

Business

Our resilient business model positions us well to tackle global challenges: Al-Sager

NBK Group vice-chairman and CEO Al-Sager in an interview with Al-Arabiya TV

- We have no concern of any material spillover effect from the events in the US banking sector
- We are positioned for sustained strong earnings growth during the remainder of 2023
- Our investment portfolio is secure being concentrated in high quality and low risk assets

- The Kuwaiti banking sector is very solid which reinforces its position to deal with uncertainty
- GCC banks enjoy much better liquidity, capitalization, and government support than international peers
- Our high assets quality will help maintain the cost of risk at healthy levels during the year

KUWAIT: Isam J Al-Sager, Group Vice-Chairman and CEO of National Bank of Kuwait (NBK) said that in the first quarter of 2023, the bank succeeded in sustaining the exceptional performance in 2022 by maintaining improved operational activities, robust asset growth, increased liquidity levels, and solid capital base.

In his interview with Al-Arabiya TV to comment on the Group's results for the first quarter of 2023, Al-Sager mentioned: "The Group's operating revenues rose by over 18.4 percent year-on-year, which was a key driver of boosting net profit, supported by the robust growth of net interest income by 26 percent and fees and commissions income by 19 percent."

"With the support of our solid financial position, strong capitalization rates, and ample liquidity levels, we are positioned for sustained earnings growth during the remainder of 2023," he added.

Conservative approach

Commenting on the increase in provisions during the first quarter, Al-Sager explained that NBK historically follows a prudent policy with regard to provisions, noting that in the first quarter, the Group continued to follow a conservative approach in managing its credit exposures, taking into account the extended impact of a number of different factors in the

markets where we operate.

"Despite of the global uncertainty, we are optimistic that the cost of risk will remain at healthy levels in 2023, thanks to our strong asset quality levels," he added.

"I would like also to accentuate that our diversified business model, strong financial position, ample liquidity levels, and constant focus on risk management enable us to overcome any potential challenges that may be imposed by global developments," he elaborated.

Stringent banking supervision

On the possibility of a spillover effect from the crises in the US banking sector and Credit Suisse to the Kuwaiti banking sector, Al-Sager mentioned that this crisis is unlikely to extend to Kuwait, as the Central Bank of Kuwait is considered one of the most conservative regulators, thanks to following an approach that proved efficiency in the face of many historical crises.

"Kuwait has stringent regulatory requirements that are even ahead of international best practices (Basel and IFRS requirements), which remain rigorous under most stress testing scenarios. Kuwaiti banks are also strictly and carefully regulated by the Central Bank of Kuwait, regardless of their size or systemic importance, limiting any collective repercussions (domino effect) in the event of a crisis," he highlighted.

"The Kuwaiti banking sector enjoys strong liquidity and capitalization, with capital adequacy ratio ahead of regulatory requirements, as well as low NPL ratios coupled with high credit loss provisions," he mentioned.

Secure portfolio

With regard to the possibility of Group's investment portfolio being impacted by global repercussions, Al-Sager said that the Group's investment portfolio is very conservatively structured with high quality exposures and very limited risks. "Around 60 percent of the investment portfolio is in government securities largely in the GCC, whereas around 80 percent of the Group's investment securities portfolio comprise of investments, which are carried at fair value. The remaining smaller portion is regularly assessed and its carrying values are not materially different from their fair values," he elaborated.

"We also have a sizable base of that portfolio are classified as HQLA, that can be sold or reposed for cash if the need arises. And the interest rate risk on those bonds is hedged via interest rate swaps. So we have no concern of any material spillover effect from the events in the US banking sector," he added.

Diversification offering protection

On the devaluation of the Egyptian Pound and its impact on the bank's per-



Isam J Al-Sager during the interview.

formance in Egypt, Al-Sager said: "The devaluation of the Egyptian pound adversely affects NBK-Egypt's profits denominated in US dollar in the Group's consolidated balance sheet. However, its contribution to the Group's profits is not substantial, in light of our geographically diversified income sources."

Al-Sager stressed that NBK has long-term investments in Egypt, and that the devaluation of the Egyptian pound and

soaring inflation are seen as exceptional circumstances that many emerging markets around the world are witnessing at the present time.

"We are planning for further expansion in the retail sector, in which we see growth opportunities, given the large population and the increasing rate of financial inclusion, basically through increasing our investments in digital banking services," he noted.

Soaring prices pressure Morocco's agriculture model

RABAT: Soaring inflation in Morocco is driving up living costs and stirring public anger, and as food prices increase the country's export-led agricultural model is coming under fire.

On April 8, protesters gathered outside parliament in the capital Rabat, with some saying "The rise in prices is a disgrace" and: "We're an agricultural country but vegetables are too expensive."

Official figures from February put year-on-year inflation in the North African country at just over 10 percent—a figure that also included a 20 percent jump in food prices. The price of fresh produce in Morocco is almost as high as in some Western European supermarkets, but the minimum wage for Moroccans is just \$300 (275 euros) a month. Faced with growing criticism, Agriculture Minister Mohamed Sadiki attributed high food prices to "external and cyclical factors" such as the rising cost of raw materials and a cold snap that delayed the picking of tomatoes.

Sadiki told a press conference in early April that despite the impact of climate factors such as drought, agriculture accounts for 13 percent of Morocco's GDP and 14 percent of its exports.

Growing frustration

The Islamic holy month of Ramadan, when demand for agricultural produce traditionally spikes, is drawing to a close, and frustration towards policymakers is building. In an attempt to stem the price rises, Rabat suspended exports of some products in early February, including tomatoes, to ensure sup-



RABAT: The price of fresh produce in Morocco is comparable to European supermarkets but monthly minimum wages are only \$300.—AFP

plies for the local market.

