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Kuwaiti banking sector plays a pivotal role in economic development

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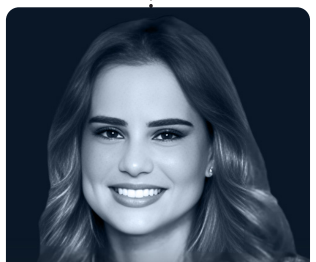

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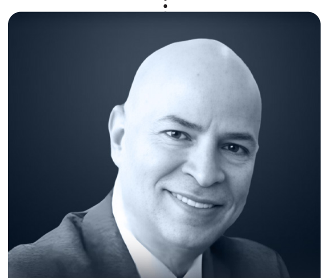

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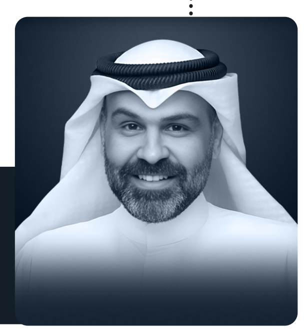

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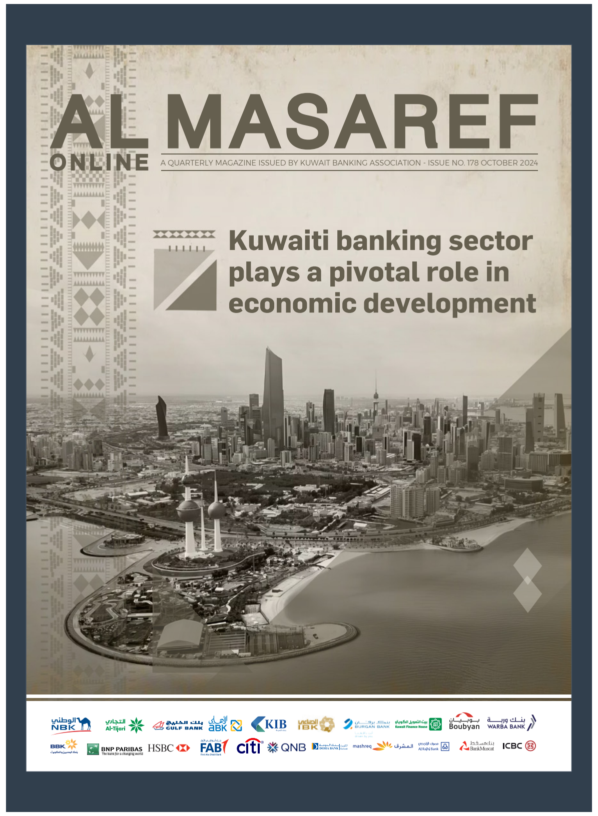


New era for Kuwait's future

During two consecutive months, two significant global events take place: the United Nations General Assembly Meeting in September, followed by the IMF Meeting in October, the world's largest economic event.

PROF. YAQOUB S.Y. AL-REFAEI
EDITOR-IN-CHIEF
KBA SECRETARY GENERAL

Crown Prince Sheikh Sabah Al-Khaled Al-Sabah's participation in the UN General Assembly Meeting, representing the Amir, is both politically and economically strategic, drawing on his extensive experience as a diplomat, Minister of Foreign Affairs, Prime Minister, and now Crown Prince. Through several meetings with leaders of allied and friendly nations, the focus remains on shared key issues that serve Kuwait's national interests.

What distinguishes this year are the intensive meetings held by the Crown Prince with major global corporations and financial institutions, including Microsoft, Google, Goldman Sachs, and others. These meetings and efforts aim to solidify relationships with these entities while encouraging investment and participation in projects within Kuwait.

Following this, the Minister of Finance, the Governor of the Central Bank of Kuwait, and senior leaders from Kuwaiti banks and financial institutions will attend the IMF meeting. They will engage in a series of intensive bilateral and multilateral meetings with various global and regional financial institutions. These efforts are part of a broader initiative to revive and reshape Kuwait's long-anticipated role as a financial hub.

There are numerous vital economic projects in the pipeline, some of which were introduced years ago, while others are new.

These projects require immediate action to remove any legislative obstacles and speed up their execution.

Undoubtedly, the launch and execution of such projects require both local and international coordination. Kuwait's strategic geographical location, substantial oil reserves, one of the world's largest sovereign wealth funds, and its skilled national workforce in the banking and financial sectors position it to play a far more significant role than it currently does.

I hope we will soon see tangible results from these concentrated efforts, marking a new era for Kuwait's future.

Kuwaiti banking sector plays a pivotal role in economic development

BASEL A. AL-HAROON
GOVERNOR OF THE CENTRAL BANK OF KUWAIT

The current number of banks operating in Kuwait is 21 banks, including 5 conventional banks, 4 Islamic banks, 1 specialized bank, and 11 branches of foreign banks of which 1 branch of an Islamic bank

CBK Sustainable finance guidelines indicating the three sustainability standards as (Environment, Social, Governance - ESG)

On many occasions, the Governor of the Central Bank of Kuwait, Basel A. Al-Haroon, has highlighted the importance of the Kuwaiti banking sectors, which represents the backbone of the financial system that plays a pivotal role in economic development by mobilizing funds for various sectors, and providing financial services and products.

Al-Haroon noted the developments seen in the financial and banking sector in the State of Kuwait have kept pace with those in macroeconomic performance and enabled provision of services within the framework of financial inclusion.

Story of the Banking Sector and Monetary Regime in Kuwait

While discussing the history of the banking sector, the Governor noted that when the Late Sheikh Sabah I was chosen to be the first ruler of Kuwait in 1756, there was no urgent need for a legal tender regime. This was because over the years, several different currencies were in circulation and being used based on the countries with which Kuwait had trading relations.

Al-Haroon added that the first attempt to issue a national currency, Baisa, was in 1886 during the rule of the fifth Amir of Kuwait, Sheikh Abdullah bin Sabah Al-Sabah, to reflect the independence and sovereignty of Kuwait and declare the emergence of the monetary system in the State of Kuwait.

Then, during the rule of the late Sheikh Abdullah Al-Salem Al-Sabah, Kuwait issued its first national currency by virtue of the Amiri Decree No. 41 of 1960, which stipulated that the Kuwaiti Dinar is the national monetary unit and which also established the Kuwaiti Currency Board. Accordingly, on the first day of April 1961, the first issue of the Kuwaiti Dinar was put into circulation, replacing the then circulating "Indian Rupee". The establishment of the Kuwaiti Currency Board and release of the Kuwaiti Dinar were to become the main drivers of the Kuwaiti economy, and brought about a qualitative leap in the development of banking activity, which was in keeping pace with the economic transformations heralded with the beginning of the oil era.

On a related note, the Central Bank of Kuwait (CBK) was established by the Law No. 32 of 1968 concerning Currency, the Central Bank of Kuwait and the Regulation of Banking promulgated on 30 June 1968, to replace the Kuwaiti Currency Board and keep pace with local, regional and international economic developments, in light of the increasing importance of monetary policy in achieving social and economic development in the country.

As such, CBK commenced its functions on 1 April 1969 in pursuit of its objectives stipulated in

Article 15 of the said law, which include: exercising the privilege of issuing the national currency on behalf of the state; securing the stability of Kuwaiti currency and its free conversion into other foreign currencies; directing credit policy in a way that supports economic and social progress and increases national income; monitoring the banking system; acting as the bank for the government; and providing financial advice to the government.

Regarding the emergence and development of Kuwaiti banks, the Governor mentioned that before 1952 the only bank that was operating in Kuwait was a branch of the British Bank of the Middle East. An Amiri decree was issued on 19 May 1952 to establish the National Bank of Kuwait as the first indigenous bank in Kuwait in a step that reflected the national aspirations towards development of the monetary system and prosperity of the national economy. During the 1960s, in response to the rapid economic changes in Kuwait, the Commercial Bank of Kuwait was founded on 19 June 1960, followed by the establishment of the Gulf Bank on 23 October 1960. Over decades, the banking sector has witnessed growth and diversification, leading to the incorporation of other banks and financial institutions.

The Governor pointed out that the current number of banks operating in Kuwait is 21 banks, including 5 conventional banks, 4 Islamic banks, 1 specialized bank, and 11 branches of foreign banks of which 1 branch of an Islamic bank.

Pivotal Role of the Banking Sector

Due to the growth and expansion of the banking sector's business and activities in the State of Kuwait, the local banks' consolidated balance sheet at the level of local activity (the activity of local banks and their branches in the State of Kuwait) has more than doubled since 2010, reaching KWD 87,627.9 million at the end of March 2024.

The Governor pointed out that the utilized cash portion of the credit facilities to residents provided by local banks to various local economic sectors has doubled since the end of 2010 to KWD 48,442.5 million in May 2024, and the total balance of residents' deposits with local banks nearly doubled to KWD 49,376.5 million in May 2024.

The Governor noted that despite the repercussions of external shocks on the economic and banking situation, Kuwaiti banks were able to maintain high levels of their asset quality, backed by their financial soundness. Resilience of banking sector is demonstrated by its ample provisions and abundant buffers that help banks maintain their resilience, and continue provide their services to all sectors in an efficient manner considering the interests of all concerned parties.

In this context, the Governor shed the light on the CBK's micro- and macro-prudential policies and the supervisory policies that address the future outlook and precautionary measures. CBK has directed banks to strengthen their financial buffers and fortify the banking sector so as to increase its ability to resist shocks, so that it remains resilient and continues serving the national economy with high efficiency, even under stressful conditions.

The Governor further stressed that CBK strives to enhance the financial stability of the units of the banking and financial sector, considering the continuous review of economic, monetary and banking indicators that support the current course of monetary policy, in light of the lag effect of previous decisions on those indicators.

The Governor also noted that the financial indicators of the Kuwaiti banks proves their efficiency and ability to withstand shocks. Due to their compliance with CBK regulations and international standards, they were able to serve the Kuwaiti economy, as evidenced by the financial soundness indicators as at the end of March 2024, that are all well above the CBK required ratios and represented by the high rates of Capital Adequacy Ratio (18.6%), Liquidity Coverage Ratio (158.7%) and Net Stable Funding Ratio (113.5%). These indicators are supported by asset quality standards, as the non-performing loan ratio maintained its historically low level of 1.6%. The results of these indicators indicate that the Kuwaiti banking sector is able to face the future challenges related to monetary tightening from a position of strength.

Monetary Policy and the Challenges of Economic Growth

In this context, the Governor indicated that due to recent economic and geopolitical developments in the world, the global economy has witnessed significant transformations that resulted in higher inflation in many countries and, accordingly, a shift of the monetary policy in most economies to a tightening policy. Central banks utilized their **available instruments** that include raising interest/discount rates in order to achieve a set of **intermediate goals**, e.g. decelerating credit and reducing the money supply, towards achieving the **ultimate goals**, namely fighting inflation and reducing aggregate demand, the main driver of economic growth.

The Governor explained that the management of this policy varies from one country to another depending on the economic nature of each

CBK strives to enhance the financial stability of the units of the banking and financial sector, considering the continuous review of economic, monetary and banking indicators that support the current course of monetary policy

CBK did not follow the lead of the major central banks in their accelerated decisions to raise the interest rates during the monetary tightening cycle that began in March 2022 and threatened financial stability

CBK has taken a series of decisions on the formulation and implementation of monetary policy in a gradual and balanced approach

CBK prioritizes the management of cyber risks and information technology threats, adhering to the highest global standards in this domain

CBK strives to enhance its cross-border payments systems and adopt the latest technology to improve efficiency and reduce reliance on external finance and transfers systems

country and the tools available for the monetary policy. Although the CBK's decisions are informed by vigilant monitoring of the changes in the international markets and economies, and based on the local economy, and monetary and banking indicators, CBK did not follow the lead of the major central banks in their accelerated decisions to raise the interest rates during the monetary tightening cycle that began in March 2022 and threatened financial stability. Instead, CBK has taken a series of decisions on the formulation and implementation of monetary policy in a gradual and balanced approach aimed at consolidating monetary and financial stability of the CBK-regulated entities, preserving attractiveness of the national currency as a lucrative store of domestic savings, and providing an environment supportive of sustainable economic growth. To this end, CBK has, since March 2022, **raised the discount rate nine times by 275 basis points**, as CBK decided to raise the discount rate by 25 basis points six consecutive times during the months of March, May, June, July, August and September of 2022 to 3.0%, and raise the discount rate by 50 basis points twice on 6 December 2022 and 25 January 2023 to become 4.0%. On 27 July 2023, CBK raised the discount rate by 25 basis points to become 4.25%.

Regulatory and Supervisory Efforts

The Governor emphasized that CBK spares no effort to develop its supervisory and regulatory tools in the light of the lessons learned from the financial and banking crises and challenges. In addition, CBK has channeled all efforts to counter the negative impact of the various financial and economic crises that have hit world markets by utilizing all tools at its disposal, without sacrificing its main goal of maintaining monetary stability and financial stability amid any repercussions, in a manner that enables economy sectors to absorb crises and creates an atmosphere that boosts confidence in the national economy, and stimulates its recovery and sustainable growth.

Within its regulatory and supervisory policy, the Governor highlighted that CBK maintained its supervision over regulated entities through on-site and off-site supervision, as the bank regulates these entities' business through issuing appropriate instructions and controls.

He added that the Kuwaiti banking sector units successfully overcame previous crises that had hit world economies thanks to the CBK's regulatory and supervisory policy that takes a proactive approach to bolster banking system units' conditions. Amid such a sound and encouraging state of affairs, CBK will continue to regulate and supervise the banking sector so that Kuwaiti banks remain capable of offering their service efficiently to all sectors of the national economy.

Within the efforts to promote green finance, the Governor mentioned CBK's circular to all local banks dated 16 November 2022 concerning sustainable finance guidelines indicating the three sustainability standards as (Environment, Social, Governance - ESG). This step was taken amid increasing global interest in sustainable finance and CBK is following up with local banks' concerning their compliance with sustainable finance standards and their commitment to issue of products and financing tools harmonious with green finance, as well as implementation of principles of sustainability on banks' internal operations and activity.

Technology Development... Pathway for Growth and Development

When it comes to technological development, the CBK Governor noted that with digital conversion as a main basis of the Kuwait 2035 vision, the State of Kuwait is focused on adopting smart and digital technology to create services and enhance operational efficiency and performance of main sectors. Kuwait 2035 vision targets also include the development and update of the infrastructure, including the information technology and communications infrastructure. As a regulator, CBK seeks to reinforce digital transformation in the banking sector.

In terms of future plans, the Governor mentioned that CBK has decided to digitize the Kuwaiti banking sector to drive the development of the banking and finance industry, foster innovation, and promote the latest technology to bolster monetary and financial stability in an environment facing increasing risks. The CBK's strategy focuses on advancing digitization at both CBK and the banking and finance sector levels to encourage innovation and improve customer services. Along the same lines, the CBK is committed to deploying advanced e-payment channels, introducing relevant regulatory frameworks, and establishing a strategic cybersecurity framework to safeguard information in the Kuwaiti banking sector. Additionally, the CBK issued the sandbox framework to create a secure space for testing innovative products that contribute to digitization of the banking sector.

The Governor highlighted the need to keep abreast with the rapid global and regional advancements using modern and sophisticated mechanisms. This is crucial due to the ongoing revolution in the banking sector and the intense competition among banks to meet customer expectations by providing the latest and best digital financial services in a convenient and accessible manner.

The Kuwaiti banks have indeed taken significant steps towards digital transformation to improve their internal operations, procedures, and systems while offering advanced electronic services. The Governor also emphasized the increasing role of the banking sector in the economic and social spheres, as Kuwaiti banks remain dedicated to fulfilling their social responsibilities and to helping individuals achieve their objectives in different areas.

Regarding **cybersecurity**, the Governor noted that CBK prioritizes the management of cyber risks and information technology threats, adhering to the highest global standards in this domain. His Excellency mentioned that the CBK consistently works towards enhancing cybersecurity within the banking sector framework in Kuwait. The Governor emphasized that Kuwaiti banks maintain the highest levels of security in their electronic networks and information systems, employing advanced information security and protection software aligned with global standards to prevent fraud, hacking, and piracy. Additionally, the CBK, in cooperation with Kuwaiti banks and under the management of Kuwait Institute of Banking Studies, launched the "Cyber Security Leaders" program. This program aims to enhance the skills and capabilities of the Kuwaitis specialized in electronic security by providing training on the latest technologies and practices in the field. The Governor also highlighted various media campaigns, conducted by the CBK independently or in partnership with Kuwaiti banks, to raise public awareness and prevent banking fraud.

Fin-Tech

Amid the growing **importance of technology within the banking and finance sector, CBK strives to enhance its cross-border payments systems and adopt the latest technology to improve efficiency and reduce reliance on external finance and transfers systems, ultimately reducing transfer costs for customers**. Along these lines, CBK initiated the implementation of the Gulf payments system (AFAQ) across the State of Kuwait in cooperation with the central banks of the Gulf Cooperation Council countries. In addition, CBK established an Innovation Hub called "Wolooj" (which means access in Arabic) that aims to support activities and fields related to information security, cyber security, and information systems in CBK-regulated entities.

Keen to stay updated on developments and establish the regulatory and **supervisory framework for e-payments**, CBK issued instructions in May 2023 regarding the regulation of e-payment businesses. These instructions outlined the requirements that both current and newly-established financial

entities must meet to partake in e-payment or e-money activities or operate e-payment systems. The instructions introduced five types of permits tailored to the activity's scale and nature, along with the regulatory requirements and controls related to governance, risk management, AML/CFT framework, business continuity, and customer protection. The primary aim was to bolster the stability and reliability of the payment systems in the State of Kuwait. Moreover, these instructions facilitated the provision of Buy Now Pay Later (BNPL) services within a supervisory and regulatory framework that safeguards customers' rights.

On the other hand, CBK has been advancing its IT infrastructure, promoting innovation, and utilizing the latest technologies, both within its operations and the regulated entities. CBK shall also continue its efforts to enable innovation in the banking sector, encourage the use of modern financial technologies, develop the infrastructure for modern electronic payments, including cross-border payments, and implement the CBK's digital transformation strategy and digital banks.

And in line with CBK's commitment to monitor the local economy's prospects and provide timely data, CBK has disseminated several questionnaires, including the CBK Survey on Economic Outlook and Risks for 2024, CBK Purchasing Managers' Index (PMI) Survey, Bank Lending Practices Survey, and SME and New Entrepreneur Financing Survey.

In addition to the above, CBK has stepped up its efforts in social responsibility and public communication by enhancing financial awareness and literacy. It has also issued reports on environmental, social and corporate governance. Furthermore, and as part of its career development and Kuwaitization plans, CBK is focused on developing national competencies in the economic, banking, and financial sectors, as it is the primary employer of the national workforce in the private sector.

CBK established an Innovation Hub called "Wolooj" (which means access in Arabic) that aims to support activities and fields related to information security, cyber security, and information systems in CBK-regulated entities

CBK also spares no effort to promote a culture of excellence, knowledge transfer, raise production efficiency in the bank, and provide a positive work environment. This is achieved through recruitment based on eligibility, experience, efficiency and by relying on national talent to fill positions and attract skilled individuals, including people with health conditions or impairments.

KIA Board Member & Managing Director

Ghanem Suleiman Al-Ghenaiman: KIA plays a pivotal role in driving global economic growth and development through a combination of strategic investments and partnerships

GHANEM SULEIMAN AL-GHENAIMAN
KIA BOARD MEMBER & MANAGING DIRECTOR

We maintain a diversified portfolio across regions and asset classes to balance risk and opportunity

What are the primary objectives of the Kuwait Investment Authority (KIA) and how do they shape its investment strategy?

The Kuwait Investment Authority (KIA) is entrusted with a vital mission: to achieve long-term investment returns on the nation's financial reserves. Our goal is to provide an alternative to oil revenues, ensuring that future generations of Kuwaitis are well-prepared to face global uncertainties with confidence.

KIA manages two key funds: the General Reserve Fund (GRF) and the Future Generations Fund (FGF). The GRF serves the state's immediate financial needs, ensuring liquidity and stability in the present. It also invests in key national development projects, helping to diversify Kuwait's economy. The FGF, on the other hand, is focused on long-term wealth creation, designed to secure prosperity for future generations by investing in global markets with a more growth-oriented strategy.

While our day-to-day investment strategies are flexible, they are deeply aligned with KIA's overall objectives. As a long-term investor, we maintain a diversified portfolio across regions and asset classes to balance risk and opportunity. The GRF focuses on liquidity and economic stability, while the FGF is designed to capture higher returns over the long term, ensuring Kuwait's financial future.

Our dual-fund approach allows KIA to address both short-term and long-term needs, fostering sustainable growth for the state's present and future. This strategy enables us to maintain resilience against global market fluctuations, secure financial stability, and continue building Kuwait's economic foundation for generations to come.

الهيئة العامة للاستثمار
Kuwait Investment Authority

Could you explain the key principles that guide KIA's investment decisions?

At KIA, our investment decisions are shaped by a set of core principles that aim to secure Kuwait's wealth for future generations while managing risks effectively. One of the key pillars of our approach is prudent risk management—we always take a measured approach to ensure that each investment aligns with our risk tolerance, balancing the pursuit of returns with stability.

Diversification is another essential principle. We invest across a wide range of regions and asset classes to spread risk and avoid overexposure to any single market or sector. This helps us build a resilient portfolio that can withstand market volatility and capture global growth opportunities.

Having a long-term perspective is crucial for us. We're not focused on short-term market movements; instead, we look at opportunities that can generate sustainable returns over decades. This approach has served us well, especially during challenging times like the Global Financial Crisis and the COVID-19 crash, where patient capital can yield significant rewards.

We also ensure that our investments are aligned with Kuwait's national objectives. Whether we're investing locally or globally, we prioritize opportunities that contribute to the sustainable growth of the Kuwaiti economy and enhance the country's long-term financial stability.

Before any investment is made, it undergoes rigorous due diligence. Our teams conduct in-depth evaluations of every opportunity, carefully assessing potential risks, returns, and strategic fit. Only after a comprehensive review does a proposal move forward to our Investment Committee, which ensures alignment with KIA's strategic goals and fiduciary responsibilities.

Finally, we hold ourselves to the highest standards of governance and transparency. Every investment decision is thoroughly vetted, ensuring that we act in the best interest of Kuwait and its future generations.

By adhering to these principles, we ensure that KIA's investments are both responsible and forward-looking, aligned with Kuwait's long-term prosperity.

How does KIA contribute to global economic growth and development, particularly through its responsible investment approach?

KIA plays a pivotal role in driving global economic growth and development through a combination of strategic investments and partnerships. One of KIA's key contributions is its role as a stabilizing force during times of economic uncertainty. By providing liquidity and maintaining a long-term investment horizon, KIA supports market stability, especially during downturns like the Global Financial Crisis and the COVID-19 pandemic. This instills confidence in global markets, benefiting economies beyond Kuwait's borders.

KIA's influence also extends to its active involvement in global initiatives such as the International Forum of Sovereign Wealth

At KIA, our investment decisions are shaped by a set of core principles that aim to secure Kuwait's wealth for future generations while managing risks effectively

We look at opportunities that can generate sustainable returns over decades

We hold ourselves to the highest standards of governance and transparency

KIA plays a pivotal role in driving global economic growth and development through a combinatio of strategic investments and partnerships

KIA supports private sector growth while ensuring strategic investments align with Kuwait's national development goals

KIA actively engages in collaborative initiatives with its peers through platforms such as the IFSWF and the OPSWF Initiative

Funds (IFSWF) and the One Planet Sovereign Wealth Fund (OPSWF). Through these collaborations, KIA shares knowledge and best practices with its peers, driving responsible investment practices globally. For instance, KIA is committed to promoting Environmental, Social, and Governance (ESG) principles within its investment strategy. This dedication to responsible investing helps foster sustainable economic models and sets a precedent for other institutional investors worldwide.

Through its long-term, responsible investment strategies and global partnerships, KIA helps promote market stability, sustainable development, and economic resilience on a global scale, benefiting both Kuwait and the broader international community.

How does KIA integrate ESG and sustainability factors into its investment decisions?

ESG considerations are central to KIA's investment strategy. We have taken decisive steps to ensure that our portfolio transitions towards 100% ESG compliance, with a particular focus on the environmental aspect of sustainability. Through the OPSWF platform, KIA collaborates with other sovereign wealth funds to discuss climate-conscious strategies into long-term investments.

Internally, KIA produces a quarterly ESG Risk Report, which helps assess and manage environmental risks throughout our portfolio. This forward-looking approach allows us to align our investment strategies with global sustainability goals while continuing to pursue strong financial returns.

How does KIA contribute to Kuwait's economic development?

KIA plays a central role in Kuwait's long-term economic development, particularly through its management of the General Reserve Fund (GRF). The GRF invests across various sectors, including infrastructure, technology, and real estate, helping diversify the national economy. Through mechanisms like public-private partnerships (PPPs) and initial public offerings (IPOs), KIA supports private sector growth while ensuring strategic investments align with Kuwait's national development goals.

KIA's investments not only provide financial stability but also create opportunities for Kuwaiti citizens to participate in the nation's economic growth through targeted development projects. These efforts are critical in fostering sustainable economic resilience for the country.

Can you provide insights into KIA's collaboration with other sovereign wealth funds and its priorities in these partnerships?

KIA actively engages in collaborative initiatives with its peers through platforms such as the IFSWF and the OPSWF Initiative. These partnerships facilitate knowledge-sharing and the promotion of best practices in governance, responsible investment, and climate-conscious strategies.

Through the IFSWF, KIA engages in global discussions with other sovereign wealth funds, focusing on governance, transparency, and responsible investment. This collaboration helps us stay at the forefront of industry standards, ensuring our investments promote sustainable growth.

As a co-founder of the OPSWF Initiative, KIA prioritizes climate-conscious investments in sectors like renewable energy and sustainable infrastructure. These partnerships allow us to align our strategies with global environmental goals while maintaining financial growth.

By leveraging these platforms, KIA supports both global financial stability and the transition to sustainable economic models, benefiting Kuwait and the broader international community.

How does KIA approach investments in technology and innovation, and what are the outcomes of these investments?

KIA recognizes the transformative potential

of technology and innovation in shaping the future global economy. Our Emerging Technologies Team identifies and evaluates high-growth sectors such as semiconductors, artificial intelligence (AI), and digital infrastructure. These sectors are integral to the future economic landscape, and KIA strategically incorporates them into its broader investment portfolio.

By maintaining a cautious yet forward-looking approach, KIA ensures that our investments in technology are well-managed for long-term value creation. The Emerging Technologies Team provides quarterly updates to KIA's board, ensuring that technological developments are carefully integrated into our decision-making process. This strategy allows us to capitalize on the latest advancements while managing risks effectively.

How do you foresee the global economic landscape in the near future?

I remain optimistic about the global economic outlook, particularly for the GCC region and Kuwait. The region is on a promising path, driven by diversification efforts, increased foreign investment, and strategic infrastructure projects. Kuwait is well-positioned to capitalize on these opportunities, thanks to its history of forward-thinking economic planning and KIA's long-term investment strategies.

Kuwait has long demonstrated foresight in its economic planning, with KIA being a key part of that vision since its establishment in 1953, even before the country gained independence. KIA was created to manage Kuwait's oil revenues and secure future prosperity. This foresight has allowed Kuwait to weather numerous global economic challenges while building a strong and diversified economy.

At KIA, we remain committed to carrying this legacy forward. Through innovation, strategic partnerships, and alignment with global best practices, we are focused on fostering sustainable economic development both locally and globally.

KIA's role in managing Kuwait's wealth and contributing to global stability will continue to be a pillar of growth.

Just as KIA has safeguarded Kuwait's wealth in the past, we will continue to serve as a pillar of stability and opportunity. I am confident that under KIA's leadership, Kuwait will remain a beacon of growth and resilience, offering tremendous opportunities for both local and international investors as we shape a brighter, more prosperous future.

We have taken decisive steps to ensure that our portfolio transitions towards 100% ESG compliance

By maintaining a cautious yet forward-looking approach, KIA ensures that our investments in technology are well-managed for long-term value creation

I remain optimistic about the global economic outlook, particularly for the GCC region and Kuwait

Sheikh Dr. Meshaal Jaber Al-Sabah

Kuwait remains a dynamic market in the region with its strategic location catering to the **nearby extended markets**

SHEIKH DR. MESHAAL JABER AL-SABAH
DIRECTOR GENERAL, KUWAIT DIRECT INVESTMENT PROMOTION AUTHORITY (KDIPA)

The outcome of the intensified efforts generated an increase in the cumulative volume of inward direct investments amounting to around US$ 6 billion in key sectors led by information technology

KDIPA, for the first time, was elected for the position of the Vice Presidency of the Steering Committee of the World Association of Investment Promotion Agencies (WAIPA)

In 2024, what are the main activities conducted by KDIPA to promote investment in Kuwait and impact on inflows of direct investment into the Kuwaiti market?

Under the leadership of H.H. Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah there is a continued resonating call that emphasise importance of hard work, accountability, completing developmental projects promptly, setting priorities, enhancing sustainable growth, nurturing national talents & innovation, strengthening Kuwait's diplomatic relations and humanitarian role.

For KDIPA, 2024 has been a productive year, the team has intensified efforts to execute the interim strategic plan with set quantitative KPIs that ultimately seek to encourage growing the share of value-added direct investments, to maximise their spillover effects on local economic development, in line with Kuwait's National Vision 2035 and its developmental goals. The outcome of these intensified efforts generated an increase in the cumulative volume of inward direct investments amounting to around US$ 6 billion in key sectors led by information technology.

Furthermore, KDIPA entered into several MOCs with various competent government authorities to enhance national collaboration aiming to facilitate the investment process, last of which an MOC signed with the Central Bank of Kuwait.

