

KUWAIT BOURSA

BANKING SECTOR REPORT FOR THE PERIOD 30 SEPTEMBER 2020

Market Sector : Banking Sector

Exchange : Kuwait Boursa

Date : 30 November 2020

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Department : Assets Management

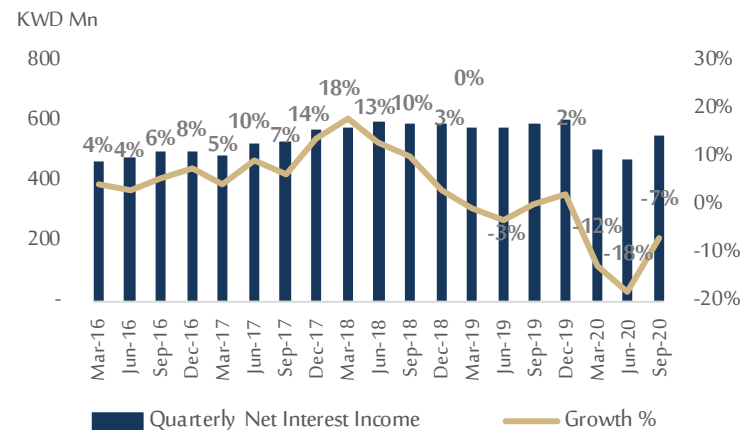


Banking Sector Report

Financial analysis - Income statements

Banks' Net Interest (Financing) Income

KWD Million	3Q-19	3Q-20	Q-o-Q (%)	2019 to 2018	2018 to 2017
National Bank of Kuwait	172.6	154.1	-10.7% ▼	-0.2% ▼	9.8% ▲
Gulf Bank	36.1	31.5	-12.9% ▼	7.7% ▲	13.2% ▲
Commercial Bank of Kuwait	24.6	19.9	-19.0% ▼	3.6% ▲	10.4% ▲
Al Ahli Bank of Kuwait	31.3	25.4	-18.9% ▼	4.8% ▲	3.0% ▲
Ahli United Bank - Kuwait	20.7	18.2	-12.1% ▼	-15.2% ▼	17.8% ▲
Kuwait International Bank	13.6	13.4	-0.9% ▼	-1.8% ▼	-1.4% ▼
Burgan Bank	43.3	34.0	-21.5% ▼	-9.2% ▼	9.7% ▲
Kuwait Finance House	145.0	154.7	6.7% ▲	0.6% ▲	2.9% ▲
Boubyan Bank	29.6	35.3	19.4% ▲	-5.4% ▼	7.4% ▲
Ahli United Bank (B.S.C)	70.7	59.2	-16.3% ▼	1.7% ▲	3.6% ▲
Warba Bank	9.8	12.1	23.7% ▲	22.7% ▲	11.9% ▲
Total	597.1	557.8	-6.6% ▼		



Net Interest (Financing) Income

- The banking sector showed a drop in the net interest (financing) income by 6.6% during the period Q3-2020 to reach an amount of KWD 557.8 million compared to the same period of the last year. Additionally, the net interest (financing) income for the banking sector in Kuwait showed a similar level in 2019 compared to the performance of 2018 when the financing income grew by 11.1% in 2018 Y-o-Y to reach an amount of KWD 2.37 billion compared to KWD 2.14 billion in 2017.
- The Central Bank of Kuwait have decided for the second time in 2020 to reduce the risk-free rate "RFR" by 100 points during March 2020 to 1.5% in order to stimulate the economy in advanced due to the negative impact that may arise driven by Corona Virus spread worldwide. In addition, interest free rate in Kuwait was 2.75% by the end of 2019 and it declined by 25 points on February 2020 to reach 2.5%. Therefore, the drop in the net interest income was driven mainly by the decline in the free interest rate and the negative impact on the economy due to corona pandemic.
- Percentage wise, Warba Bank and Boubyan Bank showed the highest increase by 23.7% & 19.4%, respectively in Q3-2020 to reach KWD 12.1 million KWD and KWD 35.3 million 3Q-o-3Q, while NBK accounted for the largest contribution of 27.6% amounted to KWD 154.1 million. However, the net interest income for Burgan Bank and Commercial Bank declined the most by 21.5% and 19% among the Kuwaiti banks to reach KWD 34 million and KWD 19.9 million, respectively mainly driven by the decline in the financing cost as of September 2020.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

