Gulf Bank records a net profit of KD 29 million in 2020

Board of Directors recommends a cash dividend of 5 fils per share

KUWAIT: Gulf Bank K.S.C.P. ("Bank") announced its financial results for the year ended 2020.

Financial summary

Gulf Bank reported a net profit of KD 29 million and earnings per share of 10 fils for the year ended 31 December 2020 compared to a net profit of KD 64 million and earnings per share of 22 fils for the year ended 31 December 2019. The Board of Directors is recommending a cash dividend of 5 fils per share for shareholders' approval at the Annual General Meeting to be held in March 2021. This would be the sixth straight year in a row Gulf Bank has paid cash dividends to shareholders.

The decline in net profit compared with the prior year was driven by lower interest income (KD 47 million) from a sharply lower interest rate environment, lower fee income (KD 8 million) from a slack in economic activity, and non-recurring interest income in 2019 (KD 20 million) partially offset by lower interest expense (KD 27 million) and a reduction in operating expenses (KD 14 million). However, the Bank is well positioned as it enters 2021 with strong credit quality, high excess provisions, significant capital buffers, and 'A' ratings from the major credit rating agencies.

The bank's non-performing loan ratio for the year-end 2020 stood at 1.1 percent, no change from year-end 2019.

At the end of 2020, total provisions on credit facilities were KD 284 million compared with KD 172 million of provisions required under the IFRS 9 accounting standard. Thus, the Bank held excess provisions of KD 112 million compared with KD 106 million a year ago. This was the third straight year since IFRS 9 was introduced where the Bank's excess credit provisions exceeded KD 100 million.

The bank's regulatory capital ratios remained strong as the Tier 1 ratio of 14.85 percent was 5.4 percent above the regulatory minimum of 9.5 percent and the Capital Adequacy Ratio (CAR) of 18.25 percent was 6.8 percent above the regulatory minimum of 11.5 percent.

The bank maintained its 'A' ratings from the four major credit rating agencies:

- Moody's Investors Service maintained the Long-Term Deposits Rating of "A3" with a "Stable" outlook.
- Fitch Ratings affirmed the Bank Long-term Issuer Default Rating of "A+" with a "Stable" outlook.
- S&P Global Ratings affirmed the Bank Issuer Credit Rating at "A-" with a "Negative" outlook.
- Capital Intelligence affirmed Gulf Bank's Long-term Foreign Currency Rating of "A+" with a "Stable" outlook.

Commenting on the results, Jassim Mustafa Boodai, Gulf Bank's Chairman said: "2020 was truly an unprecedented year. Our everyday lives have been impacted by the coronavirus pandemic, which is still having an impact on the economy and society. During 2020, Gulf Bank's financial performance highlighted the strength of its franchise and its ability to navigate through the current environment. The bank's solid capital, comfortable liquidity levels, ample credit provisioning, and low non-performing loan ratio have served us well throughout these challenging times. We continue to focus on our priorities: customers, employees, and our communities. The Bank's strategy remains centered on three key pillars:

- Leveraging technology and digitalization in order to improve customer experience and operating efficiencies.
- Driving selective organic growth without compromising our risk standards.
- Promoting a strong performance driven culture, reinforced with engagement," Boodai added.

Jassim Mustafa Boodai

Tony Daher

Business highlights

Commenting on the bank's operations, Tony Daher, Gulf Bank's CEO said: "The consumer banking segment continued its upward trajectory, growing by 6 percent to reach KD 1.7 billion as of year-end 2020, contributing 38 percent of Gulf Bank's total loan book.

Although physical branches were not operating at 100 percent capacity during most of the year due to the country's lockdown, the Bank was able to provide continuity of service to customers through its extensive ATM network and digital banking channels. In addition, the digital platform was enhanced through improved biometric login, push notifications, and 'know your customer' updates."

"Despite very challenging market conditions, the Corporate segment remained agile and selective in managing the loan book of KD 2.7 billion as of year-end 2020, which contributes 62 percent of the total loan book. The Corporate team shifted their focus to support Corporate clients and Small and Medium-sized Enterprises (SMEs) to meet their needs during the COVID-19 pandemic," Daher added.

Key messages

1. Earnings per share of 10 fils for the year ended 31 December 2020
2. The Board of Directors recommends cash dividend of 5 fils, representing the sixth straight year where Gulf Bank have paid out cash dividends to shareholders.
3. Non-performing loan ratio for the year-end 2020 stood at 1.1 percent, no change from year-end 2019.
4. The Bank's regulatory capital ratios remained strong with Capital Adequacy Ratio (CAR) of 18.25 percent.
5. The Bank maintained its 'A' ratings from the four major credit rating agencies.

The bank ended 2020 with several digital achievements and information technology enhancements. Throughout the year, Gulf Bank achieved several digital milestones and implemented major updates that all customers - from individuals to larger businesses and SMEs - benefited from. Gulf Bank launched several initiative and online banking solutions including "Visit Gulf Bank," a mobile application allowing customers to book appointments to visit their nearest branch. Also, large-sums cash deposit machines were provided to facilitate the depositing process in one transaction. A complete digital loan application process was also launched during the year. In addition, the Bank facilitated the process of checking on the status of ministry and public sector salaries by publishing the latest updates on the Gulf Bank website as soon as salaries were disbursed to clients. Businesses can apply now for letters of credit and guarantees online, with end-to-end processing.

