Kuwait Listed Banks' Results

A comparative analysis of Kuwait's nine listed banks' financial performance

April 2025

Contents

Basis of preparation

In this report, we have analyzed the financial results of nine leading listed commercial banks in Kuwait:

- ABK (Al Ahli Bank of Kuwait K.S.C.P.)
- Boubyan (Boubyan Bank K.S.C.P.)
- Burgan (Burgan Bank S.A.K.P.)
- CBK (Commercial Bank of Kuwait K.S.C.P.)
- Gulf Bank (Gulf Bank K.S.C.P. Kuwait)
- KFH (Kuwait Finance House K.S.C.P.)
- KIB (Kuwait International Bank K.S.C.P.)
- NBK (National Bank of Kuwait S.A.K.P.)
- Warba (Warba Bank K.S.C.P.)

The financial results and selected key performance indicators (KPIs) of the nine leading banks for the year-ended 31 December 2024 are summarized and compared with the prior year (year-ended 31 December 2023).

We have furthermore analyzed the auditor's notes and other publicly available documents to understand the future trends that might impact the overall sector.

Note: The data presented in this report is true to the time this report was being prepared, i.e., Feb 2025, and may not represent the latest numbers. Please refer to the banks' websites for more details.

Foreword

Bhavesh Gandhi
Partner – Head of Financial Services
KPMG in Kuwait

Welcome to the Kuwait listed banks' results, our analysis of Kuwait's nine listed commercial banks' financial performance to project the future outlook of the country's banking sector.

In this report, we took a sharper lens to eight key performance indicators (KPIs) to demonstrate Kuwait's banks' performance. They are: (1) total assets; (2) net profit; (3) share price; (4) return on equity; (5) return on assets; (6) cost-to-income ratio; (7) loan by stage; and (8) non-performing loan ratio.

Banks in Kuwait ended the financial year on a strong note, witnessing positive year-on-year (Y-O-Y) growth in terms of total assets and net profit. The country average increase in total assets across banks was calculated at 8.49% Y-O-Y and net profit was in double digits (12.63%).

We also marked another upside as banks' overall cost-to-income ratio dipped from 47.61% (2023) to 47.26% (2024) by 0.35%.

In addition to our analyses, we have identified trends in this report that are likely to influence Kuwait's banking sector, both, on a macro and micro level. The anticipation is uncertainties in the current geopolitical landscape, oil prices and voluntary OPEC oil adjustments, and global trade policies will impact banks on a macro level.

In the interest of this report, we have primarily focused on Kuwait-related micro aspects such as the newly implemented Public Debt Law that puts a debt ceiling of KD 30 Billion to help bolster financial stability and economic development[1] ; the proposed Mortgage Law that could potentially help unlock a market estimated to reach USD 65 Billion in value, implying a 40% expansion in lenders' credit portfolios[2]; the decline in interest rates (a decline of 25 basis points[3]); and, more importantly, management of expenses, which has been a topic of discussion across banks.

The report further elaborates on these topics to offer readers a comprehensive view of why these factors may be critical for Kuwait's banking sector.

As we move forward into 2025, our expectation is these micro-level issues — coupled with wider concerns as global trade policies and oil prices — will influence the entire sector, with the changes reflecting in the quarterly results.

I hope that the facts and findings shared in this report will help refresh your perspectives on Kuwait's banking industry and help bring about the necessary strategic rethink in the sector.
Enjoy the read.

