

KUWAIT BOURSA

BANKING SECTOR REPORT FOR THE PERIOD 31 DECEMBER 2020

Market Sector : Banking Sector

Exchange : Kuwait Boursa

Date : 11 April 2021

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Department : Assets Management

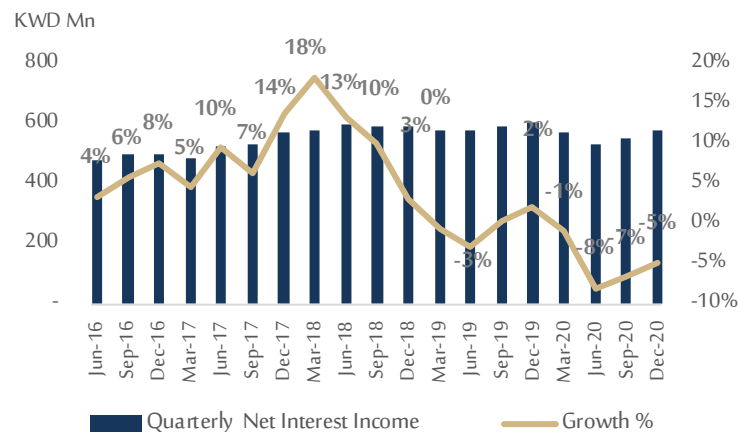


Banking Sector Report

Financial analysis - Income statements

Banks' Net Interest (Financing) Income

KWD Million	4Q-19	4Q-20	Q-o-Q (%)	2019 to 2018	2018 to 2017
National Bank of Kuwait	172.2	160.9	-6.6% ▼	-0.2% ▼	9.8% ▲
Gulf Bank	53.8	32.0	-40.5% ▼	7.7% ▲	13.2% ▲
Commercial Bank of Kuwait	23.6	20.6	-12.6% ▼	3.6% ▲	10.4% ▲
Al Ahli Bank of Kuwait	32.4	28.9	-10.6% ▼	4.8% ▲	3.0% ▲
Ahli United Bank - Kuwait	20.8	20.0	-3.7% ▼	-15.2% ▼	17.8% ▲
Kuwait International Bank	12.8	11.4	-10.4% ▼	-1.8% ▼	-1.4% ▼
Burgan Bank	41.9	32.1	-23.4% ▼	-9.2% ▼	9.7% ▲
Kuwait Finance House	134.7	163.8	21.6% ▲	0.6% ▲	2.9% ▲
Boubyan Bank	31.5	37.6	19.5% ▲	-5.4% ▼	7.4% ▲
Ahli United Bank (B.S.C)	69.3	60.8	-12.2% ▼	1.7% ▲	3.6% ▲
Warba Bank	16.3	12.5	-23.1% ▼	22.7% ▲	11.9% ▲
Total	609.2	580.7	-4.7% ▼		



Net Interest (Financing) Income

- The banking sector showed a drop in the net interest (financing) income by 4.7% during the period Q4-2020 to reach an amount of KWD 580.7 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, Kuwait Finance House and Boubyan Bank showed the highest increase by 21.6% & 19.5%, respectively in Q4-2020 to reach KWD 163.8 million KWD and KWD 37.6 million 4Q-o-4Q, while NBK accounted for the largest contribution of 27.7% amounted to KWD 160.9 million. However, the net interest income for Gulf Bank and Burgan Bank declined the most by 40.5% and 23.4% among the Kuwaiti banks to reach KWD 32.0 million and KWD 32.1 million, respectively mainly driven by the decline in the financing cost as of December 2020.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

