

NBK CEO speaks to MEED magazine in an interview

# The GCC banking is in a very strong spot, says Al-Fulaij

NBK at the forefront of several digital initiatives in region

KUWAIT: Salah Al-Fulaij, CEO- Kuwait at National Bank of Kuwait said in an interview with MEED Magazine that the impact of subdued credit growth and rising NPLs in recent years, mainly the lower oil price years, has been very well dealt with by the regulators. He added that most banking systems went into the lower oil price environment in much stronger positions relative to what happened during the financial crises. Most Central Banks in the region have been hands-on when it comes to banking supervision and we have seen several regulatory measures taken since the financial crises back in 2008. Al-Fulaij pointed out that most GCC governments are targeting aggressive expansion plans with significant amounts to be spent on infrastructure projects. This will highly likely lead to some pressure on dollar liquidity in the region which will be met through debt issuances, he added. Read the full interview as follows:



Salah Al-Fulaij



**Question:** How will the region's structural reforms affect banking in the GCC?

**Al-Fulaij:** We see several structural reforms taking place in the region with some of the GCC countries at more advanced stages while the others are catching up rapidly. Although the pace of reforms need to be accelerated but we view it positively especially that implementation becomes more challenging with higher oil revenues and improved fiscal positions. That said, banks are generally a beneficiary of any incremental improvements in economic and structural reforms as this generates private sector activity and accordingly create credit demand let alone the ancillary businesses that banks can generate from these reforms (i.e. advisory, investment banking, etc.). Moreover, structural reforms generally benefit the overall strength of economies and accordingly banks' balance sheets should become healthier, which generally improve the capacity of banking systems in the region to continue to support the economic activity created by those reforms. It is a self-sustained growth cycle as long as the pace of reforms continues in the right direction. There are several reforms that are currently taking place in the region and that are expected to benefit the banking systems, not only from activity point of view but also creating an opportunity to diversified offerings by banks through new products. These include privatizations, capital market reforms, mortgage finance and financial inclusion.

- Reforms increase the strength of economies and the health of banks' balance sheets
- Governments across the region should step-up the pace of economic reform to boost growth and job creation
- We look positively at the recent reforms implemented by the GCC countries
- The risks of Lower oil, financial turmoil and the US withdrawal from the nuclear deal threaten the growth
- NBK has been at the forefront of several digital initiatives in the region

because of their strength despite being domiciled in relatively smaller, more concentrated economies. Finally, it is worth noting that consensus view on oil prices is stable to positive which means the banking systems in the region have seen the worst of a cycle downturn and remained unscathed which is a good confirmation of the success of those regulatory measures I referred to.

**Q: With oil prices up to \$75 a barrel in May, have we past the worst of the economic slowdown?**

**Al-Fulaij:** The plunge in oil prices in 2014-16 hit confidence across the region and caused governments to tighten their belts - including cuts in subsidies and in capital spending that affected both consumers and businesses. Non-oil growth in the GCC slipped from 5.3 percent in 2014 to 2.1 percent in 2016. Conditions have since improved albeit gradually. The rise in oil prices has reduced budget deficits and helped slow the pace of fiscal consolidation; government spending will likely see positive growth this year, supporting domestic demand. Meanwhile, the region has also benefited from further strong growth in the global economy and the economic impact of the Qatar dispute on the region overall has been minimal. We expect non-oil growth of 2.6 percent this year, up from 2.3 percent in 2017.

That said, there are still various downside risks to growth, including a drop in oil prices, financial turbulence as global monetary policy is tightened, an escalation in global trade tensions and geopolitical fallout from the US's withdrawal from the Iran nuclear deal. Moreover, despite the improved fiscal prospects, governments across the region should step-up the pace of economic reform to boost growth and job creation.

**Q: What will be the impact to the region's banking sector of new digital technologies such as block chain and artificial intelligence?**

**Al-Fulaij:** Accessibility and 24-7 quick service are pivotal to meet increasing customer demand for instant fulfillment and gratification across the world and middle-east is no different. Artificial Intelligence (AI) and machine learning will help in automating customer service. Chatbots and authentication through Biometrics/ Facial recognition/ Voice enabled Digital Signatures will reduce the learning curve for technology migrants (non-tech savvy generation) and improve speed as well as customer convenience. Voice recognition will ensure customers can "Speak Out" their banking order. Interactive Teller Machines / Virtual Branch / IoT / Robo-advisory for wealth management will become standard offering. Location based real time offers through big data analytics will proliferate. Faster payment service through the use of authentication APIs (e.g. perform KYC for AML purposes) without the need for physical presence or docu-

ments. It will also reduce need for outsourcing and move back to insourcing of back office work & instant fulfillment.

