

KUWAIT BOURSA

BANKING SECTOR REPORT FOR THE PERIOD 30 JUNE 2021

Market Sector : Banking Sector

Exchange : Kuwait Boursa

Date : 18 August 2021

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Department : Assets Management

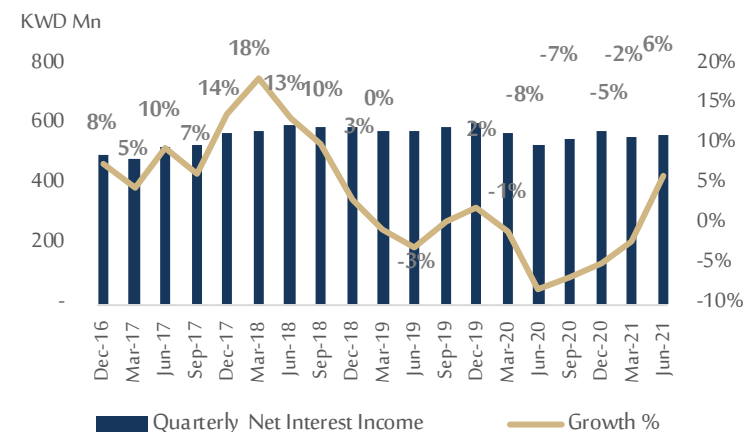


Banking Sector Report

Financial analysis - Income statements

Banks' Net Interest (Financing) Income

KWD Million	Q2-2020	Q2-2021	Q-o-Q (%)	2020 to 2019	2019 to 2018
National Bank of Kuwait	149.3	171.2	14.7% ▲	-8.1% ▼	-0.2% ▼
Gulf Bank	32.4	32.7	0.9% ▲	-24.1% ▼	7.7% ▲
Commercial Bank of Kuwait	17.2	19.3	11.7% ▲	-18.8% ▼	3.6% ▲
Al Ahli Bank of Kuwait	23.9	28.7	20.0% ▲	-17.4% ▼	4.8% ▲
Ahli United Bank - Kuwait	17.7	18.7	5.6% ▲	-11.6% ▼	-15.2% ▼
Kuwait International Bank	12.0	12.9	7.4% ▲	-7.3% ▼	-1.8% ▼
Burgan Bank	32.5	35.4	8.9% ▲	-16.2% ▼	-9.2% ▼
Kuwait Finance House	149.9	138.2	-7.8% ▼	15.8% ▲	0.6% ▲
Boubyan Bank	33.7	40.2	19.3% ▲	16.3% ▲	-5.4% ▼
Ahli United Bank (B.S.C)	59.3	64.5	8.7% ▲	-14.8% ▼	1.7% ▲
Warba Bank	10.1	11.9	18.4% ▲	-5.5% ▼	22.7% ▲
Total	538.1	573.6	6.6% ▲		



Net Interest (Financing) Income

- The banking sector showed a drop in the net interest (financing) income by 6.6% during the period Q2-2021 to reach an amount of KWD 573.6 million compared to the same period of the last year. Additionally, net interest (financing) income for the banking sector in Kuwait slightly decreased in 2020 compared to the performance of 2019 when the financing income fell by 5.0% reaching KWD 2.25 billion down from 2019 Y-o-Y level of KWD 2.37 billion.
- 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, Al Ahli Bank of Kuwait and Boubyan Bank showed the highest increase by 20.0% and 19.3%, respectively in Q2-2021, reaching KWD 28.7 million and KWD 40.2 million 2Q-o-2Q, while NBK accounted for the largest contribution of 29.9% amounting to KWD 171.2 million. In fact, the net interest income for Kuwait Finance House was the only declining by 7.8% among the Kuwaiti banks to reach KWD 138.2 million mainly driven by the decline in the financing yield as of June 2021.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