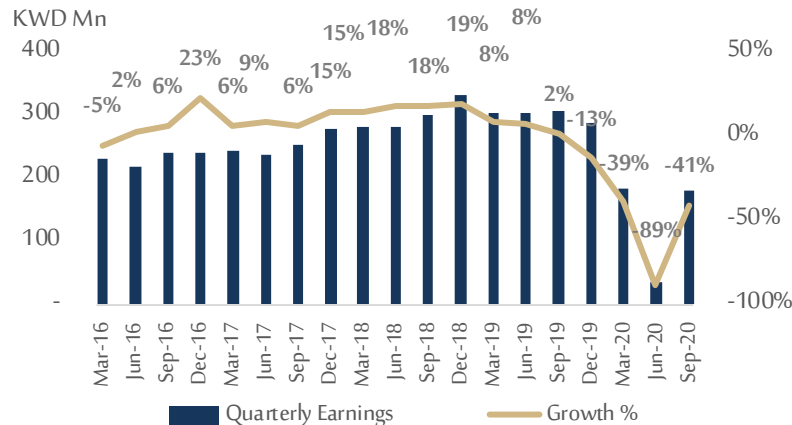


Banking Sector Report

Financial analysis - Income statements

Banks' Earnings

Banks' Name	3Q-19	3Q-20	Q-o-Q (%)	2019 to 2018	2018 to 2017
National Bank of Kuwait	93.1	57.6	-38.1% ▼	8.2% ▲	15.0% ▲
Gulf Bank	13.2	6.6	-49.9% ▼	12.2% ▲	11.8% ▲
Commercial Bank of Kuwait	6.8	15.9	133.4% ▲	-100.0% ▼	10.0% ▲
Al Ahli Bank of Kuwait	(7.1)	(3.3)	-53.8% ▼	-31.9% ▼	9.8% ▲
Ahli United Bank - Kuwait	14.5	5.4	-62.5% ▼	7.3% ▲	10.2% ▲
Kuwait International Bank	3.2	0.5	-85.4% ▼	-17.9% ▼	-2.8% ▼
Burgan Bank	22.7	9.8	-56.7% ▼	2.5% ▲	-4.3% ▼
Kuwait Finance House	82.8	44.3	-46.5% ▼	10.4% ▲	11.5% ▲
Boubyan Bank	16.4	6.1	-62.7% ▼	11.7% ▲	15.9% ▲
Ahli United Bank (B.S.C)	55.0	35.5	-35.4% ▼	5.3% ▲	8.6% ▲
Warba Bank	5.6	3.4	-39.0% ▼	29.8% ▲	189.5% ▲
Total	306.1	181.8	-40.6% ▼		



Net profit attributable to shareholders

- Net interest income of the banking sector had decline in 3Q-2020 by 6.6% where the Bank's total revenue deteriorated by similar rate of 6.0% during the same period. Therefore, the banking sector net profit in 3Q-2020 was impacted negatively. The total net profit of the banking sector showed a significant drop of 40.6% the first time among the previous interims, to reach an amount of KWD 181.8 million compared KWD 306.1 million occurred in the same period of the last year. Also, this was owing to the drop in the net Interest income after loan loss Provision that inflated by 33% which is an inevitable results for the significant increase in the Bank's loan loss provision by 62.9% in 3Q-2020 to reach KWD 268 million compared to KWD 164 million in the same period of the last year.
- The performance of the banking sector in Kuwait during the 3Q of 2020 showed a negative results driven by the undesirable impacts of the corona virus spread on the economy. Moreover, the Central Bank of Kuwait have enforced the banking sector to delay the interest and financing costs of the banks' clients for six months between April 2020 and September 2020 which putted the banks under a negative pressure in addition to other negative outcome faced by the banking sector during this pandemic.
- The Banking sector's net profit have been continuously growing during 2016-2019. This was evidenced by the fact that the banking sector showed a growth of 9.3% in its net profit to reach KWD 1.01 billion in 2017 and 17.7% growth in 2018 to reach KWD 1.19 billion. Nevertheless, the banking sector net profit in 2019 was at similar level of the previous year at KWD 1.2 billion mainly due to the increase in the loan loss provision amount by 7.9% to reach KWD 668 million in 2019. The growth in the bank's net profit during 2016-2019 were mainly owing to the development in the banking sector's operating profit after provisions which parallely increased by 7.2% in 2017 YoY and 16.3% in 2018 to reach an amount of KWD 1,484 million and KWD 1,726 million, respectively