In the global investment arena, KDIPA, for the first time, was elected for the position of the Vice Presidency of the Steering Committee of the World Association of Investment Promotion Agencies (WAIPA); and hosted the semi-annual meeting of WAIPA Steering Committee in Kuwait this year, contributing actively to augment the ongoing collective efforts in exchange of expertise in the investment promotion industry, benefiting from emerging opportunities in various sectors and industries, discussing new development concepts, and better adapting to the rising challenges and rapid technological advancements.

I would like to commend KDIPA's team who made this possible by aspiring relentlessly to acquire knowledge and develop expertise that enabled them to outperform, and to provide excellence in KDIPA service delivery.

Is there a new Strategy for KDIPA to attract foreign investments in the coming years?

KDIPA looks to continue to adopt a balanced approach to strengthen the outcome of its promotional campaigns that showcase Kuwait's unique attributes by actively organising and participating in important forums and exhibitions to introduce Kuwait investment climate, promoting KDIPA economic and free zones, and showcasing lucrative investment opportunities. Our main thrust is to intensify investors targeting in priority sectors like ICT, renewable energy, and food security; further advance our team's service delivery model and facilitations to streamline the licensing process, and to cater to better aftercare and responsiveness through well-established channels of coordination with other competent government authorities. Ultimately the goal is to continue strengthening our networks linkages through economic diplomacy at bilateral, regional and international levels.
In parallel, KDIPA will continue to prioritize the nurturing of human capital by intensifying upskilling focused training of the staff through eLearning channels, professional certificates in specialised fields, and offering scholarships for post graduate degrees. Furthermore, in line with the emerging global trends, KDIPA is progressively adopting sustainability in its operations, with stronger emphasis on cascading good governance, settling digital transformation in all its operations towards a paperless environment. In this context, and adding to the quality management system (QMS) and customer satisfaction & handling complaints ISO certifications, KDIPA recently acquired ISO 27001:2022 certification for Information Security Management, which is considered key to improve digital services, for providing security, and maintaining transparency, as we continue to work toward an investor centric approach to maintain excellence in service delivery.

What are your expectations in the upcoming period?

The upcoming period will be a crucial one for Kuwait, as the country is steadfast in its resolve to further improve the business environment, especially the ecosystem for small and medium enterprises (SMEs) and the start-ups, strengthening the digital infrastructure including delivering the government service. In addition to further adapting the existing legislation to cope with the emerging technological advancements, and harness energies to ensure timely implementation of strategic projects.

As for KDIPA, in addition to the discussed strategy for attracting direct investments mentioned earlier ,we also will be embarking on developing our second medium term strategy with an international consultant within the next year towards a more proactive dynamic approach in the markets, with even more targeted focus on attracting investors through project-base sector-oriented strategy, in line with the country's needs and global demands, to accommodate growing investors' interest in the region with global discussions insinuating lucrative opportunities in the Gulf region.

How is Kuwait distinguishing itself from other countries as an investment destination?

Kuwait remains a dynamic market in the region with its strategic geographic location catering to the nearby extended markets, providing a project pipeline, maintaining stable macroeconomic indicators with strong currency as well as balanced internal and external positions, holding an investor grade sovereign rating and low political risk, enjoying high income per capita and strong purchasing power, availing a pool of young technologically savvy youth ready for the overriding digital revolution, adhering to just and transparent legal and regulatory system, capitalizing on rich oil resources as an industrial feed for several competitive industries, attaining quality infrastructure, acting on its international commitments including the UN SDGs 2030 and the COP environmental considerations, in addition to possessing appealing soft factors pertaining to a friendly, cultural, welcoming society, and a leading actor in humanitarian arena worldwide.

Our investors appreciate the country's transparency, competitive factor costs, as well as ability to freely transfer capital and earnings, and protection from expropriation, with incentives offered under Law No. 116 of 2013 for tax and customs exemptions and allocating land in the upcoming economic zones, free zones, and commercial plots under KDIPA, who will always be keen on providing our investors with the needed services and facilitations, catering to cultivate long term relationships with them as partners in growth.

The upcoming period will be a crucial one for Kuwait, as the country is steadfast in its resolve to further improve the business environment

Our investors appreciate the country's transparency, competitive factor costs, ability to freely transfer capital and earnings, and protection from expropriation

KDIPA looks to continue to adopt a balanced approach to strengthen the outcome of its promotional campaigns

With an increase of 4%

KD 845.8 million net profits of Kuwaiti banks in the first half of 2024

The nine Kuwaiti banks recorded a 4% increase in their net profits during the first half of 2024, amounting to KD 32.5 million, rising from about KD 813.3 million in the first half of 2023 to about KD 845.8 million. Figures indicate that 6 banks achieved profit growth, while 3 banks reported a decline in profits compared to the same period last year.

Additionally, total provisions held by banks during the first half of 2024 reached KD 121.3 million compared to KD 132.3 million for the same period of 2023, indicating a decrease by KD 11 million or by 8.3%.

2.6% increase in conventional banks' profits

The first half of 2024 witnessed a better performance among conventional banks group compared to the first half of 2023, with a 2.6% increase in net profits, rising by KD 11.2 million to reach KD 433.6 million compared to 422.4 million in the first half of 2023. This improvement is mainly due to the remarkable increase achieved by the National Bank of Kuwait. Despite this growth, the contribution of conventional banks in the total profits of Kuwaiti banks declined from 51.9% in the first half of 2023 to 51.3% in the first half of 2024 (the National Bank's profits constitute 34.6% of the total profits of all banks).

5.5% increase in profits of Islamic banks

In the first half of 2024, The Islamic Banks Group increased its share of Kuwaiti banks' total profits from 48.1% in the first half of 2023 to 48.7% (KFH's profits constitute 40.3% of the total profits of all banks). The group's net profit increased by about KD 21.3 million and by 5.5% reaching 412.2 million compared to 390.9 million in the first half of 2023. This was mainly due to KFH's increase (36.7% of the total increase achieved by the Islamic Banks Group).

Kuwaiti Banks Net Profits

KD million

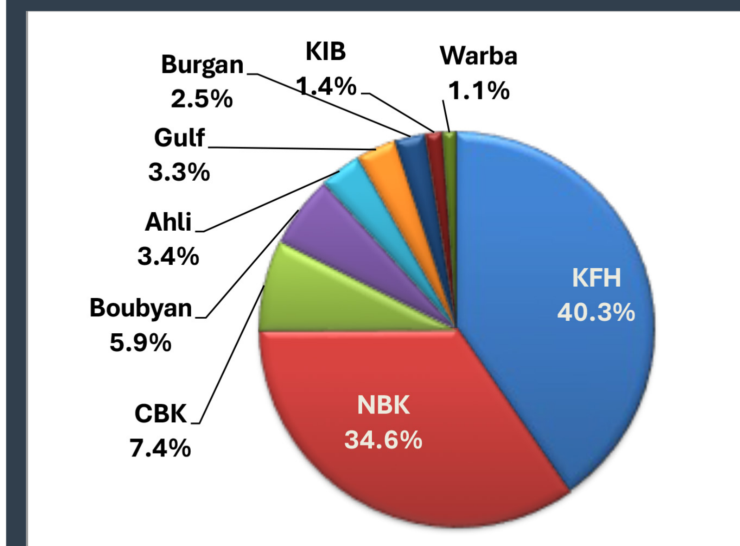
	2023	2024	Change	
	H1	H1	Value	%
Total	813.3	845.8	32.5	4.0
Traditional Banks	422.4	433.6	11.2	2.6
National bank of Kuwait	275.3	292.4	17.1	6.2
Commercial Bank of Kuwait	69.2	62.7	-6.5	-9.4
Gulf Bank	35.8	28.2	-7.60	-21.2
Burgan Bank	18.1	21.2	3.1	17.1
Ahli Bank	23.9	29.0	5.12	21.4
Islamic Bank	390.9	412.2	21.3	5.5
Kuwait Finance House	333.4	341.2	7.8	2.4
Boubyan Bank	41.3	49.6	8.3	20.2
Warba Bank	10.3	9.3	-0.9	-9.0
Kuwait International bank	5.9	12.0	6.1	102.2

Source: Kuwaiti banks income statement - MASAREF Magazine

KFH and NBK together accounted for 74.9% of the sector's total net profit

KFH's profits made up 40.3% of the total profits of all banks in the first half of 2024 compared to 41% during the corresponding half last year. NBK's profits represent 34.6% of the total profits of all banks in the first half of 2024 compared to 33.9% during the corresponding period last year. Commercial Bank of Kuwait came in third place with 7.4%, Boubyan Bank with 5.9%, Ahli Bank with 3.4%, Gulf Bank with 3.3%, Burgan Bank with 2.5%, Kuwait International Bank with 1.4% and Warba Bank with 1.1%.

Banks' Contribution to the Total Profits of Kuwaiti Banks (First half of 2024)



Source: Kuwaiti banks income statement- MASAREF Magazine

KFH Records Highest Profits Among Kuwaiti Banks

1. Kuwait Finance House (KFH): Achieving the highest net profit among banks, recorded about KD 341.2 million during the first half of 2024 compared to KD 333.4 million in the first half of 2023, with a growth of KD 7.8 million or by 2.4%. The increase in total net profits is due to KFH recording cash losses and the increase in the value of taxes, despite the rise in operating profit in addition to the decrease in total provisions. The total operating income increased by KD 89.1 million or by 12.1%, reaching KD 823.4 million. On the other hand, total operating expenses increased by KD 52.7 million or by 21.5%, reaching KD 298 million. Total provisions decreased by KD 19.5 million or by -75.4%, reaching KD 6.4 million.

2. National Bank of Kuwait (NBK): Reaching KD 292.4 million net profit during the first half of 2024 (topping the list of conventional banks) compared to KD 275.3 million in the first half of 2023, with a growth of KD 17.1 million or by 6.2%. The rise in the net profit was due to the increase in the operating profit alongside a decline in total provisions. The total operating income increased by KD 46.5 million or by 8.2%, reaching KD 612.4 million. Total operating expenses increased by KD 19.9 million or by 9.6%, reaching KD 226.6 million. Total provisions reached KD 42.7 million, decreasing by KD 5.3 million or by 11.1%.

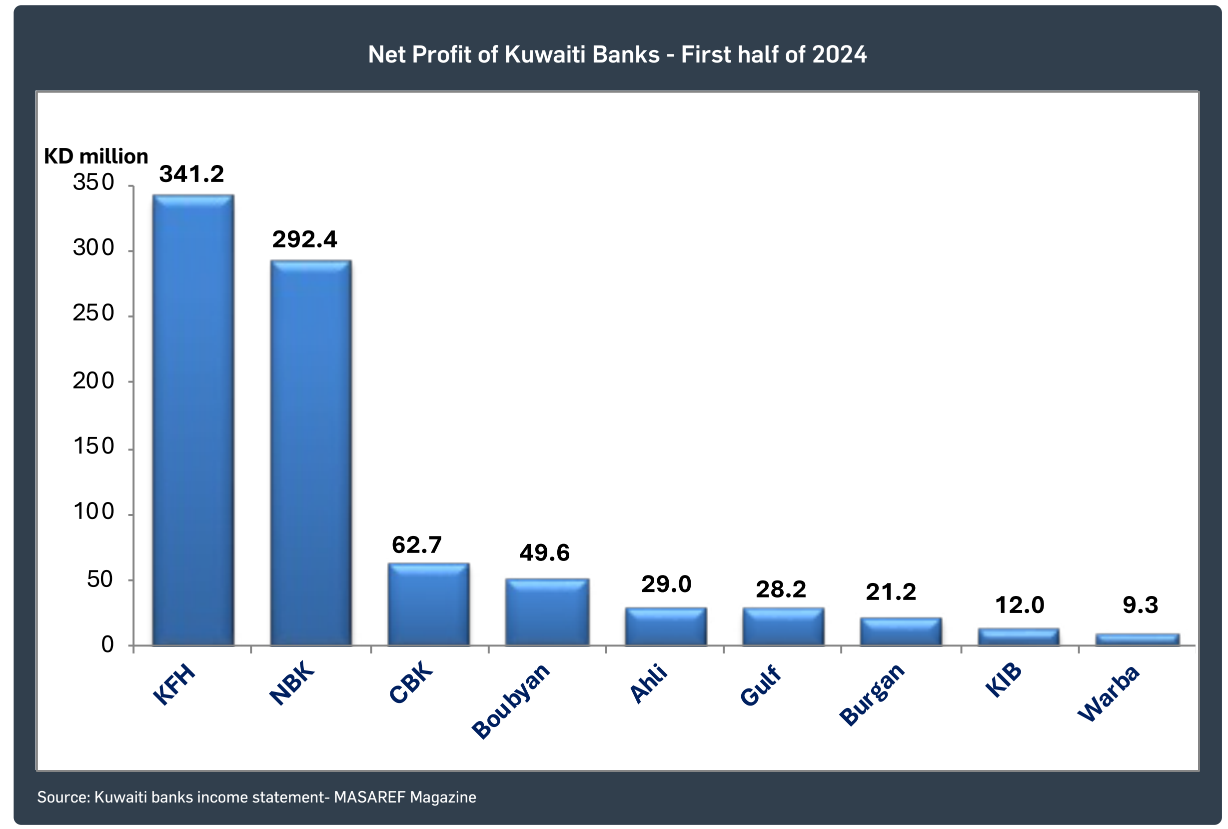
3. Commercial Bank of Kuwait: Recording KD 62.7 million net profit, with a decrease of KD 6.5 million, or by -9.4%, compared to about KD 69.2 million in the first half of 2023. This decrease in net profits is due to the decrease in the net reversal of impairment and other provisions in absolute terms by a higher value than the increase in the operating profit. The total operating income increased by KD 6.7 million or by 8.1%, to reach KD 89.9 million. The total operating expenses increased by KD 2.7 million or by 10.5%, reaching KD 28.8 million. The net reversal of impairment and other provisions amounted to KD 4.5 million, a decline by KD 10.9 million or by 70.7%, which had a negative impact on net profits.

4. Boubyan Bank: Achieving about KD 49.6 million net profit during the first half of 2024 with a growth of KD 8.3 million or by 20.2% compared to KD 41.3 million in the first half of 2023. The increase in net profits was due to the operating income rising by a higher value than the rise in the operating expenses, in addition to the decrease in total provision. The total operating income increased by KD 12.3 million or by 11.2%, reaching KD 121.4 million. On the other hand, total operating expenses increased by a value less than the increase in total operating income by KD 6.4 million or by 12.0%, to reach KD 60.1 million, due to the increase in all items of the operating expenses. Total provisions decreased by KD 6.2 million or by 38.2%, to reach KD 10 million.

5. Gulf Bank: Reaching KD 28.2 million net profit during the first half of 2024 with a decrease of KD 7.6 million by -21.2% compared to KD 35.8 million in the first half of 2023. The decrease in profitability is due to the increase in total provisions at a value higher than the increase in the operating profit. The total operating income reached KD 96.9 million, an increase by KD 4.6 million or by 5.0%. Total operating expenses increased by KD 1.4 million or by 3.2%, to reach KD 44.3 million. This was achieved because of an increase in most operational expense items. Total provisions increased by KD 11.3 million or by 96.0%, reaching KD 23 million.

6. Al Ahli Bank of Kuwait: Recording KD 29.0 million net profit during the first half of 2024 with a growth of KD 5.1 million or by 21.4% compared to KD 23.9 million in the first half of 2023. The increase in net profits was due to the rise in the operating profit by a value higher than the increase in total provisions. The total operating income increased by KD 13.3 million or by 15.2%, reaching KD 100.9 million. On the other hand, the total operating expenses increased by KD 4 million or by 9.2%, reaching KD 47.4 million. This was achieved because of the increase in most items of the operating expenses. Total provisions increased by KD 3 million or by 18.8%, reaching KD 19 million.

7. Burgan Bank: Achieving KD 21.2 million net profit during the first half of 2024 with a growth of KD 3.1 million or by 17.1% compared to about KD 18.1 million in the first half of 2023. The increase in net profits is due to the increase in the total operating profit and supported by the decrease in total provisions and taxes, in addition to recoveries of written off debts. The total operating income increased



by KD 17.9 million or by 19.3%, as it reached KD 110.6 million. On the other hand, total operating expenses increased by KD 8.6 million or by 15.9%, to reach KD 62.6 million, because of the increase in all items of the operating expenses. Total provisions decreased by KD 4.8 million or by -25.8%, reaching KD 13.9 million.

8. Kuwait International Bank: Reaching KD 12.0 million net profit during the first half of 2024 with a growth of KD 6.1 million or by 102.2% compared to KD 5.9 million in the first half of 2023. This increase in the level of net profits is due to the increase in total operating income by a value higher than the increase in total operating expenses. The total operating income increased by KD 6.5 million or by 18.6%, to reach KD 41.9 million. On the other hand, total operating expenses increased by KD 1.9 million or by 8.7%, reaching KD 24.1 million, because of the rise in all items of the operating expenses. Total provisions decreased by KD 1.8 million or by -25.8%, to reach KD 5.1 million.

9. Warba Bank: Recording KD 9.3 million net profit during the first half of 2024 with a decrease of KD 0.9 million or by -9% compared to KD 10.3 million in the first half of 2023. The total operating income increased by KD 1.8 million or by 5.4%, reaching KD 34.6 million. The total operating expenses increased by KD 1.2 million or by 6.9%, reaching KD 19 million. The increase included most items of the operating expenses. Total provisions increased by KD 1.5 million or by 34.2% as mentioned previously, to reach KD 5.8 million.

For the First Half of 2024

NBK Reports Net Profits of KD 292.4 Million

Reflecting 6.2% Y-o-Y Growth The Board of Directors resolved to distribute semi-annual cash dividends of 10 fils per share, representing 10% of the nominal value of the shares.

MR. HAMAD AL-BAHAR
CHAIRMAN,
GROUP (NBK)

National Bank of Kuwait (NBK) has announced its financial results for the six-month period ended 30 June 2024. The Bank reported a net profit of KD 292.4 million (USD 953.6 million), compared to KD 275.3 million (USD 897.9 million) for the corresponding period in 2023, improving by 6.2% year-on-year. Total assets as of the end of June 2024 grew by 4.4% year-on-year to reach KD 37.7 billion (USD 122.9 billion), whereas total loans and advances increased by 5.4% year-on-year to reach KD 22.7 billion (USD 74.1 billion), while shareholders' equity reached KD 3.8 billion (USD 12.5 billion), growing by 6.5% year-on-year. Based on these results, the Board of Directors has resolved to distribute semi-annual cash dividends of 10 fils per share for the period ended 30 June 2024, representing 10% of the nominal value of the shares.

Al-Bahar: Our ability to maintain growth momentum underscores the adaptability of our versatile business profile to changing operating environments

We are reaping the benefits of strategic diversification, supported by a robust balance sheet, a solid capital base, targeted investments, and prudent risk management

Impressive Financial Performance

Commenting on NBK's 1H2024 financial results, Mr. Hamad Al-Bahar, NBK Group Chairman, said: "In the first half of 2024, NBK maintained its growth momentum with strong financial results, highlighting the resilience of its diversified and resilient business model amidst evolving operational landscapes."

"Despite regional and international geopolitical tensions impacting the global economy, the Bank has continued to leverage strategic diversification in its products and services across diverse regions. This success was supported by a strong balance sheet, solid capital base, high asset quality, ample liquidity, targeted investments, and prudent risk management," Al-Bahar added. He also indicated that in the first half of this year, NBK continued to strengthen its operations across its markets, adopting the highest standards of sustainability and adhering to the best ESG practices. This commitment underscores the Bank's dedication to seizing optimal and sustainable opportunities while serving as a key partner for its customers in their efforts to secure sustainable financing.

Social Responsibility

On the social responsibility front, Al-Bahar stated that, as part of NBK's commitment to supporting the sustainable development of Kuwait's economy and leveraging its position as the leading contributor to social responsibility in Kuwait, the Bank signed an agreement in 2Q2024 to develop Sharq area. This collaboration with Kuwait Municipality and Al-Shaab National Real Estate Company involves the establishment of a new public park and parking facilities, with an estimated investment of KD 8 million. The execution of this initiative is projected to take approximately two and a half years.

Sustainable Growth

Meanwhile, Mr. Isam J. Al-Sager, NBK Group Vice Chairman and CEO, said: "NBK's robust financial results for the first half of 2024 highlight the successful implementation of our strategy for sustainable growth. This achievement reflects our commitment to delivering long-term value to our shareholders, customers, the communities we serve, and all stakeholders". Al-Sager explained that NBK's ability to sustain profit growth across various economic cycles clearly reflects its resilient business model and prudent approach to risk management. He noted that the group's net operating income increased by 8.2% year-on-year in 1H2024, reaching KD 612.4 million (USD 2.0 billion). "Through its strategic investments in technology and innovation, as well as its commitment to investing in its employees as its most valuable asset, NBK has succeeded in delivering a banking experience that meets the evolving needs of its customers with a range of carefully designed digital services and products. The Bank remains dedicated to investing in these areas, recognizing innovation as a key driver of future growth," Al-Sager added.

Al-Sager highlighted that NBK Group continued to strengthen its leading banking brand across all business sectors, emphasizing strong performance in key areas in 1H2024. This includes notable growth in international operations which continues to support the Bank's diversification strategy and contributing positively to both the Group's operating income and net profits. He explained that the strong contribution attributed to the international operations to the Bank's profits, reflects the soundness of the Group's vision and the proved success of its diversification strides. He also stressed that the Group will continue with its endeavor in strengthening its global banking operations, with an eye on key growth markets. In parallel with the Bank's vision to increase international operations' contribution to profits, expanding its global banking services, its commitment to providing exceptional mortgage solutions and tailored service that meet the investment needs of its clients in international real estate; NBK opened during the second quarter of this year the first international mortgage loan center of its kind in Kuwait at the Bank's headquarters; dedicated to serving clients intending to buy or finance real estate in the United Kingdom, France and the UAE. "The Group is also witnessing a significant expansion in the area of wealth management, particularly following the recent launch of "NBK Wealth", positioning it as the largest local wealth management firm and a major player in the region," Al-Sager added.

Economic reform

Al-Sager expressed confidence in the government's ability to tackle significant economic challenges and execute a pragmatic reform agenda, uplifted by the backing of His Highness the Amir, Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah. He emphasized that upon the implementation of these reforms and the initiation of significant development projects, alongside increased investment expenditure and alignment with policies that attract investments and bolster the role of the private sector in project operation and management, it will revitalize the local business environment. He highlighted NBK's commitment to solidifying its role as the primary partner of the government sector in funding major strategic initiatives. On the prospects of domestic credit growth for the year 2024, Al-Sager said: "We are optimistic that credit growth will further improve for the remainder of the year for both business sector and household credit, compared to a decline in growth levels last year." He attributed this to the positive momentum of project awards during 2Q2024, and anticipates an acceleration in its pace throughout the remainder of the year. Additionally, he cited expectations of lower interest rates in the second half of the year and an influx of Kuwaitis entering the labor market as contributing factors.

MR. ISAM J. AL-SAGER
NBK GROUP VICE
CHAIRMAN AND CEO

Al-Sager: Our strong financial results underscore NBK's success in achieving sustainable growth

Driving Sustainable Leadership

In 1H2024, NBK maintained its leadership in sustainability by successfully issuing its first green bonds totaling USD 500 million. This issuance, oversubscribed by more than 3 times (USD 1.5 billion), marks the first green bond from a Kuwaiti financial institution and the first by a bank in the region this year. It stands as one of the largest green issuances by a conventional financial institution in the region. In another milestone in sustainability, Al-Sager announced that NBK has joined the Partnership for Carbon Accounting Financials (PCAF) initiative. This move positions NBK as the first bank in Kuwait and one of only six banks in the MENA region to join leading global financial institutions in measuring and disclosing greenhouse gas (GHG) emissions related to its lending and investment activities. He emphasized that this significant step strengthens the Bank's commitment to achieving carbon neutrality by 2060. He further elaborated that in 1H2024, NBK has entered a strategic partnership with DHL to use the "DHL GoGreen Plus" service. Through its participation in GoGreen Plus, NBK ensures that all its international shipments are transported using Sustainable Aviation Fuel (SAF) rather than traditional jet fuel. This transition leads to a substantial reduction in carbon emissions that are linked to transportation.

Prestigious Awards

Al-Sager highlighted that during the first half of 2024, NBK reinforced its leadership in Kuwait and the region by earning prestigious awards, further enhancing its global recognition.

He explained that NBK has received several prestigious awards from MEED international magazine as part of its MENA Banking Excellence Awards for 2024. The accolades include Best Retail Bank in Kuwait (NBK), Best Innovation Program in MENA, and Excellence in Sustainable Investment in MENA. Additionally, Weyay was recognized as the Best Digital Bank in Kuwait, and NBK Wealth was honored as the MENA Fund Manager of the Year.

Key financial indicators for 1H2024

- *Net operating income of KD 612.4 million (USD 2.0 billion), up 8.2% year-on-year*
- *Total assets increased by 4.4% year-on-year, at KD 37.7 billion (USD 122.9 billion)*
- *Total loans and advances grew by 5.4% year-on-year to KD 22.7 billion (USD 74.1 billion)*
- *Customer deposits increased by 7.6% year-on-year to KD 21.8 billion (USD 71.1 billion)*
- *Shareholders' equity amounted to KD 3.8 billion (USD 12.5 billion), registering an annual growth of 6.5%.*
- *Strong asset quality metrics, with NPL/gross loans ratio at 1.52% and an NPL coverage ratio of 248%.*
- *Robust Capital Adequacy Ratio of 16.8%, comfortably in excess of regulatory requirements.*

For the 1st half 2024

Al Tijari declares Net Profit of KD 62.7 million

Interim Cash Dividend
12 fils per Share

SHEIKH AHMAD DUAIJ AL SABAH
THE BANK'S CHAIRMAN (CBK)

Sheikh Ahmad Duaij Al Sabah: Regulatory ratios remained strong and continue to be well above the Central Bank's statutory requirements

The Bank is equipped with the latest technology and digital services, enabling it to continue its successful digital transformation journey by improving its digital platforms and introducing new customer services

Commercial Bank of Kuwait announced a net profit of KD 62.7 million for the half year ended 30 June 2024. Operating profit before provisions at KD 61.1 million compared to KD 57.1 million for the same period of last year, higher by 7%. Earnings per share for the current period is 34.9 fils (June 2023: 36.8 fils).

Regulatory Ratios:

Regulatory ratios remained strong and continue to be well above the Central Bank's statutory requirements. Capital Adequacy Ratio is at 16.1%, Liquidity Coverage Ratio 237.8%, Net Stable Funding Ratio 115.0% and Leverage ratio 9.9%.

Operational Performance:

Sheikh Ahmad Duaij Al Sabah, the Bank's Chairman, is pleased to present the Bank's results for the first half of 2024. Operating profit before provisions reflects a healthy year-on-year growth of KD 4.0 million (7.0%) driven by growth in loans by KD 355 million, higher benchmark interest rates and 8.5% increase in fee income. Net Profit at KD 62.7 million is lower by KD 6.5 million (9.4%). Last year included higher loan loss recoveries mainly resulting from a legal verdict.

Performance Ratios:

Sheikh Ahmad emphasised that Al-Tijari continues to report healthy performance ratios relative to its history and this stems from the strategic initiatives taken in the previous years. Net interest margin 2.76% (HY 2023: 2.69%), Return on Equity 19.0% (HY 2023: 20.8%) and Return on Assets 2.8% (HY 2023: 3.3%). Cost to income ratio 32.0% continues to be one of the lowest amongst Kuwaiti banks.

Business updates:

Sheikh Ahmad added that the Bank is equipped with the latest technology and digital services, enabling it to continue its successful digital transformation journey by improving its digital platforms and introducing new customer services.

Al-Tijari enhanced its communication with customers through presence at several commercial complexes and malls through a comprehensive outreach plan with an aim to introduce customers to the integrated products and digital services provided by the Bank. This personal contact helps to spread banking and financial culture amongst various segments of the society under "Let's Be Aware" campaign launched by the Central Bank of Kuwait in cooperation with Kuwait Banks Association. The Bank also uses its electronic channels and accounts on social media networks to educate customers on the importance of protecting their banking information against fraud attempts.

During Q2 2024, K-Net launched a new instant payment system "WAMD". Six banks including Al Tijari were the early adopters and launched the service through mobile banking applications. Customers can send and receive money instantly without any charges, 24/7.

Customers can now pay telecom bills through the mobile application. In addition, many other features have also been added to the Bank's mobile application.

The "Business Islands" which are now available in most of Al-Tijari branches has been updated with additional features including enhanced authentication process for customers by using civil id.

Diligent Efforts for Raising Customer Awareness:

In Light of the "Let's Be Aware" Campaign, Commercial Bank of Kuwait continues its diligent efforts for raising customer awareness with the advent of summer and travel season, Al-Tijari is keen on encouraging customers to use their banking cards safely. Cardholders should continuously check the validity of their cards and credit limits before travel, and make sure to update their contact information at the Bank. They should also be careful not to write down the password (PIN Code) or any personal information anywhere, lest fraudsters access such information. Customers should never share their password or the one time password (OTP code) with anyone, and to read the content of the received messages containing the (OTP) to check the name of the relevant store Customers should not use public Wi-Fi services in completing their banking transactions if the safety of the network is not trusted. The Bank stressed the importance of downloading CBK Mobile App on smartphones for more information on how to use cards during travel. When using ATM machines, customers should always ensure there are not any unusual devices or information hacking devices installed on the ATM. In case of card loss or theft or having any card issues, it is essential to contact the Bank's customer service immediately.

Sustainability and Social responsibility

Al-Tijari continues to show a strong commitment towards its sustainability and social responsibility. The Bank hosted the Integrated Care Association for Special Needs at its branches where a workshop was organised on environment sustainability. The workshop discussed the importance of recycling materials for environment preservation.

