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80 YEARS OF KUWAITI BANKING SPECIAL REPORT

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**80 YEARS OF
KUWAITI BANKING**

**SPECIAL
REPORT**

thebusinessyear

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Kuwait Finance House

The Islamic Bank

For Good Life



EXECUTIVE SUMMARY

Image: Ibrahim Mohamed



EXECUTIVE SUMMARY

Kuwait's banking sector is 80 years old, and is going from strength to strength.

A BEGINNING, 80 YEARS AGO

In the aftermath of the discovery of oil, the British Bank of the Middle East (BBME) was founded, in 1942, ushering in the age of modern banking in Kuwait. In Kuwait, as in the rest of the Gulf, BBME had a banking monopoly that lasted until 1952. When the National Bank of Kuwait (NBK) was founded in 1952, it became the first locally owned bank in the country. It was started by a group of well-known business owners who believed the local economy was being underserved from a banking perspective, and it immediately became recognized as a regional leader in terms of expansion and innovation. More national banks soon followed, some of them having mandates to carry out particular economic duties, notably the Credit and Savings Bank, the Industrial Bank of Kuwait, and the Real Estate Bank of Kuwait. Finance for domestic initiatives, agriculture, and housing were among these services. Accompanying this flourishing of domestic institutions, the level of government control over the industry grew.

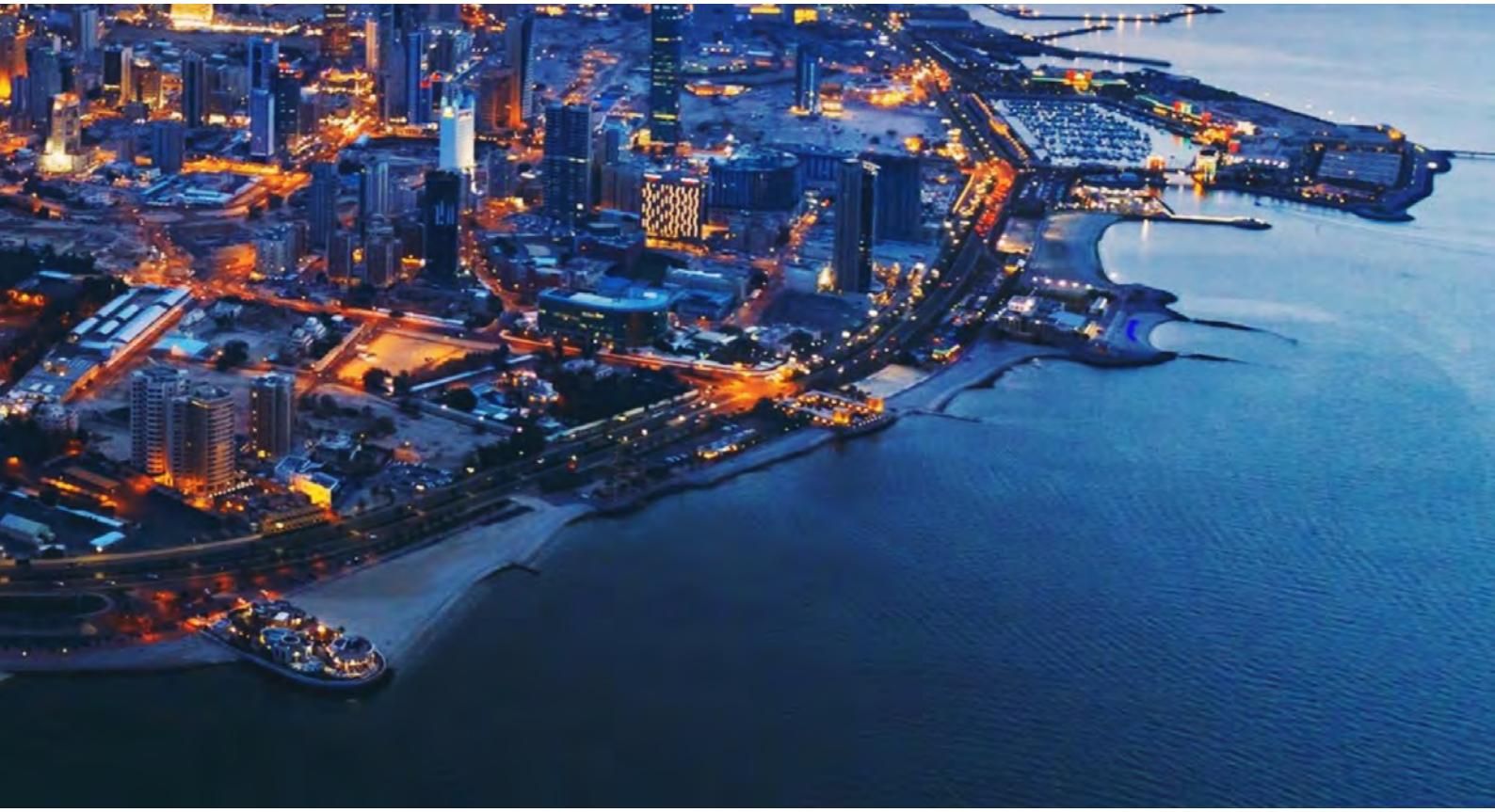
THE BIRTH OF A CENTRAL BANK AND A NATIONAL CURRENCY

Kuwait did not have its own currency until becoming an indepen-

dent state in the early 1960s; instead, it used a combination of regional currencies, such as Indian and Gulf rupees. To correct this, the Kuwait Currency Board (KCB) was set up in 1960. It later oversaw the creation of the Kuwaiti dinar, a new national currency that went into use in 1961. The Central Bank of Kuwait (CBK) superseded the KCB under Law No. 32, which was issued by the government in 1968 and continues to serve as the industry's regulator. The law also gave rise to the first comprehensive financial regulatory framework in the country, which, after multiple revisions, now serves as the backbone of the present regulatory system.

BECOMING RESILIENT AFTER CRISES AND BROADENING HORIZONS

The CBK's first financial regulatory structure was insufficient to defend the industry from the financial collapse of 1982, which was brought on by an overheated illegal stock market called the Souk Al Manakh. With investors using post-dated cheques to generate an unsustainable increase in credit, the previous camel market had developed into a hotbed of unregulated financial speculation. One of these checks bounced, signaling a catastrophe. By the time the government intervened to shut down the market, the collapse had



resulted in debts totaling more than USD26 billion in 1983.

The financial system was destabilized; the only bank in Kuwait to remain solvent was NBK, and the CBK was forced to save a number of institutions that were crucial to the stability of the system. The regulator's longer-term response was to tighten oversight of sector activity, but the 1990–1991 Gulf War once more completely disrupted the banking industry.

The financial sector's stability was once again put to the test by the global economic crisis of 2008. The global liquidity crisis came after a period of steady expansion for Kuwait's financial institutions. During that time, the banking sector's assets more than doubled from KD11.5 billion (USD38 billion) to KD26.9 billion (USD89 billion), according to statistics from the CBK. Kuwait's tightly regulated banks were well protected against the external shock when the crisis struck, as seen by the comparatively modest increase in non-performing loans between 2007 and 2010 by regional standards, while banking assets kept growing, albeit more slowly than before. More recently, after COVID-19, the Kuwaiti banking industry once again demonstrated its resiliency. With the sector considerably affected by the outbreak, the Central Bank of Kuwait released more money under the approach of "only if needed." Overall, banks have recovered and are back to their pre-pandemic performance ratios.

With crises Kuwaiti banks have had to look out to new markets to expand their operations. Some Kuwaiti banks have found homes away from home in fastest-growing economies in the region with large populations such as Turkey or Egypt. For instance, the contribution of Kuwait Finance House's subsidiaries to its profit ranges between 25 and 30%, mostly from KFH-Turkey. ABK-Egypt it is one of the fastest-growing banks in Egypt, constituting 20% of ABK's total profits.

TODAY'S MARKET AND TRENDS

The banking sector, which consists of 11 local banks, is currently a prominent part of Kuwait's economy. According to the New Kuwait 2035 vision, the nation wants to establish itself as a regional and potentially even global financial center. After the worldwide coronavirus pandemic in 2020, the overall aggregated amount of profits after tax for listed banks in Kuwait fell to KD592 million from KD1.2 billion in 2019.

With a score of 620 on the Global Financial Centers Index, Kuwait is among the top financial hubs in the Middle East and Africa. The private institute Z/Yen rates financial hubs based on a variety of criteria, including competitiveness, business environment, human resources, taxation, and infrastructure. Kuwait is one of the top Middle Eastern nations for financial technology and online banking. There were about 28 financial technology startups in the country in 2020. With a rising understanding of the necessity for banking institutions to embrace sustainable finance frameworks, responsible lending, and operational procedures in order to manage risk and draw in foreign investment, the regulatory environment for Gulf financial service providers is evolving. Kuwaiti banks are aware of the fact that the advancement of ecological, social, and governance (ESG) agendas within banking institutions depend heavily on digitization.

ISLAMIC BANKING

Kuwait also plays a vital role in the development of Islamic banking, not just in the Middle East but also globally. Kuwait holds about 6.3% of the world's Islamic banking assets. It is ranked fifth, after the UAE, Malaysia, Saudi Arabia, and Iran. As of 2020, Kuwait's Islamic banks had grown by 8.8%, compared to the country's conventional banks, which had grown by just 0.5% over that time. *

INTERVIEW



A STEADY hand

The Central Bank of Kuwait has played a significant role in ensuring the local financial services sector remains resilient in the face of global crises and serve the national economy as best it can.

**Basel A. Al-Haroon
GOVERNOR,
CENTRAL BANK OF KUWAIT (CBK)**

What are your future approaches for digital transformation of the Kuwaiti banking sector?

The future approach adopted by the Central Bank of Kuwait toward the digital transformation of the Kuwaiti banking sector is commensurate with its keenness to develop the banking and financial industry, stimulate creativity, and deploy the modern technologies for reinforcement of monetary and financial stability in a business environment that is witnessing elevating complications and risks. The strategy of CBK is intended to achieve further development and accelerate the digital transformation at the level of CBK and the banking and financial sector to motivate creativity and providing better services to clients. Therefore, CBK has set a framework for the banks in Kuwait to provide and develop their digital banking services according to three primary models of digital banking business, namely foundation of digital banking units at such banks, co-operation with a third party, or establishment of new digital banks. Within the same context, CBK is keen to introduce a more enabling technological environment, motivate sustainable innovation, and implement a set of relevant remedies and actions including regulation of electronic payment and the issuance of cybersecurity strategic framework that requires Kuwaiti banks to develop their future looking strategies and update them regularly. CBK has also issued the Regulatory Sandbox Framework to provide a safe space for testing the innovative products that will contribute to the digital transformation of the banking sector.

How can new regulations and standards accelerate the economic reforms in Kuwait?

