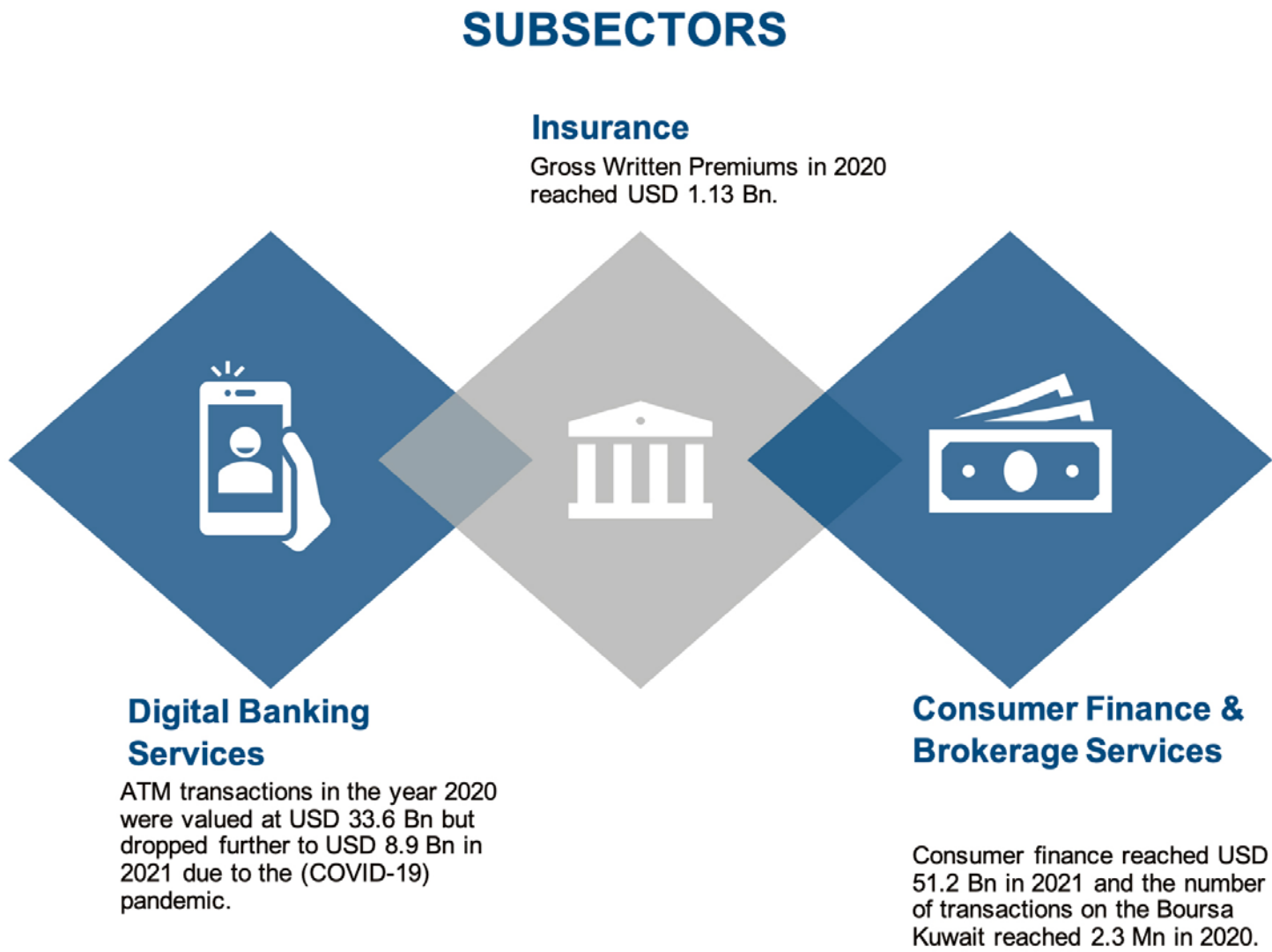


A close-up photograph of two business professionals shaking hands. The person on the right is wearing a dark grey suit, a white shirt, and a light-colored striped tie. The person on the left is wearing a white shirt. The background is a bright, out-of-focus office interior with large windows.

# Financial Services & Banking Sector

Sector Overview

The Central Bank of Kuwait is driven to move Kuwait into the new era of digital banking and several banks have taken initiatives to push in this strategic direction. While the year 2020 may have marginally dented financial services because of the COVID-19 pandemic, services including insurance, consumer finance and brokerage, and digital banking services are expected to have an upward trajectory in the near future.