But that move drew protests from professional bodies who urged Prime Minister Aziz Akhannouch reconsider the measure. In 2008, Morocco adopted the Green Morocco Plan, an ambitious scheme to ensure food self-sufficiency. Since then, agricultural production has doubled in value from \$6 billion to \$12 billion, despite the loss of 7 billion cubic meters of rain annually since 1985, according to the agriculture ministry. Abderrahim Handouf, an agricultural engineer specializing in irrigation, said the kingdom remains at the mercy of recurrent drought that causes food price rises by "reducing the cultivated area

and therefore the supply" of fresh produce.

The agriculture ministry also notes the rising prices of imported raw materials such as seeds and fertilisers, which have jumped "from 30 to 70 percent". The price of grain imports has also skyrocketed. In 2020, Morocco's agricultural plan was rebaptized "Generation Green" for the 10-year period to 2030, and made exporting fresh fruit and vegetables a priority. But this focus on exports is considered to have contributed to rising prices, and now an increasing number of voices are calling for change. Handouf says that "ensuring food sovereignty starts with the seed industry, where Morocco is lagging far behind". —AFP

German investor morale falls again in April

FRANKFURT: German investor confidence unexpectedly fell in April for the second straight month, a survey showed Tuesday, due to lingering fears about the banking sector and concerns about stubbornly high inflation. The ZEW institute's economic expectations index for Europe's biggest economy dropped 8.9 points to 4.1.

While still in positive territory, the reading was worse than expected, with analysts surveyed by financial data firm FactSet having forecast a slight increase. The gauge registered its first fall for six months in March as markets were rocked by the failure of three regional US lenders and the enforced takeover of Credit Suisse by rival UBS. ZEW president Achim Wambach said that while worries about a major financial crisis had eased, investors were still concerned banks might be more cautious in granting loans.

"The still high inflation rates and the internationally restrictive monetary policy are also weighing on the economy," he said. Energy and food costs soared last year after Russia invaded Ukraine and then slashed gas supplies to Europe, prompting the European Central Bank to aggressively hike interest rates. Last year's crisis prompted heavy falls in the ZEW index and other economic indicators, although most subsequently recovered as Berlin rolled out relief measures and fears of a sharp downturn eased. —AFP

Swedish telecom giant Ericsson steps up savings plan

STOCKHOLM: Swedish telecommunications giant Ericsson said Tuesday that it is stepping up its cost-cutting program as it expects a "choppy environment" this year after profits fell in the first quarter. The telecom equipment maker will now reduce costs by 11 billion Swedish kronor (\$1.1 billion) in 2023, saying it found an additional two billion kronor in savings.

Ericsson announced in February that it would slash 8,500 jobs worldwide, or eight percent of its workforce. The Swedish group is locked in a battle with Finnish rival Nokia and China's Huawei for 5G networks, but it noted that its customers—mobile operators—have slowed the deployment of such equipment. "We continue to see a choppy environment during 2023 with poor visibility," Ericsson said in its quarterly earnings statement.

Ericsson's net profit fell 46 percent to 1.6 billion kronor in the January-to-March period. Sales rose 14 percent but they were flat when adjusting figures to take currency exchanges and other parameters into account. Ericsson said it expects customers "to remain cautious" with investments and continue to adjust their inventories in the second quarter.

"We expect the slower growth we saw in Q1 (the first quarter), caused by the slower global economy, to continue in Q2," Ericsson added. Shareholder confidence in the company has also been shaken by graft allegations in Iraq. —AFP

Tanzania signs rare earths deals with Australian firms

DAR ES SALAAM, Tanzania: The Tanzanian government on Monday signed contracts worth \$667 million (610 million euros) with three Australian companies to mine for graphite and rare earths. The framework agreements are part of a push by President Samia Suluhu Hassan to boost the mining sector's contribution to Tanzania's economy to at least 10 percent by 2025.

The deals were signed at a ceremony in the capital Dodoma with Evolution Energy Minerals, EcoGraf Ltd and Peak Rare Earths. "It's the hope of Tanzanians that the implementation of these projects will start soon and contribute to the economy," Hassan said.

Tanzania will have a 16 percent stake in each of the projects, according to the head of the government's negotiating team Palamagamba Kabudi. Western nations are looking to reduce their dependence on China for rare earths -- 17 heavy metals which are crucial for electronics such as smartphones, computers and batteries as well as the cutting-edge technologies that could reduce reliance on fossil fuels. Peak Rare Earths is involved in the \$439 million Ngualla rare earths project in southwestern Tanzania.

It said Ngualla is one of the world's largest and



Tanzania's ministry of minerals technical committee on site at Ngualla.

highest grade deposits of neodymium and praseodymium, key components of high-strength permanent magnets used in the production of electric vehicles and wind turbines. "This signals the long journey of partnership between Peak and the government of Tanzania in developing a world class project," said the company's executive chairman Russell Scrimshaw. "Our project will play a role in addressing climate change."

Evolution Minerals and EcoGraf will mine for

graphite—which is used in lithium-ion batteries—in projects worth \$100 million and \$128 million respectively, Kabudi said.

"The signing of these agreements today sends a positive message to the global mining sector," said Evolution managing director Phil Hoskins. Mining contributed 7.3 percent of Tanzania's economy in 2021, up from 4.8 percent in 2018, Mining Commission executive secretary Yahya Samamba said in October last year. —AFP