2.5 million or 0.6 percent as compared to same period last year; the increase is mainly from Investment Income by KD 30.7 million offset by the decrease in NFI by KD 27.2 million.

The increase in investment income is mainly attributable to finalization of projects and divestments which led to increase in investment income to total operating income to reach 15.4 percent compared to 7.6 percent last year. However, the other non-yielding income contribution remained at almost same level of

21 percent. Net financing income (NFI) has decreased by KD 27.2 million or 9.8 percent compared to same period last year. This is due to increase in COF by KD 63.6 million which is partly offset by increase in financing income of KD 36.4 million.

Zahran said that financing income increase resulted mainly from the increase in average yielding assets. On the other hand, increase in COF is mainly due to the full effect of increase in benchmark rates impacting financing cost, and the increase in distribution to depositors as a result of higher Group profitability and Mudaraba based deposits concentration.

He added that total Operating Expenses at KD 151.7 million have decreased by KD 2.4 million or 1.6 percent, indicating this is mainly due to continuous efforts at the Group level made towards cost optimization and rationalization which has resulted in the containment of costs despite expansion of Banking Business and inflationary conditions seen in some markets where the Group operates.

He explained that net Operating income at KD 240.7 million increased by KD 4.9 million or 2.1 percent compared to Jun-18 and cost to income ratio



Mazin Al-Nahedh



Shadi Zahran



Fahad Al-Mukhaizeem

financing by KD36.3 million is on account of precautionary provision of KD 40 million recorded at Group level on our Turkish subsidiary financing portfolio on conservative basis in view of market outlook.

Provisions and impairment for investments and others decreased from KD 65.5 million to KD 31.2 million due to last year one-off impairment for certain legacy properties in GCC.

Net Operating Income (before provisions) from banking activities remained at 90.0 percent of Group Net Operating income.

Total Assets at KD 18.7 billion increased by KD1.0 billion or 5.5 percent over 6 months period (Jun-19 vs. Dec-18). He continued: "The Group achieved an outstanding growth in deposits during the first half of KD 1.1bn or 9.0 percent with contribution from all banking

*Zahran: Cost optimization of Group despite expansion of banking business Al-Mukhaizeem: KFH uses state-of-the-art technology in its digital banking services*

improved by a further 87bps to reach 38.65 percent. Displaying an improved efficiency and optimized total operating expenses.

Furthermore, at KFH-Kuwait, C/I ratio at 36.9 percent which is below both the local Islamic banks average of 38.1 percent and local conventional Banks average of 38.4 percent (calculated from published financials for Q1-19).

Average Profit Earning Assets is up by 6.3 percent compared to June 2018, maintaining the growth momentum of yielding assets for the past few years. (avg. YoY financing receivables and MM is up by KD 400 million and avg Sukuk is up by KD 400 million)

Group NFM at 3.03 percent shows a 15bps decrease over 2018 of average 3.18 percent. Group average yield slightly improved despite the increase in local and international profit rates mainly on account of aggressive market competition and slow discount rate evolution compared to Fed rate. However, as mentioned earlier the COF is higher as compared to H1-18 on account of KFH increased profitability and higher market rates.

Zahran said the Group total provisions and impairment charge increased by KD 1.9 million or 2.0 percent to reach KD 99.9 million. Higher provisions on

operations reflecting the results of investments made in digitalization and depositors confidence in KFH Group." Additionally, the favorable deposits mix continues to show very healthy contribution from CASA deposits which represents 45.8 percent of total Group deposits as at the end of H1 2019 - maintaining same level during the past few years. It is also worth to mention that KFH Kuwait dominates the saving accounts with market share of 41.1 percent (as per CBK latest published reports, May-19).

He added that financing receivables at KD 9.2 billion increased by 0.5 percent over 6 months period (Jun-19 vs. Dec-18). Growth without TRL devaluation is 2 percent. Growth in financing receivables contributed from Kuwait and Bahrain despite market competition and challenges while other international banking entities demonstrated slower growth focusing on asset quality.

Investments in sukuk at KD 2.1 billion increased by KD 582 million or 37.2 percent since Dec-18 with a growth contribution from all banking entities and the majority of the balance represents investment in Sovereign Sukuks. The growth in sukuk portfolio is a response of growth in deposits in all markets we operate in with limited good asset quality financing oppor-

tunities and Group's overall Risk profile.

He said that customer deposits as a percentage of total deposits at 81 percent continues to improve reflecting in the healthy funding mix and shows robust liquidity. NPL ratio reduced to reach 1.90 percent (as per CBK calculation) in Jun-19 compared to 2.83 percent at Jun-18 (2018: 1.99 percent), account of improvement in overall risk profile of the Bank supported by recoveries and write-offs.