Undoubtedly, the present rentier economy of Kuwait is no longer sustainable. In light of recent global developments, there is an urgent need for prompt movement on several levels in two correlative parallel courses: the first is financial and includes quick short-term actions to tackle the public budget situations irrespective of the oil price levels, while the second course is to create

a sustainable economic state by liberating the economy and emphasizing on transformation of the present Kuwaiti rentier economic model into a service, knowledge-based, and productive economy. The first course is related to containment of the increasing current expenditure and well-considered phased out reduction thereof, non-reduction of the added-value investment expenditure and emphasis on its developmental role, restricting the government role to the regulatory and supervisory aspects in the economic activity, activating the market mechanisms and incentives system, reinforcing economic efficiency, as well as developing non-oil revenues through re-pricing of some public goods and services for rationalizing the use thereof and upgrading their efficiency. As for the second course, efforts are needed to reshape the domestic economy to counter the growing challenges. Therefore, the concept of productivity in non-mining industries should be promoted in the private sector for more economic diversification, expansion of the economy size, attraction of domestic and foreign investments in intangible sectors such as knowledge-based assets including digital information (software and databases), as well as the importance of investment in digitization and digital services and supply chains, coping with transformation of remote business models that would enable Kuwait to develop in the fields of financial innovations related to digitization, AI, robots, and blockchains, which drive out prosperity and sustainability.

What are the consequences of lifting the deposit guarantee on the banking sector?

With the receding of the negative repercussions of the global financial crisis in 2008, Kuwait, like several other countries, passed Law No. (30) of 2008 to guarantee deposits at local banks with the aim of reinforcing trust in the domestic banking sector. However, the issue whether this law shall remain in force and effect or be superseded has become a matter of debate. The financial positions of banks and the financial stability

BIO

Basel Al-Haroon has been Governor of CBK since April 2022. He has over 33 years of experience in various public and private institutions in Kuwait's banking and finance sectors and was a founding member of the first Capital Markets Authority's (CMA) Board of Commissioners. Al-Haroon holds an MBA with honors from the American University of Beirut and a bachelor of science in business administration with honors from Saint Augustine University in the US.

indicators demonstrate the high financial soundness of the Kuwaiti banking sector, encompassing stress testing results that proved banks' ability to withstand any crisis or shock e.g., lifting the government guarantee on deposits; however, any vision for deposit guarantee scheme should primarily provide protection for the depositors in particular the small depositors, thus contributing to strengthening the financial stability and improve trust in the banking sector, to be modeled after several countries.

What are your directions toward supporting small and medium enterprises through extending finance for their sustainability?

The Central Bank of Kuwait realizes the importance of SMEs for the national economy, sustainable growth and economic diversity. To this end, in 2014 CBK issued instructions to local banks regarding capital adequacy ratio (Basel 3) to reduce risk weight applied on exposure to SMEs to 75%, which was further reduced to 25% in April 2020. CBK thereby seeks to ease the supervisory requirements in connection with loans to small and medium enterprises and, thus, reduce bank cost of finance to this sector and give them incentives for their finance. Furthermore, CBK together with other supervisory authorities are in the process of setting a legal and supervisory framework that help start-ups introduce new finance models such as postpaid purchases and maintain the highest client protection standards. CBK also introduced some measures and procedures considering the importance of this sector and its contribution to economic diversity. Following promulgation of Law No. 2 of 2021 regarding Rescue of Small and Medium Enterprises Impacted by the Repercussions of Covid-19 Crisis, CBK issued regulations and controls for implementation of the said law to local banks by virtue of its regulations issued that provided for the mechanism and conditions of granting the finance, cost of finance, defaulting and enforcing the guarantee, and handling the applications submitted by impacted customers. In addition, CBK extends assistance to SMEs in the field of fintech through the regulatory sandbox for testing the fintech products in a safe environment that

does not pose risks to the financial system.

How have Kuwaiti banks reacted to the financial technology revolution around the world?

The CBK took the initiative to accelerate the banking sector digital transformation process through issuance of the cybersecurity framework for the banking sector in 2020, directing local banks K-Net and CI-Net to prepare their future strategy and update it on regular basis, and issued the regulatory sandbox framework to provide a safe environment for testing the innovative products the outputs of which included models that would better serve the banking sector and contribute to digital transformation. The technology revolution led to a great wave of emerging companies in the fintech sector that integrate with the traditional banking sector to provide better services to citizens. Banks have to cope with and utilize the advanced technologies and develop human capabilities to deal with such technologies safely and properly to fulfill the planned goals. The banking sector is coping with the advanced technology and making use of every new innovation. Banks not only compete against, but also cooperate with fintech companies, as they use the applications of such companies to promote the services they offer to their clients and aim to acquire such companies to develop their businesses later on.

Some banks announced positive results and remarkable growth in 1Q2022. What are your expectations of the second half of the year?

As the pandemic receded and markets reopened, the net profit of banks in 1Q2022 touched the pre-pandemic levels to total KWD257 million. Such reported results crowned the Central Bank of Kuwait's supervision and regulation efforts and proactive approach to support banking and financial system units in line with a supervisory system intended to strengthen financial stability by adopting micro and macro prudential instruments to minimize systemic risks and maintain financial stability. Our national banking sector has been supporting the domestic economy and actively contributed to curb the repercussions of the crisis. ✗

INTERVIEW



economic ENABLER

KDIPA looks to attract value-added FDI to Kuwait and achieve its long term goals that are in line with Kuwait's Vision 2035 development goals.

BIO

Sheikh Meshaal Jaber Al-Ahmad Al-Sabah is the Director General of KDIPA and board member of the Kuwait Foundation for the Advancement of Sciences (KFAS) and the Kuwait Investment Authority (KIA). In addition, he heads multiple committees, including the Permanent Committee for Streamlining Business Environment & Enhancing Competitiveness in Kuwait (PCK), the trade and investment sub-group of the Kuwait-UK Joint Steering Group, and the economic and commercial coordination working group in the Kuwait-US Strategic Dialogue. Previously, he was chief of Kuwait Foreign Investment Bureau (KFIB) at the Kuwait Ministry of Commerce and Industry in addition to various posts at the General Secretariat of the Council of Ministers. He has sat on multiple boards and also headed multiple specialized committees. Al-Sabah holds a PhD from the University of Portsmouth, School of Business in the UK.

**Sheikh Meshaal Jaber Al-Ahmad Al-Sabah
DIRECTOR GENERAL,
KUWAIT DIRECT INVESTMENT
PROMOTION AUTHORITY (KDIPA)**

What positive steps did the government take toward activating and facilitating the role assigned to KDIPA through procedures and policies?

The government passed Law No. 116 of 2013 regarding the promotion of direct investment in the state of Kuwait that aims to attract value-added direct investments, showcasing the attributes of brand Kuwait as a promising investment location and coordinating with other stakeholders to streamline the business environment. The updated direct investment law led to the establishment of KDIPA and introduced several positive measures and provisions to support the tasks assigned to KDIPA. A few examples of the measures introduced is the negative list to encourage market access for FDI, whereby all economic sectors are open for FDI excluding oil and gas upstream activities and few others relating to public safety, and establishing a one-stop shop to facilitate procedures and reduce time for investment licensing and granting incentives.

What are your goals in the short and long term to achieve the objectives of the development plan and Kuwait Vision 2035, which are based on increasing FDI?

As one of the economic enablers of Kuwait's economy, KDIPA focuses on attaining long-term objectives that are linked to Vision 2035 pillars and goals formulated in the country's series of medium-term development plans. KDIPA works relentlessly through its promotional, regulatory, and advocacy activities to attract and settle an increasing share of value-added direct investments in the domestic economy to enhance the technology transfer, create jobs, and increase capacity building for Kuwaitis. This supports Kuwait's developmental goals for economic diversification that foresees a larger role of the local private sector for a sustainable prosperous future and in turn leads to bolstering local content, connecting to the global and regional value chains (GVCs), as well as strengthening Kuwait's competitiveness. In this regard, KDIPA's first medium-term strategy that was completed by end of March 2021 contributed to four of the seven pillars that comprise Vision 2035. KDIPA's first strategy involved 29 projects that related to effective government adminis-

tration, sustainable diversified economy, creative human capital, and global positioning.

What is the total volume of the current foreign investments in all sectors, and what is the value of the targeted investments in the next stage?

KDIPA targets value-added direct investment focusing on quality and not quantity to attain the national developmental priorities. In this regard, KDIPA succeeded in attracting more than USD4.4 billion since 2015 to end of March 2022, arising from more than 65 investment entities in multiple priority sectors and coming from more than 25 different countries. The innovative and entrepreneurial nature of the county's business environment led to the services sector comprising 99.6% of the cumulative approved direct investments, with the remaining share in the industrial sector. It comprised 32.36% of the total, followed by oil and gas services with 29.12%, construction services with 16.78%, and the remaining 21.74% covering a variety of services in activities that included health, training, energy, aviation, consulting, electricity and water, entertainment, insurance, market research, and the environment consecutively.

Are the laws in their current form sufficient and encouraging to attract foreign investors into the Kuwaiti market?

Kuwait's legal and regulatory regime is characterized by transparency, fairness, and integrity. This period of disruptive emerging challenges has led the country to be even more resilient and agile to cope with the changing legal landscape. This was showcased in concerted efforts that were put in place to ensure the country is constantly evolving in line with the international investment transformations and best practices. During the last decade, Kuwait witnessed an upgrade in almost all its economic laws and policies. Decade old laws were modified in addition to executive regulations; furthermore, new laws were introduced on bankruptcy and insurance. This led to the establishing of new regulatory authorities (CMA, CITRA) and new economic authorities (KDIPA, KAPP, National Fund for SMEs, and the Privatization Council) that provides a direct connection to direct investments. *

driving growth TOWARD THE FUTURE

As a result of their innovative services, strong regulations, and solid business models, Kuwaiti banks have been able to establish a strong footprint on a regional and global level.



Hamad Al-Hasawi
EDITOR-IN-CHIEF,
AL MASAREF MAGAZINE

What is your opinion on the performance of the Kuwaiti banking sector after COVID-19?

The business environment of the Kuwaiti banking sector still faces some challenges, given the regional and global economic developments; however, Kuwaiti banks have enjoyed stability supported by several financial soundness indicators that confirm the strength and solidity of the banking sector, its high solvency, and robust liquidity rates. According to the data of the Central Bank of Kuwait, the capital adequacy ratio reached 18.4%, the liquidity ratio 25%, non-performing loans to total loans ratio stood at 1.5%, non-performing loan coverage ratio reached 302.5%, and the net profit margin reached a historic high of 39.2%. These sound indicators are the outcome of the prudent proactive policies and balanced framework of regulatory and supervisory prudential instructions adopted by the Central Bank of Kuwait since the global financial crisis. Total consolidated assets of the banking sector at the domestic level reached KWD81.8 billion by the end of 1H2022. The credit facilities reached KWD44.7 billion, and total deposit balances amounted to KWD47.1 billion. The total investments reached KWD8.1 billion, of which KWD5.9 billion are foreign investments.