Kuwait offers interested investors investment opportunities in financial services and banking sector in the segments of digital banking services, insurance, consumer finance and brokerage services, to attain the goals of the National Vision 2035 and its development plans.



## Digital Banking

### MARKET FACTORS

- The Central Bank of Kuwait announced its digital strategy during a zoom meeting held on January 31, 2022 under the theme “Stability & Enablement”, aimed to accelerate the digital transformation, and to usher in a new era in banking and finance.<sup>2</sup>
- Around 79.8% of the population above the age of 15 years have an account with a bank, according to the World Bank data, and the number of electronic transactions associated with those accounts are increasing.<sup>3</sup>
- Market surveys conducted by top professional consulting firms have revealed that 80-90% of the people would be willing to adopt digital solutions related to banking in the country.<sup>4</sup>
- Kuwait has around 22 commercial banks, which are regulated by the Central Bank of Kuwait (CBK).<sup>2</sup> Banks have been reporting an increase in the number of customers, revenues, deposits, and profitability as a result of adopting digital banking.
- The number of ATM transactions increased from 94.9 Mn in 2017 to 99.2 Mn in 2019, while the value of the ATM transactions increased from USD 40.1 Bn in 2017 to USD 41.2 Bn in 2019. However, as a direct impact of the (COVID-19) pandemic there was a drop in the number of ATM transactions to 75.8 Mn valued USD 33.6 Bn in 2020, and continued to drop to 22.4 Mn ATM transactions, valued at USD 8.9 Bn in 2021.<sup>2</sup>
- The number of ATMS's in Kuwait increased from 66 per 100,000 adults in 2017 to 79 per 100,000 adults in 2020, reflecting the inherent interest of customers for adopting digital modes of banking.<sup>2</sup>
- The CBK launched several measures to develop digital banking services in Kuwait, of which<sup>5</sup>:
  - A CBK mandate requiring all service providers to register on its e-payments system and develop plans for a digital version of the Kuwaiti Dinar.
  - The introduction of Peer-to-Peer transfer of funds through K-Net, the country's adopted electronic payment system.
  - Providing foreign exchange services that allows customers to see complete, real-time charges by multiple different counterparties.
  - Digital wallets attached to bank accounts that can be used for payments through WhatsApp or other messenger services, Point of Sales (POS) systems and any other digital wallet that utilize QR codes.
  - Self Service terminals integrated with smart que e-system.
  - Self-Service kiosks.
  - Digital customer care centers.
  - Intelligent Teller Machines (ITM's) including the ability to make video calls to banking professionals.
  - Biometric data platforms for enhanced security such as touch ID and facial recognition.
  - Interactive Voice Response Portals.
  - Live chat assistance (Chatbot).
- Banks have begun signing protocol agreements with each other for electronic payments, whereby funds from a customer account in one bank can be transferred seamlessly to their account in another bank to increase interoperability.

Sources: <sup>1</sup>CITRA, <sup>2</sup>CBK, <sup>3</sup>World Bank, <sup>4</sup>Oxford Business Review, <sup>5</sup>OBG.