Banking Sector Report

Financial analysis - Income statements

Banks' Earnings

Banks' Name	Q2-2020	Q2-2021	Q-o-Q (%)	2020 to 2019	2019 to 2018
National Bank of Kuwait	33.4	76.5	128.8% ▲	-38.6% ▼	8.2% ▲
Gulf Bank	3.2	4.6	43.5% ▲	-54.7% ▼	12.2% ▲
Commercial Bank of Kuwait	0.3	19.1	5463.0% ▲	-12.5% ▼	-100.0% ▼
Al Ahli Bank of Kuwait	(10.7)	8.0	-174.5% ▼	-343.0% ▼	-31.9% ▼
Ahli United Bank - Kuwait	2.4	6.9	191.5% ▲	-46.0% ▼	7.3% ▲
Kuwait International Bank	(2.7)	1.2	-145.4% ▼	-100.0% ▼	-17.9% ▼
Burgan Bank	5.5	19.0	243.8% ▲	-60.2% ▼	2.5% ▲
Kuwait Finance House	12.6	52.2	312.8% ▲	-40.9% ▼	10.4% ▲
Boubyan Bank	6.9	8.8	27.8% ▲	-45.1% ▼	11.7% ▲
Ahli United Bank (B.S.C)	37.5	41.7	11.2% ▲	-37.0% ▼	5.3% ▲
Warba Bank	(17.0)	3.3	-119.3% ▼	-65.9% ▼	29.8% ▲
Total	71.6	241.2	236.9% ▲		



Net profit attributable to shareholders

- Net interest income of the banking sector had increased in 2Q-2021 by 6.6% and the Bank's total revenue increased by of 13.5% during the same period. Therefore, the banking sector net profit in 2Q-2021 was impacted positively. The total net profit of the banking sector showed highest and the most significant increase of 236.9% among the previous quarters, to reach an amount of KWD 241.2 million compared KWD 71.6 million occurred in the same period of the last year. Also, this was due to the increase in the net Interest income after loan loss Provision that increased by 90.6% which is an inevitable result after the significant decrease in the Bank's loan loss provision by 45.4% in 2Q-2021 to reach KWD 181.6 million compared to KWD 332.4 million in the same period of the last year.
- The performance of the banking sector in Kuwait during the 2Q of 2021 showed positive results showing recovery from impacts of the corona virus spread on the economy.
- 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. However, net profits declined in 2020 reaching KD 597.01 million, representing a 50.3% decrease from 2019 level due to the impact of the pandemic and the increase in loan loss provisions. The growth in the bank's net profit during 2016-2018 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 1.48 billion and KWD 1,74 billion, respectively. However, profits declined in 2019 and 2020 by 3.1% and 33.1% reaching KWD 1.68 billion and KWD 1.13 billion, respectively.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

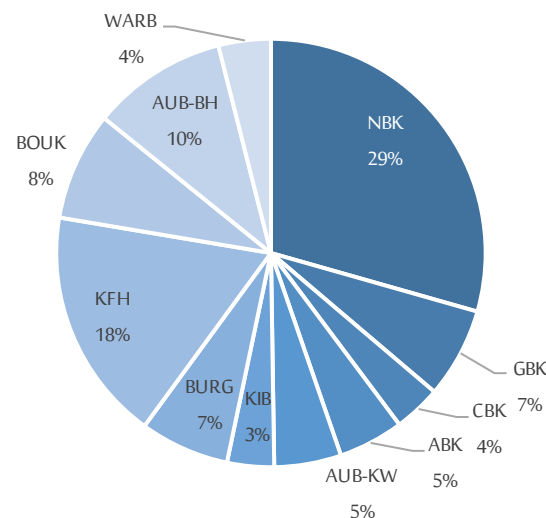


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Loans

Banks' Name	Q2-2020	Q2-2021	Q-o-Q (%)	2020 to 2019	2019 to 2018
National Bank of Kuwait	17,571	18,503	5.3% ▲	5.7% ▲	6.8% ▲
Gulf Bank	4,189	4,286	2.3% ▲	-2.6% ▼	7.0% ▲
Commercial Bank of Kuwait	2,296	2,246	-2.2% ▼	0.5% ▲	0.6% ▲
Al Ahli Bank of Kuwait	3,241	3,095	-4.5% ▼	-3.1% ▼	6.3% ▲
Ahli United Bank - Kuwait	3,099	3,172	2.4% ▲	3.1% ▲	7.8% ▲
Kuwait International Bank	2,227	2,225	-0.1% ▼	6.9% ▲	26.9% ▲
Burgan Bank	4,412	4,239	-3.9% ▼	1.4% ▲	0.5% ▲
Kuwait Finance House	9,864	11,086	12.4% ▲	15.1% ▲	-0.5% ▼
Boubyan Bank	4,519	5,152	14.0% ▲	26.1% ▲	17.3% ▲
Ahli United Bank (B.S.C)	6,498	6,424	-1.1% ▼	0.2% ▲	6.3% ▲
Warba Bank	2,391	2,481	3.8% ▲	10.4% ▲	40.7% ▲
Total	60,306	62,908	4.3% ▲		