The Bank also encouraged its employees to adopt the recycling approach by allocating a container in the Bank's branches and headquarters where old electronic devices, wires and other unused children's toys were placed by the Bank's employees.

In celebration of Eid, the Bank visited the Paediatric department in Al-Amiri Hospital to congratulate and share the festivities with the children.

The Bank also distributed Iftar meals to construction and cleaning workers in different areas on the Holy Day of Arafa within the framework of "Hawwin Alaihom" campaign.

Under its social responsibility and for encouraging staff to adopt a healthy lifestyle, the Bank hosted a team of medical professionals to conduct medical tests including blood pressure, diabetes, and advising on improving lifestyle. 'Lunch and Learn' workshop was also organised whereby staff were informed about the benefits of having a healthy diet. In addition, the staff were also trained to cook healthy food for their day to day life.

Al Tijari were the early adopters and launched the new service of instant payment system "WAMD" through mobile banking applications

Thank You Note

Sheikh Ahmad concluded by extending his sincere appreciation to the Central Bank of Kuwait and other regulatory authorities for their supervision and support to the Banking sector and to the Bank's Executive Management as well as all staff for their dedication and rigorous efforts to make Al-Tijari as Bank of Choice.

Financial highlights:	(KD Million)		
	Half Year 2024	Half Year 2023	Change
Net profits attributable to Shareholders of the Bank	62.7	69.2	-9.4%
Operating profit before provisions	61.1	57.1	7.0%
Net Interest Income	59.3	54.8	8.3%
Fee and Commission Income	23.4	21.6	8.5%
Total Assets	4,770.8	4,247.3	12.3%
Loans and advances	2,740.3	2,385.7	14.9%

Gulf Bank records KD 28.2 million in Net Profit for the first half of 2024

Gulf Bank K.S.C.P. announced its financial results for the first half ending 30 June 2024. The Bank reported a net profit of KD 28.2 million, a decline of KD7.6 million or 21.3% compared to 2023 first half net profit of KD 35.8 million.

MR. BADER NASSER AL-KHARAFI
CHAIRMAN GULF BANK'S

Bader Nasser Al-Kharafi: Gulf Bank consistently exhibits robust operational performance, reinforced by strong top-line growth and sound financial position metrics

Despite the higher than usual credit costs, we remain confident in the Bank's future potential

In addition, Gulf Bank recorded an operating income of KD 96.9 million for the first half of 2024, representing an increase of 5% compared to the same period of last year. Moreover, operating profit before provisions and impairments has increased to KD 52.6 million, representing a healthy growth of 6.6% compared to the first half of 2023.

The decline in net profit for the first half of 2024 is attributed to an increase in total provisions and impairments of KD 11.3 million compared to the same period of last year. Although this rise in total provisions and impairments has impacted short-term results, the Bank is diligently implementing sound risk management strategies to ensure long-term sustainable growth.

As for asset quality, the non-performing loans (NPL) ratio was 1.2% as of 30 June 2024, compared to the prior year level of 1.0%. Additionally, the Bank continues to have significant non-performing loans coverage ratio of 390% including total provisions and collaterals.

Total credit provisions as of 30 June 2024 reached KD 274 million whereas IFRS 9 accounting requirements (i.e., ECL or expected credit losses) were KD 161 million. As a result, the Bank has a very healthy excess provision level of KD 114 million, above and beyond what is required by the IFRS 9 accounting requirements.

Compared to 31 December 2023, total assets increased by 3.6% to KD 7.4 billion, net loans and advances increased by 6.9% to KD 5.6 billion, while customer deposits increased by 9.5% to KD 4.6 billion and total Shareholders' equity reached KD 802 million.

The Bank's regulatory Tier 1 ratio of 14.23% was 2.23% above the regulatory minimum of 12% and the Capital Adequacy Ratio (CAR) of 16.35% was 2.35% above the regulatory minimum of 14%.

Financial Performance and growth

Commenting on Gulf Bank's first half 2024 financial results, Mr. Bader Nasser Al-Kharafi, Gulf Bank's Chairman said: "For the second quarter of the year 2024, Gulf Bank consistently exhibits robust operational performance, reinforced by strong top-line growth and sound financial position metrics. We faced higher than usual credit costs which resulted in a decline in our net profit growth during the first half of the year compared to the same period of last year, however, we remain confident in the Bank's future potential." He added: "Having said that we have seen our loan book significantly expand during the first half of 2024, reflecting the success of our strategic initiatives in meeting our clients' evolving needs. This growth in loans displays our capacity to navigate and excel in dynamic market conditions, reinforcing our prominent position in the Kuwaiti banking sector." On the improvement of the Bank's operational profitability, Mr. Al-Kharafi stated: "I am pleased with the continuous improvement in our operating profitability, especially in net interest income, operating income, and operating profit. This operational enhancement highlights our focus on strategic growth and financial discipline, reflecting our dedication to expanding strategically and maintaining financial stability."

Operational Efficiency

Following the completion of phase II of the new core banking system during the first half of 2024, Mr. Waleed Khaled Mandani, Gulf Bank Acting CEO commented: "We are pleased to announce the successful completion of Phase II of our core banking system, a significant milestone in our journey towards advancing customer centricity. This achievement strengthens our operational capabilities and reaffirms our focus to meet the evolving needs of our clients in a digitally driven era." He added: "In partnership with Fintech providers, Gulf Bank is ready to leverage these technological foundational changes to drive operational efficiencies and transform our branches into relationship and experience centers aiming to provide a personalized and seamless banking experiences to our clients."

Customer Excellence

Gulf Bank continues its strategic journey towards customer service excellence. On this front, Mr. Mandani stated: "Gulf Bank is committed to enhancing and developing customer services and implementing the latest and best technological applications, which are rapidly progressing us towards banking industry leadership." He added:" Our most recent customer offerings included a revamped mobile application, partnerships with local providers to offer our SME customers with advanced payment solutions, and a digital financial market trading platform, catering for our clients' financial and investment needs."
Moreover, Mr. Mandani also stressed on the Bank's readiness to support Kuwait's developmental projects in line with the principles of transparency, achievement, and sustainability by stating: "We are dedicated to providing diverse financing plans that meet the evolving needs of this phase. Gulf Bank plays a significant role in Kuwait's urban and economic development and our contribution varies between direct funding and partnerships with other financial institutions. We have already financed multiple initiatives crucial to Kuwait's Vision 2035, particularly in sectors such as oil, construction, and infrastructure, emphasizing our essential role in Kuwait's ongoing progress and prosperity."

Islamic Sharia'a Compliance

During the second quarter of 2024, Gulf Bank's announced that the Board of Directors request for the engagement of an international consultant to undertake a feasibility study regarding the potential conversion of Gulf Bank to operate in accordance with Islamic Shariaa principles. The Central Bank of Kuwait has granted approval for the commencement of this study.

ESG Recognition

Gulf Bank has recently unveiled its 2030 ESG strategy defining its commitment across key pillars: Responsible Governance, Fair Work Environment, Community Engagement, and Banking Responsibility. This strategic initiative reinforces the Bank's operational integrity and illustrates its profound impact in the domain of sustainability. Celebrating these achievements, Gulf Bank has been honored with two esteemed awards: one acknowledging its exceptional efforts in social responsibility and community engagement from Euromoney, and the other for fostering the best workplace environment that promotes diversity and inclusion from the Gulf International CSR Conference. These awards emphasize the Bank's proactive approach in shaping a future where ESG principles complement its mission and success. Moreover, Gulf Bank was recognized by MEED magazine with two prestigious awards: the "Best Implementation of Diversity and Inclusion Initiatives" and the "Best Initiative for Women in Business" award for the Middle East and North Africa region. These awards were received in recognition of Gulf Bank's appreciation for women role in economic growth and upholding sustainability principles at the workplace and the community.

MR. WALEED KHALED MANDANI
GULF BANK ACTING - CEO

Waleed Khaled Mandani: The successful completion of Phase II of our core banking system is a significant milestone in our journey towards advancing customer centricity

Credit Worthiness

Gulf Bank continues to be well recognized internationally in terms of its credit worthiness and financial strength by international credit rating agencies for its sound capitalization, improving profitability and strong asset quality. As of 30th June 2024, Gulf Bank has an affirmed 'A3' Long-Term Deposit Rating and 'Positive' outlook from Moody's Investor Services. In addition, The Bank has an affirmed Long-Term Issuer Default Rating at 'A' with a 'Stable' Outlook and a Viability Rating of 'bbb-' by Fitch Ratings. Moreover, Gulf Bank has also an affirmed Long-Term Foreign Currency Rating of 'A+' with a 'Stable' Outlook from Capital Intelligence Ratings.

Appreciation

Mr. Al-Kharafi concluded his remarks by stating: "Moving forward, we anticipate sustainable growth in the years ahead, supported by our efforts towards innovation, solid financial performance, and customer-focused approach." He added: "On behalf of the Board of Directors, I would like to thank our shareholders for their ongoing trust, and our employees for their commitment and dedication. I would also like to thank the Regulatory Authorities for their continuous support. Finally, I want to thank our customers for their loyalty, and reiterate our commitment to offering them the best banking experience."

Key Financial indicators for the first half:
• *First Half 2024 net profit of KD 28.2 million.*
• *First Half 2024 operating income of KD 96.9 million, an increase of 5% compared to the same period of last year.*
• *Operating profit before provisions impairments reached KD 52.6 million, an increase of 6.6% compared to the same period of last year.*
• *Net loans and advances grew by 6.9% year-to-date to reach KD 5.6 billion.*
• *Non-performing loan ratio as of 30 June 2024 was 1.2%, with a strong non-performance loan coverage ratio of 390%.*
• *Capital ratios as of 30 June 2024, Tier 1 ratio was 14.23% and Capital Adequacy Ratio (CAR) was 16.35%.*

Al Ahli Bank of Kuwait First Half 2024 Financial Results:

22% Increase in Net Profit to KD 29.06 Million

Al Ahli Bank of Kuwait (ABK) proudly announced its robust financial results for H1 2024, once again affirming its position as a leading financial institution.

MR. TALAL BEHBEHANI
CHAIRMAN, OF (ABK)

Mr. Talal Behbehani: The growth that the Group has witnessed in financial indicators during H1 2024 demonstrates our success in developing sophisticated and distinctive plans

Financial Performance

ABK reported a Net Profit of KD 29.06 million, representing a 22% increase and an increase in Earnings per Share (EPS) of 20% to 12 fils. Operating Income increased by 15% to KD 100.94 million while Operating Profit witnessed an increase of 21%, reaching KD 53.57 million, reflecting the Bank's strong profitability and shareholder value creation.

Total Assets reached KD 6.64 billion while maintaining steady growth in Loans and Advances amounting to KD 4.5 billion, with Customer Deposits at KD 3.97 billion, affirming the Group's reputation as a trusted financial partner. Moreover, the Bank's Non-performing Loan (NPL) ratio stood at 1.31%, with NPL coverage at 447%, Capital Adequacy Ratio (CAR) at 15.3%, and Shareholders' Equity at KD 607 million, further underscoring ABK's financial stability, healthy financial position, and robust balance sheet.

Solid Plans

Commenting on this achievement, Mr. Talal Behbehani, Chairman of ABK, stated, "The growth that the Group has witnessed in financial indicators during H1 2024 demonstrates our success in developing appropriate plans that keep pace with the continuous changes in the Kuwaiti, regional, and global economies. It also highlights our strong financial market position in addition to our commitment to preserving shareholders' rights and consistently providing them with added value."

He reiterated that ABK is fully prepared to contribute to financing upcoming large developmental projects in Kuwait in the near future. The Chairman expressed confidence that the partnership between the public and private sectors in implementing Kuwait Vision 2035 as envisaged would elevate economic activity and contribute to transforming Kuwait into a regional and global commercial and financial center.

Mr. Behbehani emphasized the adoption of the highest standards of governance and transparency in dealing with all stakeholders and shareholders in ABK, indicating that the Board of Directors and Executive Management consistently work on implementing plans and operations in a timely manner to provide the best returns and maintain trust.

He also revealed that, during H1 2024, the Board of Directors approved the new environmental, social, and governance (ESG) and sustainability 5-year strategy, aimed at elevating the Group's successes and achievements across all sectors.

Furthermore, Mr. Behbehani stated that ABK continues to work on its digital transformation plan and adopts the highest security standards in all divisions. This includes signing agreements for utilizing artificial intelligence (AI) technologies, enhancing performance and services, and innovating more banking solutions to assist customers in executing their financial transactions in the simplest and most secure ways.

Mr. Behbehani added, "We are pleased to have maintained our high ratings with a stable outlook by global credit rating agencies, with an A rating from Fitch and an A2 from Moody's." He affirmed that these confirm the Group's financial stability and its ability to earn trust as a reliable banking and financial partner in both the Kuwaiti and regional markets it operates in, namely in the United Arab Emirates and Egypt.

He emphasized, "These ratings reflect the high confidence we enjoy thanks to our innovative financial products and services that are widely popular in the market."

Committed to Innovation

On his part, Mr. Abdulla Al Sumait, Acting Group Chief Executive Officer at ABK, said, "We have once again succeeded in maintaining our growth by consistently introducing worthwhile banking products, services, and solutions that meet individual and corporate customers' ever-evolving needs." This is in addition to ABK's participation in several financial deals, confirming the trust that the Group enjoys from global companies.

New Campaigns

H1 2024 witnessed the launch of several new campaigns, reflecting ABK's commitment to offering customers excusive benefits as a token of appreciation for their trust. Some examples include the launch of Al Tajer Plus to assist small and medium-sized enterprises (SMEs) in growing their businesses and increasing their profitability. Another great success is the recent summer campaign, providing cardholders with exceptional benefits and discounts.

In addition, the UAE mortgage loan was introduced, allowing customers to acquire financing for property purchases as part of ABK's continuous efforts to integrate operations across the region. This comes alongside the debut of the first-of-its-kind Family Banking package in the Kuwaiti banking sector, aimed at providing comprehensive banking services to all family members.

Mr. Al Sumait stated, "The upcoming period will involve the launch of even more promotional campaigns to attract customers and establish additional partnerships that provide exclusive benefits and rewards to all segments. This is all in an effort to contribute to further elevating ABK's position in the market."

Awards

These efforts have not gone unnoticed where Mr. Al Sumait highlighted that the Group received numerous reputable international awards during H1 2024. He said, "These accolades have acknowledged ABK's outstanding performance, provision of the best banking services, products, and solutions to customers, and adherence to the highest standards in the banking industry."

The most recent of which was ABK's notable wins at the MENA Banking Excellence Awards 2024 for Excellence in Customer Protection/ Fraud Control (Kuwait), recognizing the Bank's unwavering commitment to safeguarding its customers' interests and maintaining robust fraud control measures. The second was Best Retail Bank – Egypt award, acknowledging ABK's unparalleled dedication to providing top-notch retail banking services and solutions in Egypt.

Furthermore, ABK received J.P. Morgan's Elite Quality Recognition award alongside international accreditation from the Chartered Institute of Procurement and Supply (CIPS). This is in addition to ABK's subsidiary, ABK Capital, being awarded Most Innovative Multi-Asset Fund Management Company from International Finance.

MR. ABDULLA AL SUMAIT
ACTING GROUP CHIEF
EXECUTIVE OFFICER AT (ABK)

Widespread Presence

Mr. Al Sumait added that the Group also participated in global events and conferences during H1 2024, such as the Global Digital Banking Conference as well as the Visa Payments Forum, and the Dubai FinTech Summit. He stated, "This provided the opportunity to stay abreast of the latest developments in payment technologies as well as the global banking industry to deliver the same standard to customers across all the markets we operate in." This effort falls in line with ABK's consistent endeavor to achieve financial inclusion in the communities it serves.

In this spirit, ABK was keen on enhancing its community presence by sponsoring various events, such as Amiri Hospital's Eighth Medical Scientific Day and the final football match of HH the Amir, as well as several job fairs.

ABK also continues to support the Central Bank of Kuwait and the Kuwait Banking Association's 'Let's Be Aware' banking awareness campaign. This includes spreading financial awareness about various banking services and solutions, providing tips on how to combat financial fraud, and informing customers of their rights and responsibilities when dealing with banks. Mr. Al Sumait concluded his statement stating, "I would like to express my appreciation to our customers for their unwavering loyalty and trust. I also commend the efforts of all our employees and encourage them to continue their pursuit of excellence that allows us to maintain our position as a leading bank in the sector."

Mr. Abdulla Al Sumait: We have once again succeeded in maintaining our growth by consistently introducing worthwhile banking products, services, and solutions that meet individual and corporate customers' ever-evolving needs

Recording a NP growth of 103%

KIB Group's net profits during H1 2024 reach KD 12 million

Kuwait International Bank (KIB) Chairman Sheikh Mohammed Jarrah Al-Sabah has revealed the financial results for the first half (H1) of the year, which ended on 30 June 2024. During this period, KIB achieved KD 12 million of net profit attributable to shareholders, (i.e. 103% growth) with earnings per share (EPS) standing at 5.99 fils.

SHEIKH MOHAMMED JARRAH AL-SABAH CHAIRMAN KUWAIT INTERNATIONAL BANK (KIB)

Sheikh Mohammed Jarrah Al-Sabah: The financial results reflect the strength of the Bank's financial position, its flexible business model and its ability to achieve sustainable profits.

The Bank enjoys a strong and stable capital base, enabling us to pursue further development, enhance our digital capabilities, evolve our innovation-driven operations and expand our financing and investment activities on different levels

Commenting on the results, Al-Jarrah asserted that KIB delivered an outstanding financial performance during the first six months of 2024. He said: "The financial results reflect the strength of the Bank's financial position, its flexible business model and its ability to achieve sustainable profits. This success is attributed to KIB's effective strategy, its digital infrastructure investments and its efforts to attract the best national talents."

Al-Jarrah added: "The financial results recorded during the first half of the year 2024 confirm that the Bank enjoys a strong and stable capital base, enabling us to pursue further development, enhance our digital capabilities, evolve our innovation-driven operations and expand our financing and investment activities on different levels." He also noted KIB's readiness to participate in financing various development projects in Kuwait.

Delving into the Bank's interim financial statement for H1 2024, Al-Jarrah stated that KIB's total assets grew to reach almost KD 3.50 billion, this growth was the result of an increase in the size of financing portfolio to reach KD 2.52 billion as at 30 June 2024. In addition, he noted that KIB's investment and high-quality Sukuk portfolio stood at KD 405 million.

Al-Jarrah highlighted that depositors' accounts witnessed a growth by 12% to reach almost KD 2.12 billion at the end of 30 June 2024. In addition, the shareholder equity, stood at almost KD 336 million (i.e. 7% growth) due to KIB successfully maintaining adequate levels of Basel III total capital adequacy ratio, which was 19.5% at the end of H1 2024.

On his part, KIB Vice Chairman and CEO Raed Jawad Bukhamseen pointed out that KIB has maintained sustainable profit growth and continued to achieve positive financial results thanks to its long-term strategy to keep pace with the banking sector's rapid and continuous advancement, with a core focus on innovation, transformation and agile development. "Our continuous efforts aim to achieve our mission of providing an exceptional banking experience for our customers, ensuring the application of best responsible banking practices and risk management, while committing to providing added value to our shareholders," he said.

Bukhamseen presented the key financial results for the first half of the year 2024, where financing income increased to reach KD 89 million, compared to almost KD 82 million, with a growth rate of 9% on an annual basis, and net financing income increased to reach an KD 31 million, compared to almost KD 23 million, with a growth rate of 33% on an annual basis, and an increase in fees and commission income to reach KD 7.8 million, compared to an KD 6 million, with a growth rate of 28% on an annual basis, as this contributed to an increase in operating income to reach almost KD 42 million compared to KD 35 million, with a growth rate of 19% on an annual basis for the period ended 30 June.

Bukhamseen highlighted KIB's notable achievements during the first half of 2024, pointing out that the Bank successfully issued a USD 300 million Additional Tier 1 (AT1) Sukuk at an annual profit rate of 6.625%. The issuance attracted high investor demand, resulting in an oversubscription of over twice the original size of the issued Sukuk. The final pricing represented the tightest spread ever achieved on an AT1 Sukuk globally at the time of issuance, at 195 basis points above US Treasuries. In addition, KIB has fully redeemed the Tier 1 Sukuk issued in 2019 by way of exercising the sukuk Call Option.

Finally, Bukhamseen pointed out that the subsidiaries of the KIB continue to achieve tangible achievements in diversifying and developing products and services, targeting all companies in their various sectors to provide innovative and advanced services.

In their concluding remarks, both Bukhamseen and Al-Jarrah lauded the role of the Central Bank of Kuwait and its continuous support, and expressed gratitude to the Capital Markets Authority for fostering an attractive and competitive investment environment in the State of Kuwait. They also praised the diligent efforts of all teams at KIB and their contributions to achieving these results, expressing their sincere appreciation to KIB's Board of Directors and its Executive Management for their continuous support and wise guidance towards further strengthening the Bank's financial position and meeting all requirements related to environmental, social and corporate governance.

The subsidiaries of the KIB continue to achieve tangible achievements in diversifying and developing products and services, targeting all companies in their various sectors to provide innovative and advanced services

RAED JAWAD BUKHAMSEEN KIB VICE CHAIRMAN AND CEO

Raed Jawad Bukhamseen: KIB has maintained sustainable profit growth and continued to achieve positive financial results

Major Financial results for the 1H 2024

	1H 2024	1H 2023	
Net Financing Income 'KD Million'	31	23.4	33%
Operating Income 'KD Million'	41.9	35.4	19%
Profit attributable to shareholders 'KD Million'	12	5.9	103%
EPS "Fils"	5.99	2.79	115%
Financing Receivables 'KD Billion'	2.52	2.47	2%
Total Assets 'KD Billion'	3.50	3.41	3%
Depositors' Accounts 'KD Billion'	2.12	1.89	12%
Equity attributable to shareholders 'KD Million'	336.3	314.3	7%

Burgan Bank Reports Net Income of KD 21 million in the first half of 2024

Burgan Bank ("Burgan" or "the Bank") announced its financial results for the first half of 2024 (H1'24), for the period ending June 30, 2024.

SHEIKH ABDULLAH NASSER AL-SABAH
CHAIRMAN OF BURGAN BANK

Sheikh Abdullah Nasser Al-Sabah: Burgan Bank has continued to accelerate its forward-moving momentum on the heels of a transformational year in 2023

We are well-positioned for further growth and development, as we maintain an effective risk management approach to capitalize on promising growth opportunities

The Bank reported KD 111 million in revenues for H1'24, marking an impressive growth of 19% year-on-year (y-o-y). The increase in revenues was primarily driven by higher Net-Interest Income of KD 71 million, up 17% y-o-y and robust Non-Interest income of KD 39 million, up 24% y-o-y. Burgan's Net interest margin also increased to 2.1% in H1'24 as compared to 1.9% during H1'23 – an improvement of 20bps y-o-y.

Driven by higher revenues, the Bank reported a strong Operating Profit of KD 48 million, up 24% y-o-y. The Bank's cost-to-income ratio also improved by 170bps from 58.3% in H1'23 to 56.6% in H1'24. Its cost of credit – net of recoveries – also remained very low at mere 30bps during H1'24 despite proactive provisioning. Consequently, Burgan posted a Net income of KD 21 million with a very healthy growth of 17% y-o-y.

During H1'24, the Bank delivered strong asset growth of 8% y-o-y, reaching KD 7.6 billion by the end of the period. The Group's loan book grew by 10% y-o-y and stood at KD 4.4 billion; primarily driven by its Kuwait operations, which increased by 8% y-o-y. Burgan's deposit base also expanded by 7% y-o-y and stood at KD 4.6 billion by the end of H1'24.

During H1'24, the Bank maintained solid and healthy capital levels. Burgan reported Common Equity Tier 1 ratio (CET1) of 13.0%, Tier I capital ratio of 15.4% and Capital Adequacy Ratio (CAR) of 19.3%, well above the regulatory requirements and demonstrating sufficient capital buffers to support future growth.

Commenting on the financial results, the Bank's Chairman, Sheikh Abdullah Nasser Al-Sabah, said: "Burgan Bank has continued to accelerate its forward-moving momentum on the heels of a transformational year in 2023. We have maintained a stable financial core and delivered solid financial results, as we continue to be steadfast in our commitment to positioning ourselves as the most modern and progressive bank in Kuwait.

Looking ahead, we aim to bolster this momentum by continuing to deliver on key strategic goals. That includes ongoing efforts to elevate, innovate and streamline our overall customer experience. It also includes building on a robust business model that prioritizes enhancing operations by investing in technology and digitalization, elevating our innovation capabilities, developing our human capital, and fulfilling our environmental, social and governance (ESG) commitments."

The Chairman further added: "As the year progresses, we are well-positioned for further growth and development, as we maintain an effective risk management approach to capitalize on promising growth opportunities. On that account, we are confident in our ability to advance our strategic priorities and objectives, enhance our performance, boost our competitiveness, and maximize shareholder value."

Meeting the parameters of financial strength and stability

Affirming Burgan Bank's strong financial core and stable standing, the Chairman highlighted that the Bank has maintained high international standards in terms of its creditworthiness. This is evidenced by Capital Intelligence Ratings (CI Ratings) affirming the Bank's Long-Term Foreign Currency Rating and Short-Term Foreign Currency Rating at 'A+' and 'A1', respectively, with a stable outlook. Meanwhile, Moody's Ratings (Moody's) affirmed the Bank's long-term foreign currency bank deposit ratings at "Baa1" with a stable outlook.

Moreover, the Bank completed its issuance of KWD 150 million Perpetual Additional Tier 1 Capital Bonds, with demand exceeding expectations and bonds being oversubscribed. The transaction, lauded as a landmark achievement, is the first Perpetual Additional Tier 1 Capital Bond issuance denominated in Kuwaiti Dinar by a bank and ranks among the largest Kuwaiti Dinar issuances.

Commenting on the issuance, the Chairman said: "Today, we stand proud to have set a new benchmark on the local level after successfully completing the largest Kuwaiti Dinar Perpetual Additional Tier 1 Capital Bond issuance in Kuwait. This notable transaction attracted high investor interest, reaffirming our robust financial standing and demonstrating confidence in our strategic vision."

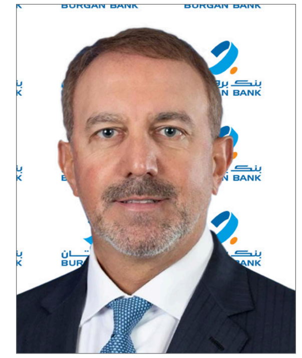
Sharpened focus on digital transformation journey

The second quarter of 2024 was shaped by the Bank's efforts to continue accelerating its dedicated technology evolution and digital transformation strategy. Of particular significance was Burgan becoming one of the earliest Kuwaiti banks to join the GCC cross-border payments system AFAQ, in adherence to the national digital transformation plan guided by the government and the Central Bank of Kuwait (CBK). Another notable move was the Bank signing a monumental deal with Tata Consultancy Services to upgrade its core banking system by implementing the TCS BaNCS™ suite of products.

Commenting, Mr. Tony Daher, Group Chief Executive Officer at Burgan Bank, said: "The decision to join AFAQ and sign the new deal comes in response to the market's evolving needs and falls in line with our relentless efforts to adopt the latest state-of-the-art financial technology solutions with the ultimate goal of elevating our customers' overall banking experience to new heights."

As delivering digital transformation goes hand in hand with enhancing customer experience through new and upgraded products, Burgan Bank launched its interest-bearing savings account "awal" in Q2'24. Tailored specifically for children up to the age of 14, the account builds on the success of its predecessor, "BuBa" savings account, and aims to instill a savings culture in young customers. The latest launch attests to Burgan's steadfast efforts to meet the varying banking needs of all its customer segments.

Building on this strength point, the Bank was voted the Best Domestic Bank in Kuwait in the "Best Service" category in the 2024 Euromoney Trade Finance Survey, recognizing its unwavering commitment to service excellence and an elevated customer journey.



MR. TONY DAHER
GROUP CHIEF EXECUTIVE OFFICER AT BURGAN BANK

Mr. Tony Daher: The decision to join AFAQ and sign the new deal comes in response to the market's evolving needs and falls in line with our relentless efforts to adopt the latest state-of-the-art financial technology solutions.

Employees remain a primary pillar of success

On the human capital front, Burgan Bank continues to bolster its pioneering position in the domestic banking and financial market by offering one of the most desirable workplaces for national talents.

In line with its dedicated human development strategy that forms a keystone of the Bank's success, Burgan persisted in introducing dynamic employee advancement programs in the second quarter of this year. To illustrate, it launched an exclusive Investment and Wealth Management Academy in collaboration with the world-renowned provider of learning and development solutions Fitch Learning of Fitch Group. The Bank also launched its women empowerment program, "Burgan Lean in Circle", to address the challenges faced by females in the workplace, featuring monthly meetups, workshops, mentorship programs and networking events.

Concluding his statement, the Chairman said: "Our employees are imperative to our success as a leading financial institution, and continuing to invest in them individually will help propel us closer to achieving our strategic goals. From this standpoint, we are committed to remaining a top employer of choice in the local market by creating a supportive and inclusive workplace where all employees are given equal, ambitious career advancement and learning opportunities all year round." It serves to note that the consolidated financials for Burgan include the results of the Group's operations in Kuwait, as well as its share of results from its subsidiaries, namely: Burgan Bank Turkey, Gulf Bank Algeria, and Tunis International Bank. Through this regional reach, Burgan Bank has one of the largest regional branch networks across Kuwait, Turkey, Algeria, Tunisia and a representative office in the United Arab Emirates.

