

## 2.8: Banking, Financial Services & Insurance

### SECTOR OVERVIEW

**Kuwait has a well developed banking and financial services sector, accounting for over 5.6% of total GDP in 2014. The local financial services sector consists of 23 local, regional and international banks, 81 local investment and finance companies, 113 local investment funds and over 23 local, regional and international insurance companies**

**The CBK oversees banking and financing activities and the CMA regulates securities market activities. The insurance industry is governed by the Ministry of Commerce and Industry**

**The banking environment has witnessed tighter regulations governing stakeholder interests. The growing insurance industry is also expected to benefit from the favorable policies of mandatory medical insurance for expatriates and nationals along with rising affordability. Kuwait Government's planned infrastructure development projects are likely to further support development of the banking and financial services sector.**

### PRIVATE EQUITY

The public sector accounts for more than 50% of GDP, with only a relatively small number of business listed on the stock exchange. As the private sector's economic contribution continues to grow, Kuwait is likely to emerge as an attractive destination for Private Equity (PE) firms, especially for fund raising due to high liquidity among investors.

### ASSET MANAGEMENT

Rising wealth in the Kuwait economy, coupled with an increased number of High Net-Worth Individuals (HNWIs) and a burgeoning middle class are driving demand for asset management products and services.

As of 2014, Kuwait had one of the highest per capita income in the Middle East region (USD 37,821), and ranks second behind KSA in terms of total assets under management (USD 4.1 Bn) in 2013.

### DIRECT SALES AGENTS

Direct sales agents (DSA) act as an intermediary between the financial companies and clients. Demand for sophisticated financial investment instruments and a preference for personal attention are expected to create demand for DSA services.

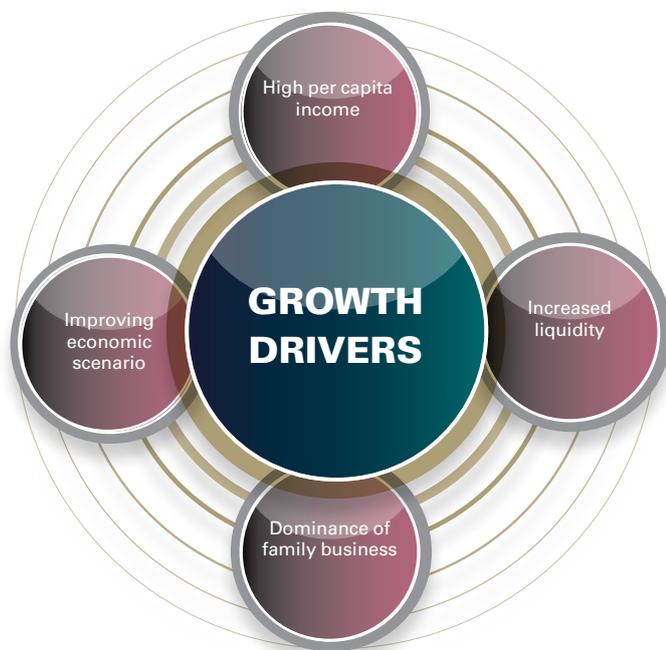


**Robust GDP growth and high GDP per capita income are indicative of increasing wealth in Kuwait, driving the growth of the financial services sector in the country.**

## 2.8.1: Private Equity

### OPPORTUNITY OVERVIEW

Kuwait's economy is witnessing high liquidity, owing to increasing oil prices. Institutional and private investors are looking for avenues to invest surplus capital. With traditional assets such as real estate and listed securities falling out of favor with many investors, there is renewed interest in Private Equity (PE) opportunities. Kuwait has several PE players ranging from private firms to publicly listed companies, most of which offer multiple financial services including asset management and investment banking advisory alongside PE.



- Kuwait has an affluent population and a rising number of HNWIs providing impetus to growth of PE.
- Increasing liquidity with the Government and sovereign wealth funds is creating opportunities for fund raising.
- Mid-sized family-owned businesses in Kuwait have ambitions for growth and are seeking growth capital and professional sector expertise, driving demand for experienced PE firms who can guide and support such growth.
- Stricter regulatory requirements and improving corporate governance standards in Kuwait are leading to increased confidence among investors.
- Kuwait's strong economic environment presents substantial business opportunities and creates significant opportunity for PE investments.
- However, the Kuwait market remains significantly underpenetrated compared to developed economies.