1. KUNA : Decree declared in Kuwait setting debt ceiling at KD 30 billion
2. Kuwait Is Set to Allow Banks to Offer Mortgages for the First Time - Bloomberg
3. CBK Cuts Discount Rate by 25 Basis Points to 4.00%

Executive Summary

Highlights of YE 2024

Total assets

4.35%

Increased from KD 109.2 Billion in 2023 to KD 113.9 Billion in 2024

Net profit

7.45%

Increased from KD 1.45 Billion in 2023 to KD 1.56 Billion in 2024

Capital adequacy ratio

0.33%

Increased from 17.93% in 2023 to 18.26% in 2024

Cost-to-income ratio

1.10%

Increased from 38.91% in 2023 to 40.02% in 2024

Net interest margin

0.24%

Increased from 2.98% in 2023 to 3.22% in 2024

Return on assets (ROA)

0.05%

Increased from 1.35% in 2023 to 1.40% in 2024

Return on equity (ROE)

0.34%

Increased from 11.11% in 2023 to 11.45% in 2024

Share price

5.93%

Increased from 2024

The total assets, net profit, and net provision charge on loans represent the aggregated figures of all listed banks within the country.
Year-on-year (Y-o-Y) percentage changes for all KPIs have been calculated using actual figures, reflecting the absolute change.

Executive Summary (contd.)

Highlights of YE 2024

Net provision charge on loans ↑

11.04%

Increased from KD 436.6 Million in 2023 to KD 490.7 Million in 2024

Non-performing loan ↑

0.06%

Increased from 1.41% in 2023 to 1.47% in 2024

Coverage ratio on loans (as of 31 December 2024)

Stage 1	Stage 2	Stage 3
0.61%	7.95%	75.63%
Decreased by 0.08%	Decreased by 0.65%	Increased by 2.27%

Total loans subject to ECL (as of 31 December 2024)

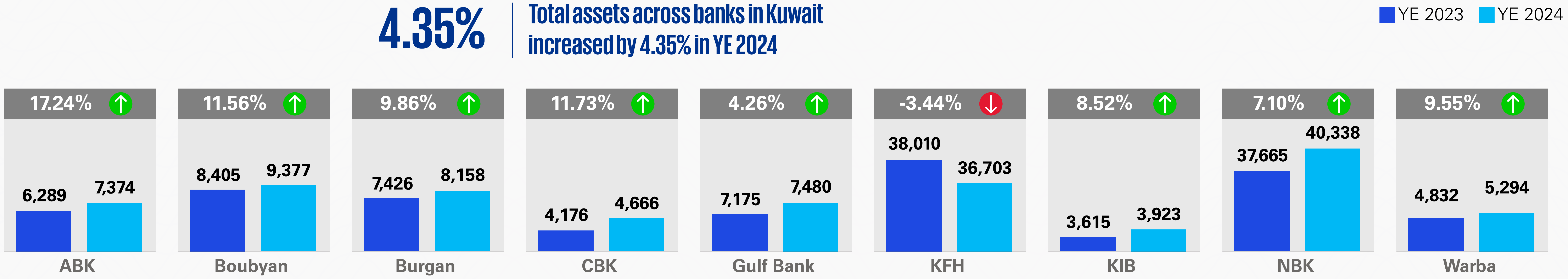
90.3%	8.11%	1.62%
Stage 1 ↑	Stage 2 ↓	Stage 3 ↑
Increased by 0.58% in 2024	Decreased by 0.64% in 2024	Increased by 0.06% in 2024

Data analysis

Total assets

Value in KD Billion

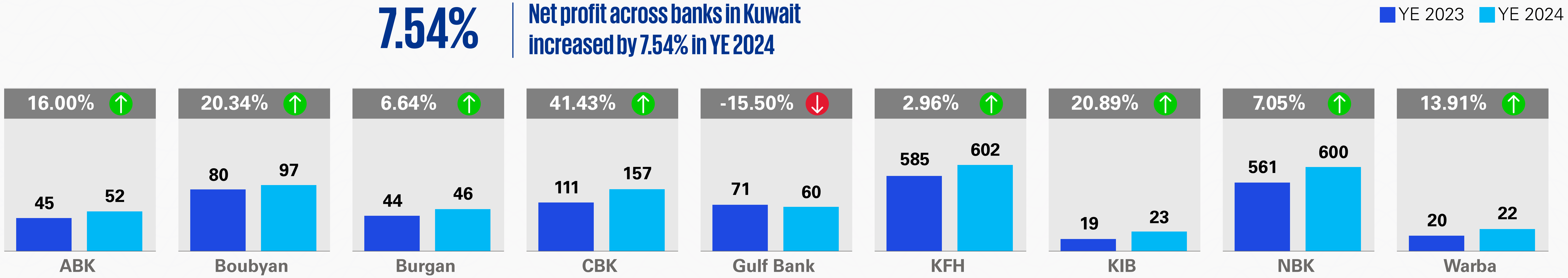
4.35% | Total assets across banks in Kuwait increased by 4.35% in YE 2024