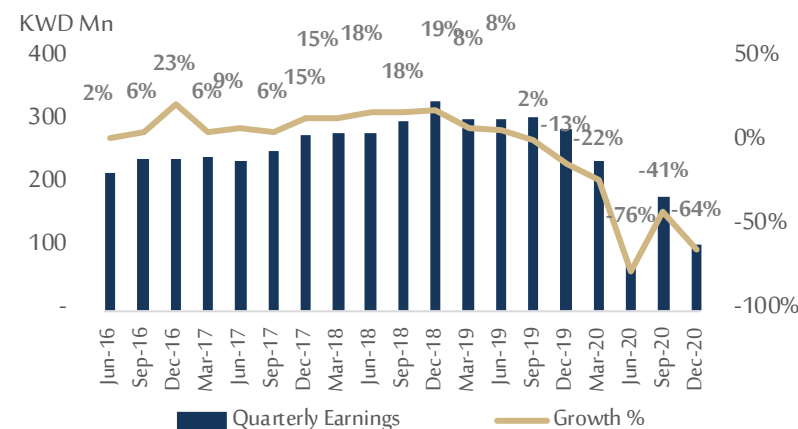


Banking Sector Report

Financial analysis - Income statements

Banks' Earnings

Banks' Name	4Q-19	4Q-20	Q-o-Q (%)	2019 to 2018	2018 to 2017
National Bank of Kuwait	99.1	77.7	-21.6%	8.2%	15.0%
Gulf Bank	26.5	10.4	-60.6%	12.2%	11.8%
Commercial Bank of Kuwait	(16.6)	(17.1)	2.9%	-100.0%	10.0%
Al Ahli Bank of Kuwait	13.3	(61.7)	-565.9%	-31.9%	9.8%
Ahli United Bank - Kuwait	9.8	6.6	-32.3%	7.3%	10.2%
Kuwait International Bank	4.3	(0.6)	-113.0%	-17.9%	-2.8%
Burgan Bank	17.2	1.1	-93.7%	2.5%	-4.3%
Kuwait Finance House	60.5	47.2	-22.0%	10.4%	11.5%
Boubyan Bank	17.4	11.2	-35.8%	11.7%	15.9%
Ahli United Bank (B.S.C)	52.1	13.0	-75.0%	5.3%	8.6%
Warba Bank	4.4	17.1	288.3%	29.8%	189.5%
Total	288.1	104.9	-63.6%		



Net profit attributable to shareholders

- Net interest income of the banking sector had decline in 4Q-2020 by 4.7% where the Bank's total revenue deteriorated by similar rate of 3.0% during the same period. Therefore, the banking sector net profit in 4Q-2020 was impacted negatively. The total net profit of the banking sector showed highest and the most significant drop of 63.6% among the previous quarters, to reach an amount of KWD 104.9 million compared KWD 288.1 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 deflated by 41% which is an inevitable results for the significant increase in the Bank's loan loss provision by 76.2% in 4Q-2020 to reach KWD 334 million compared to KWD 189 million in the same period of the last year.
- The performance of the banking sector in Kuwait during the 4Q 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