How would you assess the overall presence of Kuwaiti banks in the MENA region and the GCC?

Kuwaiti banks are amongst the top-rated institutions on the regional and global levels. Some Kuwaiti banks have a strong footprint in several continents with branches and subsidiary banks in many countries across the globe. There are branches of Kuwaiti banks in the Middle East and North Africa in countries such as Iraq, Bahrain, Lebanon, Egypt, the UAE, Saudi Arabia, as well as branches in the UK, France, the US, Singapore, and China. This is one of the preferential and competitive features that Kuwaiti banks entertain. Some Kuwaiti banks are among the larg-

est in the Gulf region in terms of asset size and shareholder equity. The Kuwaiti banking sector is a diversified sector. There are five conventional banks with high credit ratings, strong solvency, a proven track record of good performance, and a well-diversified business model. Kuwait also has a large Islamic banking sector, considered a pioneer in Islamic banking, consisting of five banks. Kuwaiti banks are the most innovative providing cutting-edge banking services, in the light of Central Bank of Kuwait's trends toward digitization.

What are some of the developments happening in the digitalization journey of the Kuwaiti banking sector?

The Kuwaiti banking sector is witnessing a new era of financial technology to keep pace with the rapid developments in the banking industry globally, by taking advantage of the great potentials offered by digital technologies. In 2019, the Central Bank of Kuwait instructed banks to prepare the Shaping the Future strategy to achieve banks' development over the medium term (three to five years). The Shaping the Future strategy aims to face internal and external challenges posed by the global economic conditions, the revolution of modern financial technologies, and the rapid changes in customers' expectations and needs. For achieving the targets, the strategy adopts new techniques and visions consistent with the future and the transformation brought with innovation in products and services and the development of banks' operational efficiency. In February 2022, the Central Bank of Kuwait permitted banks to establish digital banks. In addition, the central bank regulated electronic payment businesses, issued a cybersecurity strategy framework, and issued regulatory sandbox general framework to examine innovative services and products in a way that encourages innovation, enables modern technologies, and enhances financial and monetary stability in the State of Kuwait. *

Central Bank of Kuwait permitted banks to establish digital banks in

**Feb
2022**

BIO

Hamad Al-Hasawi currently holds the position of Secretary General at Kuwait Banking Association. From 2003-2011, he held several positions, including head of financial services at Rasameel Structured Finance, commercialization senior advisor at Kuwait Institute for Scientific Research, COO at Gulf Holding Company in Bahrain, and senior vice president at KIPCO Asset Management. Prior to this, he held the position of vice president at Gulf Investment Corporation and adviser to the Ministry of Defense. In addition, Al-Hasawi has been a visiting professor at the American University of Kuwait and the Australian College of Kuwait. He holds a PhD in management and organization from the University of Stirling and has published several papers and conducted various training and coaching program both locally and regionally.

FOCUS

Digitalization and cybersecurity in Kuwaiti banking

DIGITAL PROTECTION

Factors such as the regulatory framework and the participation of traditional industry players will reshape Kuwait's digital banking scene in 2023.

DIGITALIZATION has been taking over Kuwait's banking scene, though the country's first digital bank was launched not long ago in December 2021. The nation's first digital bank, Weyay, was intended to serve Kuwait's tech savvy youth, but its clientele has expanded in 2022 to include people from all walks of life and different age brackets.

Certain interesting themes are emerging in Kuwait's digital banking, which are all worth looking at. Before that, however, let us make clear what exactly is meant by a digital bank and how it is distinguishable from a fintech service provider.

Digital banking is the automated, online, and real-time delivery of banking services by an institution which is regulated by a country's central bank. In many countries, including Kuwait, all funds deposited in an official digital bank are guaranteed by the government through the central bank—much in the same way that funds would be guaranteed in a traditional bank.

The Central Bank of Kuwait (CBK), for example, has in the past "implemented the unlimited deposit guarantee, which covered all deposits in all 'local' banks, including commercial banks, branches of foreign banks, banks that operated in accordance with the provisions of Islamic Sharia law, and specialized banks," according to the CBK.

Fintech companies similarly offer credit or funds management services, but their services are not comprehensive and, more importantly, your funds are not guaranteed by the state. Digital banks, in short, are subject to higher standards than FinTech solutions—often the same standards of security and transparency that are expected from brick-and-mortar banks.

THE NEW ORDER

There are indications that Kuwait is about to see a surge in the number of digital banks without a physical presence in 2023. Such in-

stitutions will offer a comprehensive banking experience without any face-to-face encounters with the client. Everything from the moment of opening an account will be done using the bank's digital user interface (on its app or website), which makes the issue of cybersecurity doubly important.

The Weyay initiative, which was mentioned earlier, was developed by the National Bank of Kuwait (NBK), with the NBK acting as a parent organization. This was perhaps because the NBK had felt an imminent change in the sector and wanted to be part of the action.

If digital banking is the sector's future, then industry heavyweights such as NBK will want to maintain their leadership in the new order. The NBK's senior managers have said do. Shaikha Al-Bahar, the NBK Group's deputy CEO pointed out at the time that, "Digital banks are the new normal course and are the new generation of transformations in the banking industry, especially in view of customers' increasing reliability on digital services and financial apps provided by fintech, telecoms companies and some of the world's leading technological corporates," according to an announcement by the NBK.

OLD PLAYERS, NEW GAME

And, why not? There are a number of clear upsides when major banks roll out a digital bank, as an offshoot of their organization. Digital banks such as Weyay can greatly rely on the expertise and market knowledge of their parent organization, sparing themselves from learning their lessons the hard way—possibly even from failure and bankruptcy.

If the experience of fintech and digital banking in the West over the last five years is anything to go by, there is no doubt that finance startups backed by traditional market players have a much smaller rate of failure than independent startups. There are quite a few traditional banks in Kuwait with the right banking knowhow and a

robust banking ecosystem to take a digital bank under their wings.

Traditional banks can also decide to go fully digital on their own, without creating a new offshoot. The Kuwait-based Boubyan Bank, for instance, was established in 2004 as a traditional Islamic bank. It has taken a digital turn in recent years. The Global Finance magazine has named Boubyan Bank as the world's "best Islamic digital bank," for the past five years.

PLAYING BY THE RULES

Stand-alone digital banks without the support of a traditional bank do not exist in Kuwait yet, but they may soon appear in the sector. There are several promising FinTech companies in the country with the potential to scale up—most of which have graduated from Qatar FinTech Hub and its accelerator program. Some of these former startups have it in themselves to turn into digital banks in their own right. In February 2022, the Central Bank of Kuwait (CBK) published a set of requirements for digital banks, laying down a clear path toward being licensed. The CBK has essentially set the stage for digital banking in the 2020s across Kuwait.

"The guidelines come in five parts covering the definition of digital banks, their legal framework, and licensed activities, as well as phases and procedures for establishment of digital banks as per the application form available through the CBK website," according to the CBK's former governor, Mohammad Yousif Al Hashel.

Evidently, the CBK wants to guarantee that the transition to digital banking will be smooth. Kuwaiti regulators have been preparing the banking sector for a major digital transformation since at least 2018, when a regulatory sandbox was launched by the Central Bank, where fintech startups could put their products and services into test.

It is good to know that the country's regulatory framework has adopted a proactive approach to new developments in the sector by

facilitating digital banking, while being mindful of security. Indeed, this can be the sector's winning card in regional competitions. Kuwait may have a smaller fintech sector compared to the rest of the GCC, but the country has been ahead of the region in developing a dynamic regulatory framework for digital banking that is reasonably safe.

BOOM-AND-BUST BALANCE

In February 2022, the CBK made it clear that any financier meeting a set of clear requirements can apply for a license to provide digital banking services. This is a welcome development in that it forestalls the formation of monopolies in the sector. But this also implies that the sector may witness something like a gold rush in 2023, as more companies and startups decide to join. Fortunately, however, the regulators have forestalled the formation of a gold rush mentality: those applying for a license must have an initial capital of KWD75 million—roughly USD250 million. This is exactly the same amount of capital which is required from traditional banks in Kuwait. As very few institutions may have pockets quite that deep, the sector will not see the birth of rogue digital banks.

PROSPECTS FOR THE NEXT YEAR

At some point in 2023, the CBK will announce the institutions that have managed to secure a license for digital banking from among the financiers that have applied for a license since February 2022, following the central bank's announcement. Chances are that any aspiring digital bank that meets the CBK's criteria will be a high-potential player in the market, though we still do not know how many licenses will be issued in 2023. It is certain, however, that with a few new digital banks, which are each equipped with an initial capital of at least a quarter billion dollars, it is going to be a year of transformative growth for the sector. ✎

INFOGRAPHIC

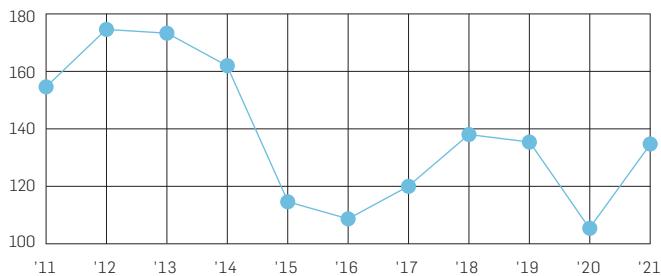
Kuwait economy snapshot

ENGINES ON

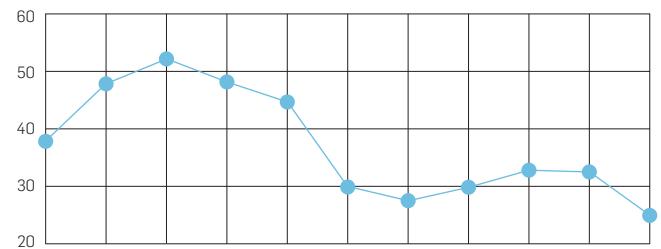
The Kuwaiti authorities responded firmly to the COVID-19 pandemic, putting the country on sure footing as the world began its recovery. Strong economic indicators stretching back years, too, have helped Kuwait emerge as a powerhouse in the region.