Net profit

Value in KD Million

7.54% | Net profit across banks in Kuwait increased by 7.54% in YE 2024



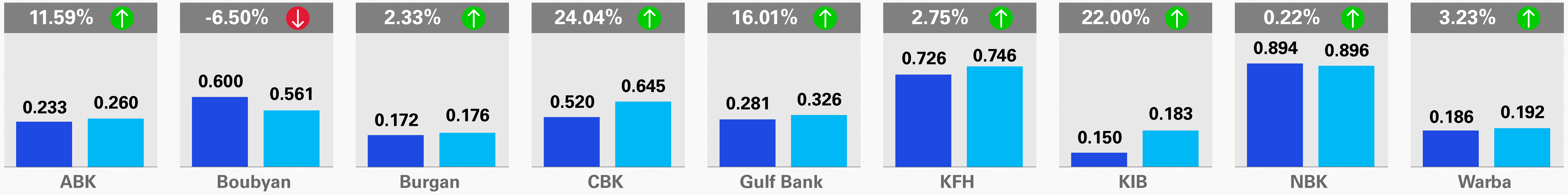
Data analysis (contd.)

Share price

Value in Fils

5.93% Share prices across banks in Kuwait increased by 5.93% in YE 2024

28 December 2023 | 31 December 2024

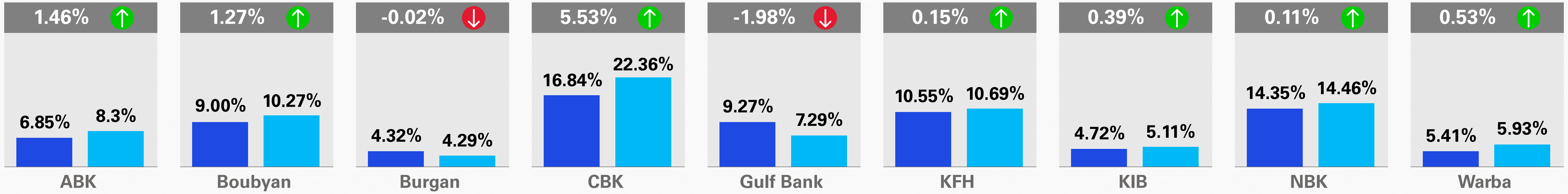


Return on equity

Value in percentage

0.34% ROE across banks in Kuwait increased by 0.34% in YE 2024

YE 2023 | YE 2024

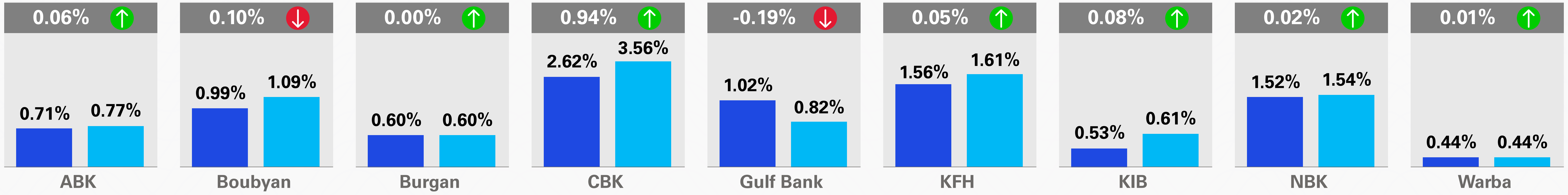


Data analysis (contd.)