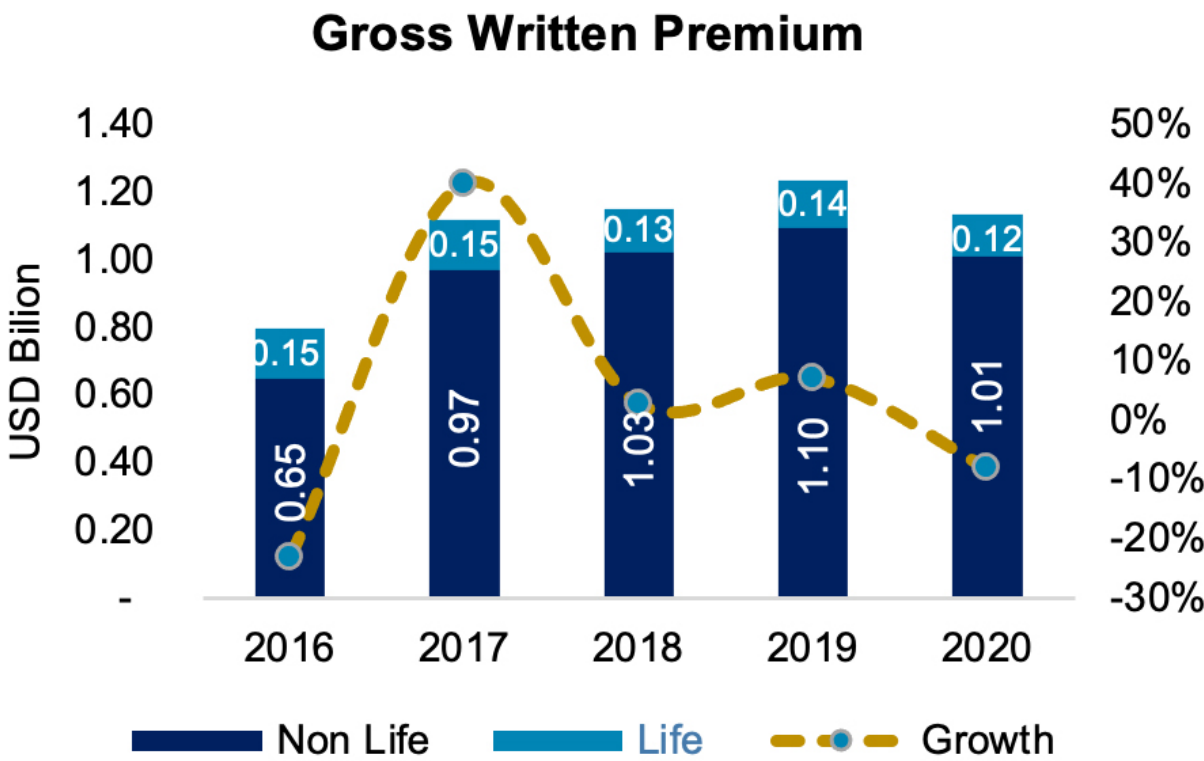


Insurance Sector

MARKET FACTORS

- Insurance sector in Kuwait consists of 37 insurance companies, 26 local and 11 foreign. Out of the 37 companies, 22 are conventional insurance companies and 15 are Takaful insurance companies.<sup>2</sup>
- The promulgation of Law No. (125) of 2019, the Insurance Regulatory Unit (IRU) was established for regulating all insurance activities in the country. The IRU operates under the supervision of the MOCI.<sup>3</sup>
- The appointment of actuarial experts is mandated by Law No. (125) of 2019.
- The capital requirements of insurance companies as per the new law based on their type include2:
  - A company carrying out life insurance: USD 16.6 Mn.
  - A company carrying out general and liability insurance: USD 16.6 Mn.
  - A company carrying out life, general and liability insurance: USD 33.2 Mn.
  - A company carrying out conventional or Takaful re-insurance activities: USD 19.8 Mn.
- Growth in insurance was primarily driven by medical insurance and secondly by motor insurance. Life insurance occupies a very small piece of the premium pie in Kuwait, estimated at approximately 10%.
- Medical insurance especially receives support from government tenders for coverage of health issues related to public sector employees. Most notably in 2019, a tender worth USD 996.7 Mn in premium was won by a private company for a period of two years for health insurance of public sector retirees.<sup>4</sup>

- Medical insurance is expected to boost the sector in the future through the support of the Kuwait’s health insurance scheme for expatriates, (Dhaman), that mandates an insurance fee increase from USD 166.1 to USD 431.9 on an annual basis.<sup>5</sup>
- The insurance sector in Kuwait grew from USD 0.8 Bn in 2016 to USD 1.136 Bn in 2020 at a CAGR of 9.2% on the Gross Written Premium (GWP). The non-life insurance segment dominated the overall insurance market at 89.1%.<sup>1</sup>



- The insurance sector in Kuwait is the second smallest in the GCC and is ranked 74th globally based on the Gross Written Premium (GWP).<sup>1</sup>

Sources: <sup>1</sup>Swiss Rev, <sup>2</sup>Insurance Regulatory Unit, <sup>3</sup>MOCI, <sup>4</sup>OBG, <sup>5</sup>Alpen Capital.