BY Increase of 2.3% compared to same period last year

KFH Reports Net Profit Attributable to the Shareholders of the Bank of KD 341.2 Million for H1 2024

Earnings per share reached 20.73 fils

Al Marzouq: KFH implemented strategic steps to strengthen its expansion and solvency

بيت التمويل الكويتي
Kuwait Finance House

HAMAD ABDULMOHSEN AL MARZOUQ CHAIRMAN OF KUWAIT FINANCE HOUSE (KFH)

Chairman of Kuwait Finance House (KFH) Hamad Abdulmohsen Al Marzouq announced that KFH achieved a net profit of KD 341.2 million for the first half of 2024 for the Bank shareholders, representing an increase of 2.3% compared to the same period last year. The comparative period included non-recurring revenues and profits from investments amounted to nearly KD 70.0 million. Earnings per share for the first half of 2024 reached 20.73 fils; an increase of 2.6% compared to the same period last year. Net financing income for the first half of the year reached KD 558.8 million; an increase of 21.9% compared to the same period last year. Total operating income for the first half of the year increased, supported by the increase in all core activities to reach KD 823.4 million; an increase of 12.1% compared to the same period last year. Financing receivables for the first half of 2024 reached KD 19.0 billion, affected by the sale of Kuwait Finance House - Bahrain, as well as the impact of foreign currency fluctuations during the current period. Total assets as at the end of the first half of the year amounted to KD 36.4 billion, Shareholders' equity amounted to about KD 5.3 billion as at the end of the first half of 2024. Depositors' accounts as at the end of the first half of 2024 amounted to KD 19.5 billion. In addition, the capital adequacy ratio reached 17.15% which is above the limit required by regulators. This ratio confirms the solid capital base of KFH. The Board of Directors has agreed to distribute a semi-annual cash dividend of 10% to KFH shareholders.

Exceptional financial performance

Al Marzouq said that the profits reflect KFH's effective strategy, resulting in exceptional financial performance, noting that KFH has implemented various qualitative initiatives and accomplishments, strengthening KFH's leadership both locally and globally, while reinforcing its reputation as a benchmark in the banking sector. He stated that the financial statements demonstrated a solid capital base, high liquidity ratios and robust operating performance which drove growth in all key financial indicators.

Largest market cap

Al Marzouq added that KFH succeeded in attaining the key goals of its strategy, overcoming the challenges of the operational environment. He noted that KFH maintained its long-term credit rating at (A) by Fitch with stable outlook and at A2 by Moody's with stable outlook. He pointed out that KFH ranked first among the largest listed companies and banks on Boursa Kuwait in terms of a market capitalization which currently exceeded KD 12 billion. Additionally, KFH claimed third place among the top 20 Middle East and Africa Banks by market cap according to the latest S&P Global Intelligence analysis.

Strategic plans

Al Marzouq explained that KFH currently operates in 12 countries around the world, notably Kuwait, Bahrain, Türkiye, Egypt, UK and Germany through a large international network of 618 branches. He noted that KFH holds the distinction of being the first Islamic bank in Germany and the first licensed under Malaysia's Banking Act. Furthermore, KFH is the second largest Islamic financier in Türkiye. Today, KFH demonstrates a stronger local, regional and global footprint. He went on to say that KFH implemented strategic steps to strengthen its expansion and solvency, develop its operations, and keep pace with technology and digital banking updates. He mentioned that the most significant initiatives include KFH's acquisition of Ahli United Bank Group -Bahrain, its conversion to a Sharia-compliant bank along with its subsidiaries, and the completion of the merger with Ahli United Bank-Kuwait (AUBK). Additionally, KFH Group completed the agreement with Al Salam Bank to acquire, in return for cash consolidation, the entire share of KFH Group in KFH – Bahrain. Furthermore, the launch of TAM Digital Bank marks another key milestone as the first Sharia-compliant digital bank in Kuwait.

Financing development projects

Al Marzouq said that KFH is the first strategic partner for major development plans. KFH is also one of the most preferred and trusted institutions in the Kuwaiti banking sector for corporate finance thanks to its innovative, flexible and efficient Sharia-compliant financing solutions. The Bank also offers comprehensive financing solutions across various project sectors, with a particular focus on petrochemicals, oil and gas, water and energy, renewable energy, and infrastructure as well as SMEs.

Strategic social initiatives

Al Marzouq highlighted KFH's prominent role in strategic social initiatives with significant added value. These initiatives include contributing KD 8 million to the reconstruction of Al Mubarakiya. KFH further demonstrated its commitment by participating in the national campaign to help defaulting debtors. The contribution consisted of additional funds amounting to KD 7 million, bringing the total amount aimed to debtors to nearly KD 38 million since 2019. Additionally, KFH partnered with the Kuwait Food Bank, pledging KD 1 million to support underprivileged families in Kuwait, in addition to the many strategic social initiatives.

Strong financial position

KFH's Acting Group Chief Executive Officer, Abdulwahab Iesa Al Rushood, highlighted KFH's strong H1 2024 profits as a confirmation of the bank's continued leadership in the Kuwaiti banking sector. He further emphasized that all financial indicators for the first half point to the success of KFH's strategy. This strategy prioritizes achieving sustainable profits, solidifying the bank's financial position, maintaining high asset quality, achieving a favorable cost-to-income ratio, maintaining a healthy coverage ratio for non-performing debts, growing operating income, and strengthening both liquidity and capital adequacy ratios.

Digital financial solutions

Al Rushood stated that KFH is committed to providing top-notch digital financial services and solutions in addition to investing in technological infrastructure and expanding its capabilities in areas such as Artificial Intelligence, cloud computing, Data Engineering, FinTech, Digital Product Design, and cybersecurity controls. Additionally, KFH has successfully transitioned numerous processes and functions from manual systems to automated systems using Robotic Process Automation (RPA). This has led to improved production efficiency, reduced service times for customers and increased their satisfaction levels.

ABDULWAHAB IESA AL RUSHOOD KFH'S ACTING GROUP CHIEF EXECUTIVE OFFICER

Al Rushood: KFH tops Kuwaiti banking sector in terms of net profits

FTSE Index

Al Rushood emphasized KFH's exceptional dedication towards investing in green finance products and integrating Sustainable Development Goals (SDGs) and ESG principles across all its operations. He expressed his pleasure in KFH's recent inclusion in the FTSE4Good Index Series. Created by the global index and data provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. Al Rushood indicated that FTSE4Good index includes prestigious companies such as Google and Microsoft. He highlighted KFH's release of the carbon footprint report and sustainability report, the first-of-its-kind in the Kuwaiti banking sector, as well as the ongoing (Keep it Green) campaign, which encompasses numerous sustainability initiatives. He also added that KFH signed the Global Takaful Alliance agreement with the United Nations Development Programme (UNDP). This alliance aims to provide Takaful insurance to 100 million farmers worldwide. Al Rushood noted that KFH's efforts and outstanding performance in the filed have earned the bank several awards, including Kuwait's Best Bank for Sustainable Finance by Global Finance magazine and Kuwait's Best Bank for ESG by Euromoney.

Investing in human capital

Al Rushood pointed out that KFH remains committed to investing in its human capital and supporting employees in honing their skills and enriching their experiences. He highlighted the launch of Business Leadership Excellence program in partnership with IE Business School, Forssah program, in addition to many programs with Harvard University and other esteemed international universities. These programs focus on empowering KFH's talents and leaders to qualify them as well-rounded professionals and sustain KFH's successful journey.

Global recognition

Al Rushood underlined the many local and global awards KFH has scooped. The awards confirm its reputation, diverse capabilities in the Islamic finance sector, brand excellence, and robust operating performance. These include winning Kuwait's Best Bank, Best Digital Bank in Kuwait for Tam Digital Bank and Kuwait's Best Bank for ESG awards by Euromoney, in addition to Kuwait's Best Bank for Sustainable Finance by Global Finance magazine. KFH also received the His Highness Sheikh Salem Al-Ali Al-Sabah Informatics Award under the patronage and presence of His Highness the Amir Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah for the category of excellence in digital transformation in technical financial solutions, in addition to winning several awards in different areas.

At a Growth Rate of 20%

Boubyan Bank Increases Net Profits to KD 50 million for H1 of This Year

Boubyan Bank has announced KD 61 million in operating profits for the first half of this year as the bank recorded KD 50 million in net profits at a growth rate of 20% compared with last year, while the earnings per share amount to 11.1 fils.

Boubyan

MR. ADEL AL-MAJED
BOUBYAN BANK'S
VICE-CHAIRMAN & GROUP
CHIEF EXECUTIVE OFFICER

Boubyan Bank's CEO - Private, Consumer & Digital Banking, Mr. Abdullah Al-Tuwaijri attended the FinTech Summit in Dubai to speak about the recent transformations and developments in FinTech and the promising growth opportunities.

He further attended the Gulf Creatives Conference 2024, held at the prestigious Harvard Graduate School of Education to discuss the proactive vision and well-studied plans for investment in digital transformation at Boubyan.

Mr. Adel Al-Majed, Boubyan Bank's Vice-Chairman & Group Chief Executive Officer, commented on the financial results: "All financial indicators of Boubyan during H1, 2024 highlight the strength and robustness of our profitability, assets, liquidity ratios, and operational performance, which led to maintaining a solid financial foundation, coupled with a flexible business model that gives room for growth and for aligning with the requirements of business sectors."

Al-Majed highlighted the most significant financial indicators during H1, where the bank's assets grew to KD 8.9 billion at a growth rate of %11 compared with last year, while the bank's financing portfolio grew by %10 to reach KD 6.7 billion, and operating income grew by %11 to KD 121.4 million, whereas the bank's market share of local financing increased to %11.7.

He added: "Results of this period are attributed to our strategy of focusing on new markets with promising growth opportunities and positive financing investments with profitability for the bank's investing customers and its shareholders. This is added to focusing on digital innovation and growth of the bank's operational performance, efficient liquidity, and the bank's good reputation, along with the great improvement of our state-of-the-art banking solutions and excelling in innovative offerings that meet the needs of various customer segments."

Group Wealth Management

"With 'Boubyan 2028' strategy, we have activated our group-wide investment management plan to expand our investment solutions and opportunities, and to discover new markets in order to accelerate the attraction of more wealth and manage the same in order to offer the best to our customers with an investment appetite. The 2028 strategy is well-aligned with the bank's mission and its ESG focus.", Al-Majed added.

Al-Majed went on to add: "Boubyan's wealth management is not merely about offering investment advice; rather, it is a holistic process and approach that integrates strategic and investment partnerships that ensure full understanding of the investor's financial position as well as the most significant goals, proper planning and management of risks in order to safeguard and grow the wealth."

Subsidiaries

Boubyan Group's subsidiaries continued making significant achievements by diversifying and improving their offerings, and targeting all companies in various sectors in order to offer innovative and cutting-edge banking services, while Boubyan continued pursuing its strategy that focuses on local and international expansion. Furthermore, and as a part of its regional expansion, a subsidiary of BLME was established in the Kingdom of Saudi Arabia, in addition to BLME's headquarters in London and Dubai, in order to increase its customer base and to offer innovative investment solutions.

As an investment arm of Boubyan Group, Boubyan capital continued to strike a balance between long-term goals and short-term needs through offering a group of various financial solutions and succeeded in increasing its managed assets and customer base, in addition to successfully launching 3 investment funds, thus placing Boubyan Local and GCC Equity Fund in the lead of top investment funds in Kuwait.

Moreover, Boubyan Capital launched its own digital roadmap due to be completed by the end of 2024 with the aim of digitalizing the processes and improving the investment customer experience in order to make Boubyan Capital's App the cornerstone of the company's digital and investment roadmap that enables them to manage and monitor their investments anywhere and at any time.

As for Boubyan Takaful Insurance Company, it continued its progress towards sustainable improvement and growth of its business to achieve quality service by innovating and introducing new competitive insurance solutions, and developing a complete group of insurance policies such as the launch of Boubyan Drive Auto Insurance Policy for the first time in Kuwait. The company completed its digital transformation process through Boubyan App, restructured its digital platform features, and updated its applications as per latest programming standards to cope with the digital plan recently introduced by the insurance control unit.

Awards and International Ratings

During H1 of this year, the bank received two awards, namely the "Most Innovative Bank of the Year" and "Best Digital Banking Initiative" by MEED, the internationally renowned publication. This came as a part of its MENA Banking Excellence Awards 2024. This new achievement highlights the success of the bank's comprehensive program, which is aligned with business approaches and strategies to upgrade the infrastructure for digital transformation, and to boost the performance and the competitiveness, especially after launching several innovative solutions and services guided by an outstanding banking vision, which led to a leap in digital banking.

Furthermore, and in a testimony to its prestigious status in the financial and banking sector locally and internationally, Boubyan Bank has been included in Forbes' annual list for Middle East Top 100 Listed Companies 2024. The bank ranked 64th regionally and 3rd among local banks on the same list, with a market value of $8 billion and $27.3 billion in total assets.

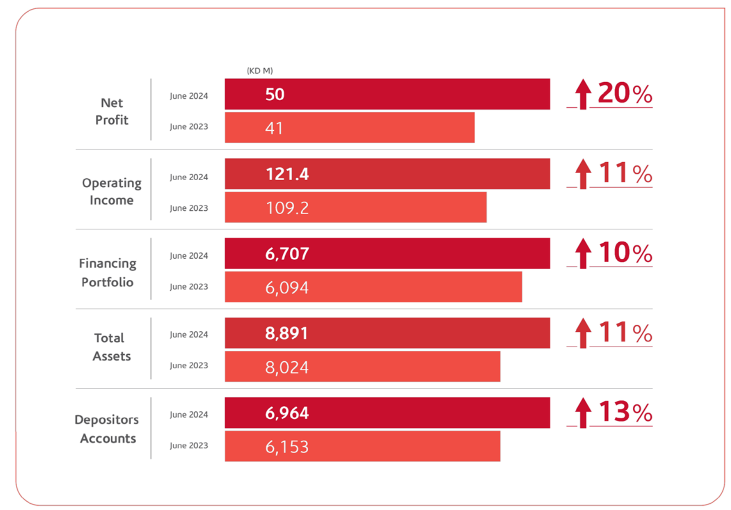
The bank was further ranked 3rd locally and 49th regionally in MEED's List for the 100 Largest Listed Companies in MENA for 2024.

Furthermore, the bank's ratings from Moody's, Fitch, and S&P remain stable at "A2", "A", and "A" respectively. As for the ex-government support (or xgs) rating assigned by Fitch, it stood at "BBB". The introduction of such new criteria communicates Fitch's view of the creditworthiness of Boubyan excluding assumptions of extraordinary government support. Boubyan was assigned the second highest rating in Kuwait as per such criteria.

Human Capital Development

Boubyan continued supporting its human resources and recruiting national cadres, and was able to reach the highest percentage of national manpower across the private sector, which now exceeds %81, and continued its enablement approach for women, who now account for %30 of the bank's employees, with many of them occupying leadership positions. The bank's human resources proved themselves to be one of the key pillars of the bank's ongoing success, as they embrace and adopt Boubyan's future vision, which greatly contributes to the introduction of innovative and creative ideas and deliverables, while reiterating the bank's commitment to providing all that is necessary to support our human resources' leadership role in a real and sustained manner to have a positive effect on the future job market and achieve the desired results in terms of increasing our productivity and the profitability rates of the bank.

Boubyan Bank released its 4th Sustainability Report for the year 2023, titled: "Integration into Corporate Strategy" to reflect the bank's initiatives towards adopting proactive practices that effectively contribute to our sustainable ESG approach to build a more inclusive and sustainable future for everybody



Key Financial Indicators - KD Million			
Indicator	First Half 2024	First Half 2023	Growth
Net profits	50	41	20%
Operating income	121.4	109.2	11%
Customers' deposits	6,964	6,153	13%
Financing portfolio	6,707	6,094	10%
Assets	8,891	8,024	11%

3.59 Fils profit per share and 4.7% asset growth to KD 5.06 billion

“Warba” achieves KD 9.4 million in the first half of 2024

Warba Bank announced its business results for the first half ending on June 30, 2024. These results indicated that the Bank’s net profits amounted to KD 9.4 million, equivalent to 3.59 earnings per share as compared to net profits of KD 10.3 million, equivalent to 3.99 earnings per share in June 2023.

HAMAD MUSAED AL-SAYER
CHAIRMAN OF WARBA BANK

Al-Sayer: Our positive results reflect the success of our plans to expand, increase our market share, diversify and innovate

The Bank said in a press statement that total assets as of the first half of this year 2024 grew by 4.7% compared to the year end of 2023, to reach KD 5.06 billion, while total shareholders' equity reached KD 321.7 million, an increase of 2% as compared to the year end of 2023, while the total financing portfolio reached KD 3.62 billion, an increase of KD 163 million, with a growth rate of 4.7% compared to the end of 2023, and the total depositors' accounts reached KD 2.87 billion as at 30 June 2024. Net financing income increased in the first half of 2024 to KD 26 million, with a growth rate of 34.5% compared to the same period of the previous year 2023. Net operating income reached KD 35 million, with a growth of 5.4% compared to the same period of the previous year 2023.The capital adequacy ratio reached 16.28%, exceeding the minimum required by the regulatory authorities, a ratio that confirms the strength of Warba’s financial position.

Positive results... and market share

Commenting on the Bank’s quarterly financial results, Chairman of Warba Bank Hamad Musaed Al-Sayer said: “We ended the first half of this year 2024 with positive results, reflecting the success of our plans to expand and increase our market share, in addition to diversification and innovation to achieve sustainable growth based on clear foundations.” He added that the positive financial results achieved during the first half of 2024 are evidence of Warba’s distinguished position in the local financial and banking market, assuring the Bank’s clients of the management’s continuous efforts to achieve leadership and sustainable growth in all sectors.

Developing Digital Infrastructure

Al-Sayer explained that the results achieved during this period were closely linked to a radical strategy that contributed to driving financial and operational performance, noting that the Bank is taking steady steps enhance growth and positive performance, develop digital infrastructure, increase market shares and move towards accelerating the development process in general. Al-Sayer pointed out that Warba Bank will continue its efforts to enhance the role of the banking sector and strengthen its position by achieving profitability and sustainable growth, keeping pace with developments in the fields of digitization and applying artificial intelligence and innovation in financing and investment products and solutions, optimal investment in human resources, enhancing knowledge and attracting young national banking talents, supporting entrepreneurship, providing banking and financing services to companies, and supporting small and medium enterprises.

Stimulating economic and commercial growth

He stated that since the beginning of 2024, the corporate sector at Warba Bank witnessed the launch of a group of innovative digital solutions that will contribute to supporting various local economic sectors and stimulating economic and commercial growth, stressing that Warba Bank's management is always working to improve the quality of services and products to enhance and enrich a banking experience that meets clients' needs and shapes their daily lifestyle. Al-Sayer noted that Warba Bank's digital transformation strategy has gained great success as an experience and a living example of success in reaching high levels of competition in the field of digital services and making a change in clients' lives through the services and products it provides, which can be summarized as an exceptional case through which Warba Bank was able to excel and reach the top despite the competition in a market that is strongly and rapidly growing; the digital banking services market.

Maintaining leadership in innovation

During the first half of this year 2024, Warba Bank provided a range of services and products as well as innovative digital solutions that contributed to creating added value for its clients and maintaining its leadership in the field of innovation to ensure enriching their banking experience and making it easier, especially in light of the competition in various business sectors to reflect the continuous approach to developing the scope of digital infrastructure in addition to providing the best in the field of digital payment.

Human Resources and National Talents

Al-Sayer continued by saying: «Warba Bank continued to support and employ its human resources and national talents, as the Bank was able to reach the highest percentage of national employment in the private sector, exceeding 84.4%, while continuing to empower women, whose percentage in the Bank reached 16.4%, with many women reaching leadership positions in the Bank.»

Sustainable Growth and Creditworthiness

For his part, Shaheen Hamad Al-Ghanem, CEO of Warba Bank, said that the record financial results achieved until the end of the first half of 2024, and the sustainable growth that Warba has maintained for several years, came as a result of the optimal implementation of the strategy, and shows in strong operational performance, commitment to apply the best responsible banking practices, risk management, balance in providing priorities, and enhancing the financial solvency and creditworthiness of Warba Bank.
Warba Bank announced the success of issuing green sukuks worth US$500 million, which reinforces its firm commitment to sustainability practices and significantly strengthens its financial position.
This strategic decision reflects the strength of the bank’s credit position and confirms its commitment to achieving remunerative and sustainable returns for investors. The issuance received an exceptional turnout, as Investor orders reached to US$1.8 billion, almost four times the issue size. Al-Ghanem explained that Warba has succeeded in achieving the main objectives of its strategy and strengthening the leading position, overcoming the difficulties of the operating environment and various challenges, noting the high liquidity ratios, solid capital base, and strong operational performance that resulted in recording growth in operating revenues, profits, the financing portfolio, and all key financial indicators.

SHAHEEN HAMAD AL-GHANEM
CEO
OF WARBA BANK

Al-Ghanem: The Bank’s management is always working to improve the quality of services and products to enhance and enrich a banking experience that meets clients’ needs

Clients’ Experience and Meeting Their Aspirations

Al-Ghanem pointed out that Warba Bank’s digital transformation strategy is gaining significant momentum, indicating that digital efforts and applications have covered many areas with the aim of improving customer experience and meeting their aspirations, in addition to contributing to increasing financial inclusion by providing a wide range of financial solutions at the client’s disposal at any time and place through alternative channels.

Small and Medium Enterprises

He continued, «We at Warba Bank realize the importance of investing and developing small and medium enterprises, and supporting entrepreneurship by providing financing solutions to develop and grow this sector. Warba Bank also continues to play a proactive role in its commitment to implementing strategic community initiatives in Kuwait.

Social Responsibility

Al-Ghanem stated that Warba Bank has been able during the past period to prove its leadership in social responsibility and its sustainable role through many social events and initiatives, which highlighted its local superiority, so that this period represents a milestone in Warba Bank's continuation in its social role, stressing that social leadership in Kuwait, which the Bank always seeks to achieve, is no less important than the banking role of the institution.

Social responsibility is an integral part of Warba Bank’s commitment and continuous efforts within its strategy to deliver a specific message to various segments of society, through its various contributions, voluntary and charitable work, which benefits them and extends a helping hand to all, so that we can ultimately be a role model in the field of social responsibility and sustainable development, stressing that the Bank has been able to leave a distinctive societal footprint to deepen the meaning of giving, volunteering and commitment to unprecedented community participation.

Significant figures:
• KD 26.1 million net financing income...a growth rate of 34.5%
• KD 34.6 million net operating income, a growth rate of 5.4%.
• KD 9.4 million net profit for the period
• Finance receivables balances amounted to KD 3.6 billion.
• Depositors’ accounts amounted to KD 2.9 billion.
• Total assets amounted to KD 5.1 billion.

Mohamed AlRashidi: One Global Holding significantly expanded its reach in 16 countries

MOHAMED ALRASHIDI
CEO OF ONE GLOBAL HOLDING

We take great pride in being able to fund our innovation initiatives primarily through our operating income

The self-sustaining model has allowed One Global to be more agile and responsive to emerging opportunities

Can you tell us about the company's business and expansion?

One Global started as Isys in the Kuwaiti market in 2004, initially focusing on digital transformation and innovation within the telecom sector, specifically in value-added services such as SMS, MMS, WAP, and content. It successfully launched in 22 countries across three continents. In 2006, leveraging its SMS services, Isys innovated mobile payment for charity with the global launch of the first Zakat & Waqf collection via mobile. Later, Isys ventured into mobile wallets and money transfers, launching the first agent-based mobile money transfer app on Nokia phones globally, operating in Sudan by 2008. Subsequently, Isys developed a strategic long-term plan and launched Payit, a mobile payment and merchant services app, starting with Blackberry in 2009, iOS in 2010, and ending with Android in late 2010 in Kuwait, targeting the top-up and bill payments services market. In 2011, Isys launched its first digital goods marketplace in the region with embedded wallet and QR services.

Embracing Fintech as its business model, Isys launched innovative services in 15 markets, including the US. The US market launch prompted the rebranding to One Global in 2016 due to branding copyrights for Payit in the US. Despite facing challenges such as a severe impact on its bottom line and customer loss due to the absence of the Payit app in app stores, One Global persevered, developing a stronger and more innovative super app, Og Money. This app integrated payment and e-commerce with embedded wallet services. This app played a strategic role in solidifying One Global's leadership in the Fintech sector and earning recognition from Forbes, Global Finance, and others.

Over time, the company transformed into a Venture Building Ecosystem, recognizing a gap in the Kuwaiti market and the need to empower local tech startups. One Global launched a new vision focusing on building and investing in the digital economy by supporting startups with equity, advice, and a robust ecosystem of financial, technological, and intellectual resources. This vision empowers innovators and digital disruptors to create successful ventures. With a global presence spanning 16 countries across the GCC, Middle East, North Africa, East Africa, Europe, the US, and Canada, One Global Holding significantly expanded its reach.

In 2023, this transformation led to the launch of three key subsidiaries: One Global Innovation, a technological and creative ecosystem for venture building and collaboration; One Global Hub, an incubator and accelerator supporting ventures to achieve full operational potential; and One Global Capital, a digital venture and capital management unit leveraging digitized venture capital practices to secure funding. These subsidiaries collectively contribute to a physical and virtual ecosystem that has revolutionized the startup environment, ensuring value and reliability for all stakeholders. While each subsidiary operates independently with its own management board and team, they all work towards One Global Holding's overarching vision: achieving positive returns for innovators, shareholders, and communities, and contributing to global betterment.

How did you secure the funding for the project & what's the biggest Challenge?

We take great pride in being able to fund our innovation initiatives primarily through our operating income. This approach reflects our strong financial performance and operational efficiency. By reinvesting profits back into the company, we maintain full control over our strategic direction and ensure that our innovation efforts are closely aligned with our long-term goals.

This self-sustaining model has allowed One Global to be more agile and responsive to emerging opportunities, without the pressure of meeting short-term expectations from external investors. It also reinforces our commitment to sustainable growth, as we focus on building value over the long term rather than pursuing rapid expansion at the expense of stability. This approach enables One Global to invest in projects that truly align with our vision and values, ensuring that we continue to lead. However, this self-sustaining model comes with certain challenges that we continuously work to manage effectively. Here are the primary ones:

1. Balancing resource allocation: We must carefully balance the allocation of resources between ongoing operational needs and the funding of innovation projects. Since we rely on profits to fuel innovation, it is crucial to keep our core business strong and profitable while also making significant investments in new initiatives. This requires careful financial planning and prioritization to avoid overstretching our resources.

2. Managing the pace of growth: Since we don't rely on external funding, we must be more measured in scaling our innovations compared to companies with access to large amounts of venture capital. This can sometimes slow down our ability to seize opportunities quickly, especially in fast-moving markets. Additionally, funding from operating income means we bear the full financial risk of our innovation investments, which can be challenging if a project does not yield the expected returns.

3. Limiting the scope and scale of high-risk projects: Without external funding, we must be more selective about the projects we undertake, focusing on those with the highest strategic value or likelihood of success. This conservative approach may sometimes lead to passing on opportunities that require significant upfront capital but have the potential for substantial long-term rewards.

We ensure that our products and services consistently meet or exceed customer expectations

4. Pressure to maintain profitability: Our ability to innovate depends directly on the profits we generate, so any downturn in our core business could impact our capacity to invest in new initiatives. This makes it crucial for us to maintain a strong, resilient business model that can withstand economic fluctuations and continue to provide the resources needed for innovation.

Despite these challenges, we believe that our methodology is well-suited to our long-term goals. It fosters a disciplined, sustainable innovation process that aligns with our mission and values, ensuring that we build lasting value for our stakeholders.

Kuwait like many other economies, faces a unique set of challenges within its business environment

How to maintain customer satisfaction and create a sustainable relationship with them?

Maintaining customer satisfaction and building strong relationships with customers are crucial for the long-term success of any business. At One Global, we ensure that our products and services consistently meet or exceed customer expectations by offering personalized services and maintaining transparency in our communication, especially regarding pricing, product features, delivery timelines, service levels, company policies, and transparency.

We achieve this by regularly gathering feedback and using it to improve our offerings. This demonstrates our commitment to customer satisfaction and shows that we are always striving to better meet their needs. Additionally, we offer multiple channels for customer engagement (phone, email, online chat, chatbot, social media) and ensure that inquiries are handled quickly and effectively. We train our customer service team to be knowledgeable, empathetic, and empowered to resolve issues on the first contact.

What's your vision for the business environment in Kuwait, challenges and any enhancement for improving?

Kuwait, like many other economies, faces a unique set of challenges within its business environment. These include bureaucracy and regulatory hurdles, reliance on a dominant revenue source (oil), limited foreign investment, labor market and regulatory issues, new Giga projects, an infrastructure and technology gap, a mismatch between market needs and education, and the development of the entrepreneurial ecosystem.

These challenges can impact both local businesses and foreign investors. However, with targeted reforms and improvements, Kuwait can enhance its business climate, making it more conducive to economic growth and diversification. Some recommendations are:

1. Streamlining government processes through digital transformation and introducing more efficient, transparent regulatory frameworks can significantly reduce red tape and improve the ease of doing business.

2. Enhancing the legal and regulatory framework by simplifying and modernizing business regulations to reduce bureaucratic burdens. Implementing clear, consistent, and predictable laws can help attract and retain businesses.

3. Intensifying diversification efforts by focusing on developing non-oil sectors such as technology, finance, renewable energy, and tourism. Encouraging innovation and entrepreneurship in these sectors can create a more balanced and resilient economy.

4. Relaxing foreign ownership restrictions and simplifying investment procedures, along with creating special economic zones with investor-friendly regulations, could make Kuwait a more attractive destination for FDI.

5. Labor market reforms should include better alignment between education and industry needs, promoting private sector employment among Kuwaitis, and implementing upskilling and reskilling programs to address current gaps.

6. Continued investment in physical and digital infrastructure is crucial. Expanding public transport, enhancing logistics networks, and accelerating the adoption of advanced technologies like 5G and AI can help overcome existing challenges.