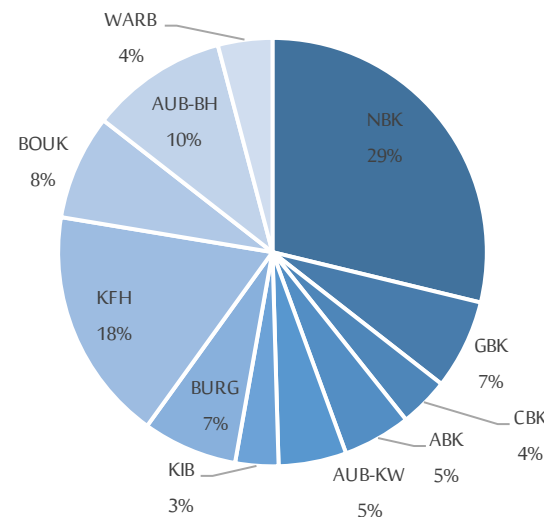


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Loans

Banks' Name	4Q-19	4Q-20	Q-o-Q (%)		2019 to 2018		2018 to 2017	
National Bank of Kuwait	16,553	17,504	5.7%	▲	6.8%	▲	6.9%	▲
Gulf Bank	4,225	4,117	-2.6%	▼	7.0%	▲	3.7%	▲
Commercial Bank of Kuwait	2,267	2,279	0.5%	▲	0.6%	▲	0.7%	▲
Al Ahli Bank of Kuwait	3,216	3,117	-3.1%	▼	6.3%	▲	-1.6%	▼
Ahli United Bank - Kuwait	3,019	3,114	3.1%	▲	7.8%	▲	4.8%	▲
Kuwait International Bank	1,866	1,979	6.1%	▲	26.9%	▲	21.2%	▲
Burgan Bank	4,284	4,345	1.4%	▲	0.5%	▲	-3.3%	▼
Kuwait Finance House	9,337	10,748	15.1%	▲	-0.5%	▼	-2.1%	▼
Boubyan Bank	3,826	4,823	26.1%	▲	17.3%	▲	13.4%	▲
Ahli United Bank (B.S.C)	6,282	6,293	0.2%	▲	6.3%	▲	0.5%	▲
Warba Bank	2,262	2,497	10.4%	▲	40.7%	▲	27.3%	▲
Total	57,135	60,816	6.4%	▲				



Highlights on Bank's Loans

- The banking sector in Kuwait showed an increase of 6.4% in the total loans to reach an amount of KWD 60.8 billion by the end of 31 December 2020 compared to an amount of KWD 57.1 billion on 31 December 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 26.1% 4Q-o-4Q to KWD 4.8 billion as of, followed by Kuwait Finance House and Warba Bank with a growth of 15.1% and 10.4%, respectively to reach an amount of KWD 10.7 billion and KWD 2.5 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 fourth 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% to reach an amount of KWD 17.5 billion, followed by KFH as the bank had a total market share of loans 15.1% and an amount of KWD 10.7 billion as of 31 December 2020.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

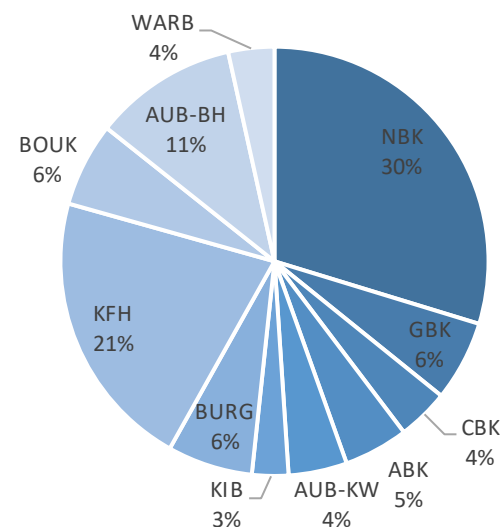


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Deposits

Banks' Name	4Q-19	4Q-20	Q-o-Q (%)	2019 to 2018	2018 to 2017
National Bank of Kuwait	24,051	24,111	0.2% ▲	4.9% ▲	5.5% ▲
Gulf Bank	5,367	5,290	-1.4% ▼	4.1% ▲	5.8% ▲
Commercial Bank of Kuwait	3,747	3,037	-18.9% ▼	6.5% ▲	-0.4% ▼
Al Ahli Bank of Kuwait	3,920	3,973	1.3% ▲	8.4% ▲	2.3% ▲
Ahli United Bank - Kuwait	3,747	3,780	0.9% ▲	12.1% ▲	6.6% ▲
Kuwait International Bank	1,487	1,667	12.1% ▲	11.9% ▲	9.4% ▲
Burgan Bank	5,215	5,115	-1.9% ▼	-7.4% ▼	-6.3% ▼
Kuwait Finance House	15,980	18,271	14.3% ▲	10.4% ▲	0.8% ▲
Boubyan Bank	4,584	5,389	17.6% ▲	20.1% ▲	10.2% ▲
Ahli United Bank (B.S.C)	9,250	8,929	-3.5% ▼	11.3% ▲	6.1% ▲
Warba Bank	2,659	2,848	7.1% ▲	40.8% ▲	19.4% ▲
Total	80,007	82,411	3.0% ▲		