Highlights on Bank's Loans

- The banking sector in Kuwait showed an increase of 4.3% in the total loans to reach an amount of KWD 62.9 billion in 2Q-2021 compared to KWD 60.3 billion on the same period last year. The banking sector in Kuwait showed an increase of 6.5% in total loans to reach an amount of KWD 61.1 billion in the end of 31 December 2020 compared to an amount of KWD 57.4 billion in the end of 31 December 2019.
- There was a remarkable growth in Boubyan Bank's total loans which grew by 14.0% 2Q-o-2Q to KWD 5.2 billion, followed by Kuwait Finance House and National Bank of Kuwait with a growth of 12.4% and 5.3%, respectively to reach an amount of KWD 11.1 billion and KWD 18.5 billion, respectively. There was a continuous growth in the bank's total loans between the period 2016-2020 by an annual growth of 1.2% in 2016, 7.3% in 2017, 4.5% in 2018, 7.0% in 2019 and 6.5% in 2020 to reaching an amount of KWD 61.1 billion.
- Most of the banking sector's constituents showed a growth in total loans during the second quarter 2021 topped by National Bank of Kuwait "NBK" that continued to lead the banking sector with its largest market share of loans of 29.4% to reach an amount of KWD 18.5 billion, followed by KFH as the bank had a total market share of loans 17.6% and an amount of KWD 11.1 billion as of 30 June 2021. On the other hand, ABK and Burgan Bank leads the losers' chart evidenced by the fact that they showed decline in total loans during Q2-2021 by 4.5% and 3.9%, respectively.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

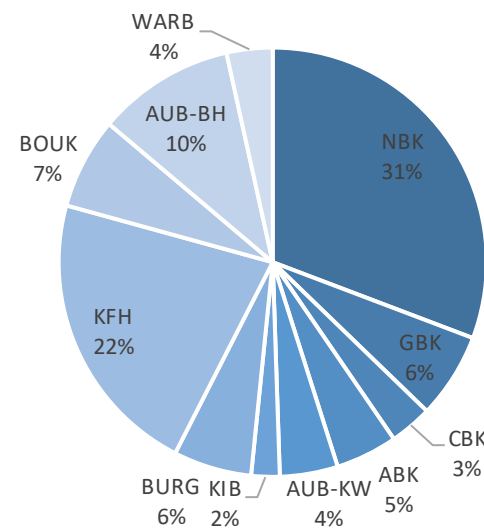


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Deposits

Banks' Name	Q2-2020	Q2-2021	Q-o-Q (%)	2020 to 2019	2019 to 2018
National Bank of Kuwait	24,402	25,769	5.6% ▲	0.2% ▲	4.9% ▲
Gulf Bank	5,224	5,405	3.5% ▲	-1.4% ▼	4.1% ▲
Commercial Bank of Kuwait	3,279	2,694	-17.8% ▼	-18.9% ▼	6.5% ▲
Al Ahli Bank of Kuwait	3,800	3,917	3.1% ▲	1.3% ▲	8.4% ▲
Ahli United Bank - Kuwait	3,835	3,668	-4.4% ▼	0.9% ▲	12.1% ▲
Kuwait International Bank	2,349	2,485	5.8% ▲	6.3% ▲	23.3% ▲
Burgan Bank	5,515	4,957	-10.1% ▼	-1.9% ▼	-7.4% ▼
Kuwait Finance House	17,443	18,211	4.4% ▲	14.3% ▲	10.4% ▲
Boubyan Bank	5,190	5,765	11.1% ▲	17.6% ▲	20.1% ▲
Ahli United Bank (B.S.C)	9,010	8,700	-3.4% ▼	-3.5% ▼	11.3% ▲
Warba Bank	2,790	2,911	4.3% ▲	7.1% ▲	40.8% ▲
Total	82,837	84,481	2.0% ▲		