**GDP IN CURRENT PRICES (USD BN)**

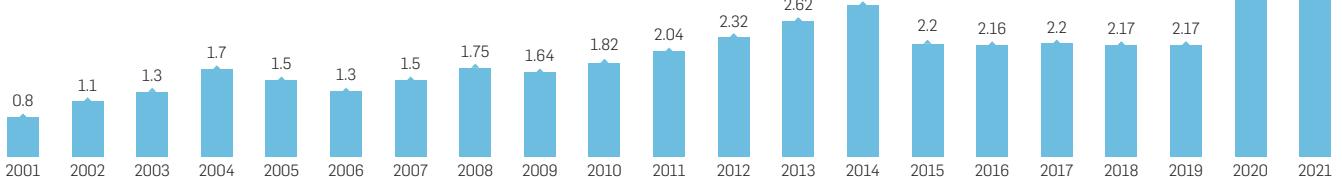
SOURCE: STATISTA

**GDP PER CAPITA (CURRENT USD K)**

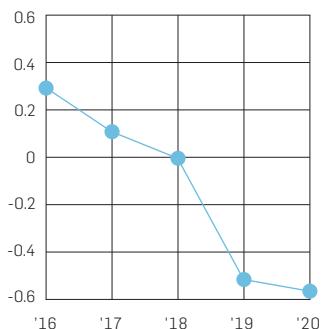
SOURCE: THE WORLD BANK

**UNEMPLOYMENT RATE (%)**

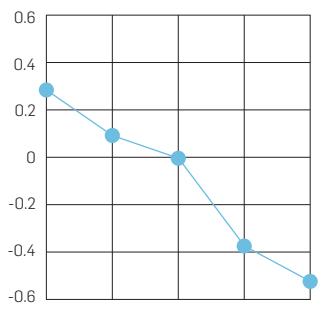
SOURCE: MACROTRENDS

**FDI INFLOWS (USD BN)**

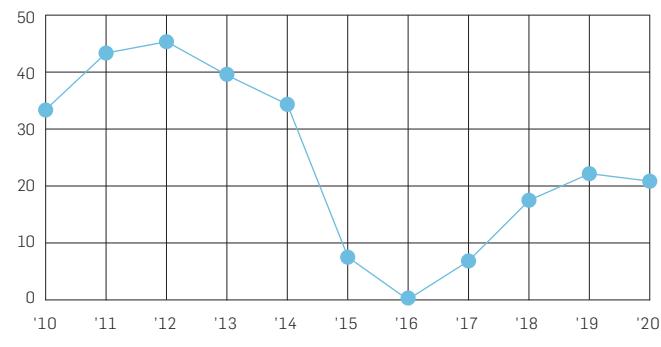
SOURCE: MACROTRENDS

**FDI INFLOWS (% OF GDP)**

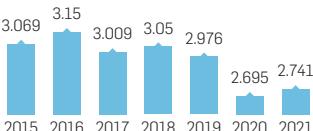
SOURCE: MACROTRENDS

**CURRENT ACCOUNT BALANCE (% OF GDP)**

SOURCE: THE WORLD BANK

**OIL SECTOR SNAPSHOT**

SOURCE: THE US ENERGY INFORMATION ADMINISTRATION. STATISTA

PRODUCTION (1K BARRELS A DAY)**RESERVES****FASTEST-GROWING IMPORT MARKETS (2019-2020)**

SOURCE: OEC

France	+61%
Russia	+31.6%
Bahrain	+9.97%

FASTEST-GROWING EXPORT MARKETS (2019-2020)

SOURCE: OEC

Kenya	+5.2K%
Nigeria	+189%
Sri Lanka	+197%

IT'S ALL IN THE NUMBERS

The Kuwaiti banking sector has existed for 80 years and continues to go from strength to strength. Here is a snapshot.



BANKING SECTOR STATISTICS

Assets/GDP
263%

Loans/GDP
167%

Deposits/GDP
188%

End of 2020

77.3% of the labor working in the Banking sector are Kuwaitis, **10.5k** out of **13.7k**

Total Assets

81.8
Billion Dinars

Net Profit Margin

39.2%

NPL Coverage Ratio

302.5%

Total Profits

564.2
Million Dinars

Gross NPLs to Total Loans

1.5%

Return on Average Equity

10.4%

77.5% of the labor working in Kuwaiti Banks are Kuwaitis, **10.2k** out of **13.2k**

Total Loans

44.7
Billion Dinars

Regulatory Liquidity Ratio

25.0%

Return on Average Assets

Total Equity

11.2
Billion Dinars

Capital Adequacy Ratio

18.4%

End of June 2022

MARKET VALUE (MILLION DINARS)

Kuwait Finance House

8,338



National Bank of Kuwait

7,801

Boubyan Bank

3,065

Gulf Bank

1,049

Commercial Bank of Kuwait

928

Burgan Bank

799

Ahli United Bank

678

Ahli Bank of Kuwait

564

Warba Bank

480

Kuwait International Bank

248

SOLID position

Emerging stronger from crisis

Assets of USD100 billion by September 2021

BIO

Isam Jasem A. Al-Sager joined the bank in 1978 and was appointed as Group CEO in March 2014. In March 2022, he was elected by the board as Vice-Chairman of NBK Group. He had previously served as Deputy Group CEO since 2010. He is the chairman or member of various management committees and the chairman of the board of NBK (International) PLC. He has a degree in business administration from California State Polytechnic University.



NBK started as a small business and has grown to be Kuwait's biggest bank. What is your overview of NBK's achievements?

Before 1952, there was only one bank operating in Kuwait: The British Bank of the Middle East. In 1949, Kuwaiti leaders felt the citizens' frustration over receiving inadequate services from the sole bank operating in Kuwait. In the early 1950s, a small shareholding company, with only KWD1 million in capital, made its debut in what was then "new" Kuwait. NBK helped usher in a new era of freedom and economic independence. On May 19, 1952, NBK was established, and on November 15, 1952, it was officially opened for business as a Kuwaiti shareholding company authorized to carry out banking services. NBK started with a handful of employees in a tiny building located on the new street. The bank provided limited banking activities, including cash withdrawal and deposits, in addition to issuing bank credits and guarantees. NBK continued to demonstrate its efficiency and competence as a major contributor to Kuwait's development, providing all kinds of support to individuals and institutions and played a leading role in financing major infrastructure projects in Kuwait in the 1950s, as it was the only national bank at the time. In the 1970s, NBK continued to finance various infrastructure and development projects in modern Kuwait, including water desalination plants, power plants, road networks, construction and development of oil fields and refineries, and related services, in addition to importing related services, building hospitals and schools, and supporting Kuwait's rapid urbanization, paving the way for a more prosperous future.

NBK has stood strong despite challenging circumstances. To what extent have crises helped cement the bank's resilience?

Over the years, NBK has stood tall in time of crises that shook the local, regional, and international markets, including the crash of Souk Al-Manakh stock market in 1982, only to emerge stronger. The Al-Manakh market crisis was a result of not following general business practices, with numerous post-

NBK has created a strong foundation to help overcome some difficult challenges while also allowing it to adapt to upcoming shifts in the market.

**Isam Jasem A. Al-Sager
VICE CHAIRMAN & GROUP CEO,
NATIONAL BANK OF KUWAIT (NBK)**

dated cheques issued during this crisis. This backlash was widely anticipated by NBK, which in turn alerted the regulators at the time, warning them that if those practices were to continue, that would lead to a major financial crisis. Also, the brutal Iraqi invasion of Kuwait in 1990 was a challenging period that proved NBK's resilient foundation. Considering NBK's leading position in the banking sector and its dominance in a small local market, NBK's board of directors decided to expand beyond Kuwait's borders and started to open branches in several countries, with special focus on major capitals such as London, New York, Singapore, and more. After the Iraqi invasion, which was one of the toughest hurdles facing Kuwait, the world fell in the grip of one of the worst economic disasters: the 2008 financial crisis. However, against all odds, NBK proved its resilience and the soundness of its strategic path, as well as its solid investment choices and was able to handle some of the worst economic challenges. NBK is a true reflection of Kuwait's story—its past, present, and future. As the country was able to overcome adversity thanks to the unity and solidarity of its people, NBK embodies a success story that reflects a long history of sound planning for successive boards of directors, experienced executive management, and highly proficient bankers. NBK's logo, represented by its patriotic camel, has always been a symbol of overcoming adversity and achieving success, from generation to generation.

Now that the Kuwaiti banking sector turns 80, what would be your current evaluation of NBK?

Thanks to its founders, employees, customers, and all stakeholders, NBK has become a leading Kuwaiti brand that crosses borders and spans four continents. NBK enjoys a solid financial position based on a diversified and stable deposit base, strong capitalization ratios, high asset quality, and comfortable liquidity levels, which reflect the bank's solid financial position and the continuous growth of its balance sheet. NBK's total assets reached about USD100 billion by the end of September 2021, supported by the continuous growth in loan portfolio that reached USD62.9 billion. ✎



Best Consumer Digital Bank in the Middle East 2022

For more information, please visit the Global Finance website:
<https://www.gfmag.com/media/press-releases/press-release-worlds-best-digital-bank-awards-2022-regional-and-global-honorees2>



National Bank of Kuwait
nbk.com

steady PRESENCE

Al-Tijari continues to invest in technology and its people to keep pace with developments around the region and world.

To what extent has Al-Tijari been a pioneer in introducing technological advancements in Kuwait's banking sector?
Tijari is the second-oldest established Kuwaiti bank and was incorporated before independence by Kuwaiti shareholders. The late Sheikh Abdullah Al-Salem issued the decree for its foundation. Al-Tijari has stood out in its investments in technology, being a pioneer in introducing ATMs in Kuwait in 1979, for example. The constructive competition among local banks has made modern technology the focus of bank's concern to meet customers' requirements. In light of the changes caused by the pandemic recently, Al-Tijari will continue with its innovation process in order to keep pace with these changes.

How is digitalization shaping the job market for Kuwaiti nationals working in the banking sector?

Technological development does not affect Kuwaiti nationals' access to job opportunities, instead leading to the creation of new qualitative job opportunities that keep pace with the accelerated growth of the market. Technological developments open the doors to employing a number of Kuwaiti engineers and technicians in different departments of the bank. At Al-Tijari, the number of Kuwaitis is approximately 1,600, and we have plans to localize more than 70% of Al-Tijari employees.

What are some of the highlights of Al-Tijari being involved in strategic projects for the development of Kuwait?

Al-Tijari has funded development projects worth over KWD3 billion since 2018. This refers to the significance of these projects for the bank's financing portfolio. The bank is financing several development projects within the framework of Kuwait Vision 2035, such as Umm Al Hayman Wastewater Treatment Plant, worth KWD240 million (equivalent to USD800 million). The bank's share in this facility amounts to about USD204 million, equivalent to 25% of the project value. In addition, the



Sheikh Ahmad Duaj
CHAIRMAN,
COMMERCIAL BANK OF KUWAIT
(AL-TIJARI)

bank has participated in financing a clean fuel project worth USD4.8 billion. It is one of the strategic projects that will enhance Kuwait's global position in the field of oil refinery. In addition, Commercial Bank of Kuwait fully funded the New Maternity Hospital project worth KWD221 million, financed KWD150 million for a road infrastructure project, and also financed other megaprojects such as Jaber Bridge, Jaber Hospital, and Al-Zour Refinery. Al-Tijari spares no effort to finance key projects that target Kuwait's development. Additionally, the bank has participated in several social contributions to serve Kuwait and its people, the most important of which being scheduling loans and supporting companies during the pandemic, on top of various charitable donations and contributions.

