

Business

Al-Bahar: Egyptian banks succeeded in financing economic recovery

NBK Group Deputy CEO and Chairperson of NBK - Egypt in an interview with The Banker magazine

KUWAIT: In an interview with The Banker international magazine, Shaikha Al-Bahar, NBK Group Deputy CEO and Chairperson of NBK - Egypt said that the year 2020 witnessed the harshest operating conditions and unprecedented challenges due to the COVID-19 pandemic. Nonetheless, the banking sector successfully proved its resilience and ability to overcome these conditions thanks to the high quality of its assets, healthy capitalization, and strong liquidity.



finance government and CBE initiatives aimed at stimulating economic growth, thanks to their strong liquidity. Despite lowering the interest rates in March, total deposits jumped, within six months, by more than 12 percent, with more than EGP 5 trillion in deposits by the end of September.

Promising opportunities

On a question about her take on the future of the Egyptian economy, Al-Bahar said that Egypt was the only country in the region to witness economic growth during the pandemic. We expect the economy to improve further on hopes for sustainable progress in the vaccination campaign and a faster recovery in the global economy. Growth is projected to reach around 2.8 percent in the current fiscal year, and to rebound strongly to about 5 percent over the medium term, benefiting from the authorities' continued commitment to reforms and renewed IMF support.

Egypt has an ambitious plan to develop its infrastructure and spend on its development projects. This was reflected in its draft budget for the current fiscal year which saw capital spending jump by 26 percent over the previous fiscal year, reaching EGP 177 billion. This represents a main pillar for business activity and supports credit growth, mentioned Al-Bahar.

Adding to the key factors that create promising prospects for the Egyptian economy, Al-Bahar said: "The Egyptian demographic profile is also another main pillar attributing to business growth, with 66 percent of the total population under the age of 35. Therefore, we see promising opportunities for the rapidly growing retail sector, as we aim to expand our market share in this lucrative sector going forward."

Given this demographic composition, about two-thirds of Egypt's population don't have bank accounts. This provides a great opportunity for future growth, especially in light of the initiatives rolled out by the government and CBE to increase financial inclusion, the most recent of which was CBE's decision to facilitate the opening of new bank accounts for individual customers and SMEs.

Supporting the economy

About the banking sector's role in providing support to the economy and customers during the pandemic, Al-Bahar mentioned: "Egyptian banks managed to carry out their financing role during the pandemic amid low interest rates and without the need for CBE to relax regulatory standards thanks to their strong financial solvency and high liquidity ratios that enabled them to finance increased government spending aimed at mitigating the spread of the virus and reviving the economy. There were also several initiatives launched by CBE to mitigate the economic impact of the pandemic on the affected sectors."

Al-Bahar applauded CBE for launching several initiatives and directives that have greatly contributed to mitigating the economic impact of the pandemic, most importantly slashing interest rates by 400 basis points to stimulate economic growth, in addition to the deferral of all bank loan payments for individual customers and SMEs for a period of six months, with no additional interest or fines charged on late payments. Additionally, CBE issued instruction for debt restructuring based on the customer's future cash flows, and launched several initiatives to support the most affected sectors including tourism.

Controlling inflation

Commenting on interest rate cut applied by CBE and its impact on the banking sector's performance, Al-Bahar said: "Cutting interest rates as part of easing the monetary policy and control inflation led to the acceleration of credit growth, which was not affected by the crisis. This in turn contributed to reducing some of the pressures on interest margins



Shaikha Al-Bahar

due to cutting the interest rates. Credit growth was reflected in the loan-to-deposit ratio, which exceeded 47 percent at the end of September, up from less than 45 percent at the end of 2019, supporting banks' profitability."

Margins may face some pressures during this year and next year as a result of lower interest rates and further easing of the monetary policy, especially as inflation continues to trend lower below its target levels, with most banks' credit portfolio continue to depend on financing government debt instruments, exceeding EGP 2.7 trillion in government treasury bill investments. This number is expected to decline in light of the goals announced by the government to reduce the debt-to-GDP ratio, posing a challenge for banks to maintain their profitability, noted Al-Bahar.