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

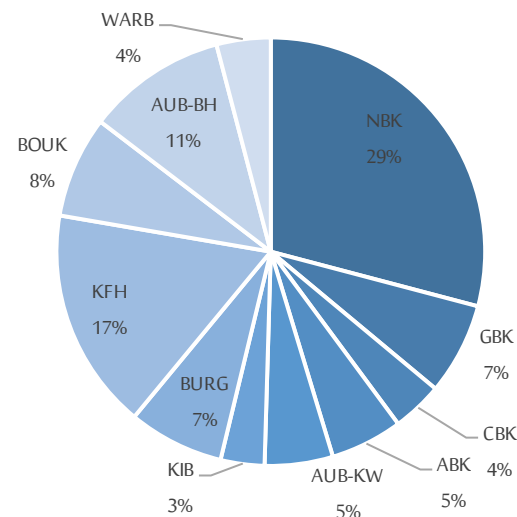


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Loans

Banks' Name	3Q-19	3Q-20	Q-o-Q (%)	2019 to 2018	2018 to 2017
National Bank of Kuwait	16,359	17,634	7.8% ▲	6.8% ▲	6.8% ▲
Gulf Bank	3,992	4,207	5.4% ▲	7.0% ▲	7.0% ▲
Commercial Bank of Kuwait	2,257	2,312	2.5% ▲	0.6% ▲	0.6% ▲
Al Ahli Bank of Kuwait	3,197	3,304	3.3% ▲	6.3% ▲	6.3% ▲
Ahli United Bank - Kuwait	2,951	3,117	5.6% ▲	7.8% ▲	7.8% ▲
Kuwait International Bank	1,866	2,004	7.4% ▲	26.9% ▲	26.9% ▲
Burgan Bank	4,218	4,373	3.7% ▲	0.5% ▲	0.5% ▲
Kuwait Finance House	9,356	10,130	8.3% ▲	-0.5% ▼	-0.5% ▼
Boubyan Bank	3,637	4,648	27.8% ▲	14.3% ▲	14.3% ▲
Ahli United Bank (B.S.C)	6,196	6,381	3.0% ▲	6.3% ▲	6.3% ▲
Warba Bank	2,070	2,474	19.5% ▲	40.7% ▲	40.7% ▲
Total	56,100	60,585	8.0% ▲		



Highlights on Bank's Loans

- The banking sector in Kuwait showed an increase of 8.0% in the total loans to reach an amount of KWD 60.6 billion by the end of 30 September 2020 compared to an amount of KWD 56.1 billion on 30 September 2019. The banking sector in Kuwait showed an increased of 6.8% in the total loans to reach an amount of KWD 57.3 billion by the end of 31 December 2019 compared to an amount of KWD 53.7 billion on 31 December 2018.
- There was a remarkable growth in Boubyan Bank's total loans which grew by 27.8% 3Q-o-3Q to KWD 4.65 billion as of 3Q-2020, followed by Warba Bank and National Banks of Kuwait with a growth of 23.8% and 8.4%, respectively to reach an amount of KWD 2.4 billion and KWD 17.6 billion, respectively. There was a continuous growth in the bank's total loans between the period 2015-2019 by an annual growth of 7.5% in 2015, 1.2% in 2016, 7.3% in 2017, 4.5% in 2018 and 6.8% in 2019 to reach an amount of KWD 57.3 billion in 2019.
- All the banking sector constituents showed a growth in total loans during the third quarter 2020 topped by National Bank of Kuwait "NBK" that continued to lead the banking sector with its largest market share of loans of 29.1% to reach an amount of KWD 17.6 billion, followed by KFH as the bank had a total market share of loans 16.7% and an amount of KWD 10.1 billion as of 30 September 2020.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