7. Strengthening anti-corruption measures, ensuring greater transparency in public procurement, and enforcing the rule of law will build investor confidence and improve the overall business climate.

8. Encouraging venture building and venture capital, along with providing more support for incubators and accelerators, will foster a robust entrepreneurial ecosystem. Public-private partnerships could also play a crucial role in providing resources and networks for emerging businesses.

9. Promoting inclusivity and supporting cultural shifts that embrace innovation and diversity in business will help overcome these challenges. This includes policies that support women in business and encourage young entrepreneurs.

By addressing these challenges and implementing the aforementioned recommendations, Kuwait can create a more dynamic, diversified, and resilient business environment that attracts investment, fosters innovation, and drives sustainable economic growth.

What factors should an entrepreneur consider when choosing a successful business venture? Any guidance would like to offer?

Choosing a successful venture is a critical decision for any entrepreneur and requires careful consideration of various factors. These factors help in assessing the viability of the business idea, the market potential, and the entrepreneur›s ability to execute the plan. Here are the key factors to consider:

1. Identify a problem or need that is urgent now or in the near future for accessible customers within a large and growing market. Develop a unique and sophisticated solution with a clear business model that offers multiple, scalable, and sustainable revenue streams.

2. Build the right team: A strong team is crucial to the success of any venture. Ensure you have the right mix of skills and expertise within your team to execute the business plan effectively.

3. Leverage your skills and experience: Choose a venture that aligns with your expertise, passions, and interests. Being genuinely interested in the business will keep you motivated during challenging times.

4. Analyze the profit margin: Determine how much capital is required to start and sustain the business until it becomes profitable. Consider your ability to secure funding through personal savings, loans, or investors. Ensure your business offers a return that justifies the investment of time, money, and resources.

5. Identify potential risks: Consider risks such as market, financial, regulatory, and operational risks. Understand the worst-case scenarios and plan how to mitigate these risks.

6. Exit strategy: Consider your long-term vision for the business, including potential exit strategies. Whether you plan to scale the business, sell it, or pass it on, having a clear exit plan is important.

By carefully considering these factors, entrepreneurs can make informed decisions when choosing a venture, increasing their chances of long-term success and sustainability.

Choosing a successful venture is a critical decision for any entrepreneur and requires careful consideration of various factors

Talal AlAwadhi: Ottu breaks the mold with a revolutionary approach to online payments

TALAL ALAWADHI
CEO OF OTTU

As we continued to grow, we attracted interest from investors who recognized the potential of our solutions in the rapidly evolving fintech space

Building sustainable relationships with our merchants involves continuous engagement and innovation

Can you tell us about the company's business and expansion?

Empowering Merchants, Transforming Online Payments: Ottu breaks the mold with a revolutionary approach to online payments. Instead of forcing businesses to adapt to rigid platforms, we give them the key to an innovative solution. Through direct bank connections and a vast network of payment gateways and technology partners, Ottu grants medium and large organizations unparalleled flexibility in choosing the optimal routing for their transactions. This translates to increased reach, lower costs, and a tailor-made commercial offering that fuels growth.

We began with a strong focus on the GCC, where we have achieved significant success. We have expanded our presence across the GCC, establishing offices in key locations such as Saudi Arabia, Bahrain, and the UAE, with our head office in Kuwait. This expansion is a testament to our strategy to become the leading payment solution provider in the GCC, leveraging the region's growing digital economy.

How did you secure funding for the project, and what is the biggest challenge?

Our journey began with seed funding from angel investors and the close network around me in my entrepreneurial journey, which provided the essential capital to develop our platform and scale Ottu's operations. As we continued to grow, we attracted interest from investors who recognized the potential of our solutions in the rapidly evolving fintech space. Their support, both financial and strategic, has been crucial in accelerating our expansion and enhancing our technology, demonstrating their confidence in Ottu›s potential.

One of our biggest challenges is navigating the regulatory landscape across different countries. Each market has its own set of financial regulations and compliance requirements, which can be complex and time-consuming. However, Ottu›s team's expertise and strong partnerships with local entities have effectively helped us overcome these challenges, reassuring investors of our ability to navigate complex environments.

How do we maintain customer satisfaction and create a sustainable relationship with them?

Maintaining customer satisfaction is at the core of Ottu›s business strategy. We achieve this by offering tailored solutions that meet our merchant›s specific needs and exceptional customer support. Our platform is designed to be flexible and scalable, allowing businesses to grow without worrying about their payment infrastructure. This instills confidence in Ottu›s service quality and underscores our dedication to our merchants.

Building sustainable relationships with our merchants involves continuous engagement and innovation. We listen to their feedback and constantly update our services to meet their evolving requirements. This proactive approach ensures that they feel valued and integral to Ottu›s operations, viewing us as a service provider and a long-term partner in their success.

What is your vision for the business environment in Kuwait? What are the challenges, and could any enhancements be made?

Kuwait offers a dynamic and rapidly evolving business environment, particularly in the fintech sector. With the government's focus on digital transformation, there are ample opportunities for businesses like ours to thrive. We envision a future where digital payments become the norm, driving efficiency and convenience for consumers and businesses.

Kuwait has efficiently helped us become familiar with online payments using Debit cards (Knet ePayment Gateway) since early 2000. Kuwait has positioned itself as a lab for the GCC in innovation for online projects. We will continue developing and introducing the latest technology in the local market, and then we export what works well to the region.

What factors should an entrepreneur consider when choosing a successful business venture? Please mention any guidance that you would like to offer.

An entrepreneur should consider the market's demand, scalability, and innovation potential. It's crucial to thoroughly research the industry and understand the pain points that your product or service can solve. Building a solid network and seeking mentorship can also provide valuable insights and open doors to new opportunities.

Start the idea and have the concept actualized to be able to pivot and improve, perfection is an enemy of entrepreneurship and innovation. It takes a lot of iterations and improvement on the initial concept for you to achieve a workable and real version of the concept for it to succeed.

Kuwait offers a dynamic and rapidly evolving business environment, particularly in the fintech sector

An entrepreneur should consider the market's demand, scalability, and innovation potential

The Founder and CEO Of VI Markets

Talal Al Ajmi: VI Markets partnered with Axi to provide investors in the Middle East

with a tailored online trading service

TALAL AL AJMI
THE FOUNDER AND CEO OF VI MARKETS

We strive to tailor our products, services, and communications to meet clients' needs

During the pandemic co-vid19, we invested heavily in technology and delivered our free educational seminars/ workshops on how to trade

Can you tell us about the company's business and expansion?

VI Markets partnered with Axi to provide investors in the Middle East with a tailored online trading service. With this partnership, VI Markets are proud to provide investors the opportunity to trade forex and CFDs on indices, commodities, energies, equities, cryptocurrencies and futures.

Axi is trusted by thousands of ambitious customers in over 100 countries worldwide, helping all types of traders, trading businesses, banks and financial organizations find the edge they need to achieve their financial goals through informed transactions made on the world's financial markets. Axi offers a comprehensive range of assets including CFDs for several asset classes such as Forex, Shares, Oil, Precious Metals, Coffee, Indices, and other commodities.

Axi takes pride in its reputation as an honest, fair, and trusted broker. The numerous awards and ‹great' Trustpilot reviews attest to the confidence and trust earned by their customers who value exceptional service, fast execution, secure payments, and easy withdrawals. Similarly, they also work proactively with leading regulatory governing authorities around the world to ensure they surpass the highest industry standards.

The company holds a multi-year partnership with Premier League Champions and Treble winners, Manchester City, as well as Manchester City Women, Brazilian football club Esporte Clube Bahia and a Regional LatAm partnership with La Liga club, Girona FC.

How did you secure the funding for the project and what is the biggest challenge?

Vi Markets started with a humble capital securing funds first as an IB then after building the customer base wallet, VI markets is proud to be partnered with Axi Corporation, one of most reputable online brokerage companies in the world.

How to maintain customer satisfaction and create a sustainable relationship with them?

Maintaining customer satisfaction and building a sustainable relationship with customers is essential for long-term success. We primarily focus on listening to customer needs and wants and take that into consideration – we have a whole department that takes care of customer complaints. Through engaging with customers to understand their evolving needs and expectations. Surveys, feedback forms, and direct conversations make us closer to our target customers. We strive to tailor our products, services, and communications to meet their needs. That's what we actually did during the pandemic co-vid19 we invested heavily in technology and delivered our free educational seminars/workshops on how to trade, through different platforms to have the maximum reach and cater to the needs of our customers, then we facilitated Copy Trade (a feature that allows our customers to copy trades from trusted brokers that they wish to follow and learn from their strategies and trading trends). Vi markets also facilitated new features that were asked by our clients like (immediate deposit and withdrawal of their funds through our own Apps generated by Axi and Vi markets).

Not only that, but we also have a great team that deploy follow up calls and messages to ensure that the quality delivered is maintained and being reflected in every service we provide.

What is your vision for the business environment in Kuwait, challenges and any enhancement for improving?

Kuwait has the potential to emerge as a dynamic business hub in the Gulf region, leveraging its strategic location, wealth, and highly educated population. The future of Kuwait's business environment could be defined by many aspects such as: an economic diversification, Kuwait can further diversify its economy by investing in sectors like technology, renewable energy, logistics, healthcare, and tourism. Reducing dependency on oil and gas revenues is critical for sustainable economic growth. While focusing on fostering a strong startup ecosystem and encouraging innovation, Kuwait can become a center for entrepreneurial activities. A focus on technology, research, and development can position the country as a leader in regional innovation.

I believe that despite efforts to diversify, Kuwait's economy remains heavily reliant on oil, which leaves it vulnerable to price fluctuations and global market conditions. Diversification remains a long-term challenge. Geopolitical tensions in the region, combined with fluctuating oil prices, can create uncertainties that affect investor confidence and long-term business planning.

By addressing these challenges and adopting a forward-looking approach to reform and development, Kuwait can create a sustainable, diversified, and resilient business environment that thrives in a changing global landscape.

What factors should an entrepreneur consider when choosing a successful business venture? Any guidance would like to offer?

Choosing a successful business venture is a critical decision for any entrepreneur, and it requires careful analysis and planning. Several factors play into the decision-making process and understanding them can increase the likelihood of success. Conduct market research to determine if there is a real, unsatisfied need in the market. Without demand, even the best product will struggle to succeed. Choose a business you are genuinely excited about and one that leverages your strengths, knowledge, and personal interests. Conduct a competitive analysis to understand your market positioning and develop a clear differentiation strategy that makes your business stand out. Ensure you have sufficient capital and a clear path to profitability. By carefully evaluating these factors and following a strategic approach, entrepreneurs can increase their chances of selecting a successful business venture that aligns with both market opportunities and personal goals.

Kuwait has the potential to emerge as a dynamic business hub in the Gulf region, leveraging its strategic location, wealth, and highly educated population

A focus on technology, research, and development can position Kuwait as a leader in regional innovation

Choosing a successful business venture is a critical decision for any entrepreneur, and it requires careful analysis and planning

UPayments CEO & Co-Founder

Nasser Al Humaidi: UPayments has established itself as a leader in the FinTech industry in Kuwait

NASSER AL HUMAIDI
UPAYMENTS CEO & CO-FOUNDER

With a strong commitment to innovation, the company has successfully expanded its market presence and now serves a wide range of customers in Kuwait and beyond

we continue to innovate within a well-defined regulatory framework that supports the growth of the industry.

Can you tell us about the company's business and expansion?

UPayments was founded in 2016 with the mission to help businesses grow by providing innovative payment solutions. The company began with a focus on digitized rental collection but quickly expanded its services to include a comprehensive suite of FinTech solutions. These solutions include payment gateway, e-commerce platform, online invoicing, POS devices, rent collection, and online escrow services. UPayments has established itself as a leader in the FinTech industry in Kuwait, continuously innovating to meet the diverse needs of businesses across various sectors. With a strong commitment to innovation, the company has successfully expanded its market presence and now serves a wide range of customers, both within Kuwait and beyond.

How did you secure the funding for the project and what is the biggest challenge?

The initial funding for UPayments was secured through strategic investments that were aligned with our vision of transforming payment processing and e-commerce in Kuwait. However, one of the biggest challenges we faced early on was finding qualified human resources in the nascent field of fintech. At the time, fintech was still a young industry in Kuwait, and the talent pool was limited. This required us to invest heavily in training and development to build a team capable of driving our vision forward.

Additionally, at the time of establishing UPayments, the fintech regulations in Kuwait were either underdeveloped or non-existent. Navigating this uncertain regulatory landscape added another layer of complexity to our operations. However, the Central Bank of Kuwait (CBK) has made significant strides in developing and expanding fintech regulations. Their rigorous approach has not only resolved many of the initial challenges we faced but also opened up a fertile frontier for fintech companies like UPayments to thrive. Today, as a licensed PayTech company under the CBK, we continue to innovate within a well-defined regulatory framework that supports the growth of the industry.

How to maintain customer satisfaction and create a sustainable relationship with them?

UPayments ensures customer satisfaction by offering a comprehensive ecosystem of services that cater to all payment and e-commerce needs under one roof. Our ecosystem includes Payment Links, Ecommerce platforms, Payment Devices, Payment Gateway, Property Management, and Rent Collection solutions, providing our clients with a seamless and integrated experience. This seamless approach allows businesses to manage all their transactions and operations efficiently within a unified system, enhancing convenience and operational effectiveness.

In addition to our extensive service offerings, UPayments provides robust customer support through multiple channels, including phone, WhatsApp, email, and social media, ensuring that help is always accessible. Our commitment to customer experiences support and our proactive approach to listening to customer feedback and acting on it promptly has been key to building long-term, sustainable relationships with our clients. This combination of comprehensive service offerings and exceptional customer care ensures that we consistently meet and exceed our clients' expectations.

What is your vision for the business environment in Kuwait, challenges and any enhancement for improving?

UPayments envisions a dynamic business environment in Kuwait where digital transformation drives growth and innovation. The key challenges include adapting to rapidly changing technologies and ensuring that businesses can easily access and implement these innovations. UPayments addresses these challenges by offering solutions that are not only technologically advanced but also easy to integrate and use. The company continues to focus on expanding its product offerings and improving existing services to meet the evolving needs of businesses in Kuwait. This includes enhancements to our mobile app to provide a more accessible and mobile-friendly experience for users.

What factors should an entrepreneur consider when choosing a successful business venture? Any guidance would you like to offer?

Entrepreneurs should focus on identifying a real problem in the market and developing innovative solutions to address it. At UPayments, the journey began with solving the specific issue of digitized rent collection, which then expanded into a broader suite of payment solutions. It's essential to stay adaptable and open to expanding into new markets as opportunities arise. Building a strong, customer-focused culture and staying ahead of technological trends are also crucial. Lastly, understanding the regulatory landscape and ensuring compliance from the outset will help avoid challenges later on.

UPayments ensures customer satisfaction by offering a comprehensive ecosystem of services that cater to all payment and e-commerce needs under one roof

Building a strong, customer-focused culture and staying ahead of technological trends are crucial

Banks' Interest Rates Future Outlook

AMER ZIAB AL-TAMIMI
MEMBER OF THE EDITORIAL BOARD

Federal Reserve Board:
The Federal Reserve Board decided to cut the discount rate in September 2024 as it became evident that the US economy is facing slow growth and may enter a period of mild recession. July's Employment figures showed that only 114,000 new jobs were added, compared to 206,000 in June, indicating a potential slowdown in economic growth. Employment data is crucial for the US economy as it reflects the strengthening of activity and the potential for higher consumption rates. The unemployment rate rose to 4.3 percent from 4.1 percent in June. The hourly wage rate increased by 0.2 percent between June and July, with an annual increase estimated at 3.6 percent. These figures suggest that the inflation in the United States is declining, putting pressure on the Federal Reserve to reconsider its hawkish policy aimed at curbing inflation. Maintaining the current discount price level of around 5.5 percent is becoming increasingly untenable.

US Economy Remediation:
The US economy is significantly influenced by the Federal Reserve's monetary policies, as economic institutions rely on borrowing and bank financing to support their activities in various sectors. Since the beginning of August, the stock market has witnessed volatility; with indices initially declining and causing markets to lose substantial value, only to recover a few days later. Investors and securities traders expect the Fed to ease its policies and reconsider discount rates which could restore momentum and drive-up key market indexes such as the Dow Jones, Nasdaq, and Standard & Poor's.
Investment in securities is largely financed, emphasizing the critical role of interest rates for traders. High financing costs pose challenges for investors in new projects or businesses, increasing investment risk and potentially leading to project failures or bankruptcies. The same applies to the expansion of existing businesses or the provision of funds for business management. American consumers rely on various financing tools for purchasing cars and other durable goods, as well as for acquiring private housing.

What about Europe?
Increasing the discount rate by the Federal Reserve has led major central banks, such as the Bank of England, the European Bank and the Bank of Japan to raise their discount rates and adopt tight monetary policies in response to high inflation. Interest rate hikes vary depending on the specific economic conditions of each region. The European Central Bank (ECB) has observed a significant decline in inflation rates within EU countries, now ranging from 2.2 to 2.5 percent, though still above the target of 2 percent per year. Economic growth in the EU remains moderate, expected to be between 0.9 percent in 2024 and 1.4 percent in 2025.
Consequently, the ECB has decided to reduce interest rates on refinancing facilities, marginal financing, and credit financing to 4.25 percent, 4.5 percent, and 3.75 percent, respectively. This move indicates that the European Bank has preceded the US Federal Reserve in lowering interest rates, as the US discount rate remains around 5.5 percent. The disparity in interest rates is expected to cause a short-term increase in the dollar exchange rate. The rate reduction, implemented in June, has led to 0.3 percent growth in the European economy during the second quarter of this year. However, there is concern about the German economy, which contracted by 0.1 percent during the referred period. The German economy is considered the largest and most significant economy in the EU system and the eurozone.

Asia and the Chinese Recession:
Asian economies encountered specific challenges during the first half of 2024, However, Asia's largest economy, China, has achieved a 5 percent growth rate this year, according to International Monetary Fund reports. China's GDP reached $8.5 trillion in the first half of the year. The country's monetary authorities have reduced financing costs for enterprises to 3.73 percent. China relies on the export of commodities and goods, leveraging its comparative advantages in various manufacturing industries.

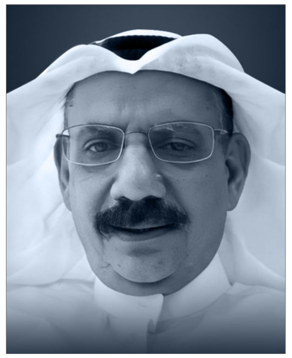
Consequently, it consistently works to maintain a low exchange rate for its national currency (Yuan), which stood at 7.2 Yuan per dollar on August 10.

Real Estate Crisis:
China has faced significant economic challenges over the past few years, starting with the Covid-19 pandemic. The strict policies implemented by the Chinese authorities to control the virus severely disrupted economic activity, and recovery remained slow even after the gradual reopening over the past two years. Additionally, the real estate crisis has been a major concern. There has been a significant expansion in sectors associated with real estate, with many apartment buildings constructed, financed by the banking sector and supported by the government. However, the demand did not keep up with the supply in the real estate sector, which prompted the authorities to take measures to finance potential homebuyers.
However, China's demographic trends of a high number of unmarried youth and delayed childbearing have not led to an increase in housing demand beyond supply. To address the crisis, the Chinese government has adopted several policies, such as reducing mortgage interest rates, easing procedures, and facilitating payment requirements for beneficiaries. The central government has also encouraged local administrations to acquire unsold housing, enabling families to purchase homes at lower costs. It is evident that these conditions will lead China to adopt stimulative monetary policies and work towards lowering bank interest rates

Japan and Chronic Stagnation:
Japan has experienced a chronic recession since the early 1990s following the stock market crash. The discount rate has remained below zero, and sometimes negative, for an extended period. However, inflationary pressures prompted the Bank of Japan to raise the short-term interest rate to

0.25 percent during July meeting. The Japanese government has adopted incentive policies to counter the recession and the declining household and individual consumption because of demographic changes resulting from the aging population. Japan's economic growth rate remains sluggish, estimated at 0.7 percent in 2024.
As part of its fiscal policies aimed at economic stimulus, the government has continued to borrow heavily, increasing the level of government debt to 217 percent of GDP. This situation should place a burden on the central bank to ease debt service and maintain a lax level of interest rates. With inflation estimated at 2.8 percent in June 2024, there are no significant inflationary pressures to justify tighter monetary policies. Therefore, it is likely that a loose monetary policy will be adopted in the coming months.

The Future Outlook
The economic conditions facing major economies highlight the need to reassess the monetary policies implemented by central banks over the past two years to address inflation. The Federal Reserve may lead the reassessment by reducing the discount rate and other interest rates. The European Central Bank and the Bank of England have deliberately made strategic cuts to stimulate growth in the European and British economies.
It is worth to note that central banks in the Gulf region often react to the trends set by major banks, especially the Federal Reserve. Consequently, it is likely that central banks in our region will reduce interest rates to align with the policies of major central banks and to stimulate economic activity and support the private sector, considering efforts aimed at diversifying the economic base and alleviating the state from burdensome responsibilities and obligations.
Monetary policy should be recognized for its significance in the region, emphasizing its crucial role in economic life, potentially surpassing the role of fiscal policy in the coming years.



The Kuwaiti Economy: The Current Situation and a Promising Future

DR. SADEQ ABUL
MEMBER OF THE EDITORIAL BOARD

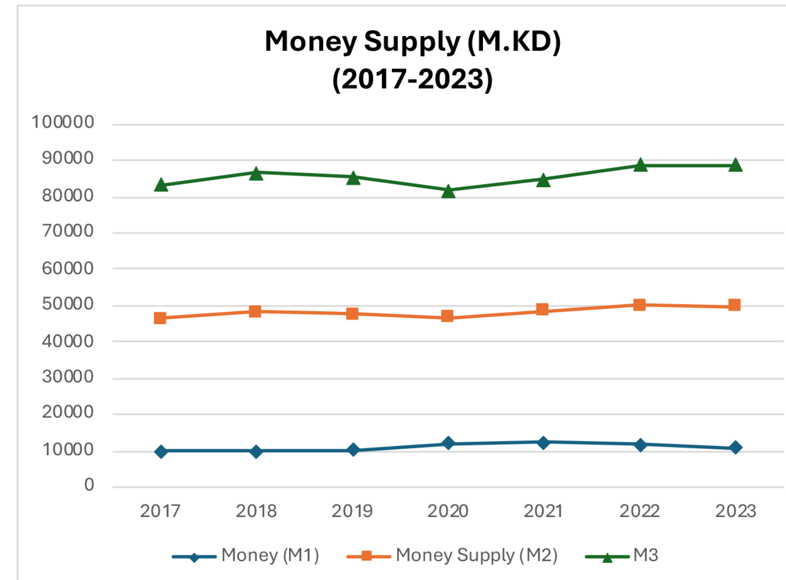
Kuwait is situated in the northwestern area of the Arabian Gulf and covers a land area of 18,000 square kilometres. Iraq bounds it to the north, the Kingdom of Saudi Arabia to the south and southwest, and the Arabian Gulf to the east. Kuwait is considered a natural gateway to the Arabian Peninsula and occupies a strategic location that has given it long-standing commercial importance. From 1914 to June 1961, when it became an independent state, Kuwait was a British protectorate. The Indian rupee was the currency in Kuwait prior to 1959, when the Gulf rupee was introduced, which was then replaced in turn by the present Kuwaiti dinar in April 1961. Kuwait served as a vital hub within the Gulf trading patterns throughout the nineteenth century between Iraqi ports and the Gulf coast, dealing in money or other goods.

Prior to the discovery of oil, its primary economic activities were pearling, fishing, boat-building, small-scale trading, and merchant shipping. The emergence of the modern Kuwaiti economy can be traced to 1946, when the first oil exports were recorded. The subsequent exploitation of its oil reserves led to the phenomenal growth of the Kuwaiti economy, which has experienced an unprecedented growth rate for a very long time. The sources of growth have been dominated by crude oil production. The oil sector has positively influenced the rest of Kuwait's economy through financial linkages, increased aggregate demand, and expanded imports. This means that the population has come to enjoy high living standards, that are generally associated with the most developed industrialised states. Kuwait now enjoys one of the highest per capita incomes among countries around the world, and the GNI per capita during 2023 amounted to US$ 46,140. The population of Kuwait is about 4,385,717, of whom 1,488,716 are Kuwaitis (34% of the total population), while the number of non-Kuwaitis is about 2,897,001 (around 66% of the total population). The new government has begun to address the structural economic imbalances within the general budget, where the current expenditure, including salaries, represent about 93% of the total government spending (2023/24). In contrast, the oil revenues account for 88% of the total revenues. With regard to the workforce, employment is concentrated in the government sector, and the private sector's contribution to the gross domestic product is relatively low.

The main features of the Kuwaiti economy: strength and sustainability

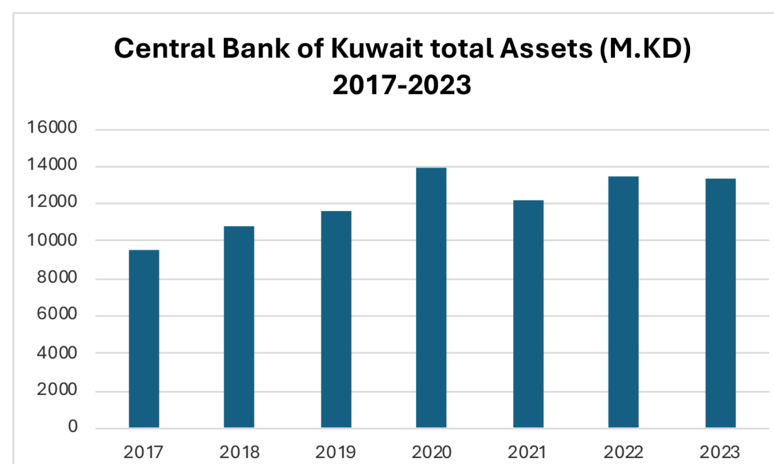
This article briefly explores the current solid footing of Kuwait's economy. By reviewing the leading economic indicators, we will establish that Kuwait is qualified to be a financial and commercial center in the Arabian Gulf and that the promising opportunities in this economy will be tremendous. The Kuwaiti economy has witnessed remarkable growth in the most important economic sectors over the past few decades, especially the financial and banking industries, with the construction of a vital infrastructure for supporting communications and logistics services. Although the state's general budget is characterised by a defective structure, which depends mainly on one source of income, that is oil, there are high hopes that the new government will solve these structural imbalances, as the government has begun seriously, it seems, to propose joint projects and encourage the private sector to participate in employing the Kuwaiti workforce and contributing to the Gross Domestic Product (GDP).

The government initiatives also indicate the introduction of income tax system. A recent government report indicates that 94% of the income tax system project has been completed and is due to be fully completed by early 2025. In light of this, it appears that the Kuwaiti economy is proceeding along an excellent path toward success. These economic reforms will create significant investment opportunities for foreign investors. I would argue that Kuwait is a promising country for investment as, in addition to political and financial stability, the Kuwaiti economy possesses many substantial positive features.



The strengths of the Kuwaiti economy are due to the following factors:

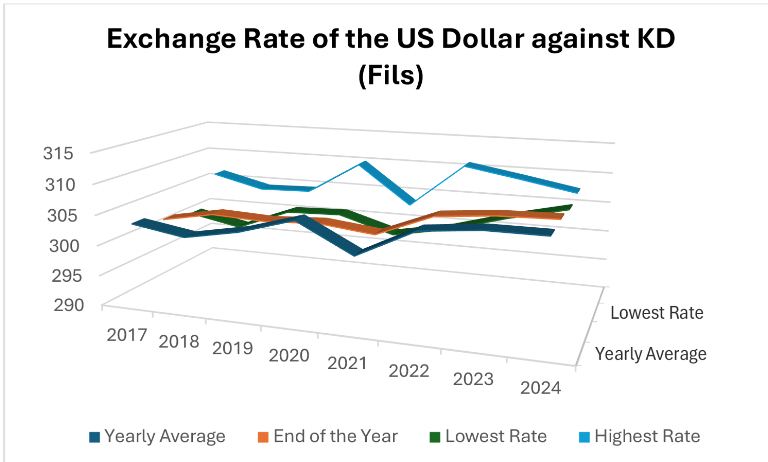
1| The Kuwaiti economy enjoys a strong banking and financial structure, accompanied by political and economic stability and a large oil reserve. However, the financial sector in Kuwait includes the Kuwait Stock Exchange, the Kuwait Investment Authority (KIA), the Central Bank of Kuwait (CBK), the banking sector, investment companies, exchange and insurance companies, and finance companies. The CBK regulates many different entities, including five domestic conventional banks, four Islamic banks, one specialised bank, two finance companies, thirteen conventional investment companies, eight Islamic investment companies, thirty-two exchange companies, and several e-payment funds companies. The chief role of the CBK in any country is to ensure the soundness of the financial sector and ensure the existence of a monetary expansion rate that will promote short-term stability and long-term economic growth. The CBK, which follows the best professional practices through its monetary policy, has maintained the strength of the banking sector and the Kuwaiti dinar by pegging it to a weighted basket of major currencies that enjoy significant trade and financial relations with the State of Kuwait. The total assets of the Kuwaiti banks were around 384.7 billion U$ at the end of March 2024. Due to the CBK's policy, the Kuwaiti banks maintained excellent performance and sustainability, were not significantly affected during the Coronavirus crisis, and have recovered sufficiently to achieve good profits during the past few years. For example, these banks achieved profits of 411 million KD at the end of March 2024 compared to 385 million KD for the same period in 2023, an increase of 6.6%.