Highlights on Bank's Deposits

- Total deposits in the Kuwaiti banking sector had an upsurge of 3.0% to reach an amount of KWD 82.4 billion by the end of 31 December 2020 compared to an amount of KWD 80.0 billion on 31 December 2019. Boubyan Bank leads the growth charts as its total deposits rose the most by 17.6% in 4Q-2020 among other banks in Kuwait to reach an amount of KWD 5.4 billion followed by Kuwait Finance House and KIB which grew by 14.3% and 12.1%, respectively to KWD 18.3 billion and KWD 1.7 billion as of 31 December 2020.
- Kuwait National Bank continued to prime the market with its largest market share of deposits and a weight of 30.0% to an amount of KWD 24.1 billion, followed by KFH with a total market share and a weight of 21% and amounted to KWD 18.3 billion on 31 December 2020.
- Commercial Bank and AUB-BH topped the decliner chart as they had a decline in its total deposits. In fact, Commercial banks showed a drop of 18.9% to reach KWD 3.03 billion while AUB-BH disclosed a modest deterioration in its total deposits during the period by 3.5% 4Q-o-4Q among the banking sector constituents in Kuwait to reach an amount of KWD 8.9 billion as of December 2020.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

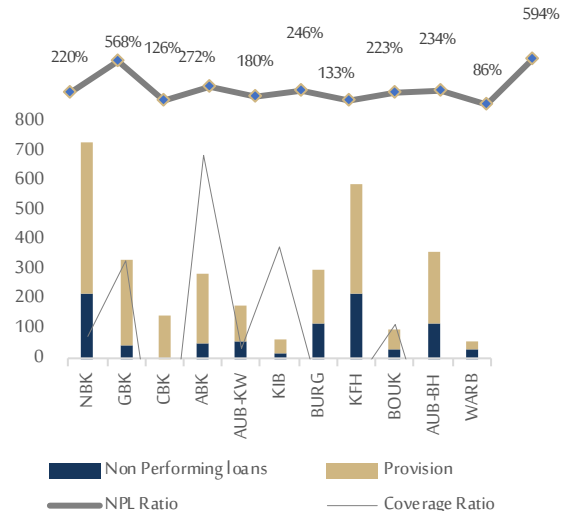


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Name	Non Performing loans	Total Provisions	Coverage Ratio	NPL Ratio	Capital Adequacy Ratio
National Bank of Kuwait	312.4	687.2	220%	1.72%	18.4%
Gulf Bank	50.0	284.0	568%	1.10%	18.3%
Commercial Bank of Kuwait*	107.5	135.7	126%	2.20%	17.9%
Al Ahli Bank of Kuwait	116.3	221.6	272%	1.57%	17.3%
Ahli United Bank - Kuwait	88.4	135.5	180%	2.08%	15.7%
Kuwait International Bank	55.2	52.9	246%	2.33%	22.1%
Burgan Bank	252.7	252.4	133%	4.20%	18.1%
Kuwait Finance House	263.2	571.0	223%	2.20%	17.5%
Boubyan Bank	55.1	66.6	234%	1.10%	16.9%
Ahli United Bank (B.S.C)	171.0	146.8	86%	2.60%	16.1%
Warba Bank	40.6	42.2	594%	1.07%	16.9%
Average	1,512.3	2,596.0	171.7%	2.02%	17.75%

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



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 31 December 2020, the non-performing loans increased significantly by 79% in 2020 to reach KWD 1.5 billion driven by the negative impacts of corona virus spread on the banks' clients.
- The Banks' Capital Adequacy Ratio is at an average of 17.75% and the highest CAR went for KIB at 22.1% in Q4-2020.
- The coverage ratio for the Banking Sector declined to reach 171% in December 2020 and an amount of KWD 2.6 billion and this can introduce the financial strength for the banking sector in Kuwait. Also, the highest coverage ratio is accounted for Warba Banks at 594% indicating high financial strength against any upcoming financial difficulties.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