What is the financial forecast for Al-Tijari in the next few years?

Our bank overcame COVID-19 crisis through its proactive decisions before the pandemic, namely its decision not to distribute dividends, an approach that has proven its validity and importance in facing the economic shocks. The bank's reserves increased and were of great benefit to during the crisis thanks to the profits saved for two years. The bank will certainly reap the benefits of adopting this policy in the coming years. In terms of the bank's future strategy, its plans in the next five years are to distribute quarterly profits, as is the case in Zain Telecom, though this matter requires some procedures and the approval of the regulatory authorities, the Ministry of Commerce, and the shareholders. The bank continues to develop its digital infrastructure to keep pace with global banking technology to better serve the public and private sectors. Overall, the banking sector in Kuwait is robust enough, and its capital adequacy ratios range between 18% and 19%, which is more than three times the capital adequacy of American and Western banks, which ranges from 3% to 5%. **✖**

Has funded over
KWD3B
on development
projects since 2018

Targets localization
ratio of
70%

BIO
Sheikh Ahmad Duaj has been the Chairman of Commercial Bank of Kuwait since April 1, 2018, after previously holding the position of Vice Chairman. In his capacity as Chairman of Commercial Bank of Kuwait, he was nominated as Chairman of Kuwait Banking Association. He is also a board member at the Kuwait Institute of Banking Studies. He graduated with an MBA from Maastricht School of Management in March 2008 after obtaining his bachelor's degree in science with a major in finance from Bentley College in 2000.

STEADY PROGRESS, *unparalleled growth*

In line with its digital transformation strategy, Gulf Bank is serving both current and future generations in order to keep pace with, and thrive in, a rapidly evolving banking sector.

Achieving profits and distributing dividends to shareholders in 2020 and 2021

An integrated digital banking experience

BIO

Jassim Mustafa Boodai currently holds the position of chairman of the board of Gulf Bank after joining Gulf Bank as a board member in 2012. He is a prominent businessman in Kuwait and the GCC. He is currently the vice chairman & CEO of Integrated Holding Company and was previously a board member of Kuwait Insurance Company, vice chairman of Kuwait China Investment Company, chief operating officer of Boodai Corporation, vice chairman of Hilal Cement Company, chairman of Transport & Warehousing Group Company, and vice chairman of Jazeera Airways.



Jassim Mustafa Boodai
CHAIRMAN OF THE BOARD,
GULF BANK

What has been the role of Gulf Bank in the evolution of the overall Kuwaiti banking sector and its overall current shift to digitalization?

Since its founding in 1960, Gulf Bank has played a pivotal role in the Kuwaiti banking sector, becoming one of the largest financial institutions in the country, and one of the mainstays of the national economy. As part of its ongoing digital transformation strategy, Gulf Bank is consolidating its position as the leading Kuwaiti Bank of the Future and addressing the repercussions of the pandemic on the local economy. That time period also allowed us to examine aspects of our business in a completely new way. For example, it became clear that our digitization and information technology plans would have to be expedited, as they had become the utmost priority. At the beginning of the pandemic, we noticed a tremendous amount of pressure on our Customer Contact Center. Although our employees did an excellent job in answering our customers' questions, we also realized the importance of accelerating our digital transformation plans. With the emergence of digital banks around the world, the Central Bank of Kuwait also started issuing licenses to establish digital banks. At Gulf Bank, that meant providing all the services that a digital bank would offer, in addition to traditional banking services. Although we are providing novel services in keeping with the demands of both current and future generations, traditional services and branches will still exist to manage customer relationships, assist with problem solving, and more. Today, customers can take advantage of a multitude of online banking services, in addition to a more integrated and personal banking experience at our branches. By adopting a digital transformation strategy, Gulf Bank aims to serve both present and future generations, training and upskilling employees on an ongoing basis. This strategy will

allow Gulf Bank to not only keep pace with, but also thrive in, a rapidly evolving banking sector.

How would you assess Gulf Bank's readiness for the financing of new country-wide development projects?

Gulf Bank regularly prioritizes financing government development projects, through direct financing or in partnership with other banks, despite the pandemic leading to the decline of development projects (as a result of the decrease in oil prices and the state budget deficit). The Bank's expansion plans focus primarily on the Kuwaiti market, as it is profitable and regulated, and avoids the challenges of currency fluctuations in other countries. However, it is worth noting that other local banks have successfully maintained foreign branches.

How has Gulf Bank managed to overcome the challenges brought about by COVID-19?

Since the beginning of the pandemic, the Bank formed a working party to study the economic situation and enact solid plans in order to overcome any unprecedented challenges. Because the pandemic was such a unique and novel crisis situation, we decided to adopt a conservative policy, a decision which helped us overcome the challenges that came our way. Gulf Bank focused on monitoring and reviewing its expenses and systems, making the most of a challenging situation. After much pivoting and multiple adjustments, we were able to overcome the challenges of the pandemic and even achieve profits, distributing dividends to shareholders in both 2020 and 2021, a decision that was lauded by both our shareholders and the local market. The Central Bank of Kuwait's role has also been pivotal in helping the banking sector overcome the challenges wrought by the pandemic through daily directives that contributed to regulating technical matters. *

INDUSTRY leader

Kuwaitization rate has increased to 76.2%

ABK-Egypt is one of the fastest-growing banks in Egypt

Capital of USD18.6 billion

BIO

Talal Mohammed Reza Behbehani has been a board member of ABK since 2007 and was elected deputy chairman in March 2014 and then Chairman in December 2014. He currently serves on the boards of Kuwait Insurance Co. and A'ayan Leasing Co. and was previously a board member of Industrial Bank of Kuwait. Behbehani holds a Bachelor of Arts degree in English from Kuwait University.



What is your overview of ABK Group's operations in Egypt and UAE?

ABK was established by Emiri decree in 1967 and was the fifth bank established in Kuwait. ABK started off in a rented building in the third commercial district and has progressed to be one of the leading Kuwait banks in the region, providing a wide range of services and products across its different geographic markets. With a focus on 'Simpler Banking' ABK has expanded its operations in Kuwait and abroad. In 1987, ABK established its first overseas branch in Dubai, United Arab Emirates. In 2007, it established its investment arm Ahli Capital, and in 2015 expanded into Egypt through the acquisition of Greek-owned Piraeus Bank. Today, ABK has 30 branches in Kuwait, 45 branches in Egypt, while in the UAE it has two full services branches in Dubai and Abu Dhabi, in addition to one branch in the Dubai International Financial Center. ABK's acquisition of Piraeus Bank in Egypt nearly six years ago was successful by all standards, as ABK-Egypt it is one of the fastest-growing banks in Egypt, with its operational profit and net profit for the first half having increased considerably despite stressed economic conditions. ABK-Egypt constitutes 20% of the ABK's total profits. In fact, since its acquisition in 2016, ABK-Egypt has succeeded in doubling its market share. It continues to focus on supporting the SME sector given the importance of this vital sector in the growth of the local Egyptian economy. In comparison to Egypt, ABK's experience in UAE is very different. ABK was one of the first Kuwaiti banks to establish a presence in the UAE. Today, ABK has two full-service branches located in Abu Dhabi and Dubai and one wholesale banking branch in the DIFC. In January 2022, ABK was granted a Category 1 Banking license by the Dubai Financial Services Authority in the UAE. With this license, ABK-DIFC is now able to offer a portfolio of wholesale banking services, including accepting deposits from corporates and financial institutions. ABK-DIFC has already proven itself to be a valuable partner in the oil and gas sector by establishing bilateral relationships with leading government agencies and conglomerates. After the great success in UAE and Egypt, ABK is studying further expansion and growth in line

Having successfully expanded to Egypt and the UAE, ABK will continue to expand beyond Kuwait to keep growing and supporting Kuwait's future development.

**Talal Behbehani
CHAIRMAN,
AL AHLI BANK OF KUWAIT (ABK)**

with its regional banking aspirations.

How is ABK's promoting the development of Kuwaiti talent in the banking sector?

ABK's Kuwaitization rate has increased to 76.2%, and the bank is committed to continuing to increase this percentage. In terms of gender equality opportunities, the percentage of women among ABK employees is 45.7%, and men constitute 54.3%. Women continue to join management positions, with 87 women currently occupying these positions. The Bank also launched the Ahli Stars program, which is an incentive-based program to honor outstanding employees who exceed expectations in their work. ABK also strongly invests in its human capital by offering numerous training and development programs. ABK successfully concluded a comprehensive series of relationship management and credit skills training programs for its retail banking division staff in partnership with Euromoney Learning. ABK also partnered with Moody's Analytics to provide intensive skill building courses for its corporate and treasury staff. It also provides a robust professional development programming year-round.

How would you assess ABK's current situation and its overall readiness to keep growing and supporting Kuwait's development?

ABK started its journey with a capital of KWD2 million that has since reached KWD178 million. Today, ABK's balance sheet is healthy with a strong capital, liquidity and impaired loan coverage ratios. The excellent performance ABK has delivered to date is based on steady growth in all aspects of its business. Its network in Egypt and branches in the UAE have also been active and performing well. To enable ABK to continue this momentum and long-term growth, it will continue to invest in digitization, new products and services, and in its employees in sync with its transformation strategy. We are pleased with the inroads the group has made in closing major sustainability-linked financing deals in Gulf Cooperation Council countries. We are also proud of the efforts the Bank has undertaken in infrastructure financing in Kuwait to help the government achieve its Kuwait Vision 2035. *

The Kuwait Stock Exchange Building in Kuwait City



steady AND SURE

As a result of its strong team and successful diversification efforts, AUB currently ranks among the top four Kuwaiti banks in terms of efficiency and return on equity.

KWD1.6 billion hike in the Bank credit portfolio in 10 years

AUB, among top local banks that has maintained profitability

BIO

Anwar Al Mudhaf holds a PhD in finance from the Peter F. Drucker Graduate School of Management, Claremont Graduate University in the US. He is Chairman of the Board of Directors and Corporate Governance Committee at AUB and director of the board of governors of the Oxford Institute for Energy Studies. He has more than 22 years of experience in banking and finance, having previously held the positions of lecturer of corporate finance at Kuwait University, director of the board for Arab Banking Corporation Bahrain, CEO of Al-Razzi Holding Company, chairman of Sama Educational Company, chairman of the International Bank of Asia in Hong Kong, advisor to the finance and economic affairs committee at Kuwait's Parliament, member of the board of directors of the Public Authority for Applied Education, and many others.



Anwar Al Mudhaf
CHAIRMAN,
AHLI UNITED BANK (AUB)

AUB has had several changes in its ownership since its inception. How has the bank managed to evolve in this context and what was the significance of the bank's transformation to a shariah-compliant bank?