Return on assets

Value in percentage

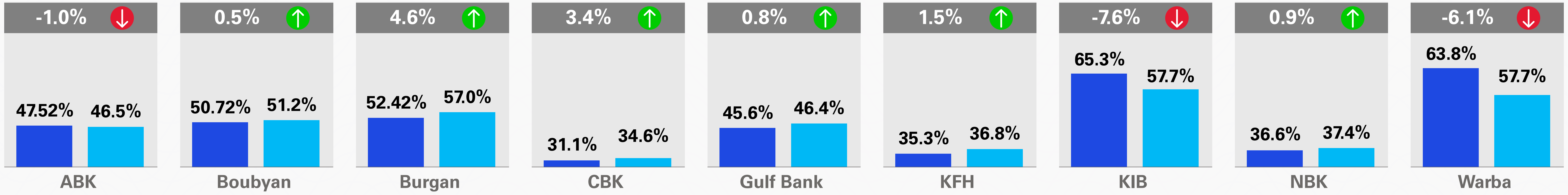
0.05% | **ROA across banks in Kuwait increased by 0.05% in YE 2024**



Cost-to-income ratio

Value in percentage

1.10% | **Cost-to-income ratio across banks in Kuwait increased by 1.11% in YE 2024**

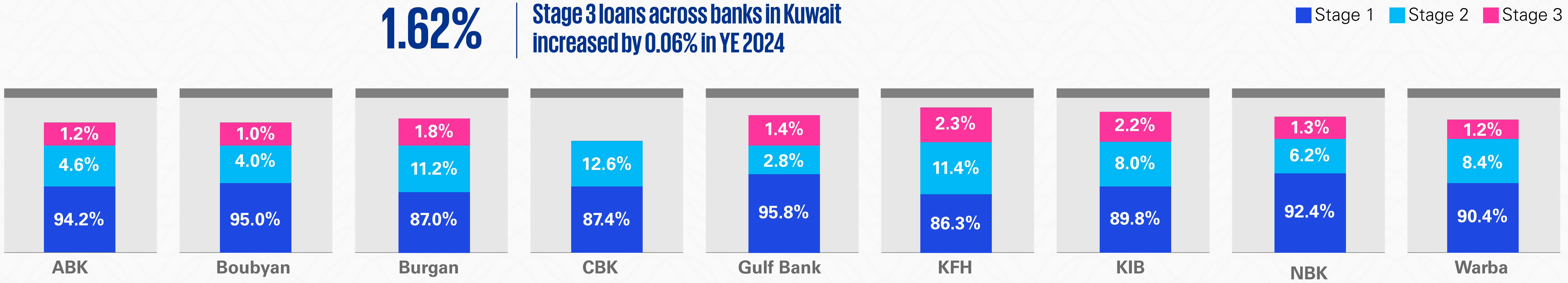


Data analysis (Contd.)

Loan by stage

Value in percentage

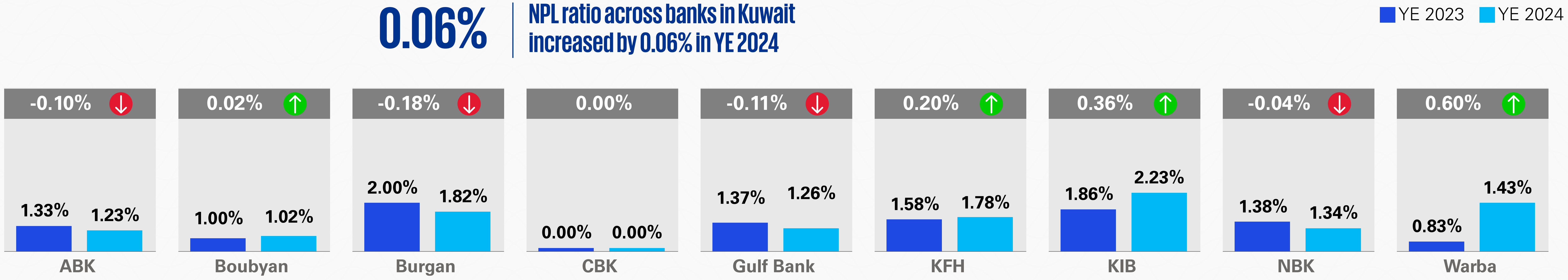
1.62% Stage 3 loans across banks in Kuwait increased by 0.06% in YE 2024