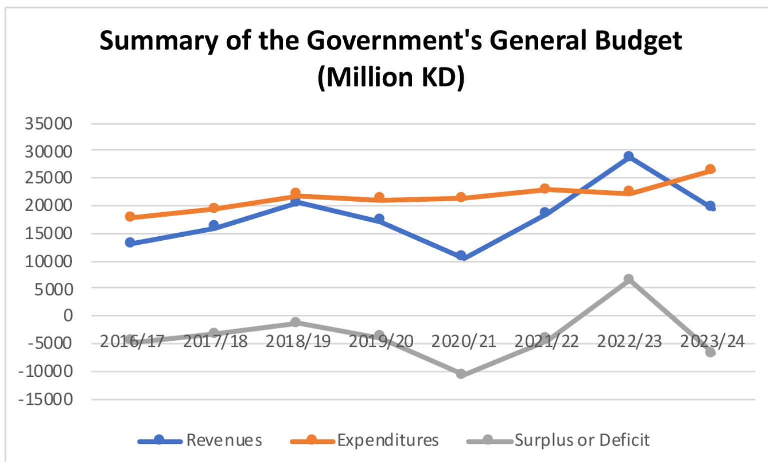


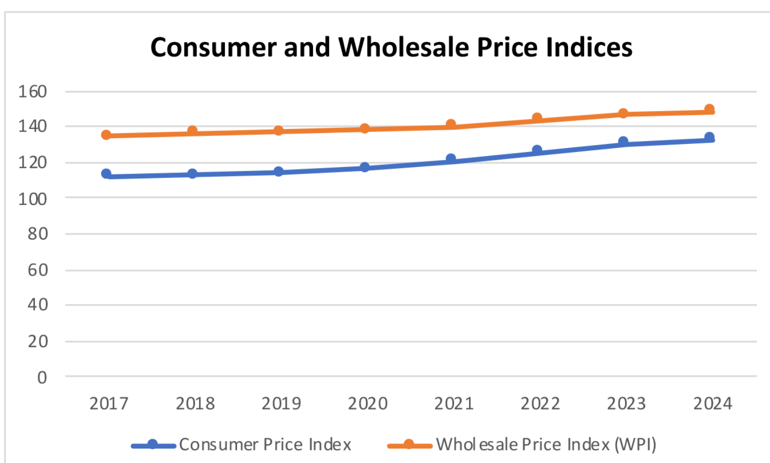
2| The Kuwait Stock Exchange (KSE), which was established in 1977, is a relatively old market among the Arab Gulf stock exchanges. It has undergone a series of transitional stages to reach its current form. In 2009, Kuwait started to develop its stock exchange by issuing several regulations. The most important one of these was Law No. 7 of 2010 regarding establishing the Capital Markets Authority. Since that date, KSE has issued further regulations, aiming to rise to the level of the other emerging stock markets worldwide; for example, FTSE, S&P and MSCI promoted KSE among other emerging markets. As a result of these developments, KSE has attracted foreign investors. For example, the volume of foreign investors' stock purchases during the first seven months of 2024 recorded net buying inflows of more than 77.99 million KD ($256.18 million), which was offset by net selling by local and Gulf investors. KSE attracts investors worldwide, and its companies achieve good profits. During the first half of 2024, these companies achieved a profit of about 1.4 billion KD, a growth rate of about 1.6% over the first half of 2023.

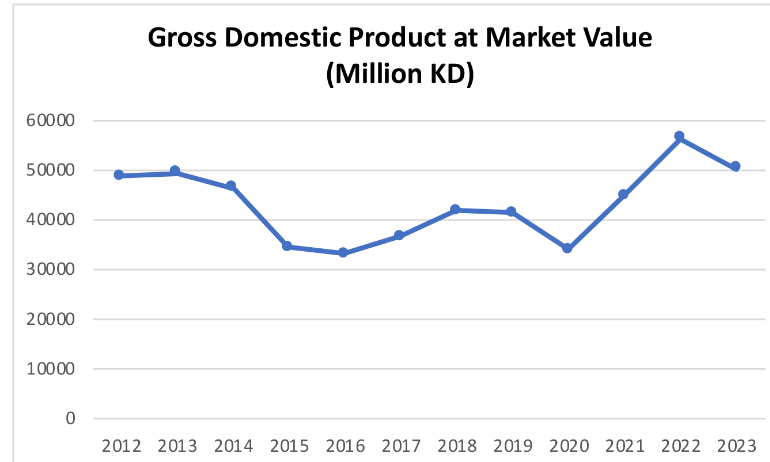
3| The Kuwait Investment Authority (KIA) was established in 1982, with the intended role of managing the Future Generations Fund's state reserve, which was collected by deducting 10% of the government's net annual revenues. It is the oldest sovereign wealth fund in the world. In April 2022, KIA was the third-largest sovereign wealth fund in the world. The Fitch rating agency estimates the reserves managed by the KIA to be more than $738 billion.

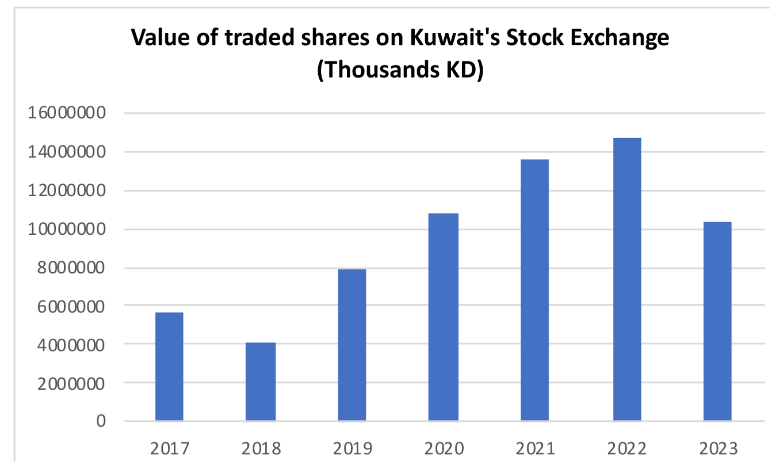
4| Kuwait has large oil reserves. With the discovery of the offshore Al-Nukhdha field, located east of Failaka Island, Kuwait's oil reserves have increased from 101,500 to 104.7 billion barrels. The new field is expected to contain around 3.2 billion barrels of oil, representing a significant increase in Kuwait's oil reserves. Kuwait has become the sixth highest country in the world with regard to possessing crude oil reserves,

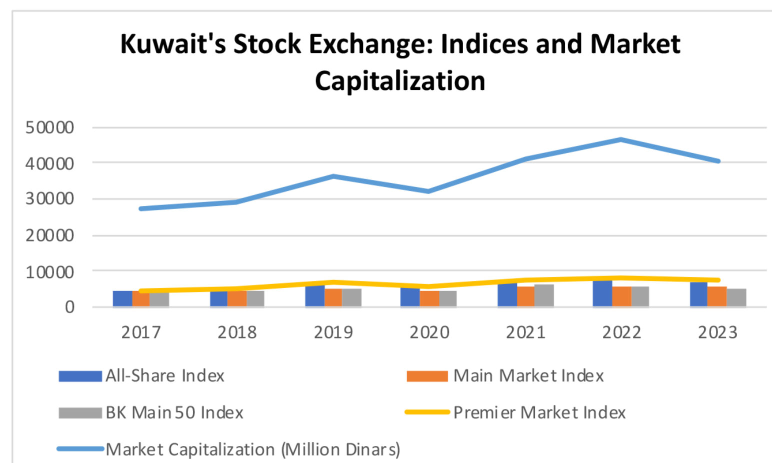












equivalent to 6.6 per cent of the world's total reserves.

5| The Kuwait Direct Investment Promotion Authority (KDIPA) was established according to Law No. 116 of 2013, with the aim of promoting direct investment in Kuwait as a specialised public authority. It came into operation in January 2015. KDIPA aims to attract, promote and encourage foreign and local direct investment in the country. The direct investment approved by KDIPA between January 1, 2015, and March 31, 2023, amounted to about 1.47 billion KD, including 69 investment entities that maintained their focus on the services sector, especially information systems, oil and gas, aviation, and health and insurance activities. The notable growth in foreign direct investment has resulted from the great efforts made by the KDIPA to ease the work of foreign companies and improve the business environment.

Concluding Remarks

Our brief review clearly confirms that the Kuwaiti economy enjoys multiple strengths, and the government is on the verge of economic reform, aimed at revising the economic imbalances that exist in certain aspects of the economy. The door has been opened to attract foreign investment through the current and future projects. There exist attractive opportunities across various sectors, including energy, water, transportation, construction, housing, healthcare, education, clean technology, oil and gas. However, a recent report published in Al-MEED magazine indicated that Kuwait has witnessed a high rate of awards for infrastructure and construction projects, which raised the amount of investment in these projects to more than 2.1 billion dollars, compared with the first half of 2023 (when the amount invested was approximately one billion dollars). MEED expected the contracts for transportation and construction projects in Kuwait to surge further during 2024.

The Sustainability in Islam

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EXECUTIVE MANAGER- INTERNAL SHARI'AH AUDIT GROUP-KFH
HEAD OF SHARIAH COMMITTEE FOR ISLAMIC BANKS-KUWAIT BANKING ASSOCIATION

Praise be to Allah (God) for creating humans and teaching them what they did not know. The Islamic Shariah law, deeply rooted in sustainable development, is a call to action for us to preserve the necessities of life. The concept of sustainability is evident in the Qur'an and the Prophet's teachings, emphasizing the balance and stewardship of the Earth. As we reflect on the verses in the Noble Qur'an, we realize the well-established system designed by the Creator to ensure sustainability on Earth. Islam emphasizes the importance of balance, guiding and empowering us to take responsibility for our journey through life and our crucial role in preserving the Earth, thereby making us capable stewards of this planet.

Thus, the Almighty Allah (God) taught Adam the principles of knowledge and understanding so that he could use them to cultivate the Earth and introduce them to his descendants, generation after generation. Reflecting on the verses in the Noble Qur'an, we realize that the Creator of this universe designed it according to a well-established system and precise rules that ensure the principle of sustainability on Earth. He bestowed laws and dispatched Messengers to lead humanity towards Allah's oneness and the Earth's nurturing, fostering in them a spirit of equilibrium and enduring stewardship. Islam emphasizes the importance of balance, as reflected in the well-known saying: "Work for your worldly life as if you will live forever, and work for your hereafter as if you will die tomorrow!" This equilibrium in the divine plan guides and reassures us on our journey through life, offering comfort and direction.

1. Defining Sustainable Development:

The UN's World Commission on Environment and Development defined sustainable development as: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." It presupposes the preservation of natural assets for the sake of future growth and development. ***"Source: (1997) Dictionary of Environmental Statistics, United Nations Publications Online, series "waw," No. 67."*** Thus, sustainable development aims to preserve economic, social, and environmental needs.

The Core Pillars of Sustainable Development:

- Economic
- Social
- Environmental

2. Sustainable Development in the Spirit of Islamic Principles:

Upon examining the texts and principles of Islamic law, it becomes clear that the concept of sustainable development is not only present but also inspired by the spirit of Islamic law. From the perspective of Islamic law, sustainable development is not just a single-dimensional process. It is a comprehensive, multidimensional concept encompassing economic, social, environmental, and spiritual dimensions.

While this article does not have the space to delve into a comprehensive presentation of all the Islamic texts that support the principle of sustainable development in Muslim life, I will touch on some concepts derived from Islamic law that reinforce the idea of sustainability in its three dimensions: ***economic, social, and environmental***.

3. Promoting economic sustainability is a fundamental principle of Islamic Sharia through:

- **Prohibiting Riba (Interest against loans):** Riba is an economic disease and a cause that kills the growth of a real, sustainable economy based on producing goods and services and employing labor. Riba strips money of some of its attributes, such as being a means of exchange and a tool for measuring prices, turning it into a commodity that is bought and sold. This leads to an inflation of debts and the concentration of wealth in the hands of a few, increasing the wealth of the rich without effort and increasing the poverty of the needy.
- **The System of Zakat and Charity:** This system ensures a continuous financial source for the poor from the wealth of the rich, strengthening social solidarity among society members. Its impact is establishing the principles of justice and social bonds among people.
- **The System of Waqf:** This ancient Islamic system, well-documented in Islamic jurisprudence, is one of the main channels for economic sustainability in all its forms, whether in providing housing, schools, hospitals, mosques, factories, etc. This system provides a source for people experiencing poverty and a source for those working and overseeing these endowments. This ensures the sustainability of these endowments for centuries. Islamic history is full of examples of such charitable endowments in their various forms.

- **Not Bequeathing More Than One-Third of the Inheritance:** The Prophet (peace be upon him) said, in response to a Companion who asked him about the amount of charitable bequest after his death, ***"One-third and one-third is much. It is better for you to leave your inheritors wealthy than to leave them in need, begging from others."*** (Al-Sahih) The Prophet (peace be upon him) considered the matter of preserving enough wealth for the comfortable continuation of the lives of the inheritors.
- **The Principle of Developing and Investing Wealth and Avoiding Hoarding:** Islamic law urges people to engage in a series of investment strategies to achieve this goal, which is fulfilling an objective of Islamic law concerning wealth: ensuring its circulation and movement among people. The Almighty Lord calls for striving on Earth and turning over wealth in trade seeking sustenance, as He says: ***"And others travel through the land, seeking favor from Allah." (Quran 73:20).***

4. Strengthening Social Sustainability through the Principles of Islamic Law:

- **The Encouragement of Marriage:** Islam has regulated the contract of marriage, considering it one of the sacred contracts with a unique nature within a legal framework. This framework distributes responsibilities and establishes rights and obligations between the couple, who are the nucleus of the family. The family is the foundation of society and the element that makes up nations in countries. The Prophet (peace be upon him) said, ***"Our Sunnah is Nikah."*** It is evident from demographic statistics around the world that the population of Islamic countries is increasing compared to its counterparts in Western countries, particularly in Europe. The latter has been moving towards a reluctance to marry for a long time, leading to it being known as the ***"ageing continent"*** due to the low percentage of youth. On the other hand, Islam prohibits sexual relationships outside the framework of the marital contract due to their adverse effects on society. Allah Almighty says, ***"And do not approach fornication; indeed, it is a shameful act and an evil way." (Quran 17:32)***
- **The System of Qisas (Retribution):** Islam, in its encouragement of marriage and population growth, also seeks to establish punishments that curb crime, protect lives, and ensure a safe and sustainable society. Through Islamic law, these measures aim to preserve security, stability, and a dignified life in Muslim societies.
- **The Encouragement of Maintaining Ties of Kinship:** Human beings naturally love socializing with their kind and being in their company. Islamic law is consistent with this instinct in this important matter. Instead, it encourages maintaining kinship ties and offers great rewards and blessings. The Messenger of Allah (peace be upon him) said, ***"Whoever wishes to have his provision expanded and his life extended, let him maintain ties of kinship." (Al-Bukhari)*** It has been proven in several recent studies that communication has a positive impact on mental health, which is a cause of physical health for a human being who is an active element in building nations and ensuring their sustainability.

5. Strengthening Environmental Sustainability through the Principles of Islamic Law:

- **The Prohibition of Corruption on Earth:** Environmental corruption, which includes industrial pollution and environmental damage, is considered a type of corruption on Earth. Allah Almighty prohibits corruption on Earth in many verses, including His saying, ***"And do not corrupt the Earth after it has been set in order; that is better for you if you are believers." (Quran 7:85)*** By the meaning of this verse and those similar to it, the Shari'ah has forbidden harming the environment and mistreating nature, which is the home of humans and the place from which they obtain sustenance. It was narrated from the Prophet (peace be upon him) that he said, ***"There is no harm nor reciprocation of harm."*** Muslim jurists have adopted this Hadith as one of the principles of Islamic "Fiqh" law. The meaning of this principle is the prohibition of causing harm to anything and in any form, and no doubt harming natural resources falls under this prohibition.
- **The Encouragement of Maintaining Natural Resources like Trees and Water:** Prophet Muhammad (peace be upon him) emphasized the importance of preserving natural resources like trees and water. His teachings encourage sustainable agriculture, care for animals, and water conservation. He considered planting a tree an act of charity and urged people to continue planting, even in difficult times. Let us follow his wisdom and work together to protect our environment for the future. It is sufficient in this regard what is narrated from the Prophet (peace be upon him) that he used to perform ablution with ***(approx. 0.688 litres)***, and he used to bathe with ***(approx. 2430 ml)***.
- **Green Finance (Sustainable Finance):** Islamic Shariah law has pioneered innovative developments in green finance, also known as sustainable finance. These developments include contractual formulas such as Muzara'ah (share-cropping), Mugharasa (share-cropping), Musaqah (contract for watering), and Salam (forward sale). These formulas benefit all parties involved in the contract and contribute to improving the environment. Islamic finance champions sustainable development by directing funds and investing in areas that benefit society in the present and future.

*In the introduction to this article, I mentioned that Islam is a religion that emphasizes balance in all aspects of life. In conclusion, it's important to highlight that this balance in Islam extends beyond worldly affairs to establishing sustainability for human life after death and its transition to eternal life (**that Muslims believe it is exist**). Islam guides Muslims to work and strive towards building a future life through the performance of righteous deeds, both religiously and worldly, thereby reinforcing the concept of sustainable development. Islam is a complete and comprehensive religion that regulates the relationships between humans and their Creator, with themselves, and with those around them, including human and non-human creatures. This calls Muslims and non-Muslims to reflect on this great religion's concepts, deeply understand its wisdom and rulings, and apply them in practice so that humanity may enjoy sustainable development in this world and the Hereafter. As stated in the Quran (28:77) "But seek, with that (wealth) which Allah has bestowed on you, the home of the Hereafter, and forget not your portion of legal enjoyment in this world, and do good as Allah has been good to you, and seek not mischief in the land. Verily, Allah likes not the Mufsidun (those who commit great crimes and sins, oppressors, tyrants, mischief-makers, corrupts)." **God is the granter of success***

At the end of June 2024 against the end of June 2023

Total assets of local banks grew by 3.5% to KWD 88.59 billion

بنك الكويت المركزي
CENTRAL BANK OF KUWAIT

The Central Bank of Kuwait issued a brief report highlights the foremost monetary and banking development in the State of Kuwait as at the end of June 2024 compared to those reported in the corresponding month of 2023 (on an annual basis), as follows:

1. Monetary Development (Money Supply)

1. Money Supply (M1):

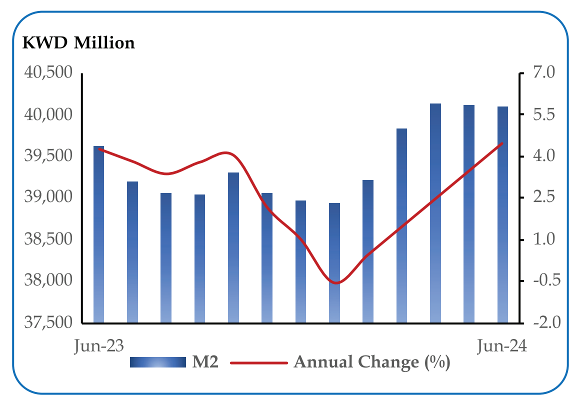
Money Supply in its Narrow Sense "Narrow Money" (M1) contracted by KWD 0.97 billion (8.5%) to KWD 10.54 billion at the end of June 2024 against KWD 11.51 billion at the end of the comparative month due to the unceasing decline of the Narrow Money (M1) on an annual basis since August 2022.

This was mainly attributed to the decrease in both **KWD sight deposits** by KWD 0.77 billion (8.0%) to KWD 8.93 billion, and **currency in circulation outside the local banks** by KWD 0.20 billion (11.0%) to KWD 1.61 billion, which is the highest decline in value and percentage since April 2021.

2. Developments and Components of Money Supply (M2):

M2 increased by KWD 0.48 billion (1.2%) to KWD 40.10 billion at the end of June 2024 against KWD 39.62 billion at the end of the comparative month. This gain resulted from the rise in Quasi-Money (KWD saving deposits, KWD time deposits and deposits in foreign currency) by KWD 1.45 billion (5.2%)

Figure (3): Broad Money (M2)

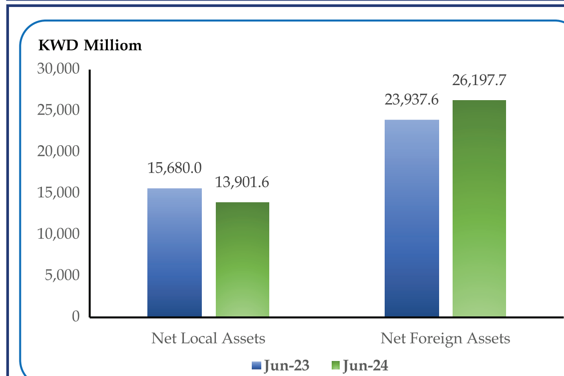


on one end, against a drop in Narrow Money (M1) by KWD 0.97 billion (8.5%) on the other.

Considering the combined monetary survey of CBK and the local banks, (M2) can be calculated according to the factors affecting it, namely **(a) Net Local Assets** (that includes net claims of CBK and local banks on government, public institutions and private sector minus government's deposits and accounts, and other "net"), and **(b) Net Foreign Assets** with CBK and local banks.

The relevant data indicate that the rise in M2 by the end of June 2024 was driven by the **increase in net foreign assets** by KWD 2.26 billion, i.e. 9.4% (as net foreign assets with local banks increased by KWD 2.90 billion, i.e. 27.8%, and net foreign assets with CBK decreased by KWD 0.64 billion, i.e. 4.7%), and the **decrease in net local assets** by KWD 1.78 billion, i.e. 11.3%.

Figure (5): Factors affecting Broad Money (M2)



II. Banking Developments (at the Activity Level of Local Banks and their Branches Inside the State of Kuwait)

1. Local Banks' Assets:

Total assets of local banks grew by KWD 3.01 billion (3.5%) to KWD 88.59 billion at the end of June 2024 against KWD

Figure (6): Local Banks' Total Assets

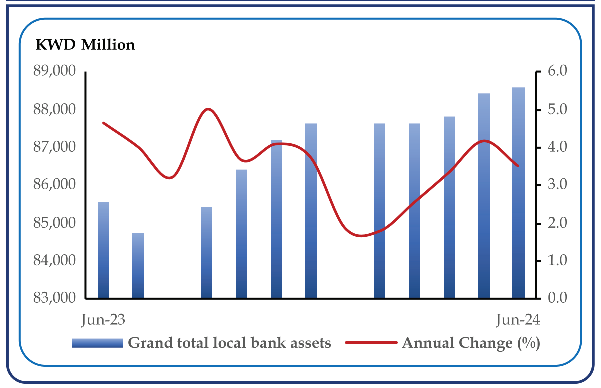
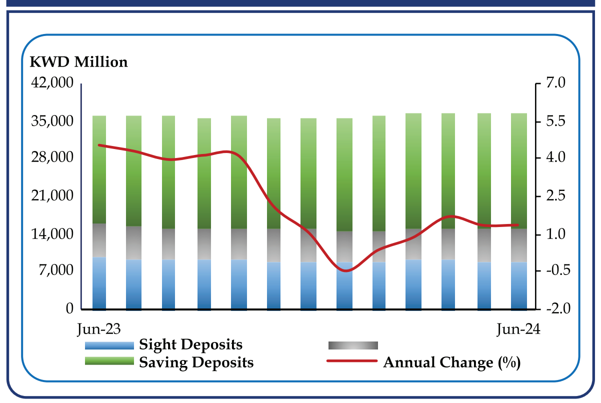


Figure (12): Private Sector's Deposits (Residents) in Local Currency



85.57 billion at the end of the comparative month. This was mainly driven by the rise in **foreign assets** by KWD 2.77 billion (12.2%) to KWD 25.50 billion, **claims on private** sector by KWD 1.41 billion (3.2%) to KWD 46.14 billion, and **cash (cash in local banks vaults)** by KWD 0.01 billion (1.7%) to 0.44 billion, and loans to banks by KWD 0.04 billion (4.3%) to KWD 1.03 billion, other assets by KWD 0.02 (0.8%) to KWD 2.98 billion. On another front, claims on government, interbank deposits, claims on CBK, and claims on the public institutions declined by 16.2%, 13.0%, 10.4% and 3.5%, respectively.

Claims on private sector represents the main source of local banks' assets. These claims accounted for 52.1% of the local banks' total assets in June 2024 against 52.3% at the end of the comparative

month. **Foreign assets** came next accounting for 28.8% of the local banks' total assets at the end of June 2024 against 26.6% at the end of the comparative month.

It is worth mentioning that the rise in foreign assets came from the rise in the balances of credit facilities to non-residents, loans to foreign banks, foreign investments and other assets by 30.5%, 16.8%, 15.7% and 10.5%, respectively (in descending order based on the percentage of increase) on one hand, and the decline in deposits with foreign banks by 6.7% on the other.

Data indicate that net **foreign assets with local banks increased** by KWD 2.90 billion (27.8%) to KWD 13.33 billion at the end of June 2024 against KWD 10.43 billion at the end of the comparative month. This rise was mainly due to the increase in foreign assets by KWD 2.77 billion (12.2%) on one end, and decline in foreign labilities by KWD 0.13 billion (1.1%) on the other.

2. Sectoral Allocation of the Cash Portion of Credit Facilities to Residents:

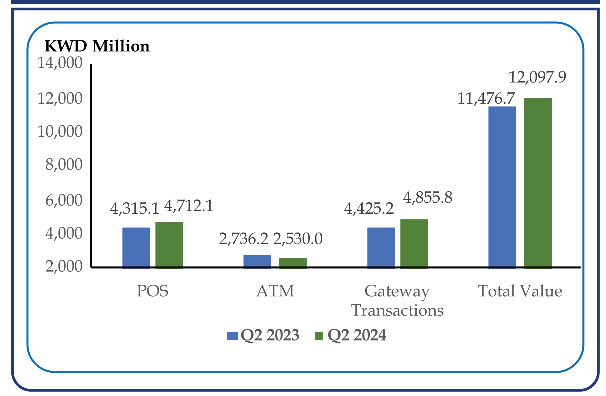
The utilized cash portion of the credit facilities to residents increased by KWD 1.39 billion (2.9%) to KWD 48.65 billion at the end of June 2024 against KWD 47.25 billion at the end of the comparative month. The utilized cash of the credit facilities to businesses and personal credit facilities accounted for 68.3% and 31.7%, respectively, of the increase in the total utilized cash portion of the facilities extended to residents.

In more detail, **the utilized cash portion of credit facilities to businesses** (61.1% of the overall facilities to residents) increased by KWD 0.95 billion (3.3%) to KWD 29.72 billion at the end of June 2024 against KWD 28.77 billion at the end of the comparative month.

This increase was mainly driven by the **rise in the utilized potion of credit** to real estate and construction (KWD 0.74 billion, i.e. 6.3%), purchase of securities "individuals, companies and institutions" (KWD 0.39 billion, i.e. 12.3%), trade (KWD 0.16 billion, i.e. 4.7%), non-bank financial institutions (KWD 0.19 billion, i.e. 15.2%), and loans to banks (KWD 0.04 billion, i.e. 4.3%).

Conversely, there was a **decline in the cash portion of credit** to other services (KWD 0.12 billion, i.e. 3.5%), industry (KWD 0.19 billion, i.e. 7.9%), crude oil & gas (KWD 0.24 billion, i.e. 11.9%), in addition to a limited slowdown in agriculture & fishing and in public services by 11.0% and 4.0 %, respectively at the end of June 2024 against the comparative month.

Figure (14): Values of Transactions using Plastic Cards



3. Deposits with Local Banks:

The **total residents' deposits** increased by KWD 1.48 billion (3.0%) to KWD 49.30 billion at the end of June 2024 against KWD 47.84 billion at the end of the comparative month. This rise was driven by the **increase in government's deposits** by KWD 0.84 billion (20.4%) to KWD 4.95 billion at the end of June 2024 against KWD 4.11 billion at the end of the comparative month, and **private sector's deposits (resident)** by KWD 0.68 billion (1.8%) to KWD 38.49 billion at the end of June 2024 against KWD 37.81 billion at the end of the comparative month.

Moreover, **public institutions' deposits** decreased by KWD 0.06 billion (1.0%) to KWD 5.86 billion at the end of June 2024 against KWD 5.92 billion at the end of the comparative month.

Private sector deposits are the primary source of financing for local banks (43.4% of the local banks' total liabilities at the end of June 2024). Nevertheless, public institution deposits and government deposits accounted for 6.6% and 5.6% of the local banks' total liabilities, respectively, at the end of June 2024.

4. Value of Transactions Using Plastic Cards:

The total value of transactions using plastic cards reached KWD 12.10 billion at the end of the second quarter of 2024(of which, KWD 11.40 billion by using plastic cards in the State of Kuwait, and KWD 0.70 billion abroad) against KWD 11.48 billion at the end of the comparative quarter of 2023, i.e. an increase of KWD 0.62 billion (5.4%).

This is mainly attributed to the increase in **online transactions** (by KWD 0.43 billion, i.e. 9.7% to KWD 4.86 billion), and **point of sales transactions** (by KWD 0.40 billion i.e. 9.2% to KWD 4.71 billion) on one hand, and the decline in the **Automatic Teller Machines (ATMs) transactions** (by KWD 0.21 billion, i.e. 7.5% to KWD 2.53 billion) on the other.

The most prominent results can be summarized as follows:
** Money Supply in its Broad Sense (M2) increased by 1.2% to KWD 40.10 billion.*
** The net foreign assets in the local banks went up by KWD 2.90 billion (27.8%).*
** The utilized cash portion of credit facilities to residents increased by KWD 1.39 billion (2.9%).*
** The total residents' deposits with local banks went up by KWD 1.46 billion (3.0%). Likewise, the resident private sector's deposits increased by KWD 0.68 billion (1.8%).*
** The total value transactions using plastic cards increased by KWD 0.62 billion (5.4%) at the end of the second quarter of 2024 compared to the end of the comparative quarter of previous year.*

Fitch Affirms Kuwait at 'AA-'; Outlook Stable

The rating is supported by its exceptionally strong fiscal and external balance sheets

Fitch Ratings has affirmed on 13 Sep 2024 Kuwait's Long-Term Foreign-Currency Issuer Default Rating (LTFC IDR) at 'AA-' with a Stable Outlook.