The first bank in Kuwait, established in 1941, has historical milestones since its inception. In 1971, it became the Bank of Kuwait and Middle East (BKME), fully owned by the Kuwaiti government. In 2002, the bank continued its journey toward more successes, when it was acquired by Ahli United Group and remained a conventional bank under the name Bank of Kuwait and the Middle East until 2010, which is the most prominent milestone in its history, when Ahli United Bank - Kuwait converted to a shariah-compliant bank. During those stages, it was normal for the bank's strategy to switch due to the change of ownership and its conversion to a shariah-compliant bank, whereby the bank's credit portfolio achieved KWD1.6-billion hike between 2011 and 2021, while it increased by only about KWD1 billion during the years from 2002 to 2011. Hence, the bank made the right decision to become a shariah-compliant one. The conversion decision taken at that time aimed at achieving growth expansion, and on ground this goal was successfully achieved. The success of any institution depends on its management. Thus, the most important action to be taken by the board of directors is to choose the executive management with the right competences that empower it to lead the bank and to achieve all its strategic goals. This is exactly what AUB has done over the years of its journey to attain its current position.

To what extent have crises helped AUB become a resilient financial institution?

Ahli United Bank has sustained its outstanding performance and ability to withstand shocks during the economic and financial crises experienced by the banking sector over the past years,

the latest of which is COVID-19 crisis. The pandemic and its health and economic repercussions are not originated from banks, as occurred at the time of the 2008 global crisis when the value of their assets deteriorated and plunged the global economy into recession. Despite the COVID-19 pandemic, AUB achieved 60% return of equity, which is the same return achieved during the global financial crisis, which manifests that during both crises the bank was not affected much compared to other banks. Central banks learned the lesson from the 2008 crisis, and emphasized at that time the importance of raising capital adequacy ratio and maintaining high liquidity in banks to face future crises. Therefore, we see that the repercussions of the pandemic were less onerous on banks than the 2008 global crisis.

Amidst Kuwait's highly competitive banking system, what are AUB's main advantages?

Banks compete against each other by providing various facilities to better and promptly keep pace with customer requirements and needs of. They also compete in the provision of the electronic services which recently witnessed a great boom after COVID-19 pandemic. One of the most important drivers for Ahli United Bank's success is its discipline and great ability to manage its expenses and costs. This is in addition to having a strong management team able to comprehend credit risks and manage them effectively. Moreover, the Bank has adopted some financial performance indicators, such as revenue related objectives, profit, income, cash flow and return on equity. The measures used are often review based and retrospective. The reaped fruit is the position that Ahli United Bank occupies among the top four Kuwaiti banks in the stability and sustainability of profitability, plus the return on equity, the least of which is 60% at the time of crisis, that is considered a good accomplishment. ✎

bank ON THIS

KIB has an all-encompassing approach that serves all sectors of society and caters to all aspects of people's lives in a way that fulfills their needs and adheres to modern lifestyle mandates.

How does KIB's slogan "Bank for Life" capture the history and evolution of the bank as a financial services provider?

Kuwait International Bank (KIB) is a banking and financial institution whose journey began more than 45 years ago in Kuwait and was initially called Kuwait Real Estate Bank. The bank's launch introduced it as a pioneering service provider of comprehensive real estate practices funding, thereby contributing, at the time, to the growth of the national economy in this vital and developmental sector. In order to keep up with rising market trends and continuous changes, the bank decided to expand its scope of services, marking its first turning point, and the first of its kind across the region, and positioning KIB as an Islamic bank that offers comprehensive banking and funding development services and products, serving retail, individuals, corporate, and more, all in accordance with the provisions of Islamic sharia. In a few years, the bank's strategy had evolved to be a "Bank for Life" for its retail and corporate customers alike. The slogan symbolizes the bank's adoption of an all-encompassing approach that serves all sectors of society and caters to all aspects of their lives in a way that fulfills their needs and adheres to the modern lifestyle mandates.

How does KIB incorporate innovation within its service offering, including bank accounts?

The wide range of special banking accounts that KIB has innovated throughout its journey, all of which were especially designed to fit the varied needs of society's different segments, whether the accounts are intended for children, university students, workers or employees, or women. The bank also launched a special account for its elite customers, and that is the Black Account, which was designed to meet the requirements of KIB's high-net-worth clients, who own credits that exceed KWD250,000, or who receive salaries higher than KWD3,500, granting them advantages that include exclusive offers and premium services. KIB always aspires to develop its online services



Sheikh Mohammed Jarrah Al-Sabah
CHAIRMAN,
KUWAIT INTERNATIONAL BANK
(KIB)

as well as innovate new one digital solutions for its customers in collaboration with the top local and international fintech companies, as well as other relevant market players.

How did KIB respond to COVID-19, and how did the bank support country-wide mitigation initiatives?

KIB had a quick response to the COVID-19 pandemic by updating its work model to stay in tune with the general shift in individual and collective behaviors as a result to the pandemic-induced changes. The first course of action was taking quick steps toward updating the bank's digital infrastructure to support the launch of innovative digital solutions that enable the bank to offer a series of banking and funding products and services that the customers can benefit from remotely, guaranteeing the efficient, safe, and convenient fulfillment of the customers' banking transactions and requests around the clock.

What is KIB's approach to providing banking for the real estate sector?

The bank has achieved success and strategic expansion through putting together an integrated real estate division that offers distinguished services to real estate owners, regardless of the type of real estate they own, be it residential, commercial, or investment. The bank's development of a dedicated division for real estate evaluation, which hosts a team of highly qualified engineers and specialized assistant engineers who have a lot of practical and academic experience in the real estate sector, has positioned it as a reliable and primary reference for many government arms and banking institutions. KIB's real estate appraisal division has a leading role within the industry, as it is considered a primary reference in the Kuwaiti market that is highly accredited by many institutions, including the Central Bank of Kuwait. KIB offers a comprehensive suite of specialized real estate and banking solutions that target different segments of real estate owners through its property management services. ✎

KIB's real estate appraisal division has a leading role within the real estate industry

BIO

With extensive experience in the banking, insurance, and real estate investment sectors, Sheikh Mohammed Jarrah Al-Sabah was elected Chairman of the Board of Directors of KIB in 2010, after he had initially joined the Board of Directors in 2007. Al-Jarrah has enjoyed a prolific professional career marked by numerous achievements, during which he has held several senior level positions at a number of key market players inside and outside Kuwait such as chairman and managing director of Commercial Bank of Kuwait, and the general manager of Arab International Insurance Co. in Bahrain. Furthermore, Al-Jarrah has also held other senior posts at Kuwait Real Estate Investment Consortium, Kuwait Re-Insurance Company, Salhiya Real Estate Company, and Arab Insurance Group (ARIG).

INTERVIEW

A ROLE *to play*

Detailed feasibility studies before financing industrial projects

3 main portfolios: SMEs, agriculture, and industry

BIO

Musab S. Al Nisf has a bachelor's degree in accounting. He has been Chairman of IBK since 2018. He is also a representative of Kuwait Investment Authority and a board member of the Kuwait Chamber of Commerce & Industry, a member of the board of trustees at the Kuwait Institute for Scientific Research, as well as board member of the Public Authority for Industry.



What has been the role of IBK in promoting industrial and manufacturing activity within the country?

The government of Kuwait established IBK in 1973 in partnership with both the public and private sectors with a capital of KWD20 million. The two strategic developmental objectives of the bank relate to the areas of financing industrial projects and managing small and medium manufacturing enterprises and agriculture financing as part of portfolios managed on behalf of the government. The bank finances industrial projects and follows up with its progress at every step. The funding of small projects is subject to a feasibility study before final approval, and all expansions of successful projects are funded in tranches that may reach 100%. Additionally, the bank manages three important portfolios on behalf of the government. The SME portfolio including handicraft financing amounts to KWD150 million and has been in existence prior to the establishment of the National Fund for Small and Medium Enterprises. The agriculture portfolio amounts to KWD50 million, and the Islamic Industrial Finance Portfolio amounts to KWD100 million.

How does IBK adapt its banking offering to the needs of the industrial sector of the country?

Loans are structured by experienced specialists who support the clients through the maturity period that can extend up to seven years with payment in installments up to 100% of project cost. This includes financing expansions of large industrial projects through the purchase of equipment, machinery, and new production lines. What differentiates IBK from other banks and the National Fund for Small and Medium Enterprises is the fact that IBK conducts detailed feasibility study before accepting to finance the project, and the successful project may be refinanced up to KWD400,000 by IBK. The level of default in the handicraft portfolio consisting of around 2019 projects since its inception ranges between 8% and 10% before the pandemic. During the pandemic, the installments due were postponed three times for six months each between March 2020 and October 2021, leading to an increase of the default rate exceeding 20%.

IBK has played a significant role in Kuwait, financing industrial infrastructure projects and managing important portfolios on behalf of the government.

Musab S. Al Nisf

**CHAIRMAN,
INDUSTRIAL BANK OF KUWAIT (IBK)**

The majority of the defaulted projects had closed and exited the market. The majority belonged to the food and beverages sector. Some of the larger industrial projects also faced difficulties but survived.

How would you evaluate IBK's situation after COVID-19?

The bank has successfully overcome the impact of the pandemic and achieved in 2020 a profit of around KWD10 million compared to KWD8.4 million in the previous year, an increase of 14%. Income from investments as well as revenue from industrial finance also showed a solid performance, which reflected positively in the results of 2021. The agricultural portfolio, with a capital of KWD50 million, is one of the most important portfolios managed by IBK, and agricultural projects were the least affected during COVID-19 due to the state's support for farmers. One of the main constituents of the agricultural portfolio is fish farming projects, and some farmers are turning to technology applied to agricultural work, resulting in significant water and energy savings. Over the years, the government's investment in IBK has yielded significant returns, despite the fact that the bank's primary goal is developmental rather than profit oriented. The government's investments have provided exceptional returns to the country.

What is your vision for IBK in the development of Kuwait, and what challenges remain to be overcome in the near future?

IBK is able to play a larger role in financing industrial infrastructure projects to strengthen its position in the national economy. In this regard, some studies have been conducted in collaboration with certain former ministers, with the goal of establishing the bank as the financing arm for industrial infrastructure projects. The Ministry of Commerce and Industry needs to prioritize Kuwait's industrial products and give them greater importance in developing industrial projects. Also, we need to find ways to overcome challenges such as the scarcity of land in Kuwait, as this is the most significant constraint and limitation for the development of industrial projects. *



Image: Magsi

FORWARD-LOOKING *vision*

Masoud M. J. Hayat
GROUP CEO
BURGAN BANK



Headquartered in Kuwait with a presence in Tunisia, Algeria, Turkey, and Iraq

Deploying smart self-service branches

BIO

Masoud M. J. Hayat has a proven track record in banking, commercial, and investment industries and asset management in the region. He has over 44 years of local and international expertise in executive, leadership, and supervisory positions in financial and banking institutions as well as investment companies. Hayat has held key positions in the KIPCO Group since 1997, where he was recognized for his expertise and multidimensional skills. He holds a BA degree in economics from Kuwait University and a general diploma in banking sciences from the Institute of Banking Studies in Kuwait. He also studied at the International Institute for Management Development in Geneva, Wharton School of the University of Pennsylvania, and John F. Kennedy School of Government at Harvard University.