Highlights on Bank's Deposits

- Total deposits in the Kuwaiti banking sector had an upsurge of 2.0% to reach an amount of KWD 84.5 billion by the end 2Q-2021 compared to an amount of KWD 82.8 billion on 2Q-2020. Boubyan Bank leads the growth charts as its total deposits rose the most by 11.1% in 2Q-2021 among other banks in Kuwait to reach an amount of KWD 5.8 billion followed by Kuwait International Bank and Kuwait Finance House which grew by 5.8% and 5.6%, respectively to KWD 2.5 billion and KWD 18.2 billion as of 2Q-2021.
- Kuwait National Bank continued to prime the market with its largest market share of deposits and a weight of 30.5% to an amount of KWD 25.8 billion, followed by KFH with a total market share and a weight of 21.6% and amounted to KWD 18.2 billion on 2Q-2021.
- Commercial Bank and Burgan Bank topped the decliner chart as their total deposits declined. In fact, Commercial banks showed a drop of 17.8% to reach KWD 2.7 billion while Burgan Bank deposits declined by 10.1% 2Q-o-2Q to reach an amount of KWD 4.9 billion as of 2Q-2021.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

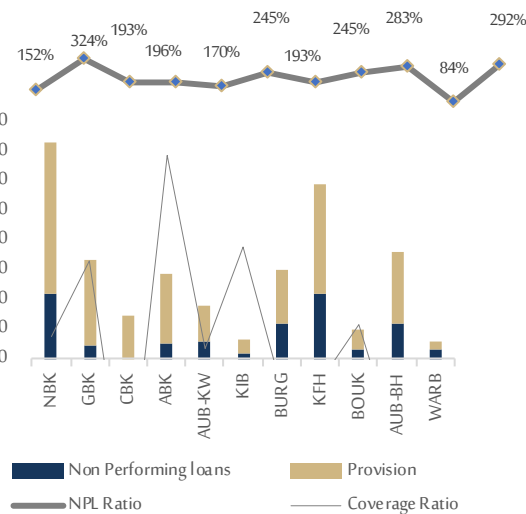
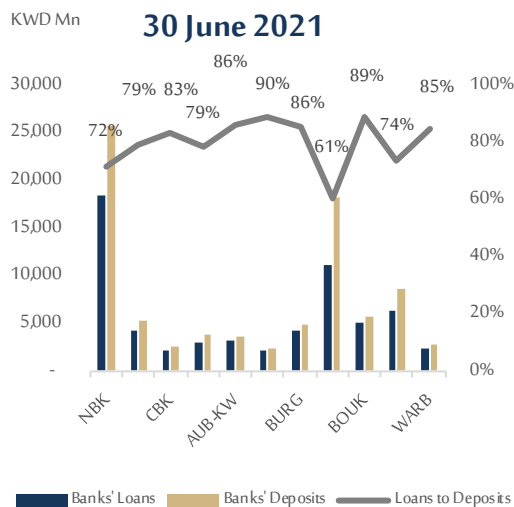


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Name	Non Performing loans	Total Provisions	Coverage Ratio	NPL Ratio	Capital Adequacy Ratio
National Bank of Kuwait	471.8	717.2	152%	2.45%	18.2%
Gulf Bank	92.0	298.0	324%	1.40%	16.6%
Commercial Bank of Kuwait*	104.7	202.1	193%	2.20%	17.9%
Al Ahli Bank of Kuwait	121.4	238.1	196%	1.57%	17.3%
Ahli United Bank - Kuwait	82.6	140.3	170%	2.49%	17.0%
Kuwait International Bank	56.0	63.7	245%	2.33%	20.5%
Burgan Bank	130.8	252.4	193%	4.50%	16.5%
Kuwait Finance House	265.7	650.9	245%	2.22%	18.6%
Boubyan Bank	56.7	153.8	283%	1.10%	17.0%
Ahli United Bank (B.S.C)	362.6	304.2	84%	2.50%	16.9%
Warba Bank	47.7	63.3	292%	1.89%	15.4%
Average	1,792.0	3,084.1	172.1%	2.24%	17.44%

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, NPL have extremely increased to reach an amount of KWD 1.2 billion. In 31 December 2020, NPL increased significantly by 79% to reach KWD 1.5 billion, which was driven by the negative impacts of corona virus spread on banks' clients.
- In 30 June 2021, NPL reached KWD 1.8 billion showing an increase by 6.9% compared to the same period last year.
- The Banks' Capital Adequacy Ratio is at an average of 17.4% and the highest CAR went for KIB at 20.5% in 2Q-2021.
- The coverage ratio for the Banking Sector declined to reach 172% in June 2021 with total provisions of KWD 3.1 billion which speaks for the financial strength for the banking sector in Kuwait. The highest coverage ratio is accounted for Gulf Bank at 324% indicating high financial strength against any upcoming financial difficulties.