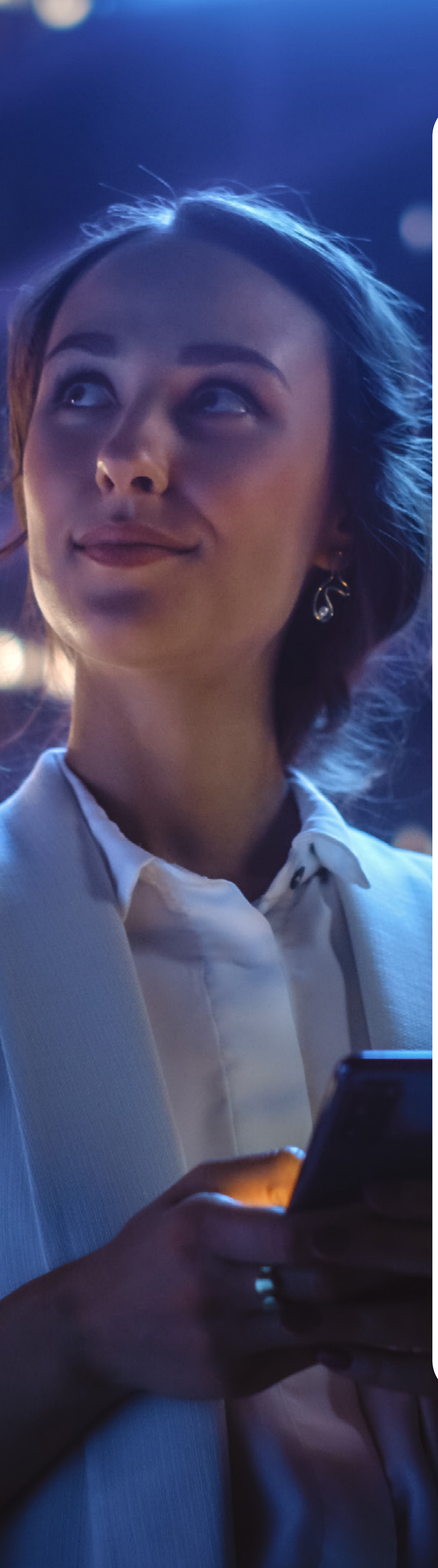


Non-performing loan (NPL)

Value in percentage

0.06% NPL ratio across banks in Kuwait increased by 0.06% in YE 2024





What's next for Kuwait's Banking Sector

Mortgage Law in Kuwait

With the proposed Mortgage Law in the pipeline, Kuwait is set to enter a new era of housing finance.

The proposed law, once implemented, could help commercial banks breathe a sigh of relief as it would enable them to offer mortgages up to KD 200,000 (approx. USD 649,000), with repayment periods extending to 25 years, and allow them to tap into alternate revenue pools.

Additionally, if implemented, it is expected that the law will impact the real estate market, directly influencing the demand as well as the prices.

The expectation is implementation of the law might drive banks into an 'adjustment period' to ensure adaption to the resulting regulations and compliance procedures around the lending process, potentially calling for added investments toward resources, training and technology.

Profitability aspects regarding the law will be determined once it is implemented and the Central Bank of Kuwait (CBK) has set out the interest rates, among other key guidelines.

Debt Law in Kuwait

After an eight-year hiatus, Kuwait returned to the international debt market after the newly implemented Public Debt Law enabled the government to issue up to KD 30 Billion (approx. USD 98 Billion) in debt instruments over a 50-year period.

The pivotal law helps Kuwaiti banks access the country's sovereign debt instrument, marking a strategic shift in debt management strategies.

The law is also a device to help the government minimize its fiscal deficit, as it would take away from the government's need to rely solely on the general reserve fund — unlocking more options to secure financing, such as bonds and sukuk.