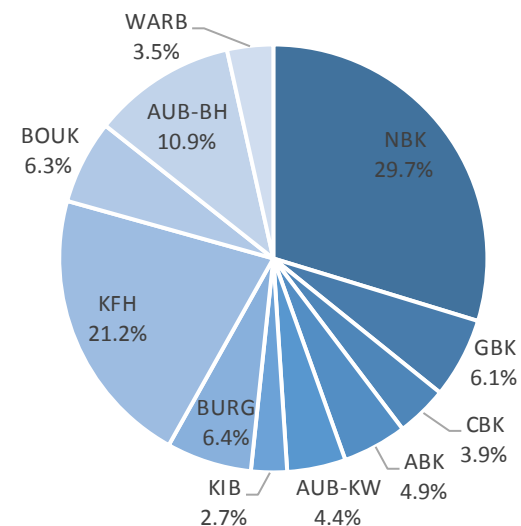


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Deposits

Banks' Name	3Q-19	3Q-20	Q-o-Q(%)		2019 to 2018		2018 to 2017	
National Bank of Kuwait	23,989	25,020	4.3%	▲	4.9%	▲	5.5%	▲
Gulf Bank	5,277	5,110	-3.2%	▼	4.1%	▲	5.8%	▲
Commercial Bank of Kuwait	3,730	3,273	-12.2%	▼	6.5%	▲	-0.4%	▼
Al Ahli Bank of Kuwait	3,873	4,093	5.7%	▲	8.4%	▲	2.3%	▲
Ahli United Bank - Kuwait	3,519	3,724	5.8%	▲	12.1%	▲	6.6%	▲
Kuwait International Bank	2,265	2,286	0.9%	▲	11.9%	▲	9.4%	▲
Burgan Bank	5,081	5,426	6.8%	▲	-7.4%	▼	-6.3%	▼
Kuwait Finance House	15,651	17,854	14.1%	▲	10.4%	▲	0.8%	▲
Boubyan Bank	4,318	5,325	23.3%	▲	20.1%	▲	10.2%	▲
Ahli United Bank (B.S.C)	8,974	9,142	1.9%	▲	11.3%	▲	6.1%	▲
Warba Bank	2,602	2,931	12.7%	▲	40.8%	▲	19.4%	▲
Total	79,279	84,184	6.2%	▲				



Highlights on Bank's Deposits

- Total deposits in the Kuwaiti banking sector had an upsurge of 6.2% to reach an amount of KWD 84.2 billion by the end of 30 September 2020 compared to an amount of KWD 79.3 billion on 30 September 2019. Boubyan Bank leads the growth charts as its total deposits rose the most by 23.3% in 3Q-2020 among other banks in Kuwait to reach an amount of KWD 5.3 billion followed by Kuwait Finance House and Warba Bank which grew by 14.1% and 12.7%, respectively to KWD 17.8 billion and KWD 2.9 billion as of 30 September 2020.
- Kuwait National Bank continued to prime the market with its largest market share of deposits and a weight of 29.7% to an amount of KWD 25.0 billion, followed by KFH with a total market share and a weight of 21.2% and amounted to KWD 17.8 billion on 30 September 2020.
- Commercial Bank and Gulf Bank were the only banks that had a decline in its total deposits. In fact, Commercial banks showed a drop of 12.2% to reach KWD 3.3 billion while Gulf Bank disclosed a modest deterioration in its total deposits during the period by 3.2% 3Q-o-3Q among the banking sector constituents in Kuwait to reach an amount of KWD 5.1 billion as of September 2020.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