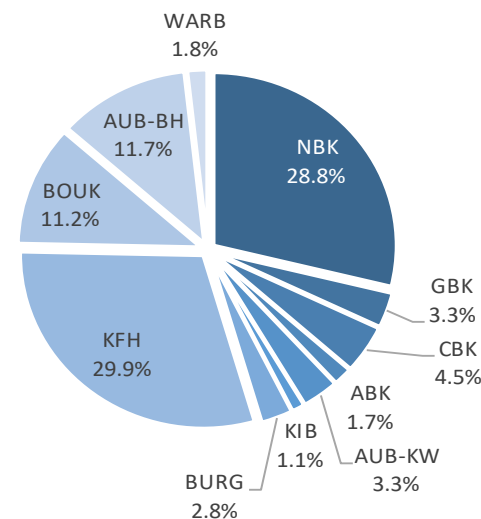
Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



Banking Sector Report

Financial analysis - Market Performance

Market Cap as of 16 August 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	6,393.8	21.6	464.9	1.92	62.5%	2.2%	38.0%	30.6%	1.0%	8.9%
Gulf Bank	729.8	21.8	213.4	1.12	50.8%	2.1%	21.3%	18.0%	0.5%	5.2%
Commercial Bank of Kuwait	996.0	55.6	385.8	1.30	0.0%	0.0%	14.8%	17.9%	0.4%	2.3%
Al Ahli Bank of Kuwait	372.3	NA	301.6	0.73	0.0%	0.0%	-28.0%	-27.4%	-1.0%	-9.8%
Ahli United Bank - Kuwait	722.6	24.0	213.6	1.42	0.0%	0.0%	35.0%	22.2%	0.7%	6.6%
Kuwait International Bank	254.3	NA	253.8	0.89	0.0%	0.0%	3.2%	-0.8%	0.1%	0.8%
Burgan Bank	620.2	17.8	246.6	0.91	53.2%	2.2%	15.8%	11.6%	0.5%	5.1%
Kuwait Finance House	6,626.6	34.2	223.6	3.51	51.2%	1.3%	35.6%	21.9%	0.9%	10.3%
Boubyan Bank	2,492.9	64.4	170.4	4.60	0.0%	0.0%	19.5%	15.4%	0.6%	7.1%
Ahli United Bank (B.S.C)	2,589.5	18.7	124.6	2.09	29.2%	1.5%	48.7%	32.2%	1.1%	11.0%
Warba Bank	389.7	14.7	125.9	1.97	0.0%	0.0%	25.6%	21.6%	0.8%	13.4%
Total	22,187.7	21.8	2.6	49.4%	1.9%	25.8%	21.3%	0.7%	7.1%	

Note: * calculated based in the LTM as of 30 June 2021.

Market Indicators

- The total market cap for the banking sector reached KWD 18.7 billion on 31 December 2020 and thereafter it increased to KWD 20.2 billion as of 31st of March 2021. As of 16 August 2021, the market cap of the banking sector increased again to reach KWD 22.2 billion driven by the market recovery from effect of Corona Virus spread.
- KFH took the lead from NBK as the largest market cap in Banking Sector and accounted for the largest share of 29.8% of the banking sector with a market cap of KWD 6.62 billion, followed by NBK with 28.9% representing KWD 6.4 billion as of 16 August 2021.
- When comparing banks in terms of dividend payout ratio, NBK and Burgan topped the list with 62.5% & 53.2%. Dividend Yield of the banking sector reached an average of 1.9% where NBK and Burgan gave the highest dividend yield of 2.2%, followed by Gulf Bank and AUB -BH by 2.1% and 1.5% based on 2020 payout ratio and market price on 16 August 2021.
- As of 2Q-2021, NBK topped the banking sector based on its book value per share reached 465 fils followed by Commercial Bank of Kuwait with 386 fils. As for P/BV multiple, Al-Ahli had the lowest P/BV among the banking sector with 0.73x as of 16 August 2021 while the lowest PE of 15.0x went to Warba Bank. On the other hand, the highest PE and P/BV both went to Boubyan bank at 64.4x and 4.60x, respectively as of 16 August 2021.



Arzan Financial Group

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