Commercial Bank of Kuwait holds annual general assembly meeting

Key achievements of bank reviewed as it marks 60-year journey

By Nawara Fattahova

KUWAIT: The Commercial Bank of Kuwait held its Annual General Assembly Meeting yesterday, which was attended by 90.46 percent of shareholders. During this meeting the key achievements of the Bank was reviewed as 2020 marks the Bank's 60-year journey since incorporation. "There is no doubt that millions have been deeply affected by the combined health and economic challenges of COVID-19. I want to thank health workers and all those who serve on the frontlines, including Al-Tijari team. You kept us safe and supported essential services and continue to do so today despite significant challenges on all fronts," Chairman Ahmad Duaij Al-Sabah said during the meeting.

Banking serves a higher purpose, and this has never been more true than in 2020. "As a socially responsible Bank, we have a critical role to play in handling the circumstances, implications and crises posed by the pandemic. This role is represented in endeavors for recovery - to provide advice and services to the thousands of customers we serve, to help our economies grow and our communities thrive," added Al-Sabah.

KUWAIT: Commercial Bank of Kuwait Chairman Ahmad Duaij Al-Sabah addresses the bank's Annual General Assembly Meeting yesterday. —Photo by Yasser Al-Zayyat

Execution in a period of unprecedented challenge

2020 brought many challenges, but also showcased the Bank's ability to face such challenges electively and efficiently. "We benefited from investments in digitalization capabilities to quickly shift our operations during a period of significant disruption and uncertainty. Many of our team members seamlessly transitioned to working remotely, while those who needed to be on site to perform essential work were able to do so safely. Our team was steadfast in the face of challenges, and made a difference in the banking experience and lives of our clients," he pointed out.

Al-Tijari provided most of the banking services through mobile app, on-line or self-service kiosks. "In every decision we made, we put the well-being of our staff and customers at the forefront. Guided by medical advice from the Ministry of Public Health, we implemented health and safety precautions at every location across Kuwait. Though recent news of vaccination efforts is encouraging, COVID-19 remains a challenge and we will continue to focus on the safety of our customers, staff, and the community," stressed Al-Sabah.

As part of its prominent corporate social responsibility program, Al-Tijari has undertaken many initiatives and participated in social efforts to serve the society and mitigate the impacts of the pandemic on both retail and corporate customers. These efforts include the following:

The Bank has taken the necessary measures for implementing the Central Bank of Kuwait's initiative and Kuwait Banks Association's decision to defer the payment of installments for retail, small and medium-sized companies for 6 months. This decision also stipulated cancelation of the interest arising from this deferral as well as any other applicable fees in line with Government's efforts to mitigate customers' burdens and protect small and medium sized enterprises.

The Bank contributed in the National Fund established by Kuwait Banking Association for raising KD 10 million by Kuwaiti Banks for supporting the efforts of the Ministry of Health in fighting the COVID-19 pandemic.

In response to the COVID-19 Pandemic outbreak, Bank launched "Double Your Reward" Campaign duly approved by Ministry of Social Affairs and Labor to boost social solidarity. The Bank matched the amount donated by customer by 100 percent and the charitable societies and organizations participating in the campaign were credited this amount to their accounts at the Bank.

In terms of the financial performance, the Bank continues to deliver decent results at operating profit level with return on equity before provision at 12.9 percent. "In the year 2018, we adopted a proactive policy of early recognition of any expected problems and achieved non-performing loans level of zero. In continuation, we allocated most of the operating profit to create specific provision against some loans where the management had concerns. The specific provision was used to transfer those loans to memorandum account and resultant net profit attributable to the shareholders of the bank is zero. Thus, we maintained the non-performing loans at zero for the third consecutive year. It is a demonstration of our commitment to operate within our risk appetite but maintain strong capital and liquidity positions," he further said.

Resilient and focused on the future

While meeting the operational challenges posed by the pandemic, the Bank made progress on critical strategic initiatives to position itself for growth in the years to come. The pace and scope of the Bank's digital journey accelerated. Investments to train and up skill our teams were also increased.

New initiatives were taken during 2020 to introduce new features like, but not limited to, launching Fitbit Pay and Garmin Pay; allowing customers to pay from their wearable devices on POS, launching new account opening; an end to end automated process without visiting the branch, cheque deposit service upgrade; customers need not to deliver the cheques to the branch, Tijari wallet; allowing customers to digitize their cards on Android devices. Tokenization of cards enabling NFC/contactless payment for our customers. New value added services were introduced to our Smart Machines and Self Service Kiosks. Last but not least, network infrastructure and the Data Center revamping to enhance the needed capacity, security and flexibility for future development and digitalization.

Synopsis of 2020 financials

CBK generated an operating profit, before provisions, of KD 91.5 million for the year 2020. "In line with the Bank's prudent policy of proactive recognition of problems, the operating profit was mainly allocated to the provisions. The resultant net profit attributable to the shareholders of the Bank is zero for the year 2020 (2019: KD zero). As at the end of the year, total loan loss reserve held with the Bank amounted to KD 136.5 million. The Bank will continue to pursue its right to recover loans transferred to the memorandum account by taking appropriate measures required in this regard," explained Al-Sabah.