With Fitch assessing Kuwait's sovereign rating as AA-/Stable (as on 7 March 2025), the outlook is positive. Fitch also predicted Kuwait's credit profile could improve further if more progress was driven with regard to reforms such as initiatives to diversify fiscal revenue sources, rationalization of expenditure, and reduction of oil reliance (which accounts for about 90% of the exports and 84% of the government revenue, excluding investment income)[1].

In addition to that, we believe debt issuance could help address some slowdowns in the implementation of Kuwait's economic reforms and management of its fiscal deficit.

Although an active debt market could transform Kuwait's financial sector, considering it brings stability and diversity to the entire ecosystem, the challenge for banks would be to innovate and manage risk in a more complex financial ecosystem.

The long-term impact of the law will be evident in the next few quarters, and we will be watching how it progresses closely.

Lower interest rates

In September 2024, the Central Bank of Kuwait (CBK) made a significant move, slashing the discount rate by 25 basis points to 4.00%.

The decision was part of a broader strategy to help stimulate economic growth and manage inflation. The reduction in interest rates has far-reaching implications for the banking sector and end users, considering lower interest rates would decrease the cost of borrowing and encourage businesses and individuals to borrow from banks.

The reduced loan and credit card interest rates could help increase consumers' disposable income, and thereby increase consumer spending, which in turn could help boost the retail and services sector.

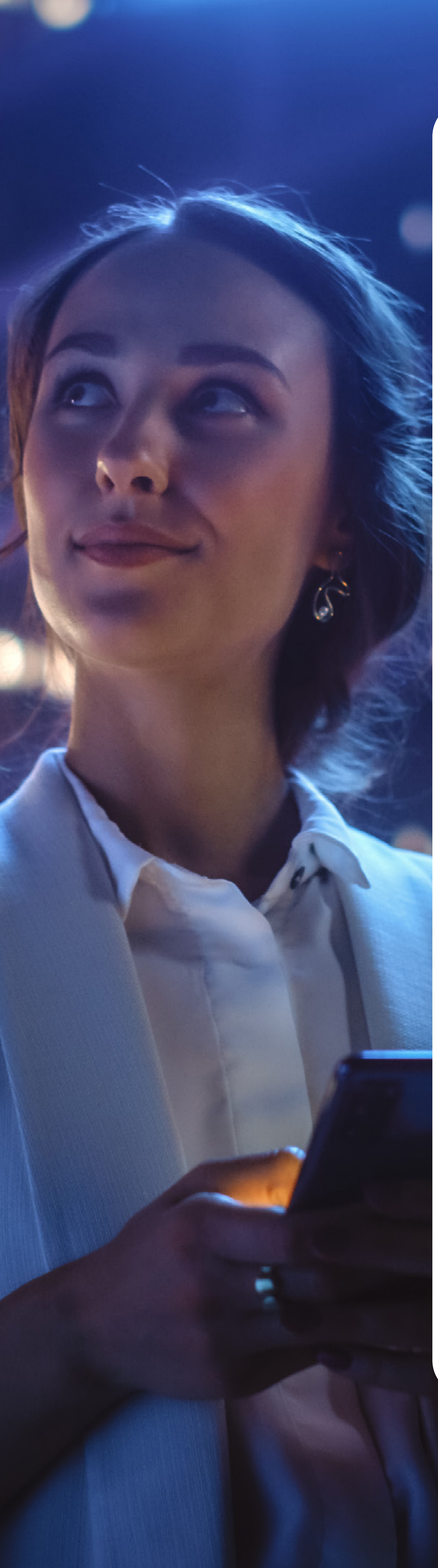
While the increase in borrowers might add to the banks' liquidity, the lower interest rates could lead to a slowdown in profits made from the interest and reduced net interest margins.

That's why, it is paramount that banks in Kuwait better their operational strategies, reduce costs, digitize operations and offer more innovative products to maintain financial stability.