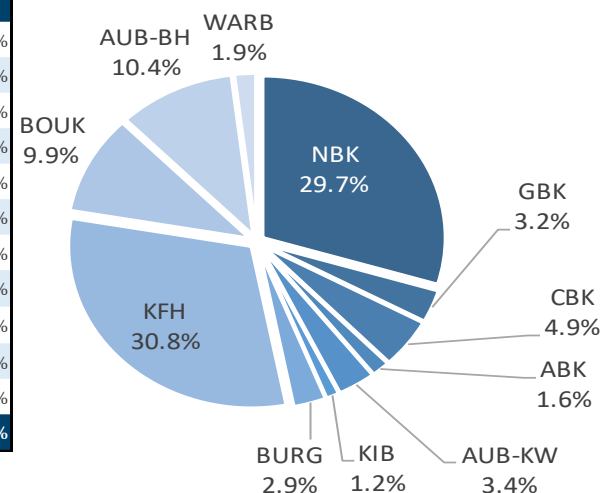


Banking Sector Report

Financial analysis - Market Performance

Market Cap as of 11 April 2021

Banks' Name	Market Cap (KWD Mn)	PE*	BVPS (fils)*	P/BV*	Payout Ratio 2020	DY%*	Operating profit %*	Net profit %*	ROA %*	ROE %*
National Bank of Kuwait	5,984	24.3	507.4	1.64	62.5%	2.4%	33.1%	22.5%	0.8%	7.4%
Gulf Bank	655	22.8	217.1	0.99	50.8%	2.3%	18.9%	14.1%	0.5%	4.4%
Commercial Bank of Kuwait	996	NA	359.7	1.39	0.0%	0.0%	0.7%	-0.2%	0.0%	0.0%
Al Ahli Bank of Kuwait	330	(4.7)	310.7	0.63	0.0%	0.0%	-43.1%	-37.7%	-1.4%	-14.0%
Ahli United Bank - Kuwait	680	22.9	227.0	1.26	0.0%	0.0%	31.8%	18.1%	0.7%	6.7%
Kuwait International Bank	237	NA	252.8	0.83	0.0%	0.0%	0.1%	-6.7%	0.0%	0.0%
Burgan Bank	585	17.4	262.3	0.85	53.2%	2.2%	16.4%	8.6%	0.5%	4.9%
Kuwait Finance House	6,221	41.9	244.4	3.02	51.2%	1.4%	25.4%	16.6%	0.7%	8.0%
Boubyan Bank	2,003	58.2	179.6	3.51	0.0%	0.0%	19.5%	13.1%	0.5%	6.6%
Ahli United Bank (B.S.C)	2,093	15.0	127.9	1.67	29.2%	1.8%	36.1%	18.2%	1.1%	11.4%
Warba Bank	387	68.8	129.4	1.90	0.0%	0.0%	-13.9%	1.8%	0.2%	2.8%
	20,173.6	33.9		2.16	49.4%	2.0%	20.2%	14.1%	0.5%	5.2%



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 and thereafter it increased to KWD 20.2 billion as of 11th of April 2021. As of 11 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.
- KFH took the lead from NBK as the largest market cap in Banking Sector for the first time and accounted for the largest rate of 30.8% of the banking sector with a market cap of KWD 6.2 billion, followed by NBK with a stake of 29.7% as a market cap of KWD 5.98 billion as of 11 April 2021.
- When comparing banks in terms of dividend payout ratio, NBK and Burgan topped the list chart with 62.5% & 53.2%, while Dividend Yield of the banking sector reached an average of 2.0% and where NBK gave the highest dividend yield of 2.4% followed by Gulf Bank and Burgan by 2.3% and 2.2% based on 2020 payout ratio and market price on 11 April 2021.
- As of 31 December 2020, NBK topped the banking sector based on its book value per share reached 507.4 fils followed by Commercial Bank of Kuwait with BVPS of 360 fils. Al-Ahli had the lowest P/BV among the banking sector with P/BV of 0.63x as of 11 April 2021 while the lowest PE of 15.0x went to AUB-BH. On the other hand, the highest PE and P/BV went to Warba Bank and Boubyan Bank at 68.8x and 3.51x, respectively as of 11 April 2021.



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