



## alrajhi bank – Kuwait



Having recorded a subdued economic performance in the face of multiple challenges in 2023, advancing long overdue economic diversification and structural reforms remained crucial for Kuwait during the reporting period, following the appointment of a new government in May 2024.

Kuwait's oil sector further contracted during the year in review, largely due to OPEC+ production cuts implemented in January 2024. Overall, GDP is projected to contract by 1% in 2024, reflecting this reduction in oil production. In contrast, the non-oil sector demonstrated a robust rebound driven by recoveries in key sectors such as manufacturing, transport and services. With gradual recovery of oil output and stable external conditions, overall GDP is projected to grow by 2.5% in 2025.

The local banking sector has proven to be resilient against the combined shock of lower oil prices and lowered production. The Central Bank of Kuwait (CBK), in its most recently published Annual Financial Stability Report states that diversifying national sources of income, coupled with more prudent and targeted spending, remains crucial to instilling investor confidence and long-term financial stability in Kuwait.

Fitch Ratings affirmed Kuwait's Sovereign Credit Rating at 'AA-' with a 'Stable Outlook' in 2024, supported by exceptionally strong fiscal and external balance sheets. At the close of the year, Kuwait also laid claim to the world's fifth largest Sovereign Wealth Fund valued at just under USD 1 Tn. With economic diversification underpinning Kuwait's ambitious Vision 2035 targets, the newly appointed government announced its approval of 35 major infrastructure modernization projects with a combined value of USD 51 Bn. during the final quarter of 2024. The first 29 projects with a value of USD 25 Bn. are expected to be completed by 2030.

While the Kuwaiti banking sector enjoyed a strong performance at the level of profits, liquidity and risk management during the year in review, the enactment of delayed reforms such as the mortgage law, which would enable banks to provide residential mortgages, is expected to boost the performance of the sector.

Against this promising backdrop, alrajhi bank Kuwait (ARBK) demonstrated agile adaptability to growth opportunities, participating in major syndication deals and sukuk offerings, introducing new products to market, and enhancing various internal functions to ensure greater alignment with alrajhi bank's new Group strategy, as well as national objectives of Kuwait.

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### A strong performance

During the year in review, ARBK has made significant efforts to enhance its financing and investment portfolio in order to reduce the weight of funding costs, which underwent a dramatic increase during the year. Being the only foreign Islamic bank in Kuwait, ARBK maintained its strong hold in the local market and saw a significant 21% increase in assets. ARBK also implemented a number of cost control initiatives that saw a 3% YoY decrease in operating expenses.

The reporting period saw ARBK collaborate with the alrajhi bank head office in KSA, successfully participating in major syndication deals amounting to over USD 200 Mn. Trade finance products such as back-to-back Letters of Credit (LC) and Letters of Guarantee (LG) confirmations were backed by alrajhi bank's expansive FI network. A number of cross-border dealings comprising real estate deals and corporate transactions to the value of KWD 180 Mn. were facilitated between ARBK and the Saudi ARB head office during 2024.

This continued collaboration with ARB has also strengthened ARBK's reputation as one of the leading providers of Treasury services in the Kuwait market, with the overseas branch acting as a gateway between Kuwaiti businesses and the KSA market. ARBK reached record levels of FX transactions during the year, thereby increasing forex and fee income, which contributed to a large portion of ARBK's net profit for the reporting period. ARBK's fee income alone recorded a remarkable 175% increase YoY.

### Strategic alignment

In 2024, alrajhi bank launched the new 'harmonize the group' strategy with the aim of creating a unified, customer-centric and efficient banking eco-system across the group. Simultaneously, ARBK focused on improving four key areas that not only better aligned the overseas branch with the group's strategic objectives, but also strengthened its position within the Kuwait market:

### New products and services

In 2024, ARBK was successful in obtaining the approval from the Central Bank of Kuwait (CBK) to deal with structured products, which will be introduced by the overseas branch in the coming months. Other new products and services launched during the year in review include a personal financing offer with a 24-month deferment for the first instalment payment. Tokenisation of debit and credit cards were enabled for customers through connected smart watches. The Kuwait branch also partnered with Tap Payments, a leading payment gateway in Kuwait, to introduce Point-of-Sales (POS) and payment link services to meet market demand.