Reduction in operational costs

Our report found that the average cost-to-income ratio of banks in Kuwait was 47%, indicating steep operational costs. Given banks in the country face high regulatory costs, there is a need to rethink how they can manage costs while maintaining their efficiencies.

While there is no one-size-fits-all solution to reduce costs, and each bank is likely to adopt cutbacks that are aligned with their goals, here are the trends we expect to see:



A. **Investments toward comprehensive digital transformation** to streamline operations and reduce redundant tasks. Digitalization will also be adopted at scale to reduce physical branches and provide more digital kiosks/mobile banking units to reduce fixed costs.

B. **Adoption of a cost-culture mindset within the organization** by educating employees on every level about cost-savings and giving them cost-reduction targets. Instead of looking at cost-cutting from a birds-eye view, the approach should be to identify key areas on a more granular level where economization could be more meaningful.

C. **Management of costs pertaining to risk and regulatory complexities**, especially with regard to emerging risks such as cyber, ESG and geopolitics, which require different approaches and resources as opposed to the more traditional risks managed in established risk functions.

D. **Use of generative AI:** While the executives are still weighing in on the cost benefits of implementing AI in their operations, our latest report on cost optimization of banks revealed that large-scale automation of customer touchpoints has enabled some banks to accomplish high volumes, and lower costs per FTE and overall unit costs.

   The KPMG report further highlighted that there is a significant shift in AI's use case as 60% of the executives said AI will be critical in achieving cost-reduction targets, compared to the 42% in 2020[2]

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Impact of artificial intelligence

While AI is largely seen as an effective tool in Kuwait's banking sector, each bank is on its own maturity curve when it comes to AI adoption. The challenge lies in making decisionmakers understand that tapping into the opportunities presented by AI requires more than investment in technology; rather, it calls for banks to view AI as a strategic investment.

AI implementation necessitates a holistic rethink, comprising strategy, culture, operations and ethics, and banks should treat it as a driver of sustainable growth to maximize its potential.

The idea is to integrate AI across functions — from marketing and customer service to fraud prevention and risk management — so banks can create innovative customer-centric solutions that not only enhance profitability but also deepen customer loyalty.

KPMG's latest report, Intelligent Banking3, presents a few practical scenarios to help unlock AI's transformative potential and offers a three-pillar blueprint to enable AI adoption on enterprise, functions, and foundations levels that covers almost every function in the bank.

Although this blueprint can be one of the ways to drive AI implementation, the aim should be to go at it more as a value-driven implementation and less as a blanket technology implementation.

We recommend a three-phase approach for AI implementation:

1. **enable,** where we enable people by identifying the highest value used cases, invest in AI literacy across the Board, select strategic AI alliances, and introduce simple models;

2. **embed,** where we move the discussion to the blueprint mentioned earlier (enterprise, functions, and foundations level) and embed AI across each pillar; and, finally,

3. **evolve**, where we create and deploy an AI-based ecosystem across the enterprise.

AI implementation in banks is not straightforward, given factors such as risk, compliance and regulatory complexities, security, and human resistance serve as headwinds.

Our research highlighted a deeper dilemma, pointing that banking executives are divided by AI's transformative potential and the potential risks it brings with it. All things considered, the glowing theme for the future is that AI in banking is imminent and banks must move swiftly to stay relevant.

1. Fitch - Kuwait's Approval of Liquidity Law Strengthens Financing Flexibility
2. KPMG Report Beyond savings: Strategic cost optimization for the modern bank

Building tomorrow's financial system today.

New challenges and opportunities are quickly reshaping financial services – from digital transformation to AI, to open platforms and data analytics, to greater customer centricity and a changing dynamic workforce – all of which financial institutions need to address while navigating the evolving risk and regulatory landscape.

How can KPMG help

Today's financial services organizations are looking at a future that is more interconnected, more collaborative and frictionless — one where trust, growth and delivering value are paramount. KPMG can help.

Our global multidisciplinary team of professionals understands what it takes to deliver successful outcomes in the financial services industry.