Financial highlights

Undoubtedly, the consequences of COVID-19 have adversely impacted the Bank's performance. The key financial performance indicators are as below: Operating income of KD 131.6 million and operating profit KD 91.5 million for the year ended 31 December 2020, decreased by 17.1 percent and 15.7 percent against year ended 31 December 2019 respectively. However, the cost to income ratio is efficiently maintained at 30.5 percent as compared to 31.6 percent of December 2019.

Customer loans and advances at KD 2,279.1 million, increased by 0.5 percent. However, the total assets at KD 4,388.8 million decreased by 9.9 percent, on year to year basis. Robust regulatory ratios, comfortably exceeded the Central Bank's statutory requirement, Capital Adequacy Ratio 18.4 percent, Liquidity Coverage Ratio 162.6 percent, Net Stable Funding Ratio of 107.3 percent and Leverage ratio of 11.7 percent.

Looking ahead to 2021 and beyond

"The need for advice and the value of relationships amidst changing market conditions have never been higher. To attract new clients and drive growth, banks will need to invest in their infrastructure and advice capabilities to enable the right conversations with clients at this pivotal moment for so many families and businesses. We believe our strategy positions us well to succeed in this evolving market. While clients will continue to embrace digital techniques, we will continue to enhance our capacity in this area," noted Al-Sabah.

"Our Bank is well positioned for the changes occurring in the market for financial services and in the broader economy. We've transformed our culture around our clients at a time when relationships are becoming entrenched as the primary value proposition for financial institutions, which positions us well in future," he added. "I am incredibly proud of our team for their efforts during the crisis and the Executive Management endeavors for enhancing the Bank's robust stand in the Kuwaiti Banking sector. I also want to express the Bank's appreciation to our shareholders for their ongoing support and to our customers for the opportunity to serve them. We will continue to strive to maintain your support and trust. Many thanks to all the regulatory authorities, especially the Central Bank of Kuwait for their constant support," concluded Al-Sabah.

Fossil fuel stocks lost $120bn in decade: Analysis

PARIS: Share offerings in fossil fuel producing and related companies lost $123 billion in the last decade, underperforming a baseline world equities index by 52 percent, according to analysis released yesterday. The trend was in stark contrast to gains made in renewable energy initial public offerings (IPOs), according to the analysis by industry think tank Carbon Tracker, which lays bare the yawning losses faced by investors in high-carbon energy.

Issuance of fossil fuel offerings fell by 85 percent from $70 billion to $10 billion in the period analyzed from 2012-2020. This contrasted with a record $11 billion in renewable public equity offerings, it found. In all, investors bought almost $640 billion of equity issued by fossil fuel producers, utilities, pipelines and service providers-a drop of 20 percent in value despite nearly a decade of bullish equities, the analysis showed. Mark Campanale, founder and executive director of Carbon Tracker, said that investors were mistaken in thinking that the historic low oil prices witnessed at the height of the pandemic last year were an aberration.

"They're thinking that actually fossil fuel stocks have gotten bombed out, that the bottom is purely cyclical and there's going to be a recovery post COVID, that there's going to be a huge bounce," he told AFP. "Whereas in fact there's this fundamental structural change taking place in the energy system from high carbon to low carbon and it's being driven by technology."

The analysis looked at stock market fortunes of fossil fuel companies and compared them against renewable companies and against the MSCI All Country World Index (ACWI) as a benchmark. It found that an investor who bought into all fossil fuel and related equity issuances from 2012 until 2020 would have seen their investments outperformed by the ACWI by 52 percent. Campanale said that many people were likely losing money due to fossil fuels' relative losses in equities markets. "If you're a member of a pension scheme that has a default passive fund manager that replicates the market, you're almost certainly going to be buying one of these IPOs," he said. "It will be costing you money because of the huge underperformance."

The report showed that investors were largely missing out on the opportunity to increase the value of their assets by buying renewable offerings. Only one percent of the total equity raised by companies during the period analyzed came from renewable and clean tech offerings. —AFP

Total's Mozambican gas plans delayed, not doused by attacks

PARIS: A deadly assault by Islamic State-linked militants in Mozambique could delay plans by Total to build a massive liquefied natural gas facility, analysts warn, although the project is still likely to go forward. Dozens of civilians were killed in the assault and capture of the key northern town of Palma by militants, and thousands fled the area. Total, a French energy major, announced Saturday that it was suspending operations at the facility, located just a dozen kilometers from Palma. The announcement came just days after Total announced it was resuming construction, which had been suspended for months owing to previous violence.

The Mozambique LNG project envisages building a massive facility capable of chilling and compressing natural gas into a liquid state, which makes it much easier to transport large amounts by ship. The facility will also be capable of storing liquefied natural gas (LNG) and loading it onto ships. Total and its partners plan to invest $20 billion in the project, and raised nearly $15 billion in financing last year, the largest amount ever for a project in Africa. Last month, Total chief executive Patrick Pouyanne insisted that the project, which it inherited from the US energy firm Anadarko, was still on track to begin operations in 2024.