Burgan Bank is today the second-largest conventional bank in terms of assets. How would you evaluate the growth of Burgan Bank since its establishment?

Burgan Bank was established in 1975 as a Kuwaiti shareholding company, with the majority of its stocks owned by the Kuwaiti government. In 1977, the bank became a Kuwaiti public company and was renamed after the biggest oilfield in Kuwait: Burgan. In 1984, the bank was listed on the stock exchange market, and in 1995, the Kuwaiti government reduced its 61% ownership of the bank, and the Kuwait Projects Company (KIPCO) took over the majority of shares, slowly growing its owned shares in the following years. After KIPCO acquired the bank, Burgan's revenues grew from KWD16 million to around KWD213 million from 1995-2020, while loans grew from KWD210 million to KWD4.4 billion. Total bank deposits soared from KWD580 million to KWD4.9 billion in the same period. Today, the number of Burgan Bank employees exceeds 3,200, with a network of over 125 branches. Burgan's regional expansion started in 2008, enabling the bank to penetrate the Middle East and North African markets. Besides the bank's headquarters in Kuwait, it is also currently operational in Tunisia, Algeria, Turkey, and Iraq.

Burgan Bank has in place a five-year strategy. What is the main purpose of this strategy?

Having reinforced its regional presence, Burgan Bank has turned to focus more on the Kuwaiti market and has adopted a new five-year strategy. We aim to enhance customers' experience and reinforce the human resources' capabilities through hiring, development, and training. We believe that our strong presence and leading position in the banking sector at the local and regional levels depends primarily on the robustness of our human capital. The bank has also been supporting the acquisition of national Kuwaiti talent and their development through its dynamic Ro2ya program, which provides opportunities for training and skills development.

Having successfully established a regional presence, Burgan Bank is also ensuring that its Kuwaiti operations continue to feature new digital capabilities, strong human capital, and reliable sustainable practices.

What are some of the main initiatives by Burgan Bank to embrace digital banking?

Digital transformation was among Burgan Bank's top strategic goals prior to the COVID-19 crisis; however, as the pandemic spread, the efforts toward this goal were further fortified, especially after the increased demand for online banking services. Burgan Bank was able to successfully serve its retail and corporate customers with the needed efficiency and effectiveness. Burgan Bank is working on building smart self-service branches with no employees to operate them. Security and the privacy of customers' information and data is a top priority for the bank. In house, all this is managed by a dedicated department in collaboration with international companies that specialize in protecting the confidentiality of customers' information. Additionally, Burgan Bank was among the first banks to form a joint committee between its board members and management to finalize the strategic plan that includes digital transformation. The human element is at the heart of the Burgan's strategic plan, and the bank seeks to develop and empower its employees to acquire the latest working skills and capabilities that would enable them to keep up with technological developments, evolving market trends, and the sector's rapid and growing development.

How would you assess Burgan Bank's standpoint after COVID-19, and how ready is it to continue its growth?

The bank's strong coping ability in the face of sudden changes also enabled it to maintain its capital position, liquidity level, and sustainability, which are considered pivotal to all of its businesses. This ability is a key strength point that enables the bank to face any potential market changes. With the emergence of economic recovery signs and the receding of the crisis, Burgan Bank has demonstrated its digital capabilities, strong human capital, and reliable sustainable practices—all of which represent empowering elements that support the bank's confident progress toward achieving its growth and development goals. *

DRIVEN BY YOU
**MOTIVATED BY
SUSTAINABILITY**



Buran Bank has been making great strides on the sustainable front in line with Vision 2035 towards creating a shared value for the society and a better future for everyone. After all, we're driven by you.



FOCUS

The implementation of ESG practices in Kuwait's banking sector

FOR THE FUTURE

A review of environmental and social accountability in Kuwait's banking sector in 2022.

BANKS are exceptionally important entities in Kuwait, being regarded as the pillars of the nation's economy. Kuwait Vision 2035 (New Kuwait) clearly states its objective of "transforming Kuwait into a financial and trade hub regionally and internationally and becoming more attractive to investors." With such a powerful status, comes great responsibility, which underscores the importance of sustainability in the banking sector.

Kuwait Vision 2035 has set high standards for the country's major businesses in terms of social, environmental, and governance (ESG) factors. Kuwaiti businesses have, therefore, been increasingly mindful of their responsibility to the community and the environment since the vision document's launch in 2017. ESG practices have become even more important since 2020, against the backdrop of socio-economic disruptions caused by the COVID-19 pandemic.

As new ESG trends continue to emerge in the banking sector, we are going to have a look at some of the most outstanding themes in terms of ESG, by looking at the real steps that a number of Kuwaiti banks have taken to increase their accountability.

Regarding eco-friendliness, the banks are currently taking practical steps to become carbon neutral, by promoting secure digital banking, which minimizes in-person visits to their branches. The digitalization of bureaucratic processes has also reduced paper waste to almost zero. Meanwhile, the most important trends in terms of community values and human development are the prioritization of human resources, Kuwaitization, and social inclusion as of 2022.

ENABLING THE WORKFORCE

Human resources are famously the most valuable assets a successful business has. This is nowhere as significant as in the financial sector, where the skills and reliability of the personnel are of critical importance for the continued operation of a bank. Kuwaiti banks are trying to increase their employee retention rate, instead of being constantly on the lookout for new talent.

The Kuwait City-based Gulf Bank, for example, has decided to empower its workforce by investing more on their training. "The new training opportunities come as part of Gulf Bank's commitment to keeping up with global banking developments and ensure continuous human capital development in spite of the pandemic. As part of their precautionary measures, last year's training courses were all conducted remotely," reads a 2020 sustainability report released by Gulf Bank.

Other Kuwaiti banks, too, are now highly aware of the importance of career development opportunities for their personnel. A number of banks across the sector have also found international recognition for their efforts. Kuwait International Bank (KIB), to name but one example, was identified as "Best Islamic Bank for Employee Development and Empowerment in Kuwait" by the World Finance magazine—a critically acclaimed publication based in London, UK.

KUWAITIZATION

The empowerment of personnel, especially the local ones, has paved the way for Kuwaitization—that is capacity-building among the citizens of the State of Kuwait to accept more central roles in various segments of the economy. Kuwaitization has been a mid-term objective in the banking sector for several years, but its importance was further emphasized in 2022, when the Central Bank of Kuwait (CBK) demanded the nation's banks to fill certain sensitive vacancies in their organization with Kuwaiti citizens only.

Kuwaitization is a multifaceted concept. It can also be manifested in Banks' business processes, by prioritizing local suppliers of goods and services in B2B interactions. The sector is doing its best to empower Kuwaiti businesses by turning to them wherever possible, instead of going to international vendors and service providers. Kuwait Finance House (KFH), for example, has partially nationalized its supply chain. From a total of roughly KWD19 million that KFH spends each year, some KWD9 million goes directly to Kuwaiti suppliers, pre-

venting the leakage of capital from the national economy.

INCLUSION OF WOMEN

Kuwait's efforts in the inclusion of women have gathered momentum over the last two years. The Kuwaiti government and the World Bank signed an agreement in 2021 that will make sure the World Bank's services in Kuwait will ultimately increase the availability of economic opportunities for women. The Kuwaiti government itself, meanwhile, has been proactively engaging women in the labor market for some years now, in accordance with the sustainable development goals outlined in Kuwait Vision 2035.

As with many other sectors, women are increasingly assuming leadership roles in the banking, and the sector is trying to be more welcoming by putting various gender equality measures in place. Jordan Kuwait Bank (JKB), for example, "signed the Women's Empowerment Principles (WEPs), an initiative by the UN Global Compact and UN Women offering guidance to business on how to promote gender equality and women's empowerment in the workplace, marketplace and community," according to UN Women.

ENVIRONMENTAL AWARENESS

In terms of ecological sustainability, awareness-raising seems to be a central component of ESG practices in the sector. Several financial institutions and banks have started to train their employees on environmental threats and their—very real—impact on the economy.

The National Bank of Kuwait (NBK) launched an awareness campaign about the importance of protecting marine environments in 2022. During the campaign, NBK used its various media platforms to educate both its workforce and its customers about the value of Kuwait's marine environment and its fragility, shedding light on the challenges that the Kuwaiti economy may face if its marine ecosystem is damaged.

In the beginning of the campaign in July 2022, NBK's senior pub-

lic relations officer, Joanne Al-Abdul Jaleel, commented that, "NBK always seeks to promote a culture of concern for the marine environment and to accentuate the importance of environmental issues and climate change, which has become the talk of the world in recent years."

NO PLACE FOR CARBON

Many banks, including NBK, have announced short-term plans to achieve carbon neutrality. "The National Bank of Kuwait aims to reduce its operational emissions by 25% by 2025 and aspires to reach net-zero operational emissions by 2035," according to the Islamic Sustainable Finance and Investment (ISFI).

This trend is accelerated by the sector-wide adoption of digital banking solutions. Since the beginning of the pandemic, Kuwaiti banks have extended the range of their electronic services that do not require in-person visits. The digitalization of bureaucratic processes, meanwhile, has led to a significant reduction in wastepaper disposal.

Nevertheless, some carbon emissions are inevitable even with full digitalization. The sector, as such, is considering carbon-offset programs to achieve true carbon neutrality. In 2021, Kuwait Finance House (KFH), signed a strategic partnership with a third-party company providing carbon offset. Certain banks, on the other hand have decided to instead invest in green initiatives which benefit the public. There have been many examples of this since 2020, including the installation of chargers for electric vehicle near the branches of NBK.

IN CONCLUSION...

An examination of sustainability reports published between 2019 and 2022 by banks in Kuwait reveals that they are displaying a high level of accountability regarding ESG issues. Local and international endorsement of ESG practices by Kuwaiti banks, meanwhile, indicates that some financial institutions in the country have achieved a reasonable degree of social and ecological sustainability thus far. *

A FUNDAMENTAL *shift*



Hamad Al-Marzouq
CHAIRMAN,
KUWAIT FINANCE HOUSE (KFH)

KFH pioneered Sharia-compliant finance in Kuwait, and is today enjoying success beyond Kuwait's borders, in markets such as Turkey.

BIO

Hamad Al-Marzouq is the Chairman of KFH and Chairman of the Executive Committee and Chairman of the Governance Committee at KFH. He is a board member of the Kuwait Banking Association (KBA) and served as Chairman of the Association between 2010 and 2016. He also sat on, or chaired, the boards of several other organizations. He also held key executive positions at the Central Bank of Kuwait, where he served as Assistant Director of the Technical Affairs Office, and as Deputy Manager of Financial Control and then as Director of Financial Control Department. He holds a Master's degree in international finance and business management from Claremont University, US, and a Bachelor's degree in industrial systems engineering from the University of Southern California.