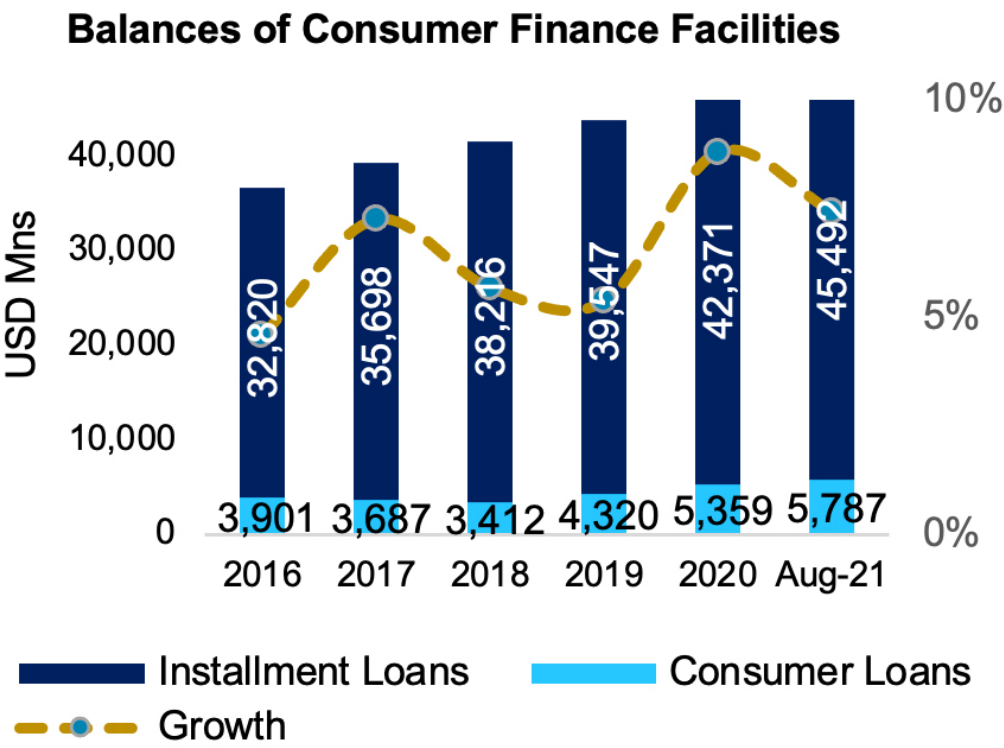


Consumer Finance & Brokerage Services

MARKET FACTORS

Consumer Finance

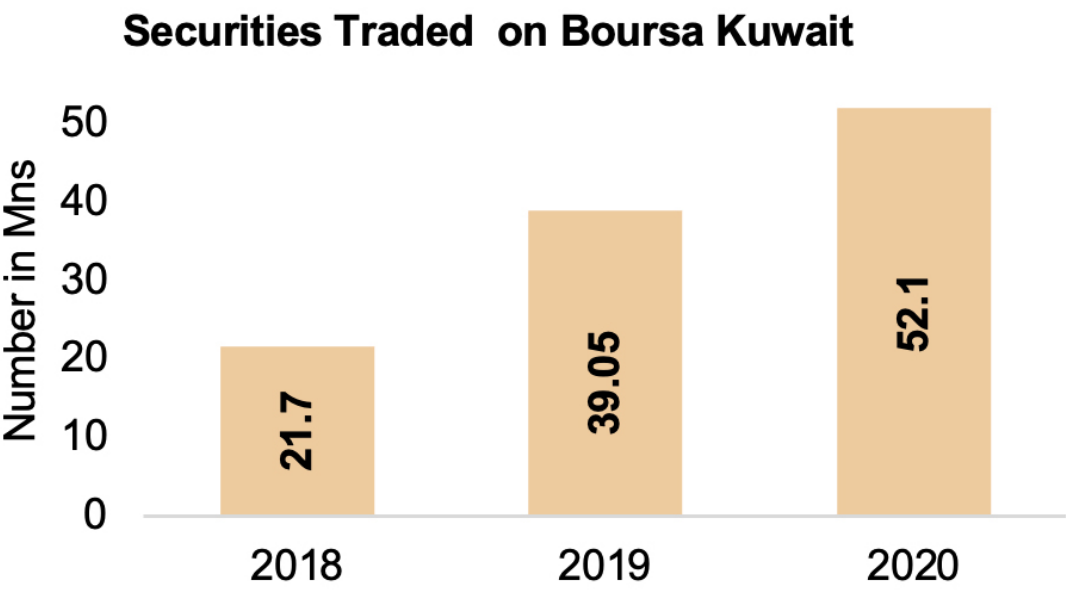
- Consumer Finance in Kuwait is made up of two loan types, consumer loans and installment loans.
- The maximum ceiling for consumer loans in the country is USD 83,000 and the maximum permissible amount for installment loans is USD 233,000.<sup>1</sup>
- Consumer loans make up approximately 37.3% of the total loans extended by the banking sector in Kuwait.<sup>1</sup>
- Consumer finance in Kuwait grew at a CAGR of 6.7% between 2016 valued at USD 36,721 Mn to USD 47,729 Mn in December 2020, and increased to reach USD 51,279 Mn in August 2021.
- Installment loans made the bulk of consumer financing balances in August 2021 at almost 88.7% of the total balance. Approximately 66% of the total consumer financing facilities went to Kuwaitis.<sup>1</sup>