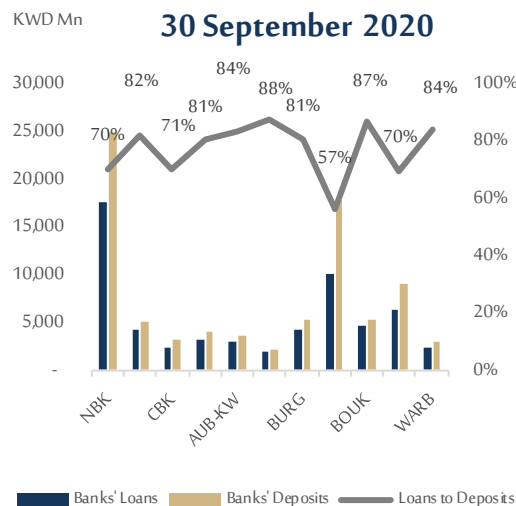
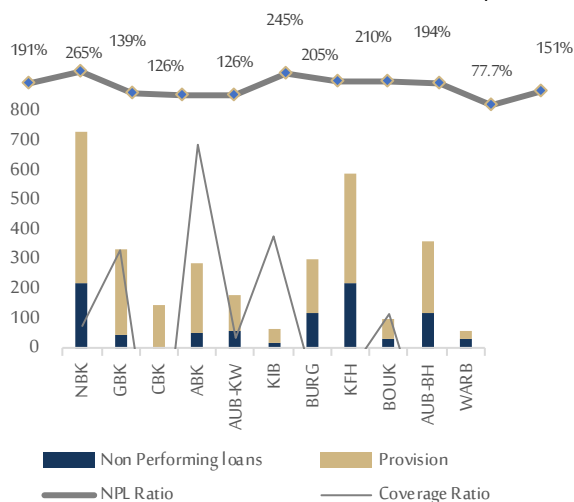
Banking Sector Report

Financial analysis - Balance Sheet

Banks' Name	Non Performing loans	Total Provisions	Coverage Ratio	NPL Ratio	Capital Adequacy Ratio
National Bank of Kuwait	375.1	716.4	191%	1.89%	17.0%
Gulf Bank	124.8	330.8	265%	1.50%	17.3%
Commercial Bank of Kuwait*	128.0	178.4	139%	5.53%	17.9%
Al Ahli Bank of Kuwait	188.6	250.8	126%	5.40%	18.7%
Ahli United Bank - Kuwait *	97.0	122.4	126%	2.35%	17.2%
Kuwait International Bank**	21.6	52.9	245%	1.86%	18.3%
Burgan Bank	130.2	267.2	205%	4.40%	16.0%
Kuwait Finance House	243.8	511.2	210%	2.35%	16.3%
Boubyan Bank	58.0	112.5	194%	1.20%	16.9%
Ahli United Bank (B.S.C)	300.2	233.2	77.7%	2.50%	16.1%
Warba Bank	54.7	82.6	151%	3.23%	16.0%
Average	1,721.9	2,858.5	166.0%	2.93%	17.06%

Note: *: The expected credit loss (ECL) on credit facilities determined under IFRS 9

Note: **: 2019 numbers were used due to unavailability



Ratio Analysis

- The Kuwaiti banking sector NPL level faced a decline in 2018 to reach an amount of KWD 896 billion and this accounted for 1.5% of total loans. In 2019, non-performing loans have extremely increased to reach an amount of KWD 1.2 billion. There was a significant increase in the NPL of ABK by 164% to KWD 136 million, AUB-BH by 131% to KWD 271 million and CBK by 100% to KWD 50.1 million.
- In 30 September 2020, the non-performing loans increased significantly by 41.7% in third Quarter 2020 to reach KWD 1.72 billion driven by the negative impacts of corona virus spread on the banks' clients.
- The Banks' Capital Adequacy Ratio is at an average of 17.1% and the highest CAR went for Al-Ahli Bank of Kuwait at 18.7% in Q3-2020.
- The coverage ratio for the Banking Sector declined to reach 166% in September 2020 and an amount of KWD 2.86 billion and this can introduce the financial strength for the banking sector in Kuwait. Also, the highest coverage ratio is accounted for GBK 265% indicating high financial strength against any upcoming financial difficulties.

