

# Al-Bahar: Diversification remains a key theme in NBK's strategy

NBK Deputy Group CEO addresses International Banking Conference 'Shaping the Future'



KUWAIT: Shaikha Al-Bahar, Deputy Group CEO, National Bank of Kuwait delivers the keynote speech at International Banking Conference 'Shaping the Future' yesterday.



KUWAIT: Shaikha Al-Bahar, Deputy Group CEO for the National Bank of Kuwait said that the magnitude and frequency of today's technology leaps mean we are seeing the fastest pace of evolution - across almost all sectors. In her speech at the International Banking Conference "Shaping the Future" sponsored by the Central Bank of Kuwait (CBK), Al-Bahar said that the successful transitioning of any industry is dependent on how much its participants understand trends leading to change, and more importantly the forces behind those trends.

"For the financial services industry, it's no different to other service sectors. We began the transition a few decades back, and today the evolution of the sector is accelerating rapidly - this makes it hard for players to stay ahead, and in some cases keep up," Al-Bahar said. She highlighted that there are winners and losers in the transition process, adding that the question we have to ask is how, as banks, do we successfully transition to a new operating model and how do we stay ahead or how do we avoid being left behind?

Al-Bahar stressed on the importance of learning from the experiences of other industries, explaining that as sectors evolved, the winners were those who adapted to change by understanding emerging trends. On the other hand, those who refused to evolve and maintained a rigid business model mostly failed. Al-Bahar mentioned numerous examples of companies that failed to compete as they couldn't keep up with the new trends including online shopping, smart phones, streaming platforms and the dominance of digital media that sent print media to a downward spiral.

"Our world changes by the hour, and a good business model should be flexible enough to evolve and accommodate market transition, without losing its strategic focus," Al-Bahar added, emphasizing that business leaders should have the vision to envisage changes in macro and industry trends and to position their institutions to exploit their competitive advantage. She also explained that demographics and technology are the two most important forces that are currently - and will continue - influencing the future of financial services, and more specifically banks. (+8 million). —Reuters

## Demographics

Al-Bahar stated that different demographic trends exist across markets: from an aging population in developed economies to a younger and more demanding population in emerging and frontier markets pointing out that population trends are radically changing when we compare urban and rural areas, while life expectancy is increasing in many markets, and the distribution of both wealth and work force is shifting as well.

"These trends are shaping the future of the financial sector, because they are creating opportunities for banks to grow. But they're also creating challenges, as the behaviors and needs of customers change, especially with the commoditization of products and services," Al-Bahar noted. Focusing on the young population in our region, she explained that the numbers vary across different states but generally speaking, half of the population of the Middle East is below 30, and that is a huge challenge for all service industries that need to cater to young customers.

Customer centricity is a growing priority that is shaping the future of banking. This young population is demanding and dynamic, making it hard to foster loyalty.

"Our view is that as a bank we need to be more engaged with customers and stay close to their ever-changing needs. New ways of communication are emerging and influencing decision-making, from social media to online listening tools and personalized targeted advertising," Al-Bahar stated.

Al-Bahar listed various means by which banks, as well as other service providers, could keep pace with all the new developments through product innovation, financial inclusion and the development of technology driven offerings and transactions for digital banking to become more dominant and better serve customers' needs.

## External challenges

Al-Bahar pointed out that the world has seen massive leaps in technology in the last decade, which have already changed the financial industry, adding that the future holds many more - most of which are impossible to predict.

She highlighted that today's world data and analytics play a very important role in product innovation and cus-

tom targeting. With current internet, mobile and social media penetration rates, the move by banks to a digital offering is both inevitable and essential. In the GCC, which enjoys one of the highest internet and mobile penetration rates in the world, advanced online and mobile banking is an integral part of the financial ecosystem.

"The new wave of startups and Fintechs that focus on a more agile and efficient customer experience pose a threat to banks, who in turn need to raise the bar and evolve with the industry trends to meet customer needs," Al-Bahar explained, adding that Banks are also seeing growing pressure from non-industry players (Google, Apple, Amazon) as well as established industries seeking to complement their services (particularly telcos, in countries with lower banking penetration. The three largest companies by market capitalization globally (Google, Apple and Amazon) have all recently announced new initiatives that will compete with core banking products. So digital banking is the future, but this will have significant implications for current banking business models and the wider industry.

She also outlined that we are already seeing major changes to banks' distribution models and the payment industry, with e-commerce business reaching USD 2.0 trillion annually. For banks to evolve and cater to this digital era, heavy investment is required to build an infrastructure that will support product innovation and delivery.

"We are seeing significant investment in robotic process automation (RPA), cloud computing and data processing, all of which are enablers for banks to better serve customer needs," Al-Bahar added, confirming that with digitization come new demands on human capital: qualified talent is a scarce resource, especially in a demanding environment that requires a new, and sometimes niche, skillset to support banks' changing operating models.

## NBK's digital transformation journey is progressing at full speed

On the steps being taken by NBK to position itself for the next technology cycle, Al-Bahar stressed that the bank has tirelessly worked towards identifying, and are directly addressing, the two most important themes of

demographics and technology. NBK highly emphasizes product innovation focused on the technology aspect, as an attractive proposition for the younger population, especially considering that more than 60 percent of Kuwaitis are below the age of 30. Moreover, customer focus is also one of NBK's driving forces, as it regularly measures customer satisfaction, using the power of market research to understand changing behaviours of banking customers and evolve to meet their needs.

"We are investing heavily in Group-wide digital banking. We have a best in class mobile banking application in Kuwait and in several other locations including Egypt, Iraq, Bahrain, Jordan and UAE," Al-Bahar noted, NBK is pushing ahead with RPAs, more functionality with blockchain technology as we roll out more markets under our Ripple transfer network, and we are constantly improving the functionality of our mobile application.

NBK has established the first of its kind platform for new technologies. It is also a foundation for employing and training young Kuwaiti talent and equipping them to lead in a more agile banking era.

"Our banking model is more flexible today than it ever has been. We are becoming more dynamic without losing our strategic focus. Diversification remains a key theme in our strategy, and this is what we believe gives us a competitive edge in an increasingly challenging operating environment," Al-Bahar confirmed.

## Reaping the benefits of diversification

Al-Bahar pointed out that NBK has been reaping the benefits of its diversification efforts, as the bank derives its revenues and profitability from multiple geographies and from different business segments - both of which are directly supported by both our business model and strategy with 25 percent to 30 percent of profits from international (8-9 percent from Egypt) and 10 percent of profits from Islamic banking (Boubyan).

Al-Bahar also highlighted that in the history of NBK has faced many challenges, sometimes crises, and on each occasion came out stronger. That is an evolution the bank has been through over time, and which it still maintains. Today's operating environment is different, but it offers opportunities that we believe we are in a strong position to pursue.