KPMG firms are continuously evolving and growing to ensure we have the capabilities, strategies and networks to deliver the insights-driven and technology-enabled services that help drive the sustainable value creation financial services organizations require.

Our Global Financial Services network provides a comprehensive set of services to a wide range of clients, supporting them with their strategic objectives and creating value.

We are continuously evolving and growing to help ensure we provide the desired support, showcasing the capabilities, strategies, credentials and other relevant material to our engagement teams and alliance partners, required to deliver the insight-driven and technology-enabled services to our clients.

What we do

Working across all sectors, including asset and wealth management, banking and capital markets, insurance and private equity, our network of professionals delivers deep industry knowledge with consistent collaboration and practical execution.

Asset management and real estate
Explore more

Banking and capital markets
Explore More

Insurance
Explore More

Private equity
Explore More

Glossary

KPI	Description
Total assets	Total assets are as reported in the published annual financial statements.
Net profit	Net profit is the net profit for the year attributable to the shareholders of the banks (in banks where consolidated financial statements have been reported, the net profit amount included represents the net profit specifically attributable to the shareholders of the parent bank).
Share price	Share price reflects the market value of a single share of a company's stock, as traded on the Kuwaiti stock exchange (Boursa), on December 28, 2023, and December 31, 2024.
Return on equity (ROE)	Return on equity (ROE) is the ratio of net profit attributable to shareholders (adjusted for profit on eligible AT1 instruments) to average equity.
Return on assets (ROA)	Return on assets (ROA) is the ratio of net profit attributable to shareholders (adjusted for profit on eligible AT1 instruments) to average assets.
Cost-to-income ratio	The ratio of total operating expenses (excluding net impairment losses on investment securities and loans) to net operating income.
Loan by stage	Total loans subject to ECL is the stage-wise exposure of loans subject to ECL (before the impact of ECL) on 31 December 2024 as a percentage of total exposure subject to ECL.
Non-performing loan (NPL) ratio	The Non-performing loan (NPL) ratio represents the proportion of non-performing loans—loans that are in default or close to default (or non-performing financing assets in the case of Islamic banks)—relative to the total gross loans and advances (or total gross financing assets for Islamic banks).
Net interest margin (NIM)	Net interest margin (NIM) is the ratio of net interest income (net of interest income and expenses) to the average earning assets, which excludes equity securities and current accounts. For Islamic banks, interest and profit have been used interchangeably.
Net provision charge on loans	Net provision charge on loans is the sum of the expected credit loss (ECL) on Stage 1 and Stage 2 loans, and the impairment charge on Stage 3 loans for the year-ended 31 December 2023 and 31 December 2024.

Bank names	Date of issuance
ABK (Al Ahli Bank of Kuwait K.S.C.P.)	18 February 2025
Boubyan (Boubyan Bank K.S.C.P.)	28 January 2025
Burgan (Burgan Bank S.A.K.P.)	17 February 2025
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KFH (Kuwait Finance House (K.S.C.P.)	28 January 2025
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NBK (National Bank of Kuwait S.A.K.P.)	28 January 2025
Warba (Warba Bank K.S.C.P.)	10 February 2025

Note:
This report is compiled using information from publicly available sources, including company filings such as interim reports, investor presentations, and annual reports, along with data from various databases and web searches. The terms 'loans and advances' and 'financing assets' (for Islamic banks) are used interchangeably and collectively referred to as 'loans.' All figures presented are in Kuwaiti Dinar (KWD).

The total assets, net profit, and net provision charge on loans represent the aggregated figures of all listed banks within the country. Year-on-year (Y-o-Y) percentage changes for all KPIs have been calculated using actual figures, with ratios derived by summing the relevant components and dividing by the corresponding aggregated denominator. As a result, they reflect the absolute change.

Contacts

Bhavesh Gandhi

Partner and Head of Financial Services
KPMG in Kuwait
E: bgandhi@kpmg.com

Salman Bin Khalid

Partner – Audit
KPMG in Kuwait
E: sbkhalid@kpmg.com

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