"In general, despite the low interest rates, real

old law presented over 17 years ago. The new integrated legislative framework is aimed at keeping pace with the latest economic, business, and banking sectors developments, and furnishes a new stage to develop the Egyptian banking system."

Al-Bahar praised CBE for dedicating a whole chapter in the new law to regulate payment services and FinTechs, noting that the law also outlined a legislative framework that supports bank's capitalization and increases their ability to deal with certain exceptional circumstances.

The law also focused on developing an integrated strategy to remedy loan default, ensuring early CBE intervention through clearly outlined standards and indicators that help protect the banking sector from future crises. A specific mechanism was also set for dealing with banks in the event of default and establish a fund to finance the settlement of those defaults, she added.

Digital transformation

On a question about digital banking and fintech grown in Egypt, Al-Bahar said: "The pandemic crises proved that digital transformation is no longer a luxury, it is critical to the survival of busi-

- CBE's new banking law supports digital transformation and paves the way for a new era of developing the banking sector
- Banks have succeeded in financing government and CBE initiatives aimed at stimulating economic growth without the need for any regulatory adjustments
- Digital transformation is no longer a luxury, it is critical to the survival and competitiveness of business
- The successful reform measures increased the resilience of the Egyptian economy making it more shock-proof
- CBE succeeded in controlling inflation after implementing tough reforms
- Carrying on with implementation of the infrastructure projects contributed to containing NPL ratios
- Reduction of government debt posing a challenge for banks to look for alternative financing
- The new legislation supports bank's capitalization and increase their ability to deal with certain exceptional circumstances

interest rates remain attractive to foreign investment compared to other emerging markets. This is supported by a decline in inflation rates to less than CBE's target levels and the ability to achieve most of the reform measures, which may increase inflationary pressures in the future," she added.

The new banking regulations

About the new banking regulations, Al-Bahar said: "There is a growing need to issue new legislation to cope with the various economic stages and the ever-changing economic developments in general and the banking industry in particular due to the developments on the FinTech front and the challenges posed by the global financial crisis which resulted in numerous challenging factors, thus leading to urgent need to issue new legislation to regulate the banking sector framework to replace the

ness. It is an alarm bell that warns anyone that slows down in taking serious steps towards their implementation by showing them that they have no place in the banking industry."

In recent years, the government has been interested in FinTech and electronic payments. These efforts were clearly reflected on payments, as the number mobile payment service users exceeded 19 million, with an annual growth of 41 percent, and the value of monthly transactions reached approximately EGP 9.6 billion, added Al-Bahar.

On the digital services front, banks actively increased their investments in digital transformation, allocated departments for digital banking services and products, and continued to encourage customers to execute their banking transactions through electronic channels using online or phone banking solutions, she concluded.

Exceptional performance

Al-Bahar mentioned that despite the crisis, Egyptian banks maintained a capital adequacy rate exceeding regulatory requirements, averaging 19.8 percent. Stress tests also reflected the strength of the banks' capital base and their ability to absorb economic shocks that may arise from the second wave of COVID-19. The financial and monetary policies implemented by the government and the Central Bank of Egypt (CBE) to mitigate the pandemic economic impacts bode well for banks. Credit growth accelerated and was up 23 percent year-on-year at the end of December 2020, supported by lowering the interest rates to stimulate the economy and other measures introduced by CBE to support the industrial, agriculture and construction sectors, in addition to other initiatives to support and finance SMEs, noted Al-Bahar.

Banks maintained high quality assets despite the crisis. NPL containment measures enabled the authorities to carry on with the implementation of the infrastructure projects as part of a well-adjusted policy that balanced between imposing the necessary measures to contain the spread of the virus while mitigating economic implications, she added.