He indicated having reached agreement with Mozambican President Filipe Nyusi on creating a 25-kilometre (15-mile) secure zone around the site before work resumes on the site. That objective will be much more complicated now that militants have taken control of Palma.

'Perhaps two years'

Joseph Hanlon, an expert on the region at Britain's Open University, said it was unlikely Total would return in the short term as the government had failed to provide security for the facility. "It will take perhaps two years for US, Portuguese and other trainers to create a functioning army" capable of maintaining security, Hanlon estimated. But Michel Cahen, a specialist on Portuguese-speaking parts of Africa at France's National Scientific Research Centre (CNRS), said: "I don't think Total will abandon" the project.

PARIS: The logo of French oil company headquarters Total in La Defense business district, near Paris. French energy giant Total has suspended its gas operations in northern Mozambique following a brazen jihadist attack close to its site that left several people dead, the company said. — AFP

"But it could put it on ice for the time needed-one year, two years" for security to be established in the region, he said. "We are now expecting the project to start in the second half of 2025," said analyst Pranav Joshi at Rystad Energy. "I don't have any doubts that the project will advance and enter into service despite the very high level of political risk and what just happened in Palma," said Francis Perrin, director of research at the Institute of Strategic and International Relations in Paris.

He noted that Total's diverse portfolio means it is not dependent upon the project. "They currently have 10 natural gas liquefaction facilities in operation that cover the major regions of the world," said Perrin.

Even without Mozambique, Total "will remain a major in LNG", he added. LNG is a very important element of Total's strategy to diversify and reduce the carbon impact of its operations.

Stepping on the gas

Burning natural gas produces considerably less CO2 responsible for global warming than oil and coal, and demand for the fuel has been increasing. It even rose last year as the Covid-19 pandemic dampened energy demand overall. Total has risen to number two globally in the fuel among private energy firms, behind Shell.

While important for the firm, it doesn't have all its eggs in the LNG basket, however.

"Total has other interests in Africa. It has only spent a small part of the $20 billion project cost, and can still walk away," said the Open University's Hanlon. If Total can indeed walk away, the Mozambican government finds itself in a tough situation-it has bet big on natural gas to improve its economy. ExxonMobil has apparently gone cold on its Mozambique gas project, while Italy's ENI is only moving forward with a portion of its own project at the moment.

"Mozambique is waking up to the realization that billions of dollars flowing into the state budget and local pockets was only a dream," said Hanlon. The energy consultancy WoodMackenzie has estimated that Total's project alone could generate $3 billion per year in revenue for the government by 2030.

That is an enormous amount for a country with a gross domestic product of around $15 billion currently. Experts are divided over whether the insurgency is being driven by the prospect of gas riches. Some believe Islamic State militants took over an existing local insurgency. "Local people saw the development of ruby mines and the initial gas development, and realized there were no jobs for them; the gas and ruby money was not trickling down to them," said Hanlon. But CNRS's Cahen believes it isn't a struggle to control the gas resources. "If Total is attacked, it is because it has allied itself with the Mozambican government," he said. —AFP

H&M 'dedicated to regaining trust' in China after boycott

STOCKHOLM: Swedish clothing giant H&M said yesterday it was doing "everything" to resolve a boycott in China that was sparked by its decision to stop sourcing cotton from Xinjiang over forced labor concerns. H&M and other fashion brands have been under fire in China for statements voicing concern about allegations of labor violations in cotton fields in the far west region. Chinese celebrities and tech firms pulled partnerships with H&M, Nike, Adidas, Burberry and Calvin Klein. H&M was even erased from Chinese shopping apps. "We are working together with our colleagues in China to do everything we can to manage the current challenges and find a way forward," H&M said in a statement. "We are dedicated to regaining the trust and confidence of our customers, colleagues, and business partners in China," it said.

Australian Olympians were the latest to be embroiled in the row yesterday as the country revealed its uniforms for the upcoming Tokyo Games. The Australian Olympic committee faced criticism as it rolled out ASICS-branded sportswear, with the company facing questions over its use of cotton from the Xinjiang region. The vice president of the Olympic Committee said it had been assured that none of the cotton came from that region. Rights groups say more than one million Uyghurs and other mostly Muslim ethnic minorities have been held in internment camps in Xinjiang, where they have also been forced to work in factories.

'Very important market'

H&M makes around six percent of its revenue in China, which is home to nearly 10 percent of its stores. China had become H&M's third biggest market before the boycott. The company has not released the figures on the financial impact of the boycott or which measures it has taken in response to the controversy. "China is a very important market to us and our long-term commitment to the country remains strong," H&M said, noting it has been presented in the country for more than 30 years. "We want to be a responsible buyer, in China and elsewhere, and are now building forward-looking strategies and actively working on next steps with regards to material sourcing." The statement was issued on the sidelines of quarterly results which showed a net loss of 1.07 billion kronor (104 million euros, $123 million) in the December to February period due to the coronavirus pandemic. In late March, about 1,500 of the company's 5,000 stores were temporarily closed due to coronavirus restrictions, H&M said. Sales, however, jumped 55 percent in March compared to the same month last year. — AFP