A full list of rating actions is detailed below.

KEY RATING DRIVERS

Fundamental Rating Strengths and Weaknesses:

Kuwait's 'AA-' rating is supported by its exceptionally strong fiscal and external balance sheets. The rating is constrained by weaker governance indicators than peers', Kuwait's heavy dependence on oil, its generous welfare system and large public sector that could be challenging to sustain in the long term. Another weakness is the continued absence of both meaningful fiscal adjustment to address structural challenges and legislation to allow debt issuance and improve fiscal financing flexibility.

Exceptionally Strong External Assets:

Kuwait's external balance sheets remain the strongest of all Fitch-rated sovereigns. We forecast Kuwait's sovereign net foreign assets will rise to 538% of GDP in 2024 and average 553% in 2025-2026, more than 10x the 'AA' median. The bulk of the assets are held in the Future Generations Fund managed by the Kuwait Investment Authority (KIA), which also manages the assets of the General Reserve Fund (GRF), the government's treasury account.

Parliament Suspended, Endling Political Deadlock:

The Amir has dissolved parliament and suspended parts of the constitution for no more than four years, during which the country's democratic process will be reviewed to address its shortcomings. This followed the April 2024 parliamentary election, the fourth since December 2020 and eighth since 2012. Fitch believes this should smooth policymaking, which has been hindered by the long-standing political deadlock between the government and parliament. However, this could affect voice and accountability, and uncertainties over the implementation of critical structural and fiscal reforms weigh on the rating.

Reform Implementation Timeline Uncertain:

The newly-appointed government has yet to unveil its four-year policy programme. Initial reform plans focus on diversifying oil revenue, improving government efficiency, rationalising government spending and capping medium-term expenditure at KWD24.5 billion (48% of projected GDP the fiscal year ending March 2025; (FY24)), which is slightly below FY23's. While parliamentary gridlock is no longer an obstacle, the timeline for implementing key reforms remains uncertain. The government also faces a backlog of laws requiring revision, likely limiting prospects for significant reforms in the near term.

Liquidity Law Assumed; Timeline Uncertain:

The government aims to pass a liquidity/debt law (as previous governments have), which is currently under revision, but the implementation timeline is uncertain. The enactment of this law would enable Kuwait to raise new debt, following the expiry of the previous debt law in 2017. Our forecasts assume that a liquidity law will be passed in FY25, although delays are possible. Even without a liquidity law, the government would still be able to meet its financing obligations in the coming years, given the assets at its disposal.

Budget Position to Deteriorate:

Under the government's reporting convention, which excludes KIA's investment interest income in revenue, and which is not officially disclosed, we expect the budget deficit to widen in FY24. The government plans to rationalise spending in line with its expenditure target, which we anticipate is achievable through modest reductions in non-core expenditures and continued under-spending of the budget. However, significant reform of the generous public employment and welfare spending (81% of total expenditure; 41% of GDP) is unlikely, thereby keeping total expenditure near the target ceiling.

We expect revenue to continue to decline, even as non-oil revenue rises modestly. Oil revenue loss from lower oil prices is partly mitigated by the potential unwinding of OPEC+ oil production quotas from 4Q24. Under the government's convention, we expect the deficit to widen to 4.4% of GDP in FY24, from 3.1% in FY23, and further to 6.0% in FY25. Including an estimate for investment interest income, we forecast the budget to post lower surpluses of 7.8% of GDP in FY24 (from 7.9% in FY23) and 5.3% in FY25.

Continued Reliant on GRF Financing:

Our FY24 forecasts assume that the government will continue to rely on GRF's assets to cover its budget deficit and meet domestic maturities. Our FY25 forecast assumes that the government will resume borrowing, with about 30% of the deficit being financed by debt issuance.

Oil Assumptions:

Our forecasts assume Kuwait's average oil price at USD79.7/bbl for FY24, down 5.1% from FY23, with output declining to 2.42mmbbl/d given OPEC+ constraints. In FY25, we assume Kuwait's average oil price will fall to USD71/bbl, while crude oil output will rise to 2.51mmbbl/d, as OPEC+ eases constraints. Under this scenario, we anticipate a nearly 4% rise in oil production in FY25 compared with FY24. We estimate Kuwait's fiscal break-even Brent oil price (including investment income) at USD58-61/bbl in FY24-FY25, with the non-oil primary deficit/non-oil GDP at 70%-76%, significantly worse than regional peers'.

Very Low Government Debt:

Gross government debt/GDP remains low, at 3.1% of GDP in FY23. We expect the debt level to remain broadly unchanged in FY24, but assuming the passage of a liquidity law in FY25, along with projected deficits and lower oil prices, we forecast government debt will rise to 4.8% of GDP in FY25 and further in FY26, despite a USD4.5 billion Eurobond maturing in March 2027. Nonetheless, we expect debt levels to remain well below the projected 2025 'AA' median of 50% of GDP.

Regional Conflict Risk; Oil Dependence:

Ongoing conflicts in the Middle East and disruptions to Red Sea shipping have had minimal impact on Kuwait, which has large government assets that provide an important buffer to support the economy if tensions were to escalate. However, hydrocarbon dependence weighs on Kuwait's rating. Kuwait remains heavily dependent on oil revenue, with budget outcomes highly sensitive to oil prices. A USD10/bbl change in our oil price assumption for 2024 would affect the budget balance by about 4% of GDP, all else being equal. A change of 100,000bbl a day of production affects the budget by 1.5% of GDP.

ESG - Governance:

Kuwait has an ESG Relevance Score (RS) of '5[+]' respectively for both Political Stability and Rights and for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption. These scores reflect the high weight that the World Bank Governance Indicators (WBGI) have in our proprietary Sovereign Rating Model (SRM). Kuwait has a medium WBGI ranking at 53, reflecting low scores for voice and accountability, and middling scores across other governance indicators.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Structural Features/Public Finances: Signs of sustained pressure on GRF liquidity, for example, due to the continued absence of a new liquidity law and of alternative measures to ensure that the government can continue to meet its payment obligations, including but not limited to debt service
- Public and External Finance: Significant deterioration in fiscal and external positions, for example, due to a sustained period of low oil prices or an inability to address structural drains on public finances

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Structural Features/Public Finances: Strong evidence that Kuwait's institutions and political system are able to tackle long-term fiscal challenges, for example, through actions to implement a clear deficit reduction plan that is resilient to lower oil prices, as well as adopt a transparent and sustainable government funding strategy.

SOVEREIGN RATING MODEL (SRM) AND QUALITATIVE OVERLAY (QO)

Fitch's proprietary SRM assigns Kuwait a score equivalent to a rating of 'AA+' on the LTFC IDR scale.

Fitch's sovereign rating committee adjusted the output from the SRM to arrive at the LTFC IDR by applying its QO, relative to SRM data and output, as follows:

- Structural Features: -1 notch, to reflect a political context that has prevented meaningful progress in enacting key economic reforms and addressing structural public finance challenges stemming from heavy oil dependence, a generous welfare state and a large public sector, and adopting a transparent and sustainable financing strategy
- Public Finances: -1 notch, to reflect our expectation of continued budget deficits and rising debt over the short- to medium term, due to persistent difficulties of reining in a generous public employment and welfare system that could pose challenges if oil revenues decline for a sustained period of time, even as the large government assets provide an important buffer
- Fitch's SRM is the agency's proprietary multiple regression rating model that employs 18 variables based on three-year centred averages, including one year of forecasts, to produce a score equivalent to a LTFC IDR. Fitch's QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the LTFC IDR, reflecting factors within our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

COUNTRY CEILING

The Country Ceiling for Kuwait is 'AA+', two notches above the LTFC IDR. This reflects strong constraints and incentives, relative to the IDR, against capital or exchange controls being imposed that would prevent or significantly impede the private sector from converting local currency into FC and transferring the proceeds to non-resident creditors to service debt payments.

Fitch's Country Ceiling Model produced a starting point uplift of two notches above the IDR. Fitch's rating committee did not apply a qualitative adjustment to the model result.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

The following limitations were identified and addressed:

KIA's assets are not officially reported by the government.

Fitch estimates these assets by compounding the government's transfers into the KIA, using assumptions about returns and asset allocations that are informed by discussions with the KIA. Fitch benchmarks government transfers into the KIA and KIA investment income against the balance of payments.

The data used was deemed sufficient for Fitch's rating purposes because it expects that the margin of error related to the estimates would not be material to the rating analysis.

ESG CONSIDERATIONS

Kuwait has an ESG Relevance Score of '5[+]' for Political Stability and Rights as WBGI have the highest weight in Fitch's SRM and are, therefore, highly relevant to the rating and a key rating driver with a high weight. As Kuwait has a percentile rank above 50 for the respective governance indicator, this has a positive impact on the credit profile.

Kuwait has an ESG Relevance Score of '5[+]' for Rule of Law, Institutional & Regulatory Quality and Control of Corruption as WBGI have the highest weight in Fitch's SRM and are, therefore, highly relevant to the rating and are a key rating driver with a high weight. As Kuwait has a percentile rank above 50 for the respective governance indicators, this has a positive impact on the credit profile.

Kuwait has an ESG Relevance Score of '4' for Human Rights and Political Freedoms as the Voice and Accountability pillar of the WBGI is relevant to the rating and a rating driver. As Kuwait has a percentile rank below 50 for the respective governance indicator, this has a negative impact on the credit profile.

Kuwait has an ESG Relevance Score of '4[+]' for Creditor Rights as willingness to service and repay debt is relevant to the rating and is a rating driver for Kuwait, as for all sovereigns. As Kuwait has a record of 20+ years without a restructuring of public debt and captured in our SRM variable, this has a positive impact on the credit profile.

Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation of the materiality and relevance of ESG factors in the rating decision.

FitchRatings

Kuwaiti Banking Sector Benefits from M&A Increase

Fitch Ratings said that the recent increase in Kuwaiti bank mergers and acquisitions (M&A) is credit positive for the sector, particularly as the market is overbanked, Fitch Ratings says. Banks have been increasingly turning to M&A as a strategic response to the limited organic growth opportunities, so as to diversify their business models and to strengthen their financial profiles. The agency indicated, in its report, that despite Kuwait's (AA-/Stable) robust fiscal and external balance sheets, the banking sector's growth potential is impeded by frequent political gridlock and institutional constraints. Delayed reforms, such as the new Public Debt Law, which requires parliamentary ratification to allow government borrowing, and the mortgage law, which would enable banks to provide residential mortgages, further exacerbate these challenges.

Integration plans

The report pointed out that last month, Boubyan Bank, the second-largest Islamic bank and the third-largest bank overall in Kuwait, and Gulf Bank, the fifth-largest bank in Kuwait, announced that they were considering a merger. If completed, the merger would create an Islamic bank with assets of about KWD16 billion (USD53 billion) and about a 15% market share, measured by consolidated assets. Fitch does not expect the transaction to finalise before 2025.

In June, Burgan Bank decided to acquire a 100% stake in Bahrain's United Gulf Bank. This followed the sale of 52.2% from its 99.7% stake in Burgan Bank Turkiye to Al Rawabi United Holding Company, and its 51.8% stake in Bank of Baghdad to Jordan Kuwait Bank in 2023. Burgan Bank is aiming to free up capital and focus on GCC business. All these banks are part of Kuwait Projects Company (KIPCO) group, a large and diverse Kuwaiti holding company.

In 2023, Gulf Bank and Al Ahli Bank of Kuwait planned a merger that included converting one of the banks to an Islamic bank. However, the deal was cancelled.

Growth prospects

It pointed out that in 2022, Kuwait Finance House (KFH) acquired Bahrain-based Ahli United Bank. This increased the bank's footprint in Bahrain and gave it a presence in Egypt and the UK, as well as a higher market share in Kuwait. KFH also plans to further expand in Saudi Arabia. The expansion beyond Kuwait opened access to broader business and revenue opportunities, compensating for the Kuwaiti market's limited growth prospects. However, despite this strong appetite for expansion, KFH sold KFH-Bahrain to Al Salam Bank in May 2024 and recently decided to divest from Malaysia.

In 2020, Boubyan Bank acquired a majority stake in the Bank of London and the Middle East to diversify its business model and boost revenue generation.

4% expected credit growth in 2024

There are ten banks in the Kuwaiti banking sector, all rated by Fitch. Fitch projects modest credit growth of 3%–4% for the sector in 2024 (2023: 2.3%; 1H24: 3.7%) due to high interest rates (the reference rate for lending is 4.25%), modest real GDP growth (-2.1% in 2024; 2.9% in 2025) and political divisions.

Kuwaiti banks have sufficient capital

The agency pointed out that Kuwaiti banks have adequate capital, good funding and liquidity, and strong risk-management practices, which could support faster credit growth if political and institutional hurdles are overcome.

Possibility of government support

The agency said that Kuwaiti banks' ratings are support-driven, reflecting the strong likelihood of sovereign support in case of need.

Invest In Kuwait:
Guarantees & Incentives

Guarantees

1. No Investment Entity, licensed in accordance with the provisions of this Law, shall be confiscated pursuant to this Law nor be deprived of its property except in the public interest and only in accordance with the applicable laws and against compensation equivalent to the true economic value of the expropriated project at the time of expropriation, estimated in accordance with the economic situation prior to any threat of expropriation.

2. The merger of two or more Investment Entities can be carried out with the consent of the Board, following a joint request submitted to the Authority in this regard.

3. The Investor shall have the right to transfer abroad his profits, capital or proceeds resulting from the disposal over his shares or participation in the Investment Entity or the compensation set forth in this Law. Moreover, employees in the Investment Entity shall have the right to transfer their savings and entitlements abroad.

4. By virtue of this law, the Investor shall be entitled to the basic principles of confidentiality in respect of the technical, economic and financial information relevant to his investment and to safeguard initiatives in accordance with the provisions of the laws and regulations in force in the country.

5. Unless there is a special provision in this Law, the laws and regulations applicable in the country shall govern Direct Investments falling within the purview of this Law, and all international conventions in force in the country related to investments and the avoidance of double taxation shall be observed.

Incentives

1. Exemption from income tax or any other taxes for a period not exceeding ten years from the date of the actual commencement of operations of the licensed investment entity.

2. Exemption of any expansion of an Investment Entity, licensed in accordance with the provisions of this Law, from the taxes set forth in the preceding paragraph, for a period of no less than the duration of the exemption granted to the original Investment Entity as of the date of commencement of production or actual operation of the expansion.

3. Without prejudice to the provisions of Law No. (10) of 2003 promulgating the Unified Customs Code for the Gulf Cooperation Council Countries, the following shall be wholly or partially exempted from taxes, customs duties or any other fees that may be payable on imports required for the purposes of Direct Investment: a. Machinery, tools and equipment and means of transport and other technological devices. b. Spare parts and necessary maintenance supplies for what has been described in the previous subsection. c. Merchandise, raw materials, partially manufactured goods, wrapping materials and packaging.

4. The use of land and real estate allocated to the Authority or that is subject to its supervision or management, in accordance with the principles and rules established by the KDIPA Board of Directors in this regard

5. The employment of foreign labor required for the investment, in accordance with the principles and restrictions established by decision of the Council of Ministers in respect of the minimum proportion of national employment that must be provided.

6. The Council of Ministers may decide to grant some cases and groups certain advantages and exemptions, which are not mentioned in this article.

7. Applicability of Incentives and Exemptions to Partnerships of the Public and Private Sectors The provisions of the previous article shall apply to all types of partnerships between the public and private sectors established for the purpose of Direct Investment, including companies and projects stipulated in Law No. (7) of 2008 and Law No. (37) of 2010 provided that the Board establishes the relevant rules and principles.

GCC BANKS REPORT LOWEST IMPAIRMENTS
in at least 33 quarters…

KUWAITI BANKS RECORDED A FALL
in loan impairments by 17.8%

Net income reported by listed banks in the GCC reached a new record high during Q2-2024 after four out of the six country aggregates showed growth as compared to Q1-2024. Aggregate net profits reached USD 14.8 Bn during the quarter as compared to USD 14.4 Bn during the previous quarter, resulting in a q-o-q growth of 2.6%. The y-o-y growth was also healthy at 9.2% when compared to Q2-2023. The biggest support to bottom-line performance for the sector came from a steep decline in quarterly impairments booked by banks in the region. Total loan loss provisions (impairments) reached the lowest level in at least 33 quarters at USD 1.9 Bn reflecting double-digit q-o-q declines in most countries in the GCC. The decline in impairments indicates improving health of the economy as well as overall credit quality. It also shows improving loan portfolios over the past several years as shown by a steadily declining non-performing loan rate.

Moreover, since central bank interest rates in the GCC remained unchanged during the quarter, net interest income reached a new peak during the quarter at USD 21.5 Bn, a slight improvement when compared to USD 21.3 Bn during Q1-2024. Non-interest income reported a small decline to reach a three-quarter low level of USD 10.1 Bn during Q2-2024. As a result, aggregate bank revenue reached USD 31.6 Bn during Q1-2024, registering a marginal q-o-q growth of 0.4%.

Meanwhile, lending growth continued in the region despite higher borrowing costs. Data from central banks in the GCC showed higher q-o-q lending for all the GCC country aggregates. The data on listed banks showed gross loans for UAE banks registering the strongest quarterly growth during Q2-2024 at 3.4% followed by Saudi Arabian banks with a slightly smaller growth of 3.1%. Data from central banks also highlighted a similar picture with Saudi Arabia witnessing credit growth of 3.1% followed by Oman, Kuwait and Qatar with quarterly growth of around 1.0%. On the other hand, customer deposits for GCC-listed banks declined by a marginal 0.5% during the quarter mainly led by fall in customer deposits reported by SNB as well as a decline in deposits in Bahrain after the delisting of Al Baraka Banking Group. These declines were partially offset by higher customer deposits reported by banks in Kuwait, Oman and Qatar.

Highlights - GCC Banking Sector

This report analyzes the financials reported by 56 listed banks in the GCC for the quarter ended Q2-2024. Data for individual banks have been aggregated to the country level. Some of the key observations from the most recent financial quarter for the GCC Banking Sector includes the following:

Market is pricing-in a faster pace of rate cuts by US Fed this year…

In his latest speech, the US Fed chair has made it clear that interest rate cuts are coming next month. However, the pace and size of rate cuts have increased speculations in the market. The rate cut path, according to the Fed statement, would depend on the progress on inflation and the health of the labor market. However, market implied interest rates are expected to see a smaller than-expected impact from the likely rate cuts as investors seek safe-haven assets like the US Treasuries as new risks emerge, especially related to the geopolitical issues with the war on Gaza as well as the escalation of the Russia/Ukraine war. As a result, the USD, which would otherwise see a decline as rate cuts are negative for the greenback, is expected to see some support in the near term. Nevertheless, some traders are betting on 100 bps cuts by the end of the year with bets on 50 bps cuts in the upcoming meeting in September-2024 followed by two 25 bps cuts in the November-2024 and December-2024 meetings. The expectations of lower interest rates supported gain in treasuries that are now on course to see gains for the fourth consecutive month. The benchmark 10-year treasury rate declined to the lowest in 13 months at 3.79%.

Elsewhere, the ECB is also expected to implement its second installment of rate cut next month as inflation is expected to once again trend towards the target rate. However, analysts are wary about the sticky core and services inflation numbers that would keep policymakers from committing to additional cuts. Currently, the consensus on ECB rate cuts shows two more rate cuts this year while the cut in the October-2024 meeting has a 55% chance.

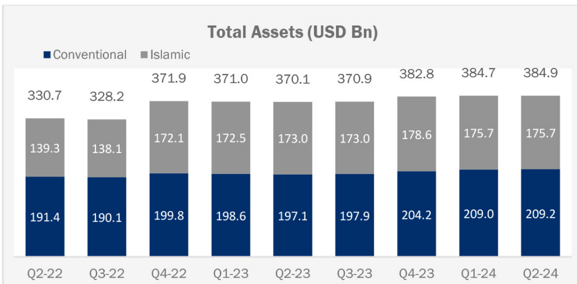
Headline inflation in the US for July-2024 was up 0.15% m-o-m as compared to a monthly decline of 0.1% during the previous month. The y-o-y growth went below the 3.0% mark for the first time in forty months and came in at 2.9% in July-2024 as compared to a growth of 3.0% during June-2024. Meanwhile, core inflation showed progress until June-2024 with a m-o-m decline of 0.1% but witnessed an increase of 0.1% during July-2024. On the other hand, headline inflation in Europe witnessed a marginal increase in July-2024 to reach 2.6% as compared to 2.5% in June-2024 mainly led by higher energy costs. The contribution of higher services sector inflation affect the headline number, albeit it declined from 4.1% in June-2024 to 4.0% in July-2024.

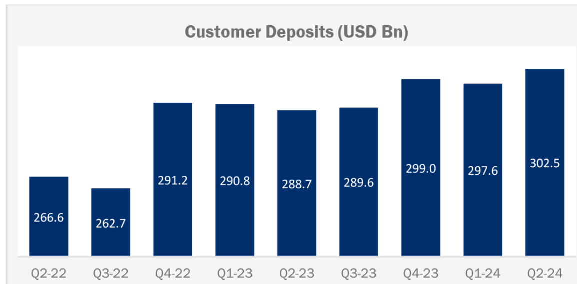
In terms of expectations, inflation in most economies is expected to have peaked and the fall in energy prices in August-2024 is expected to significantly lower headline inflation in most of the countries. Estimates from Bloomberg show global inflation declining from 6.9% in Q2-2024 to 5.4% in Q4-2024 and further down to 3.2% by Q4-2025. Inflation in Advanced Economies is expected to decline towards the 2.0% target next year while Emerging Markets are expected to see a steep decline.

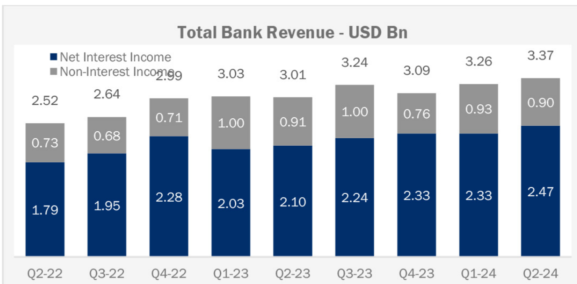
Loan growth highlights resilient economic trends in the GCC…

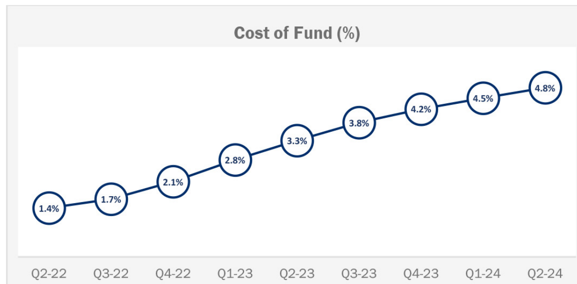
Data from GCC central banks once again highlighted the resilience of regional economies with continued growth in credit facilities. Outstanding credit facilities in the region continued to show growth during Q2-2024 led by a broad-based growth across the seven country aggregates. The gains as compared to last year were solid with all countries witnessing healthy growth in lending. Saudi Arabia witnessed a double-digit y-o-y growth in outstanding credit facilities at 11.4% while banks in Qatar showed a y-o-y growth of 5.5%. The lending growth in the region reflected a strong project pipeline with aggregate contract awards of USD 51.7 Bn in the GCC during Q2-2024. Similarly, manufacturing activity data from Bloomberg (Markit Whole Economy Surveys) showed PMI figures stayed strong during the quarter above the growth mark of 50 for Dubai, Saudi Arabia, Qatar and the UAE at the end of Q2-2024. The manufacturing activity in Saudi Arabia

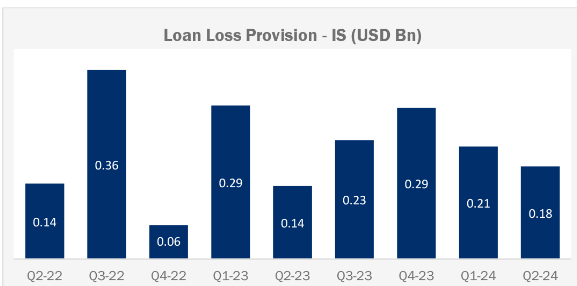
Key Banking Sector Metrics: Kuwait

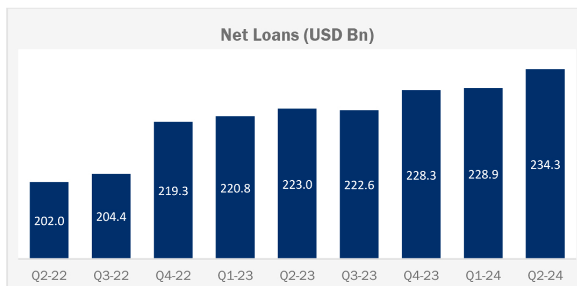


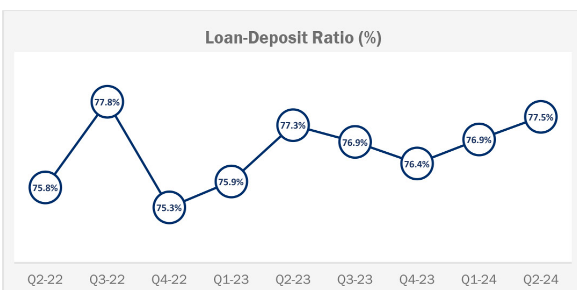


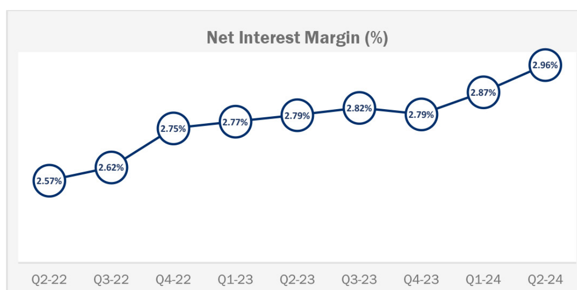


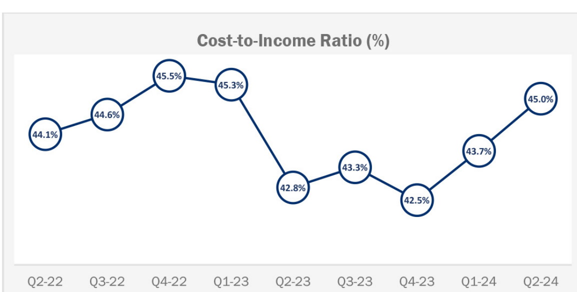


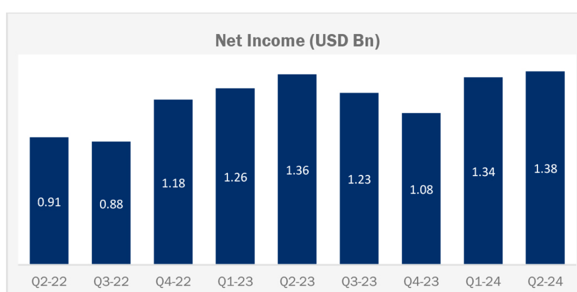












Source: Reuters, Bloomberg, Bank Financials, Kamco Invest Research

remained robust with PMI at 55.0 points during June-2024, a slight decline from 57.0 points at the end of March-2024. UAE also boasted a strong PMI figure of 54.6 points in June-2024 while Dubai showed a similar growth with a PMI of 54.3 points. Qatar has shown significant recovery over the last few months with PMI figures reaching 55.9 points, the highest in the GCC in June-2024 as compared to 50.6 points in March-2024.

The PMI for Kuwait, published by S&P Global, also showed growth during June-2024 with the index at 51.6 points, although there was a decline from Mayh-2024 when the index was at one of the highest levels at 52.4 points.

At the country level, data from Saudi central bank showed the fastest pace of credit growth in the GCC during Q2-2024. According to SAMA, outstanding credit facility in Saudi Arabia increased by 3.1% q-o-q during Q2-2024 to reach SAR 2.75 Trillion backed by a broad-based growth in almost all sectors in the economy. From among the prominent sectors, outstanding credit facilities for the Utilities sector (Electricity Water Gas & Health Services) increased by 8.3% during the quarter while Real Estate and Building & Construction sectors registered growth of 4.3% and 4.0%, respectively. Total personal facilities increased by 1.7% to reach SAR 1.3 Trillion at the end of the quarter. Gross credit for the UAE banking sector increased by 1.5% during the first two months of the quarter to reach AED 2.1 Trillion at the end of May-2024. The increase was mainly led by a faster growth of 1.9% for Islamic banks while conventional banks registered a slightly slower growth of 1.4% during the first two months of Q2-2024. Moreover, both domestic credit and foreign credit registered growth during the first two months of Q2-2024.

Domestic credit growth for the Qatari banking sector was at a three-quarter low level of 0.5% during Q2-2024 to reach QAR 1.3 Trillion. The sluggish growth reflected a fall in lending to the Public sector by 0.5% q-o-q and to the consumption sector by 3.6% that were more than offset by higher lending mainly to Real Estate, Services and General Trade sectors. Outstanding credit facilities in Kuwait witnessed the biggest growth in seven quarters at 1.1% during Q2-2024 to reach KWD 48.6 Bn. The increase was led by an increase in lending to Construction, Trade, NBFC and personal facilities that was partially offset by a decline in outstanding credit facilities mainly for the Oil & Gas and Industry sectors.