Al-Bahar highlighted that banks did not need any regulatory adjustments to increase their ability to



Adel Al-Rashood



Athba Al-Humaidi



Fahad Al-Saad

KFH demonstrates benefits of its salary campaign

KUWAIT: Kuwait Finance House (KFH) demonstrated "It's Worth Transferring your Salary" Campaign that includes a wide range of offers and discounts to customers. This took place during an interview on Q8 Pulse Radio Station brought together Executive Manager Personal Finance Products- Adel Al-Rashood, Manager Retail Segmentation Affluent Segments- Athba Al-Humaidi and Assistant Manager Public Relations and Event Management- Fahad Al-Saad.

KFH representatives, during the interview, underlined the benefits of the new KFH salary transfer such as: 0% profit on selected car brands up to KD 25,000 and payment period up to 5 years, Special discount from more than 10 car brands, Special offer on Tayseer cards with credit limit up to KD 5,000,

Up to 50,000 miles with "Oasis Club" Mastercard World, and a chance to win 77 kg with Alrabeh Account.

The campaign encompasses all existing and new customers of the bank. Customers can apply for all or any of these offers based on their eligibility at the time of application for the offer, where terms and conditions apply. It is worth noting that customers are eligible to these offers providing that they are obligated to transfer salaries for period of the offer taken.

E-signature for personal financing

Executive Manager Personal Finance Products- Adel Al-Rashood, highlighted the e-signature service for personal financing products that includes the electronic handling of all paper docu-

ments for personal finance transactions. He said that the new service enables KFH customers to electronically sign any required document using any device and anywhere as well as complete the entire financing request automatically in accordance with the terms and conditions.

He added that this initiative reinforces KFH leadership in implementing the digital transformation strategy. Meanwhile, Manager Retail Segmentation Affluent Segments- Athba Al-Humaidi said that the "It's Worth Transferring your Salary" campaign reflects the strong ties between KFH and its customers, indicating KFH works tirelessly to meet the ambitions and requirements of its customers.

Assistant Manager Public Relations and Event Management- Fahad Al-Saad said that the campaign is accompanied by several activities and competitions to customers in efforts to move forward in the bank's strategy of enhancing customer experience.

Burgan Bank's 'BuBa' customers get 10% discount from 'Teela'

KUWAIT: Ensuring its customers receive up to date offers and enjoyable shopping experiences, Burgan Bank announced its latest partnership with the toy shop app "Teela" that will entitle its BuBa customers a 10 percent discount. As one of the top online toy stores in the GCC, "Teela" provides the largest selection of toys for boys and girls in all categories, where customers enjoy a seamless experience from purchasing to having it delivered to their doorstep. Burgan Bank's current offer provides its customers with easier and faster access to a wide-ranging choice of new, trendy, and exclusive toys through "Teela". Customers can also discover an exciting collection of entertainment products such as costumes, birthday supplies, stationary as well as some of the best technology and gadget gifts from top brands such as LEGO and Disney.

"BuBa" Kids Account holders are entitled to the discount by simply entering the promo code "BBK10" on the checkout page when using Buba Debit Card. Dana Al-Nesef, Manager - Product and Segments at Burgan Bank said: "We always strive to keep track of rapidly evolving expectations and provide a

diverse mix of products and offers that will accommodate our different segments' lifestyle needs. Additionally, Burgan Bank is pleased to collaborate and support local businesses such as "Teela" and the value they bring to our customers."

The "BuBa" Kids Account aims at providing creative solutions for parents who want to earn more from their savings for their children while enjoying a wide range of additional benefits. It is a savings account that requires only a minimum opening balance of KD 10 wherein children up to 14 years old are provided with attractive offers and discounts from select merchants across Kuwait, throughout the year.

The bank has continuously improved its performance over the years through an expanded revenue structure, diversified funding sources, and a strong capital base. The adoption of state-of-the-art services and technology has positioned it as a trendsetter in the domestic market and within the MENA region. Burgan Bank's brand has been created on a foundation of real values - of trust, commitment, excellence and progression, to remind us of the high standards to which we aspire. 'People come first' is the foundation on which its products and services are developed.



Dana Al-Nesef