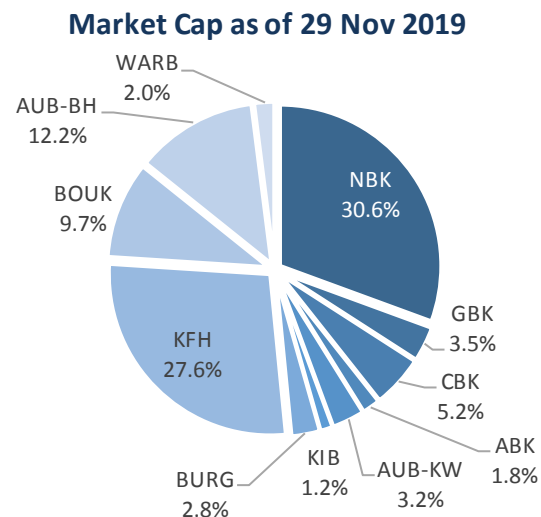
Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



Banking Sector Report

Financial analysis - Market Performance

Banks' Name	Market Cap (KWD Mn)	PE*	BVPS (fils)*	P/BV*	Payout Ratio 2019	DY%*	Operating profit %*	Net profit %*	ROA %*	ROE %*
National Bank of Kuwait	5,814	21.7	466.9	1.83	58.3%	4.1%	36.0%	22.8%	0.9%	8.4%
Gulf Bank	667	14.9	208.9	1.07	50.1%	5.0%	23.0%	16.5%	0.7%	7.2%
Commercial Bank of Kuwait	996	58.2	369.1	1.40	0.0%	0.0%	1.2%	5.1%	0.4%	2.4%
Al Ahli Bank of Kuwait	338	63.8	348.3	0.60	50.0%	3.3%	4.6%	-2.5%	0.1%	0.9%
Ahli United Bank - Kuwait	617	18.8	246.7	1.28	54.0%	5.3%	33.6%	18.7%	0.8%	6.8%
Kuwait International Bank	233	47.5	256.8	0.89	46.6%	3.4%	8.0%	1.5%	0.2%	1.9%
Burgan Bank	541	10.9	269.1	0.77	49.8%	5.8%	24.4%	13.4%	0.7%	7.1%
Kuwait Finance House	5,240	32.4	246.8	2.80	54.9%	2.9%	26.7%	17.9%	0.8%	8.6%
Boubyan Bank	1,850	45.5	167.2	3.65	44.1%	1.5%	26.5%	15.9%	0.7%	8.0%
Ahli United Bank (B.S.C)	2,326	13.1	126.4	1.91	63.6%	6.4%	43.2%	30.3%	1.4%	14.6%
Warba Bank	381	(54.2)	117.5	2.06	0.0%	0.0%	-21.0%	-12.1%	-0.2%	-3.8%
	19,001.6	26.7		2.16	52.4%	4.2%	22.7%	15.8%	0.7%	6.6%



Note: * Is calculated based in the LTM as of 30 September 2020.

Market Indicators

- The total market cap for the banking sector declined to KWD 19.0 billion on 29 November 2020 compared to KWD 21.9 billion in 31 December 2019. As of 15 March 2020 the market cap of the banking sector declined significantly driven by the expected negative effect on the economy from Corona Virus spread to reach KWD 15.8 billion.
- NBK continued to have the largest market cap in Kuwait Boursa and accounted for the largest rate of 30.6% of the banking sector with a market cap of KWD 5.8 billion, followed by KFH with a 27.6% with a market cap of KWD 5.2 billion as of 29 November 2020.
- When comparing banks in terms of dividend payout ratio, AUB-BH and NBK topped the list chart with 63.6% & 58.3%, while Dividend Yield of the banking sector reached an average of 3.8% and where AUB-Bahrain gave the highest dividend yield of 6.4% followed by Burgan Bank and AUB-KW by 5.8% and 5.3% based on 2019 payout ratio and market price on 29 November 2020.
- As of 30 September 2020, NBK topped the banking sector based on its book value per share reached 466.9 fils followed by Commercial Bank of Kuwait with BVPS of 369 fils. Al-Ahli had the lowest P/BV among the banking sector with P/BV of 0.60x as of 29 of November 2020 while the lowest PE of 10.9x went to Burgan Bank. On the other hand, the highest PE and P/BV went for Commercial Bank and Boubyan Bank respectively at 58.2x and 3.65x, respectively as of 29 of November 2020.



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