As the first Islamic bank in Kuwait, how has KFH shaped, since its establishment in 1977, the development of Sharia-compliant banking in the country?

The challenges that accompanied the emergence of the Islamic banks resulted from their reliance on real estate and financial investments that were vulnerable to volatility. For example, in 2007, the KD 266 Mn investment income represented 97% of KFH profits attributable to shareholders of KD 275 Mn (equal to about 32% of its total income). However, the current focus of KFH on banking and financing activities, which are highly stable, contributed to reducing the percentage of investment income to around 2% of KFH operating income, or about KD 16 Mn in 2021 profits. This represents a fundamental shift in KFH's business model thanks to the strategy adopted by the Board of Directors during the past years. KFH has prudent risk management, high liquidity levels, solid capital base, and quality assets. These factors helped KFH overcome the crises Kuwait and the world witnessed. In the past six years, KFH reduced NPFs from around 4.6% in 2014 to less than 2%, and the NPFs coverage ratio increased from 124% to around 320%. This enhances KFH's ability to weather crises and shocks. What distinguishes the business model of Islamic banking is that it prohibits banks from dealing in high-risk instruments for speculative purposes.

What is the contribution of KFH's subsidiaries to the overall profit of KFH, and what is the significance of the Turkish market for the company?

The contribution of KFH's subsidiaries to its profit represents around 25% and 30%, mostly from KFH-Turkey. KFH-Turkey has a wide network comprising of over 400 branches, and its market share of banking ranges between 2.5% and 3% of the huge Turkish market. KFH is having an active involvement in the development projects such as the collaboration with Limak, a Turkish company constructing the new Kuwait Airport. Additionally, the USD350 million sus-

tainability Sukuk issued by KFH-Turkey was a successful experiment and could be implemented in Kuwait. The issuance was 12 times oversubscribed with an order book of more than USD 4.3 billion. It attracted great demand by more than 179 regional and international investors, directed to financing environmental and renewable energy projects.

What regulatory changes are needed in Kuwait in order to further dynamize the banking sector?

Public debt laws are not a novelty and many countries are working to pass such laws to reduce their budget deficits. Kuwait has two options to finance the accumulated deficit, either by borrowing or liquidating foreign investments. During the last period, the liquid assets of the General Reserve Fund (GRF) were depleted, excluding around USD3-4 billion in assets in the form of loans to countries that may not hold high ratings. As a result, there is no possibility to encash, liquidate, or use these amounts to finance the deficit. In addition, Kuwait is the only country where there is no mortgage law. Some people have legitimate concerns that passing this law would make real estate more expensive. Accordingly, this must be accompanied by two significant things: setting the land free and permitting the private sector to develop residential real estate based on certain restrictions. Finally, the deposit guarantee law was enforced to counter the impacts of the global financial crisis in 2008. At that time, the Central Bank of Kuwait resolved to implement the deposit guarantee law to maintain liquidity levels at the banks. The law has become a burden on the general budget and affects Kuwait's sovereign rating. According to this law, Kuwait's liabilities do not only include deficit but also cover deposit guarantee liabilities. Accordingly, the cancellation of the Law will contribute to the improvement of the credit rating and provide space to activate the market mechanism and the competition among banks. *



YOUNG & robust

Launched the first digital Islamic bank in July 2021

BIO

Adel Abdul Wahab Al-Majed joined Boubyan Bank in August 2009, and has around 40 years of banking experience. He worked previously at the National Bank of Kuwait (NBK) for more than 25 years, where he held leadership positions, including deputy chief executive officer and general manager - consumer banking group. He graduated from the University of Alexandria with a bachelor's degree in accounting, and attended executive management development programs at various universities, including Harvard, Wharton, Stanford, and other reputable institutions.



What would be your overview of Boubyan Bank's positioning in the Kuwaiti banking sector, and what are its mains strengths?

I would safely say we are among the leaders of the banking sector in Kuwait overall, and that we are the leading bank in this sector when it comes to innovation and digital banking services. For many years, Boubyan Bank has succeeded in placing itself among local and regional banks as a fully-fledged bank offering Islamic banking services, and this made us the most popular bank among Kuwaiti youth and pushed the bank to the third place among Kuwaiti banks in terms of many financial indicators. Despite the bank's relatively recent incorporation in 2004 and its engagement in actual business in the following year, the key milestone in our bank's history was in 2009 when NBK took a strategic decision for the acquisition of Boubyan after realizing the great demand on sharia-compliant banks. From this point onwards, our bank focused on working as per modern Islamic banking rules in order to attract as many customers as possible. The bank continued its growth across all financial indicators ever since, and in 2021 it reached KWD48.5 million in net profits at a growth rate of 41%, with an earnings per share of 13.57 fils, and the board recommended the distribution of 5% in cash dividends and 5% in bonus shares. Moreover, the bank continued its prudential approach by allocating KWD50.8 million in provisions.

How has Boubyan Bank managed to increase its share in the Kuwaiti market, and what is the importance of the youth segment for the bank?

To reach where we are now, we have gone through lots of improvements across all fronts ever since the change of management in 2009; however, we have always given unwavering attention to quality customer service and innovative digital offerings.

Boubyan Bank is popular with people from every demographic, especially young Kuwaitis. A leading institution in Kuwait's finance sector, the bank built on its excellence in digital banking services, and has taken steps into the UK market.

**Adel Abdul Wahab Al-Majed
VICE-CHAIRMAN & GROUP CEO,
BOUBYAN BANK**

We have also addressed the youth using the language of this era, which they all understand, and by that I mean "technology", and voila, numbers speak for themselves. In 2009, only 1% of Kuwaitis used to transfer their salaries to Boubyan Bank. This percentage has grown now to become 27% approximately, drawing us closer to the top two banks in Kuwait. The majority of this percentage comprises of young Kuwaitis, while noting that 50% of university students and students of the Public Authority for Applied Education and Training (PAAET) hold accounts with Boubyan Bank, which is a key indicator of our success.

How has Boubyan Bank's expansion strategy gained pace in recent years, and what has been the importance of digitalization in it?

The bank's international expansion efforts were crowned with success, supported by digital expansion through the acquisition of the Bank of London and the Middle East (BLME) in 2020, where Boubyan's current shareholding stands at 71%, and then Boubyan Bank announced in July 2021 the full launch of NOMO Bank in Kuwait and the UK as the first Islamic digital bank from London, which offer its services to Boubyan Bank's customers and non-customers alike. We aspire for BLME to become the Islamic bank of choice for GCC customers in the UK as we have incorporated a set of main principles for the bank as a part of its transformation strategy following the acquisition, including having a sustainable customer-focused brand aligned with Boubyan Bank Group. The new NOMO digital-first banking experience lets users apply for a UK-based bank account in minutes using their smart phones, thereby giving them the chance to enjoy a unique banking experience in Kuwait and worldwide. We also have expansion plans for NOMO Bank in new markets such as KSA, UAE, Qatar, Egypt, and Jordan. ✎

HIGHEST LEVEL OF SERVICE

To provide all its customers with the highest level of banking services, Warba Bank is working to further digitalize its services and provide innovative banking products.

2022 marks the 10th anniversary of the establishment of Warba's first branch in Sharq. How has the bank evolved over its first decade of operations?

Warba Bank was established in 2010 by an Emiri decree with the aim of reviving the economic situation at the time. It is within the banking sector in Kuwait, and is still aspiring to progress, as it always seeks to benefit from its employees' passion and creative vision. The first branch of the bank was opened in 2012 in Sharq, which was the beginning of its real launch in the Kuwaiti market. Today, Warba has 19 branches distributed around the country to serve its customers. Today, Warba Bank has KWD3.6 billion in assets and plans to pump in more investments. The bank can fulfill the aspirations of investors looking for opportunities to achieve higher returns with lower risks.

What is Warba Bank's approach to supporting SMEs in Kuwait?

Warba Bank, including the corporate banking group, is interested in small and medium companies, as they are a segment that represents about 90% of the total companies operating in the local market. Therefore, supporting them is considered a duty by the banks. Notably, Warba supported these companies during the COVID-19 pandemic by continuing to provide its services to the business. This is done also to contribute alongside other banks and to abide by the approved laws by the authorities such as the concessional financing law of 2020 and the law to save small companies. The group has established a specialized unit for small and medium companies with the aim of providing all their financing and banking needs, and we seek to gradually develop our customer base in the near future.

How is Warba Bank promoting innovation and digitalization in Kuwait's banking ecosystem?

Warba is focusing today on being a digital bank in line with the requirements of the market, and



Hamad Musaed Al Sayer
CHAIRMAN,
WARBA BANK

its belief in the importance of achieving the highest level of banking services provided to its customers. Customers are looking for distinguished services and easy procedures regardless of whether it is provided by an Islamic or a conventional bank. Warba's total assets rose to KWD3.6 billion, thanks to its focus on the local market and its provision of distinguished electronic and digital services, some of which were offered for the first time in Kuwait, including, for example, opening an account and obtaining financing through the bank's mobile application without a need to visit the branch, which in turn contributed to the bank's growth to remarkable levels in a short period. Another distinctive service is the introduction of a customer management service for the accounts of their minor children through the application, in addition to the launch of the first Digital Hassala for children in the Kuwaiti market, enabling parents to save money for their children. Likewise, we believe that women are the basis of society, and they will be our focus during the next stage, as the bank plans to launch many products that serve their needs.

What are some of the most innovative solutions being offered by Warba Bank to its corporate clients?

Warba Bank offers many services, including Murabaha, which allows companies to purchase assets or equipment, and the bank has a lease-to-own product, and this is usually used to purchase real estate. Among the products offered by Warba is a vendor financing product for companies that supply different sales centers, allowing them to deduct their bills due at the sales centers and receive them immediately instead of waiting for one to three months, and this undoubtedly enhances the cash flow for those companies. The bank also has a service—financing the purchase of usufruct lands—available to individuals and companies to help them pay and introduce additional liquidity into the Kuwaiti real estate market. ✎

KWD3.6B in assets and plans to pump in more investments

Focusing on being a digital bank to provide best banking solutions to customers

BIO

Hamad Musaed Al Sayer holds a bachelor's degree in finance from Seattle University in the US and an MBA from Maastricht University of Business Administration. He was previously vice chairman of Warba Bank. Al Sayer currently occupies the position of CEO of One Franchising Holding Company, also serving as CEO of Al Sayer Franchising General Trading and Contracting Company W.L.L. from 2003–2021. He started his career in the corporate finance sector at National Bank of Kuwait from 1998–2003. He has been chairman and a member of the board of directors of several local and regional companies and financial institutions including but not limited to Al Dhow Investment Company, United Securities Brokerage Company in Egypt, Al Roeya Securities Company in Oman, and FIM Bank in Malta.



Image: Anton Fernando/Dionisio





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