

# KUWAIT BOURSA

## BANKING SECTOR REPORT FOR THE PERIOD 30 SEPTEMBER 2021

**Market Sector** : Banking Sector

**Exchange** : Kuwait Boursa

**Date** : 7 Dec 2021

**Prepared by** : Abdalla Bashir

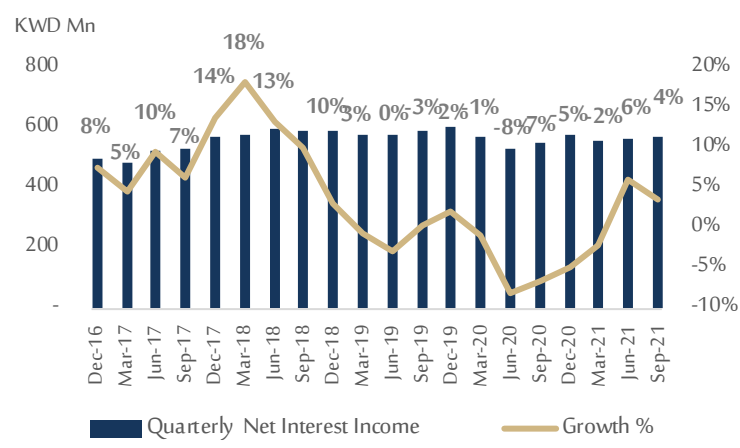
**Department** : Assets Management



# Banking Sector Report

## Financial analysis - Income statements

Banks' Net Interest (Financing) Income							
KWD Million	Q3-2020	Q3-2021	Q-o-Q (%)	2020 to 2019	2019 to 2018		
National Bank of Kuwait	154.1	168.5	9.3%	▲	-8.1%	▼	-0.2%
Gulf Bank	31.5	33.3	5.7%	▲	-24.1%	▼	7.7%
Commercial Bank of Kuwait	19.9	19.0	-4.6%	▼	-18.8%	▼	3.6%
Al Ahli Bank of Kuwait	25.4	29.1	14.5%	▲	-17.4%	▼	4.8%
Ahli United Bank - Kuwait	18.2	19.0	4.4%	▲	-11.6%	▼	-15.2%
Kuwait International Bank	13.4	13.0	-3.6%	▼	-7.3%	▼	-1.8%
Burgan Bank	34.0	31.8	-6.4%	▼	-16.2%	▼	-9.2%
Kuwait Finance House	154.7	151.2	-2.3%	▼	15.8%	▲	0.6%
Boubyan Bank	35.3	40.3	14.1%	▲	16.3%	▲	-5.4%
Ahli United Bank (B.S.C)	59.2	67.1	13.3%	▲	-14.8%	▼	1.7%
Warba Bank	12.1	11.3	-6.6%	▼	-5.5%	▼	22.7%
<b>Total</b>	<b>557.8</b>	<b>583.4</b>	<b>4.6%</b>	<b>▲</b>			



## Net Interest (Financing) Income

- The banking sector showed an increase in net interest (financing) income by 4.6% during the period Q3-2021 to reach an amount of KWD 583.4 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%. However, low risk-free interest rate stimulated investors' appetite to apply for financing, growing the financing portfolio for banks which translates positively on interest income.
- Percentage wise, Al Ahli Bank of Kuwait and Boubyan Bank showed the highest increase by 14.5% and 14.1%, respectively in Q3-2021, reaching KWD 29.1 million and KWD 40.3 million 3Q-o-3Q, while NBK accounted for the largest contribution of 28.9% amounting to KWD 168.5 million. Net interest income for Warba Bank declined the most by 6.6% among the Kuwaiti banks to reach KWD 11.3 million.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