ARBK's mobile app underwent a full revamp during the year in review, with enhanced usability and features complemented by an improved look and feel, all contributing towards an improved user experience. International transfers were enabled through the SWIFT network during the year, while a number of new features and services have been in the final stages of development, including quick payment for telecom bill settlements, easy pay for local bank account transfers, and push notifications from the app, which will be introduced in the coming months. Additional services such as digital onboarding, credit card requests, and Kuwait's own instant payment service WAMD have been approved and initiated for development in the ensuing financial year.

### Human resources

The overseas branch also remained committed to the professional development of its employees. ARBK continued to work with the Kuwait Foundation for the Advancement of Sciences (KFAS) – a non-profit organisation – to enhance capacities and build high-calibre employees by connecting them with reputable training programmes. The year in review also saw employees of ARBK being hosted by the ARB KSA Treasury for an in-depth workshop at the Saudi head office, as the branch strengthens its reputation for treasury services in the local market.



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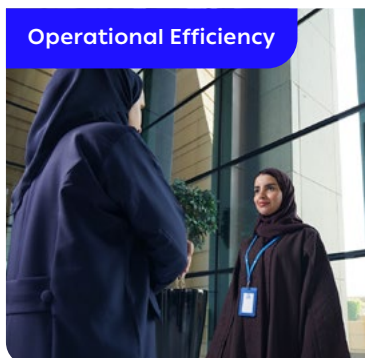
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### Customer Focus



- **Enhanced Customer Experience:** ARBK is prioritising customer satisfaction by improving digital banking services, expanding product offerings, and enhancing branch operations.
- **Personalised Services:** The overseas branch is focusing on understanding customer needs, and tailoring products and services accordingly.

### Operational Efficiency



- **Cost Optimisation:** ARBK is streamlining operations to reduce costs and improve profitability.
- **Process Improvement:** The Kuwait branch is implementing efficient processes to enhance service delivery.

### Digital Transformation



- **Digital Innovation:** ARBK is investing in technology to improve operational efficiencies and deliver innovative digital solutions.
- **Cybersecurity:** The Kuwait branch is strengthening its cybersecurity measures to protect customer data and ensure secure digital transactions.

### Risk Management



- **Robust Risk Framework:** ARBK is maintaining a robust risk management framework to mitigate potential risks.
- **Compliance:** The overseas branch is adhering to regulatory requirements and industry best practices.

ARBK also collaborated with a local recruiting agency to outsource a sales team to support its retail business, boosting efficiencies and increasing monthly sales as a result. Experts were also hired to take on critical senior leadership roles in both legal and risk teams at ARBK during the year in review, which has further strengthened with liaisons between the ARB head office in KSA, and better aligned ARBK's internal risk management and legal functions with the alrajhi group's benchmark.

With the new appointments and recruitments for the year, ARBK maintained the nationally mandated ratio for Kuwaitisation for upper and middle management at over 70%, recording an overall of 71.2% Kuwaitisation ratio at the close of the year.

### Future outlook



The overseas branch will continue to align with the new 'harmonize the group' strategy in 2025 and leverage Group capabilities as well as alrajhi bank's FI network to further expand offerings in trade finance, treasury products, forex business, and remittance services. ARBK will also collaborate with the group's payments fintech subsidiary Neoleap to launch alrajhi's digital wallet UrPay in the Kuwait market.

ARBK is prepared to assist the Kuwait government's efforts with home financing solutions once the mortgage law is enacted, and will look at opportunities to collaborate with local automobile companies to promote auto leasing products. The Treasury arm of ARBK will continue to introduce alternative investment products, hedging, and derivatives to customers while exploring diverse funding sources.