Blockchain (distributed ledger where each block contains a timestamp and holds batches of individual transactions with a link to a previous block) is seen as the future of banking with secure and cost effective means of transacting. However, this technology has a long way to go (from security and regulatory focus on Bitcoin and Crypto currencies) before it can become mainstream. Once blockchain acceptability improves we will see disruption in how banking is done.

Advantages & Applications of blockchain are: Quicker transactions (reduce FAT by decentralizing ledger); Transparency and Accessibility (users can access transaction details anytime, anywhere; eliminating need for exchange of messages between parties in conventional banking); Reduced transaction costs (renders third parties and their charges unnecessary); Fraud Reduction, Trade Finance; and Liquidity Management.

**Q: How is NBK responding to this digital disruption?**

**Al-Fulaij:** NBK has been at the forefront of technology adaption to ensure superior customer service; across all touch points with the disruptive "Mobile First" strategy. This is evidenced by being 1st to market in several digital initiatives in the region.

The last couple of years have been the tipping point for digital transformation in NBK as part of this "Mobile First" Strategy and "Bank in your Hands" approach. NBK which has the largest POS network, introduced NFC Tap and Pay cards (December, 2016 - in a record time of 3 months) and became the largest NFC enabled POS network; with highest number of NFC enabled cards in Kuwait. NBK recently launched NFC wearables (Wrist band) (1st in MENA) and Stickers (1st in Kuwait). Wrist bands and Stickers can be your wallet now. NBK also launched Robo Advisory "Smart Wealth" (2017); Quick Pay "P2P mobile payment" (2018).

NBK has largest presence among banks in social media with 14 million followers across, Twitter (450K), Instagram (300K), Facebook (212K), YouTube (48K) and Snapchat. It is supported by NBK's Call Centre (largest in Financial service in Kuwait), which has evolved into a Contact Centre serving customer needs with a dedicated digital response team across IVR, Voice, Social media channels (2015), WhatsApp (2016); Online chat (2017).

Strategically we target cash and paper, as opportunities; continuously focused on changing the habits of our customers from cash usage to digital money; and eliminating paperwork and automating processes in order to provide our customers with efficient, secure and seamless customer experiences.

The digital space and in particular payments are key areas of interest. We are continuously monitoring the market and looking at opportunities to invest/ partner/ acquire FinTech technology in order to provide the best in class services to our customers.

## National Bank of Kuwait Financial Markets Daily Report

At 02:00 PM Previous Day

Global Stock Indices						
Index	Previous Close	Last Price	Change	Daily Performance %	Yearly Performance %	
Dow Jones	24,715.09	25,013.29	298.20	▲	1.21	1.19
NASDAQ	7,354.34	7,394.03	39.69	▲	0.54	7.11
S&P 500	2,712.97	2,731.01	20.04	▲	0.74	2.22
Financial Times	7,859.17	7,874.43	15.26	▲	0.19	2.43
DAX	15,077.72	15,106.30	28.58	▲	0.17	1.41
CAC 40	5,637.21	5,638.65	1.44	▲	0.02	6.14
Hexx	8,940.46	8,941.48	1.02	▲	0.01	-4.49
Nikkei 225	23,027.37	22,960.34	-67.03	▼	-0.18	0.86
Topic	1,813.75	1,809.57	-4.18	▼	-0.23	-0.44
Hang Seng	31,047.91	31,234.35	186.44	▲	0.60	4.40
Straits Times	3,548.23	3,543.18	-5.05	▼	-0.14	4.12