Listed banks see broad-based lending growth

Aggregate lending by listed banks in the GCC continued to show q-o-q growth during Q2-2024 backed by growth in almost all GCC markets. Aggregate gross loans reached a new record high of USD 2.1 Trillion after registering a four-quarter high q-o-q growth of 2.1% while the y-o-y growth came int at 7.9%. Banks in UAE reported the biggest q-o-q gross loan growth during Q2- 2024 at 3.4% mainly led by strong retail lending. Gross loans growth for Saudi-listed banks came in next at 3.1% to reach USD 711.1 Bn during Q2-2024 reflecting healthy growth in lending in almost all sectors. Omani and Kuwait banks reported lending growth of around 2% while Qatari banks registered a growth of 1.3%. In terms of type of banks, conventional banks were leading in the GCC with a gross loan growth of 2.6% reaching USD 1.4 Trillion, whereas Islamic banks registered a q-o-q growth of 0.9% to reach USD 612 Bn.

Deposit growth stalled due to delisting and a fall reported by SNB

Total customer deposits reported by listed-GCC banks registered the first decline during Q2-2024 after witnessing growth for twelve consecutive quarters. Aggregate customer deposits reached USD 2.42 Trillion during the quarter as compared to USD 2.43 Trillion at the end of Q1-2024, resulting in a small q-o-q decline of 0.5%. The decline was mainly due to the delisting of Al Baraka Banking Group in Bahrain that lowered total customer deposits for listed banks in the Kingdom to USD 69.8 Bn at the end of Q2- 2024 as compared to USD 85.9 Bn at the end of Q1-2024. The decline also came from a fall in customer deposits reported by SNB in Saudi Arabia that caused total customer deposits for Saudi-listed banks to decline by 0.5% to reach USD 746.9 Bn at the end of Q2-2024 from USD 751.0 Bn at the end of Q1-2024. SNB reported a slide in deposits related to current and call accounts from SAR 500.9 Bn at the end of Q1-2024 to SAR 468.5 Bn at the end of Q2-2024. This resulted in total customer deposits for SNB sliding from SAR 656.3 Bn in Q1-2024 to SAR 632.7 Bn at the end of Q2-2024.

On the other hand, customer deposits in reported by listed banks in Kuwait registered the strongest q-o-q growth during Q2-2024 at 1.7% to reach USD 302.5 Bn as compared to USD 297.6 Bn in the previous quarter. Omani and Qatari banks also reported growth of 1.5% and 0.5%, respectively, while UAE-listed banks showed flattish growth in customer deposits that reached USD 803.1 Bn at the end of Q2-2024, the highest in the GCC.

Loan-to-deposit ratio finally breaches the 80% mark

The aggregate loan-to-deposit ratio for the GCC banking sector witnessed a strong increase during the quarter and reached above the 80% mark at 81.5%. The growth was led by a higher loan-to-deposit ratio for all the country aggregates in the GCC. Saudi Arabian banks witnessed the biggest growth during the quarter with aggregate loan to deposit ratio reaching 93.6% for listed banks in the Kingdom as compared to 90.2% during Q1-2024. The increase was mainly led by an improvement in the ratio, mainly in the case of SNB. UAE-listed banks also registered a solid increase of 2.5% with the ratio reaching 69.0%, still the second lowest in the GCC after Bahrain which recorded the ratio at 65.8%. Qatar and Oman registered loan-to-deposit ratio of over 80% while Kuwaiti bank aggregate reached 77.5% at the end of Q2-2024.

Net interest income reached a new record high despite higher cost of funds

Aggregate net interest income reported by banks listed in the GCC reached a new record high of USD 21.5 Bn during Q2-2024, up 0.91% q-o-q. The increase came after a decline recorded during the previous quarter and was mainly led by growth in four out of the six country aggregates in the GCC. Kuwaiti banks recorded the biggest increase of 6.3% during the quarter with net interest income reaching USD 2.5 Bn during the quarter. Saudi-listed banks were next with a growth of 2.5% to register net interest income of USD 7.3 Bn. Omani and UAE-listed banks also reported growth of 2.3% and 1.5%, respectively, during the quarter while Qatari banks reported a sharp decline in net interest income that reached USD 3.3 Bn, declining by 4.3% as compared to Q1-2024. In terms of y-o-y growth at the GCC level, the growth in net interest income was strong at 7.6% reflecting elevated interest rates levels in the GCC, in line with most other global economies.

The impact of elevated central bank rates was reflected in the increase in net interest income for listed banks in the GCC. The quarter reported one of the highest quarterly total interest incomes that reached USD 52.2 Bn with yield on credit averaging at 4.3%, in line with the trend over the last four quarters, whereas a relatively smaller increase in interest expense from USD 29.3 Bn in Q1-2024 to USD 30.7 Bn in Q2-2024 resulted in the overall growth in net-interest income. The increase in total interest expense was also reflected in the cost of funds that reached 4.8% at the end of Q2-2024, one of the highest levels on record for the GCC banking sector, from 4.5% during Q1-2024 and a much smaller 3.2% during Q2-2023.

Total bank revenues show marginal q-o-q growth

After seeing a quarterly decline during Q1-2024, total bank revenue for GCC-listed banks witnessed marginal q-o-q growth during Q2-2024 reaching USD 31.6 Bn during the quarter as compared to USD 31.4 Bn during Q1-2024. The growth was led by higher net interest income during the quarter that was partially offset by a fall in non-interest income. The growth highlighted an increase in most countries in the GCC that was partially offset by a fall in total revenues for Qatari and Bahraini-listed banks. Total bank revenues for Qatari listed banks declined for the second consecutive quarter by 3.6% q-o-q to reach USD 4.6 Bn in Q2-2024 as compared to USD 4.8 Bn in Q1-2024. The decline was led by a fall in both net interest income and non-interest income for banks in Qatar. On the other hand, Kuwait recorded the biggest growth in total bank revenues that reached USD 3.4 Bn after increasing by 3.4% as compared to the previous quarter. The increase registered by Saudi-listed banks was similar at 3.37% to reach USD 10.5 Bn while UAE-listed banks reported a relatively smaller growth of 1.0% to reach USD 11.5 Bn, the highest in the GCC.

Aggregate non-interest income declined for the second consecutive quarter during Q2-2024 to reach USD 10.1 Bn vs. USD 10.2 Bn in Q1-2024. The decline reflected a fall in non-interest income in four countries in the GCC that was partially offset by a healthy growth of 5.4% reported by Saudi-listed banks.

LLP reaches one of the lowest quarterly levels

Impairments booked by banks in the GCC continued to slide during Q2-2024 to reach one of the lowest levels in at least 33 quarters. Aggregate impairments also went below the USD 2.0 Bn mark for the first time in several quarters to reach USD 1.9 Bn during Q2-2024. The decline was broad-based and was seen in four out of six GCC banking aggregates. The biggest decline was seen in the UAE with impairments declining to USD 0.38 Bn during the quarter as compared to USD 0.52 Bn in Q1-2024, registering a decline of 26.8%. Saudi Arabian banks were a close second with aggregate impairments declining by 26.2% to reach USD 0.49 Bn in Q2-2024 as compared to USD 0.66 Bn during Q1-2024. Kuwaiti and Omani banks also recorded a fall in loan impairments by 17.8% and 9.8%, respectively. On the other hand, Bahraini and Qatari banks registered increase in loan impairments during Q2-2024 by 10.2% and 1.3%, respectively. Meanwhile, the cost of risk (ratio of 12-month provisions vs. average loans) continued to remain low as compared to recent quarters at 0.50% for the aggregate GCC banking sector. The low ratio as compared to historical levels indicate recoveries, strong economic indicators as well as stable asset quality. The ratio was highest in the case of Omani banks at 0.89% in Q2-2024 followed by Qatari banks at 0.80%. The ratio was the lowest in the case of Saudi and Kuwaiti banks at 0.33% and 0.38%, respectively, while UAE listed banks showed slightly higher cost of risk of 0.50%.

Operating costs inch up during the quarter

Aggregate operating expenses for listed banks in the GCC increased during Q2-2024 after recording a decline during the previous quarter. Total operating expenses reached USD 12.55 Bn during Q2-2024 with a q-o-q increase of 0.8% that came after a fall of 4.5% in the previous quarter. The increase was mainly led by higher expenses reported by banks in Saudi Arabia that increase by 7.5% to reach USD 4.2 Bn in Q2-2024 as compared to USD 3.9 Bn in the previous quarter. Banks in Kuwait, UAE and Oman also reported marginal growth during the quarter that was partially offset by a 4.4% q-o-q fall in operating expenses reported by Qatari banks.

The increase in operating expenses during the quarter also caused the cost-to-income ratio for GCC banks to show a marginal growth during Q2-2024 led by higher costs for the last twelve-month period. The cost to income ratio for the aggregate sector reached 40.3% in Q2-2024 as compared to 40.0% during Q1-2024. The increase reflected

an increase in the ratio for five of six country aggregates. The biggest increase was seen in Qatar and Kuwait while Saudi Arabian banks showed a marginal growth. On the other hand, UAE-listed banks reported a marginal drop in the ratio that reached 38.2% in Q2-2024 vs. 38.4% during Q1- 2024. The cost to income ratio was the lowest in the case of UAE-listed banks at 38.2% followed by Qatar and Saudi Arabian banks at 39.7% and 39.8%, respectively.

NIM stayed flat and elevated at 3.2%

The aggregate net interest margin reported by GCC-listed banks have remained stable for the last five quarters at 3.2% indicating the peak for the ratio, as the higher interest rates over the last four quarters are fully priced. The ratio showed minimal changes at the country level, with only Kuwaiti banks showing a small increase of close to 10 basis points, while the rest of the GCC countries showed minimal changes indicating a saturation point for the sector as both lending and cost of deposit and funding reflect elevated interest rate levels. UAE banks once again ranked first in the GCC in terms of NIMs that reached 3.47% in Q2-2024 as compared to 3.49% during Q1-2024. The higher margins as compared to gulf peers reflect ample liquidity that allows UAE banks to capitalize on the tightening interest rate cycle with more modest asset growth. Saudi Arabian banks were next with a NIM of 3.15% followed by Qatari and Kuwait banks at 3.03% and 2.96%, respectively. We expect NIM to come under pressure as the cost of funding in the local markets remains high as banks make efforts to attract depositors. Moreover, with the expected rate cuts in the coming quarter, NIMs could come under pressure and slide downwards until cheaper sources of funding and well as continued growth in lending offsets the downward pressure.

GCC banking RoE sees consistent growth

Aggregate return on equity (RoE) for the GCC banking sector continued to show improvement during Q2-2024 reaching one of the highest levels over the last few years at 13.6% as compared to 13.5% at the end of Q1-2024, reaching prepandemic levels. The ratio also improved in terms of y-o-y comparison by a strong 70 bps supported by an increase in aggregate 12-month profitability coupled with a relatively smaller growth in shareholders' equity. Total shareholder equity reached USD 421.5 Bn at the end of Q2-2024, registering a growth of 2.7% as compared to Q1- 2024.

At the country level, UAE-listed banks once again topped in the region with the highest RoE at the end of Q2-2024 at 16.9% followed by Saudi Arabian and Qatari banks with RoEs of 12.8%. The biggest y-o-y growth in RoE was also seen for UAE-listed banks at 160 bps which was mainly led by elevated profits as well as a relatively smaller growth in total shareholders' equity. ROEs for Kuwaiti banks stayed elevated at a double-digit level of 10.4% while Bahraini and Omani banks reported RoEs at 9.6% and 9.0%, respectively.

White Paper prepared under the initiative of (KFAS)

Kuwait's energy transition:

The outcome is an enticing economic opportunity of US$ 389 billion

Energy is at the heart of economic development & yet the global energy system, built on fossil fuels, needs to change. Greenhouse gas emissions, primarily from the energy sector, are causing global warming & have an impact on natural ecosystems. As such, there is a worldwide movement to transition to a less carbon-intensive energy system.

The scale of the change is immense & the shift in the energy system has begun at an unprecedented pace. However, transforming the energy system is a delicate balancing act. Countries must balance energy security, affordability, & sustainability – the energy trilemma – whilst navigating abrupt changes in energy supply & demand. Yet there is no universal solution to the energy trilemma. Each country must forge its own path that caters to the local context.

As a hydrocarbon exporter, Kuwait faces a conundrum. Kuwait is the world's eighth largest oil exporter. Over the last decade, oil & its derivatives have contributed between 51% & 67% of the national GDP. This revenue funds social welfare, health, housing, education & energy tariffs. In contrast, growing domestic energy demand is highly dependent on the consumption of oil & gas, placing pressure on the domestic energy system. Hydrocarbons consumed domestically represent an opportunity cost, either due to oil not being exported & traded on the international markets or LNG imported at a cost to the State.

In parallel, climate change poses a risk for Kuwait. A business-as-usual scenario could see a 2.57 OC temperature increase in Kuwait by 2050. A rise in seawater levels (0.63 meters), coastal erosion, & ecosystem destruction would be the norm. According to Stanford University, climate change could also lead to a 48% reduction in Kuwait's GDP by 2050.

In this context, Kuwait has committed to change & has announced its ambition to achieve carbon neutrality by 2060. Accordingly, how can Kuwait build a secure, affordable, & sustainable energy system? How can an oil exporter thrive amidst a transforming energy industry? How can a nation minimise the adverse impact of climate change?

In this context, Kuwait's Energy Transition White Paper, prepared under the initiative of Kuwait Foundation for the Advancement of Science (KFAS) & co-authored by Hartree Partners, seeks to answer these underlying questions by developing Kuwait's first Energy Transition roadmap.

The White Paper is underpinned by the visions, strategic plans, & insights of the Kuwait Petroleum Corporation (KPC), the Ministry of Electricity, Water, Renewable Energy (MEWRE), Environment Protection Agency (EPA), Kuwait University, & Avance Labs.

The energy transition document outlines four phases, beginning with establishing regulatory frameworks by 2030 and culminating in the adoption of cutting-edge renewable energy technologies by 2060.The outcome is an enticing economic opportunity of US$ 389 billion for Kuwait.

KUWAIT'S ENERGY TRANSITION

For Kuwait, the Energy Transition should not be a story about decarbonisation. Instead, it is built upon the principles of efficiency, profitability, & national growth. The shift is a massive endeavour targeting an energy system that supports the State's top & bottom lines: increasing oil export revenues while reducing energy imports, subsidies, & the disparities in the levelised cost of energy.

This unprecedented shift presents an opportunity to deliver multiple objectives: firstly, to guarantee the steadfast provision of energy & bolster Kuwait's economic expansion; secondly, to foster the establishment of new & lucrative energy markets, thereby elevating the private sector & diversifying the economy; thirdly, to create employment opportunities & cultivate high-skilled capabilities within the energy sector; & finally, to reinforce Kuwait's standing on the world stage by delivering on its international commitments, the pledges made under the UNFCCC & the Nationally Determined Contributions.

At its core, the Energy Transition is a technology-driven activity: it entails deploying clean & low-carbon technologies ranging from solar CSP & green hydrogen to battery electric & hybrid vehicles. These technologies target three major energy-consuming sectors: power, transportation, & petroleum. Combined, these sectors cover ~70% of national energy consumption & ~85% of emissions.

The Energy Transition technologies have been classified into four streams:
• **The Energy Efficiencies Stream:** *optimising energy consumption across the energy system (turbine retrofits, microgrids, smart meters, building retrofits, hybrids, electric vehicles, oil & gas electrification, oil & gas digitalisation, & behaviour change).*
• **The Energy Substitution Stream:** *switching the national energy supply to less hydrocarbon-intensive technologies (solar PV & CSP, wind turbines green hydrogen, nuclear energy).*
• **The Alternative Energy Technologies Stream:** *identifying nascent technologies for future applications (marine energy, geothermal energy, & biofuels).*
• **The Emissions Monetisation Stream:** *monetising emissions reductions & offsets (emissions monetisation & nature-based solutions).*

THE PACT OF GROWTH

How may Kuwait's Energy Transition potential be realised? How may the Energy Transition proceed today without introducing instantaneous, profound, & radical changes? How can the Energy Transition & its far-reaching implications be taken forward?

The Pact of Growth is the answer. The Pact is a market-oriented roadmap that sets the blueprint for delivering Kuwait's Energy Transition. The Pact of Growth is built on a shared vision for a sustainable & prosperous future. It symbolises a creative & agile approach to developing new energy markets.

The Pact of Growth supports economic value creation while ensuring the preservation & distribution of Kuwait's wealth to the Government, the public bodies, the private sector, & Kuwaiti citizens. The Pact is equitable & rewards all Kuwaitis. It is the testimony of the national stakeholders' confidence in the future. It restores the trust in Kuwait's ability to unlock new economic potential through flourishing alliances between the public & private sectors. The reciprocal engagement provides attractive returns to private investors who finance & deliver Energy Transition projects.

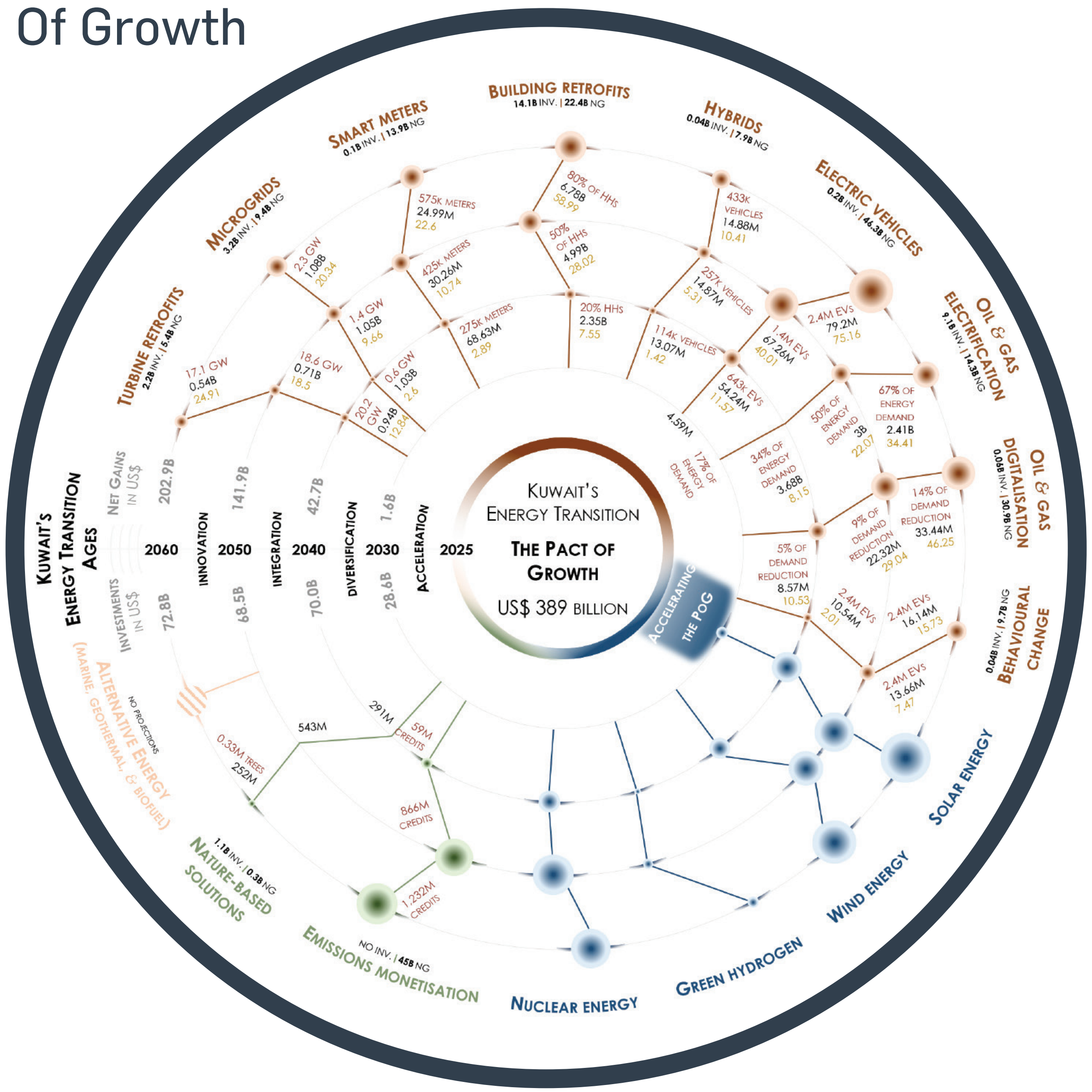
The Pact of Growth details the technology deployment milestones, associated capital investments, & net gains resulting from Kuwait's Energy Transition implementation over the next four decades.

2025 – 2030: THE LAUNCHPAD

The petroleum sector is the ideal launchpad for the Pact of Growth. The sector has the know-how to develop & implement an electrification strategy based on renewables. Redirecting electricity to other economic & residential sectors relieves the growing pressure on the national grid system & its spare power generation capacity. Furthermore, reducing emissions would support the industry's accelerated climate target to achieve net zero by 2050 while creating a competitive advantage as "greener" barrels are expected to command a premium price.

The electrification of the petroleum sector will redirect electricity from the national grid operator to other economic & residential sectors. This will relieve the growing pressure on the national grid system & its limited spare power generation capacity to absorb peak demand. By kickstarting

Figure 5 Kuwait's Energy Transition Pact Of Growth



Kuwait's Energy Transition, the petroleum sector will drive progress while buying time to prepare for the fundamental transformation of Kuwait's energy system.

There are two central relationships within the launchpad: an agreement between the State of Kuwait & the petroleum sector, & an agreement between the petroleum & private sector. The State & the petroleum sector enter into an agreement to develop & implement an electrification plan. The State approves the budget to fund these projects & reduce regulatory hurdles. The petroleum sector provides expertise in managing the delivery of large-scale capital projects.

The agreement between the petroleum & private sector cultivates an attractive business environment for investments. Additionally, given the scale of the capital & project delivery required for the Energy Transition, the private sector will be instrumental in making it successful. The Kuwait Investment Authority may play a dual role here, as an investor & as a project developer, leading a consortium of private sector entities to drive Kuwait's Energy Transition.

The O&G industry launchpad culminates in 2030 with a power generation of 5.69 TWh using solar PV. An investment of US$ 6.8 billion yields US$ 9.99 billion in cumulative net gains to the State while providing above-average profits of 14% to investors.

2025 – 2060: THE ROADMAP

The Energy Transition represents an opportunity for Kuwait to diversify its economy & reinforce the Nation's entrepreneurial spirit. It calls on the rich tradition of maritime trading from the pre oil era. Here, Kuwait's seafaring merchants were creative & agile in shaping international business. They had an acute sense for managing constraints, creating businesses, & amassing great wealth from trades.

Unlocking the economic potential of Kuwait's Energy Transition will require this entrepreneurial spirit & can similarly deliver a rich & diverse economy leveraging a renewed energy system. This paper envisions a new agreement between the Government, the public sector & the private sector to activate the Energy Transition. This agreement, the Pact of Growth, is an arrangement between business players which calls upon the Nation's rich trading tradition & applies it to today's challenges.

The Pact of Growth is built on a shared vision for a sustainable & prosperous future. The reciprocal engagement provides attractive returns to private investors who finance & deliver Energy Transition projects. It catalyses new markets, engages local supply chains & builds national capacity by creating local employment opportunities.

The Energy Transition is deployed over four phases & visualised in Figure 4:
• **The Age of Initiation (2025 – 2030** I *net economic gains of US$ 1.6B) initiates the Energy Transition while creating the regulatory setup necessary to transform ministerial governance & generate momentum for the subsequent Ages.*
• **The Age of Diversification (2031 – 2040** I *net economic gains of US$ 42.7B) is marked by the widespread adoption of Kuwait's Energy Transition technologies across all economic sectors.*
• **The Age of Integration (2041 – 2050** I *net economic gains of US$ 141.9B) is characterised by effective management of energy supply & demand patterns to build a resilient energy system in Kuwait.*
• **The Age of Innovation (2051 – 2060** I *net economic gains of US$ 202.9B) utilises cutting-edge technologies to accelerate the adoption of renewable energy & energy-efficient solutions, positioning Kuwait as a global leader in sustainable energy production.*

AL MASAREF

Youth is the backbone of Kuwait's future

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The future of any country rests in the hands of its youth. Their strength, vitality, energy, and endurance position them as key players in development and progress, thus placing them at the forefront of countries priorities. These traits qualify them to be ideally positioned to lead the transition towards greater development. They are the driving force behind sustainable socio-economic development, making their participation crucial to a country's development plans.

The strength of Kuwait lies in its youth, the country is filled with educated young individuals eager to work, innovate and take initiatives. In this context, it is important to highlight the significant leaps Kuwait has made in youth development and empowerment across various fields.

Kuwait ranked first in the Arab world and twenty-seventh globally in the Global Youth Development Index, which assesses the status of youth in 181 countries. The index is based on various indicators including education, employment, health, equality and integration, peace and safety, and political and civic participation. Kuwait's ranking reflects the commitment of its political leadership to supporting and developing its youth.

Globally, there are 1.2 billion young people aged (15-24 years), representing 16% of the world's population, which is less than the percentage of youth in Kuwait within the same age group. Global youth population is expected to increase by 7% by 2030 to reach about 1.3 billion.

When discussing Kuwait's commitment to achieving sustainable development goals outlined in the main pillars of Kuwait Vision 2035, the National Development Plan, relevant sustainable development goals, and the state's international commitments, we must emphasize that youth are the future pillar of Kuwait as they constitute the largest segment of society, with 294.237 Kuwaiti youth (males and females) aged between (15-24 years) representing 19% of the total population of 1545.8 thousand people as of January 1, 2024. which is more than the percentage of young people globally. Expanding the age range to the age of 34 years, the number rises to approximately 541.267 young men and women, representing 35% of the total population.

It is undeniable that Kuwait must advance with a clear understanding of future challenges. Certainly, Kuwait, under the wise leadership of His Highness the Amir Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah, may God protect him, is able to unleash the energies of its youth and their full potential, drive the development process and empower Kuwaiti youth.

Achieving the Sustainable Development Goals by 2030 requires more than just setting goals, it requires an approach that listens to and addresses needs of youth, by trusting their abilities, providing them with skills and knowledge to keep pace with rapid developments, harnessing their potential to achieve these goals and working to create a generation of empowered youth to support sustainable development in the long term.

Investing in youth is critical to ensure inclusive and sustainable growth. They are a positive force having the potential to drive

innovation and productivity. Youth are the primary goal of sustainable development, as well as the means to enable Kuwait to higher levels of achievement.

In this context, policies and programs aimed at promoting economic growth must consider the needs and aspirations of youth, ensuring they are fully equipped and qualified in all aspects. It is also essential to encourage innovation, risk-taking, and entrepreneurship, providing youth with the support they need to succeed.

The aspirations of youth to advance into the future will only be achieved through the continued efforts of the government and the private sector. Through providing necessary knowledge, opportunities, skills, and support, youth can play their vital role in the transition towards a more sustainable world, and keep pace with the green economy given the climate crisis that the world is experiencing and worsening year after year.

To expand career opportunities in Kuwait, policy makers should consider approaches to promote private-sector employment, nonconventional careers, volunteering, and entrepreneurship.

Kuwaiti government has implemented initiatives to increase the availability of private-sector career opportunities for Kuwaiti youth. However, the public sector remains the preferred employer for young Kuwaitis', owing to high starting salaries, better perks, and a more flexible and easy work environment.

In addition, Kuwaiti government has implemented various initiatives to support entrepreneurship. While these are steps in the right direction, the government can further accelerate the growth of small businesses by addressing their distinctive needs. Initiatives should include providing access to training and high-quality incubators and support in obtaining capital, as well as simplifying the regulations that cover the launch and operation of small businesses. Internationally, the European Union, Singapore, the US, and other governments have adopted approaches that provide comprehensive support for the development of small businesses and entrepreneurial skills.

On the other hand, to attract more young Kuwaitis to the private sector, the government needs to collaborate with companies to increase their total contribution to the GDP. This can be achieved through privatizations, for example, public-private partnerships and outsourcing of public services. Kuwaiti government has already implemented initiatives to increase the availability of private-sector career opportunities for youth.

Kuwaiti government must also assist companies to enhance their value proposition as employers and raise the standards for public sector employment. To promote the former, policy makers can consider encouraging companies to communicate well-defined career paths that are financially attractive in the medium term, as well as provide structured learning and development opportunities for employees. To address the latter, the Kuwaiti government can increase the rigor and accountability of public-sector jobs, making public- and private-sector careers more equivalent.

Youth must acquire the skills necessary to contribute to a more productive economy, they need to be properly prepared, through various stages of education, to access the private sector labor market, which can utilize their potential, thus enhance their success and help them achieve their aspirations, becoming the wealth of nations and future leaders.

In any country, the quality of an education system is influenced by three main factors: the effectiveness of teachers, the suitability of the curricula, and the availability of high-quality schools. A program designed to improve the quality of an education system must address each of these factors.

By pursuing strategic private partnerships with internationally renowned institutions, Kuwaiti government can help to improve performance in all three areas. Countries known for the high quality of their education system have implemented similar strategic private partnerships.

Enhancing the education system at all levels, aligning its outputs to with labor market requirements, increasing training programs and the weight of creative scientific competencies, are crucial for empowering youth to lead the state in various fields.

Kuwaiti youth are a vital resource for the economy. By investing in them, Kuwait can strengthen its economic diversification and ensure sustained growth and development.

Undoubtedly, Kuwaiti youth possess a strong sense of patriotism and are most willing to accept and deal with the modernity and creativity. Their adaptability makes them essential in achieving ambition and driving positive change. However, more efforts are required from young people, where they must set clear goals and purposes, and roll up their sleeves in facing the challenges of the present and the future.

I would like to express my confidence in the ability of Kuwaiti youth to succeed in achieving their economic vision and establishing a modern Kuwaiti economy, that relies not on oil, but on human energy and creativity.