Government initiatives towards promotion of private sector involvement in the economy as well as fostering Small and Medium Enterprises (SME) growth are favorable to the development of the PE market.

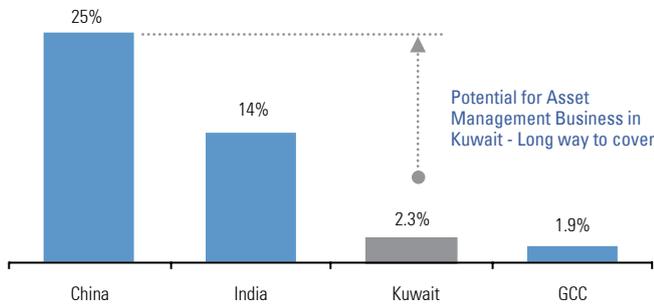


## 2.8.2: Asset Management

### OPPORTUNITY OVERVIEW

**Kuwait's Asset Under Management (AuM) to GDP ratio of 2.3% surpasses the GCC average of 1.9% making it one of the more developed markets across the GCC region. However, Kuwait has a relatively low level of penetration compared to other emerging economies such as China and India, which exhibit a penetration level of 25% and 14% respectively. This indicates strong potential for growth supporting introduction of new entrants and more sophisticated products.**

### Comparison of penetration (AUM/GDP) across emerging economies



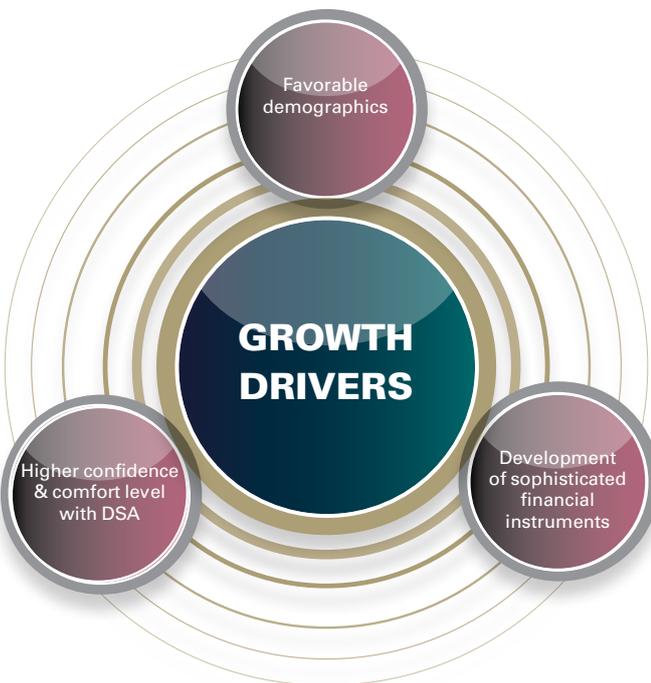
- A strong economic outlook leading to increasing liquidity in the market is expected to increase demand for asset management services in the country as investors consider deployment of surplus cash in various investment products.
- High number of HNWI's is likely to propel the demand for asset management services in Kuwait.
- The CMA and Kuwait Government have taken steps to enact and amend regulations to safeguard investor confidence in the local asset management industry, supporting the growth of AM service providers.

In 2013, Kuwait was reported as the second largest market in the GCC with an estimated USD 4.1 Bn of assets under management (AUM). With a positive economic environment and limited number of specialized service providers in the sector, the investment opportunity looks promising for asset management companies.

## 2.8.3: Direct Sales Agents

### OPPORTUNITY OVERVIEW

The growth of DSA's is driven by the demand among Kuwait's investors for personalized services and individual attention. Investors place trust in their financial advisors and base investment decisions based on their advice. Growing wealth in Kuwait, coupled with the demand for sophisticated financial investment instruments will support the growth of business for DSA. The financial services distribution market remains fragmented with presence of multiple channels which compete with DSAs.



- Kuwait's young and affluent population, coupled with the increasing number of expatriates, is expected to demand more comprehensive financial solutions commensurate with their investment needs.
- The sophistication of financial markets and the introduction of complex financial products increase the need for advice in making investment decisions.
- Despite growth of alternative distribution channels, the strength of relationship enjoyed by DSAs continues to foster growth in this segment.

Kuwait has a well developed banking and financial sector. The launch and usage of more sophisticated financial products, will provide growth opportunities for DSAs.