MENA Stock Indices						
Index	Previous Close	Last Price	Change	Daily Performance %	Yearly Performance %	
Kuwait	6,603.51	6,633.44	29.93	▲	0.45	2.96
Saudi Arabia	7,996.43	8,021.33	26.90	▲	0.34	10.66
Dubai	2,247.08	2,273.10	26.02	▲	0.88	-12.55
Abu Dhabi	4,458.33	4,528.61	68.28	▲	1.53	1.36
Bahrain	1,267.93	1,265.48	-2.45	▼	-0.19	-4.79
Qatar	8,943.75	8,993.22	49.47	▲	0.55	4.93
Oman	4,995.59	4,979.24	-16.35	▼	-0.36	-0.88
Lebanon	1,128.45	1,128.45	0.00	-	0.00	-1.75
Jordan	2,128.46	2,128.08	-0.38	▼	-0.11	0.08
Egypt	16,780.91	16,659.84	-121.07	▼	-0.72	11.73
Morocco	12,589.32	12,613.47	26.15	▲	0.21	1.83
Tunisia	7,389.07	7,405.87	16.80	▲	0.23	17.63

Global Currencies Exchange Rate								
Currency	Kuwaiti Dinar	Saudi Riyal	US Dollar	Euro	Sterling Pound	Swiss Franc	Japanese Yen	Australian Dollar
Kuwaiti Dinar	12.2970	3.2927	2.7878	2.4676	3.2776	365.36	4.3354	
Saudi Riyal	0.08132	0.2678	0.2267	0.1990	0.2665	29.71	0.3528	
US Dollar	0.30370	3.7346	0.8667	0.7433	0.9954	110.96	1.3167	
Euro	0.35870	4.4109	1.1811	0.8783	1.1263	131.08	1.5551	
Sterling Pound	0.40857	5.0242	1.3453	1.1366	1.3394	149.28	1.7713	
Swiss Franc	0.30510	3.7519	1.0046	0.8501	0.7668	111.48	1.3277	
Japanese Yen	0.00274	0.0337	0.0090	0.0074	0.0067	0.0090	0.0119	
Australian Dollar	0.23065	2.8364	0.7595	0.6430	0.5646	0.7560	84.27	

MENA Currencies Exchange Rate								
Currency	US Dollar	Kuwaiti Dinar	Saudi Riyal	Bahraini Dinar	Qatari Riyal	Omani Riyal	Emirates Dirham	Egyptian Pound
US Dollar	0.30370	3.7346	0.3748	3.4370	0.3811	3.4575	17.8500	
Kuwaiti Dinar	3.2927	0.08132	12.2970	1.2340	11.9427	1.2615	12.0431	
Saudi Riyal	0.2678	0.08132	0.2678	0.1003	0.9712	0.1026	0.9794	
Bahraini Dinar	2.6684	0.81029	9.9653	0.2678	9.4782	1.0223	9.2796	
Qatari Riyal	0.2757	0.08373	1.0297	0.1033	0.4106	0.1084	4.9214	
Omani Riyal	2.6101	0.79268	9.7476	0.7972	9.4668	0.9464	46.5899	
Emirates Dirham	0.2734	0.08303	1.0211	0.1025	0.9917	0.1048	4.8804	
Egyptian Pound	0.0560	0.01701	0.2092	0.0210	0.2032	0.0215	0.2049	

Global Interest Rates					
Currency	1-week	1-month	3-month	6-month	1-year
Kuwaiti Dinar	1.79	1.73	1.94	2.19	2.44
US Dollar	1.75	1.96	2.33	2.49	2.75
Euro	-0.42	-0.39	-0.35	-0.31	-0.26
Sterling Pound	0.48	0.50	0.62	0.74	0.93
Swiss Franc	-0.79	-0.78	-0.72	-0.64	-0.52
Australian Dollar	1.64	1.84	1.79	1.82	1.87
Japanese Yen	-0.05	-0.05	-0.03	0.02	0.12

Global Bond Yields					
Country	2-Year	3-Year	5-Year	10-Year	30-Year
United States	2.58	3.91	3.07	3.21	3.11
Europe	-0.60	-0.08	0.51	0.56	1.26
United Kingdom	0.81	1.19	1.31	1.92	1.92

Commodities						
Index	Previous Close	Last Price	Change	Daily Performance %	Yearly Performance %	
Kuwait Oil	75.58	75.51	-0.07	▼	-0.09	16.02
Brent	79.35	79.94	0.59	▲	0.74	15.46
West Texas	72.31	72.21	-0.10	▼	-0.14	16.39
Gold	1292.29	1294.16	1.87	▲	0.14	-0.79
Silver	16.48	16.57	0.09	▲	0.55	-2.85

Source: National Bank of Kuwait