Sustainability

2020 marked a year of historic changes, requiring communities everywhere to respond quickly to unprecedented challenges. From the start of the pandemic to date, Gulf Bank has been at the forefront of that response; mobilizing rapidly to improve conditions for its employees, the general public, and our beloved Kuwait.

At the start of the pandemic, Gulf Bank contributed to the Central Bank of Kuwait's KD 10 million support Fund designed to allow local banks to assist national efforts in combating the spread of the novel coronavirus. Gulf Bank also launched a nationwide mental and physical wellness campaign to raise awareness about adjusting to the gradual and safe return to the workplace. Psychological services and well-being webinars were offered for employees in recognition of the importance of mental and social health during the pandemic. And as a champion of women's economic empowerment and the importance of a mother's role in the society, Gulf Bank provided its female employees an option of flexible working hours to support their families.

Appreciation

Boodai concluded his remarks by stating: "On behalf of the Board of Directors, we would like to express our gratitude to HH the Amir Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah and HH the Crown Prince Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah, for their wise leadership and vision. We would also like to extend our appreciation to the Central Bank of Kuwait and the Capital Markets Authority for their dedicated efforts in supporting and promoting Kuwait's Banking sector. Finally, I would like to extend my deepest gratitude to all frontliners who had put their lives and wellbeing on the line to fight this pandemic. I would also like to thank our shareholders, our customers, and our teams for their loyalty over the years, with a special appreciation to our board of directors for their guidance and valuable contributions."

Chip shortage puts the brakes on automakers

PARIS: A shortage of silicon chips is forcing automakers to cut back on production across the globe and may encourage efforts to cut reliance on Asian suppliers. Ford announced Thursday that it would drastically reduce output of its top-selling F-150 truck because of the shortage of semiconductors, while General Motors has announced it will suspend work at three North American factories.

In China, certain factories are shutting for two weeks. In Germany, Volkswagen halted production lines at two factories in January and in France Stellantis is cancelling Saturday shifts. Today's cars are chock full of processors. For example, an Audi SUV contains 38 of them, from the engine to the ABS braking system, and from the air bags to the parking assistance.

With automakers having in recent decades extended their supply chains and having become increasingly reliant on just-in-time delivery of parts, the shortage is quickly having a major impact on the sector. Market research firm IHS Markit recently estimated the shortage could delay the production of 672,000 vehicles in the first quarter of the year, mostly in China and Europe.

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Shortage to last months

Today's shortages are the boomerang effect of auto factory shutdowns in early 2020 as Covid-19 first swept the world. "The sharp slowdown in the global auto industry in the first quarter of 2020 resulted in putting suppliers on temporary standby and delaying planned investments to respond to demand," said Claude Cham, who represents French auto parts suppliers. But with chips in strong demand across various industries-especially as sales of computers exploded during lockdowns-chipmakers turned their attention to other clients.

The auto sector then recovered more swiftly than expected in Asia, particularly in China. Bosch, the world's top auto parts manufacturer which produces some chips itself, said it is difficult to respond to swings in demand as setting up production can take up to six months for complicated models.

Meanwhile, 70 percent of production of the most advanced chips is assured by Taiwan Semiconductor Manufacturing Company (TSMC), according to IHS Markit. TSMC said its chip fabrication plants are running at full capacity and was doing its best to meet demand from automakers.

"We don't see any improvement in the first quarter," warned Helmut Gassel, marketing director at German chipmaker Infineon. "For the second quarter, it depends to what extent the supply chain can shift. But this could last until the end of the year," he warned. IHS doesn't see a quick recovery either.

"The shortage is expected to last until the third quarter of 2021, when re-allocation of capacity from semiconductor foundries and possibly some cooling-off of consumer electronics demand should provide greater supply security."

Automakers say they are doing their best to handle the situation, but it still harms them when they are struggling to recover from the COVID-fuelled plunge in sales last year. Ford said last week that it expects the delays could cost it \$1-\$2.5 billion in 2021. Most hope to be able to catch up on lost production in the second half of the year. — AFP

Firms hope for post-COVID profits from 'digital nomads'

PARIS: Companies around the world are betting that spiking interest in working from abroad during the pandemic will prove the foundation for a profitable new sector that can thrive in the years ahead.

"COVID has sped things up, what used to be a niche has become the norm," says Emmanuel Guisset, whose firm Outsite rents slots in shared living and working spaces to so-called "digital nomads" from Portugal to Hawaii.

He calls the pandemic a "springboard" for his business, one in a whole web of companies offering highly-mobile online workers everything from coworking spaces to Instagrammable villas and training to ease them into their new way of life. Although it had to close its properties in the first months of the coronavirus outbreak, Outsite enjoyed a 30-percent increase in reservations compared with 2019 and masses of new users.

"When things are back to normal, it's going to explode," Guisset predicts. Crucially, employers are increasingly open to the idea, with around 20 companies contacting Guisset to arrange paid-for stays for their workers-"a way of hanging on to talented employees," he says. "The million dollar question" for the budding sector is whether such openness at workplaces will outlive pandemic restrictions, says Professor Maurie Cohen of the New Jersey Institute of Technology.

Living in Outsite's Lisbon space since last autumn, Ambroise Debret has been chasing the digital nomad dream as a freelance web marketer for the past four years. He sees the stay as a way to get to know others walking the same path-saying "it's a bit as if we were all going to the office together".

Despite their footloose wanderings, such workers feel both "the need for a connection to the local and to belong to a community," says researcher Clement Marinos of France's University of Southern Brittany. Debret even has a side hustle offering training in the lifestyle, saying he's seen growing interest with 24 signups in January. — AFP