Coverage ratio (provision) for Group is 211 percent in Jun-19 (2018: 191 percent).

Coverage ratio (provision + collateral) for Group is 263.6 percent in Jun-19 (2018: 247 percent).

In the last slide looking at the key performance ratios, the Group compared to last year same period is as follow:

- ROAE from 10.60 percent to 11.63 percent
- ROAA from 1.32 percent to 1.23 percent
- C/I from 39.52 percent to 38.65 percent, and
- EPS from 13.84 fils to 15.64 fils for H119.

### Digital banking

Group Chief Strategy Officer at KFH, Fahad Al-Mukhaizeem covered highlights of Kuwait's operating environment with an overview on KFH. He also spoke about KFH's strategy, as well H1-2019 results.

Al-Mukhaizeem said: "On June 25, 2019, (MSCI) announced the conditional upgrade of Boursa Kuwait on its main index for emerging markets. The fruits of the 2035 Development Plan are beginning to be seen in the economic environment for the State of Kuwait concerning the encouragement of foreign investments, in several areas. The most important sign of success is the liquidity enhancement in Boursa Kuwait which shows a rise since the beginning of the year. The average daily trading value has tripled as of the First half of 2019 over the same period last year."

He added that Kuwait (GDP) is expected to reach 2.5 percent in 2019, according to the (IMF). This is supported by the higher average prices for Kuwaiti crude oil. Al-Mukhaizeem indicated that Moody's recently affirmed KFH's long term rating and upgraded KFH's baseline credit assessment (BCA) to baa3 from ba1, with stable outlook reflecting sustained improvements in the bank's asset quality and earnings.

He pointed out that KFH won Kuwait's Best Bank 2019 from both Euromoney Group and Asiamoney which confirms KFH's leadership and success in Kuwait. He explained that currently KFH branch network exceeded 509 branches around the world, thus continuing the Key strengths which include Strategic distribution channels in addition to our robust financial performance.

He said that some of the business highlights include opening of the Largest Auto Showroom in the Middle East, with more than 20 car dealerships, valuation services, a ladies' section, in addition to a charging station for electric vehicles. This achievement strengthens KFH's role in serving the national economy and the retail market as well. As a strategy, he said that KFH uses state of the art technology in its digital banking services to meet customer demand. Through the innovative KFH-Go branches customers can perform 90 percent of their required banking transactions. KFH also introduced the first ever Mobile Deposit for Cheques in Kuwait, through KFH Online app.

## Warba Bank to hold Al-Sunbula weekly draw today

**KUWAIT:** Warba Bank, "the Best investment Bank" and "Best Corporate Bank" in Kuwait, will be organizing its weekly Sunbula draw number 28 today at 11 am in the presence of a representative from the Ministry of Commerce and Industry and the Bank officials.

Al-Sunbula both account and fixed deposits are the perfect choices for customers who wish to save money and achieve steady returns while at the same time gain the opportunity to win prizes throughout the year. In line with the bank's mission to develop and differentiate its offerings, Warba Bank has enhanced its Sunbula campaign for 2019 with more cash and prizes reaching more than KD 1 million.

In the running campaign, Warba Bank continued its weekly draws for 5 winners of KD 1,000 each throughout the year yet introduce the "Mega Draws" that take place on a quarterly basis to reveal five winners, the 1st winner gets KD 100,000 in cash! The four winners thereafter will each get the latest 2019 Land Cruiser 5.7 VXR. And more, as the last Mega Draw will give away 2 more Land Cruisers!

As per the winning chances, each customer will be participating in the draw for each KD 10 in the Sunbula Account. It is also worth noting that the Sunbula Fixed Deposit rewards its investor with both high expected returns, reaching up to 3.5 percent, as well as winning chances. And such investors have full flexibility in choosing the desired tenure and the profit distribution method.

Furthermore, Warba Bank is leveraging on its Customer Onboarding solution, in line with its ambitious five-year strategy that enables non-Warba Bank customers to request the opening of Al-Sunbula account in a simple electronic manner without having to visit the branch, through 5 simple steps in 5 minutes. New customers will be able to request opening the account at anytime, anywhere, through the new and unique electronic system used to implement this service. Representatives will then contact the customer to determine the appropriate time to visit the branch to get required signatures, verify the customer's identity, deliver his/her debit card, and activate the account.

## Gulf Air welcomes new Bahraini pilots

**MANAMA:** Gulf Air, the national carrier of the Kingdom of Bahrain, continues moving forward in keeping Bahrainization at the core of its recruitment strategy by welcoming a new batch of Bahraini pilots who have recently began operating flights after completing all the necessary vigorous ground and base training courses. The new batch of pilots join the national carrier from a number of neighboring regional airlines to be part of their national carrier and serving the Kingdom of Bahrain.

