

An *IFC Reports* Interview with

Mr. Majed Essa Al-Ajeel, Chairman of Burgan Bank, Kuwait

On the
3rd May 2011

For our special report on Kuwait



IFC REPORTS: Firstly looking at the current state of the economy, we must touch upon the 'recent' global economic crisis which affected countries around the world. In Kuwait GDP (Gross Domestic Product) contracted 4.6% in 2009, however by 2010 it rebounded with 3.2% GDP growth and 4.7% is forecast for the remainder of 2011. What is your assessment on the banking sector in Kuwait bearing in mind the limited lending opportunities in the economy given Kuwait is primarily an oil focused nation?

MR. MAJEED ESSA AL-AJEEL: There was a downturn during 2008 and 2009, but towards the end of last year the banking sector started to come out of the dark. All Kuwaiti banks reported profits at the end of 2010 and I think this is thanks to the stringent policies of the Central Bank of Kuwait. It has been difficult over the past 3 years but I think it was beneficial for all of the banks and the results of 2010 and Q1 2011 have shown this. Burgan Bank has increased its profits 11 fold during the first quarter of 2011 compared to Q1 2010 and it is the same with other banks but to different degrees. Banks are becoming profitable again with all the provisioning.

It was difficult at the time but it is clear that the Central Bank's policies have paid off and that is why all the banks and Burgan Bank specifically are benefiting from this.

IFC REPORTS: Do you think the political uprisings in the MENA region are going to have any effect on the banking sector here?

MR. MAJEED ESSA AL-AJEEL: Not really. We have not seen any major effects as a result of the political climate. The country and the banking sector may benefit from some money coming in for security purposes.

IFC REPORTS: The main focus of our report are the changes that occurred during 2010, namely the Development Plan, Privatization Law and the Capital Markets Law. Firstly looking at the Development Plan, which consists of \$125 billion dollars worth of projects to be injected into the economy, I'd be interested to know what opportunities you foresee as a result of the development plan?

MR. MAJEED ESSA AL-AJEEL: \$125 billion is going to be spread over 4 to 5 years. We think it is a step in the right direction for all sectors, not just the banking sector. The Government is working on changing regulation and legislation to try to accommodate the development plan. It is the first time in Kuwait and we need to change some rules, regulations and policies. It is a good thing to do it over a few years because we do not have the capacity to do it all in one go. Having said that, the Burgan Bank has already financed KD200 million last year for the first phase of projects related to the development plan.

IFC REPORTS: What opportunities would you highlight for foreign companies?

MR. MAJEED ESSA AL-AJEEL: There are a lot of opportunities for foreign companies. We do not have the capacity in the construction sector in Kuwait to do all of these projects. We need highly specialized foreign contractors for the mega projects such as the causeway (Jaber

Causeway) and the rail project for example. It is the same for other sectors included in the development plan. There are a lot of opportunities for the private sector in Kuwait to partner with foreign companies. We have seen a lot of interest from foreign countries and foreign companies. A lot of delegations are headed by presidents and prime ministers of foreign countries and they came with business people to look at the opportunities and the potential for their companies to work in Kuwait.

IFC REPORTS: The Capital Markets Law was introduced last year and the Capital Markets Authority was established only a few months ago. What is your opinion on the new law and the new authority and the effects this will have on the market?

MR. MAJEED ESSA AL-AJEEL: Everyone was asking for this for a long time. This is part of the new legislation which is needed in order for Kuwait to develop into a financial center. The new authorities will not only control the stock exchange but will also monitor the bonds market and introduce many other markets. This will help Kuwait become a financial center. I think it is positive. We have the legal framework; it has been tested and proven, so we just need more markets.

IFC REPORTS: Burgan Bank, established in 1977, has recently completed the purchase of 4 banks regionally; could you tell us a bit more about your strategy and expansion into the MENA (Middle East and North Africa) region?

MR. MAJEED ESSA AL-AJEEL: Burgan Bank started as a government bank back in the 1970s, then it was privatized in 1998. The majority shareholder is now KIPCO Group. About three years ago we announced our expansion into the MENA region and that we were going to buy four banks in four different countries. It took us two years to conclude the program and we finished in July last year. We are the majority shareholders in four banks; one is Jordan Kuwait Bank. This bank is very active in Jordan but it also has a branch in West Bank and Cyprus. Secondly there is The Bank of Baghdad, which is the number one private bank in Iraq and it is very active and is expanding rapidly. It has branches all over Iraq. We also bought Gulf Bank Algeria which has almost 20 branches. And last but not least we bought Tunis International, which has a license in Malta. Burgan Bank now has 130 plus branches in the MENA region.

IFC REPORTS: Is there going to be a synergized management strategy for all these 4 banks to ensure that they run in line and as effectively as Burgan Bank?

MR. MAJEED ESSA AL-AJEEL: They will continue to be independent and separate in their own countries because there are different regulations in each country, but we are trying to integrate many areas like IT, HR, risk management and credit approvals. We are trying to unify the systems and that is the idea behind buying these banks; achieving economies of scale.

IFC REPORTS: Burgan is the only bank in the GCC (Gulf Cooperation Council) with ISO: 2008 certification for its information security management system. What are its other leading qualities?

MR. MAJEED ESSA AL-AJEEL: We are trying to differentiate ourselves and gain more market share. We are now number four in terms of results, PE (Price-Earnings) ratio and investment. I think this is as a result of the bank, board of directors and shareholders' policy. We may look for other opportunities in other countries in the MENA region to develop the bank. We are just looking at the MENA region at the moment but you never know.

IFC REPORTS: Given the growing importance of CSR (Corporate Social Responsibility) in today's corporate strategies, what efforts are undertaken by Burgan Bank's in this regard?

MR. MAJEED ESSA AL-AJEEL: We have been contributing to the local community activities for a long time. One of the main things we have been doing is enabling the handicapped community as a major pillar within the community at large. We have been doing this for 10 years. Every year we hold the Diamond Award which aims to recognize the achievements of the handicapped community and this is one of the main pillars of our CSR framework. We actually created this award. We were recognized a few weeks ago as one of the only private sector companies that contribute to this very important community. We also inaugurated Kuwait University – college of business administration for a “dealing laboratory” for students so they can practice techniques as part of our CSR initiatives toward Education.

IFC REPORTS: On a slightly more personal note, you were appointed Chairman of Burgan Bank only last year in April 2010. What is your vision for Burgan and what will you bring to your new role?

MR. MAJEED ESSA AL-AJEEL: I joined as Chairman in 2010 but I was here before as vice Chairman and I have been a board member for about 10 years now. I think the vision of the Group as a whole is to take Burgan to the next level and to develop the bank locally and internationally. We have done this over the past two years and will continue to look for opportunities to develop the bank further and maybe to acquire other banks. We have the capability and the liquidity to do this.

We are looking for opportunities and we are looking to do more business and develop the business. We want to be number three or number two in the country. My message for foreign investors is come to Kuwait - do not be afraid.

IFC REPORTS: It has been an absolute pleasure, thank you very much.