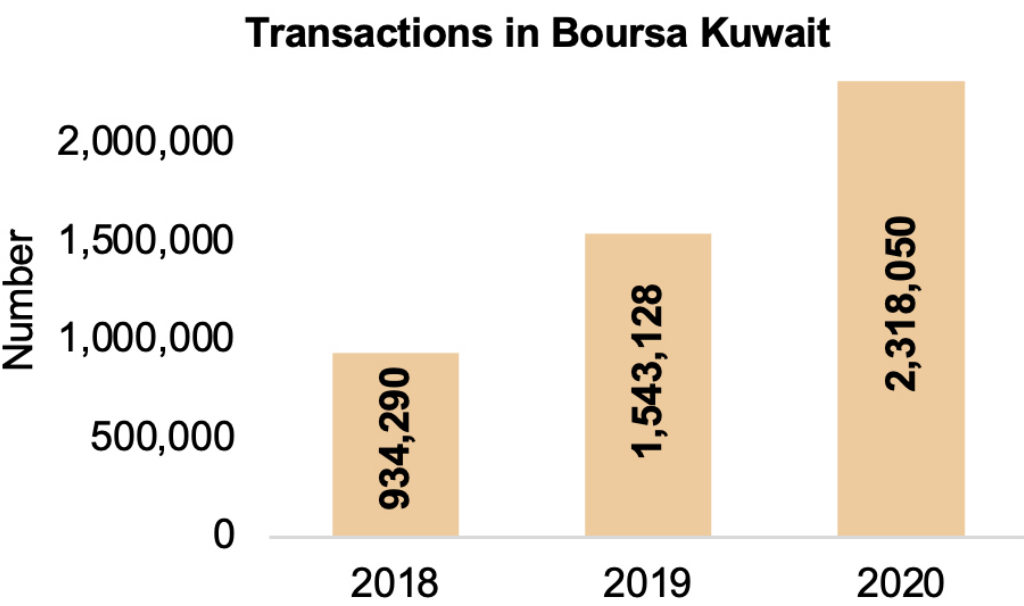
- The prevailing interest rate for consumer finance reached 6.0% per annum, as the Central Bank of Kuwait discount rate rose to 3.0% in September 21, 2022.<sup>2</sup>

Financial Brokerage Services

- Kuwait has multiple stock broking firms catering to the local and global capital markets, 10 of which are registered in Boursa Kuwait. Financial brokerage is a regulated activity in the country, and only companies licensed by the Capital Markets Authority of Kuwait can provide brokerage services.<sup>3</sup>
- The total number of securities traded in Boursa Kuwait reached 84.6 Bn shares in 2021 compared to 52 Bn shares in 2020, and 39 Bn shares in 2019.<sup>3</sup>



- Boursa Kuwait handled over 3.05 Mn transactions in 2021 compared to 2.3 Mn transactions in 2020, an increase of almost 50% over transactions registered in 2019.<sup>3</sup>
- The trading fees chargeable by registered brokerage according to Boursa Kuwait approved scheme as follows:
  - 0.10% related to the premier market
  - 0.15% related to the main market
  - 0.30% related to the auction market



- The minimum commission chargeable is USD 0.831. The collected commission is divided according to Boursa Kuwait approved scheme as follows:
  - 70% will be retained by the broker,
  - 29% must be paid to Boursa Kuwait,
  - 1% must be paid to the clearing house, namely Kuwait Clearing Company.
- The commission related to off-market trades is 0.20%. The off-market trades is divided according to Boursa Kuwait approved scheme as follows:
  - 50% to be retained by the broker,
  - 49% to be paid to Boursa Kuwait,
  - 1% to be paid to the clearing house, namely Kuwait Clearing Company.<sup>3</sup>

Sources: <sup>1</sup>Gulf Bank, <sup>2</sup>CBK, <sup>3</sup>Boursa Kuwait.