Gulf Air's Deputy Chief Executive Officer Captain Waleed Al-Alawi congratulated the airline's new pilots for passing the selection process, and noted: "With more than 70 percent of our pilots being Bahrainis, this is a major milestone for us to be a leader amongst carriers from our neighboring countries by having local, specialized and professional talents representing our glorious Kingdom in the skies. Gulf Air continues to takes pride in being a corporate leader in



Bahrainization in the Kingdom of Bahrain."

The Airline news pilots are: Captain Aref Al-Mulla, first officers: Ali Hussain, Khalifa Daleem, Khaled Al-Setrawi and Husain Ismail, second officers: Khaled Bubshait and Ali Al-Noaimi. "I am very happy to join Gulf Air and be one of its ambassadors in the skies. I have worked in regional airlines in neighbouring countries, but nothing compares returning home and working with my country's national carrier. Being close to my family and friends is amazing," commented Captain Aref Al-Mulla. Also commenting first officer Khalid Al Satrawi said, "It feels great to be amongst this group of Bahraini pilots join-

ing Gulf Air together on the same time. We thank the airline and its management for giving us this opportunity to return home and be the future captains of Gulf Air".

Gulf Air prides itself with its legacy and long experience in aviation; as the airline selects only the top pilot contenders based on their performance; and in compliance with the high standards that Gulf Air has set for its pilots and with the Bahrain Civil Aviation Affairs safety regulations. Safety and security issues are important elements for the national carrier in selecting its pilots, as they undergo a very challenging screening process includes a technical assessment, followed by a comprehensive

technical interview.

Gulf Air is committed to invest in its Bahraini workforce and their career development and as such, it continues to provide opportunities for Bahraini nationals to take over senior positions in the company with 90 percent of employees that are based at the headquarters in Muharraq being Bahraini along with nearly 70 percent of its pilots. The airline has established a tailored program in which it recruits and trains Bahrainis to become aviation professionals and continue Bahrain's legacy of being a longstanding reliable source of aviation industry professionals who have served the national carrier and other regional airlines.

## 75% of security awareness professionals work part-time: SANS report

**DUBAI:** The most common factors holding back security awareness programs in companies are the lack of time and staff rather than budget, although nearly 60 percent of the professionals surveyed say they are not even aware of the budget allocated to security awareness in their companies. These are some of the key findings of the 2019 Security Awareness Report, the fifth edition of a report produced annually by SANS Security Awareness, a division of SANS Institute and a world leader in security training.

The study presented today compares current data with that of previous years and analyses the main problems faced by security awareness professionals in companies: lack of resources, managerial support, and ambiguity in their positions and responsibilities.

The intention of the SANS Security Awareness Report is to provide security awareness professionals with a roadmap to make data-driven decisions on how to improve their security awareness programs. It also provides professionals with the ability to benchmark their programs against their industry peers. Essentially, it works to more definitively answer the question of what ingredients go into making a security awareness program successful. This year, data was analyzed from nearly 1600 respondents providing even greater insight into how to benchmark and mature a security awareness program.

"I'm absolutely thrilled about the release of the 2019 Security Awareness report," says SANS Security Awareness Director, Lance Spitzner. "Every year we are able to gain a better understanding of the most common challenges awareness professionals face and how to best address them and after five years, we are beginning to identify key trends."

Working with researchers from The Kogod Cybersecurity Governance Center (KCGC), an initiative of American University's Kogod School of Business (KSB), the survey data was examined in detail to provide information on:

\* Common challenges holding back program maturity - lack of time and staffing were among the top reported roadblocks facing awareness professionals. More than 75 percent of these

professionals work part-time, which means that companies are spending less than half of their time on security awareness.

● Getting the support of management and program buy-in is key - industry peer pressure was found to have a distinctive role in determining whether leadership treats security awareness training as a top priority. In fact, 69 percent of organizations whose managers believe that the market is investing significantly in this area consider safety awareness training to be a top priority.

● The growing need to create more concrete job roles and expectations within the security awareness training realm - less than 10 percent of the respondents reported their job titles even included the words 'awareness' or 'training' in them, and about 60 percent were not even aware of the budget allocated to security awareness in their companies.

This report highlights these growing concerns and challenges for security awareness. It also utilizes the SANS Security Awareness Maturity Model as a guide to identify an organization's level of a program's impact and how to measure human risk and change end-user behavior. This model, which has been revamped in this year's report, provides organizations with the ability to easily identify where their security awareness program is currently at, where a qualified leader can take it, and it even outlines the path to get them to where they want to be.