# Banking Sector Report

## Financial analysis - Income statements

### Banks' Earnings

Banks' Name	Q3-2020	Q3-2021	Q-o-Q (%)	2020 to 2019	2019 to 2018
National Bank of Kuwait	57.6	94.1	63.3% ▲	-38.6% ▼	8.2% ▲
Gulf Bank	6.6	11.0	66.5% ▲	-54.7% ▼	12.2% ▲
Commercial Bank of Kuwait	15.9	21.7	36.3% ▲	-12.5% ▼	-100.0% ▼
Al Ahli Bank of Kuwait	(3.3)	6.0	-281.1% ▼	-343.0% ▼	-31.9% ▼
Ahli United Bank - Kuwait	5.4	9.0	66.2% ▲	-46.0% ▼	7.3% ▲
Kuwait International Bank	0.5	1.6	238.1% ▲	-100.0% ▼	-17.9% ▼
Burgan Bank	9.8	16.3	65.4% ▲	-60.2% ▼	2.5% ▲
Kuwait Finance House	44.3	65.9	48.8% ▲	-40.9% ▼	10.4% ▲
Boubyan Bank	6.1	10.4	71.1% ▲	-45.1% ▼	11.7% ▲
Ahli United Bank (B.S.C)	35.5	45.8	29.1% ▲	-37.0% ▼	5.3% ▲
Warba Bank	3.4	3.1	-8.7% ▼	-65.9% ▼	29.8% ▲
<b>Total</b>	<b>181.8</b>	<b>284.8</b>	<b>56.6% ▲</b>		



### Net profit attributable to shareholders

- Net interest income of the banking sector had increased in Q3-2021 by 4.6% and the Bank's total revenue increased by of 2.2% during the same period. Therefore, the banking sector net profit in Q3-2021 was impacted positively. The total net profit of the banking sector showed an increase of 56.6%, to reach an amount of KWD 284.8 million compared KWD 181.8 million occurred in the same period last year. Also, this was due to the increase in 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 55.1% in Q3-2021 to reach KWD 120.3 million compared to KWD 268.1 million in the same period of the last year.
- The performance of the banking sector in Kuwait during the 3Q 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 evident by the fact that the banking sector grew by 9.3%, 17.7%, 0.6% during 2017, 2018 and 2019, respectively. 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 2016-2019 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 1.48 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



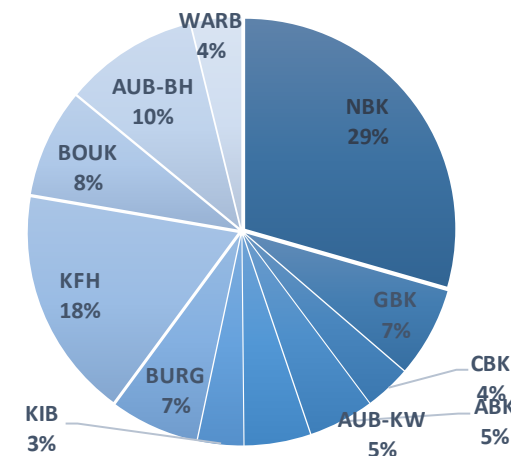
# Banking Sector Report

## Financial analysis - Balance Sheet

### Banks' Loans

Banks' Name	Q3-2020	Q3-2021	Q-o-Q (%)	2020 to 2019	2019 to 2018
National Bank of Kuwait	17,634	18,960	7.5% ▲	5.7% ▲	6.8% ▲
Gulf Bank	4,207	4,422	5.1% ▲	-2.6% ▼	7.0% ▲
Commercial Bank of Kuwait	2,312	2,249	-2.7% ▼	0.5% ▲	0.6% ▲
Al Ahli Bank of Kuwait	3,304	3,206	-3.0% ▼	-3.1% ▼	6.3% ▲
Ahli United Bank - Kuwait	3,117	3,257	4.5% ▲	3.1% ▲	7.8% ▲
Kuwait International Bank	2,253	2,248	-0.2% ▼	6.9% ▲	26.9% ▲
Burgan Bank	4,373	4,349	-0.5% ▼	1.4% ▲	0.5% ▲
Kuwait Finance House	10,130	11,345	12.0% ▲	15.1% ▲	-0.5% ▼
Boubyan Bank	4,648	5,313	14.3% ▲	26.1% ▲	17.3% ▲
Ahli United Bank (B.S.C)	6,381	6,577	3.1% ▲	0.2% ▲	6.3% ▲
Warba Bank	2,474	2,463	-0.4% ▼	10.4% ▲	40.7% ▲
<b>Total</b>	<b>60,835</b>	<b>64,390</b>	<b>5.8% ▲</b>		

### Banks' Loans 30 Sep 2021



### Highlights on Bank's Loans

- The banking sector in Kuwait showed an increase of 5.8% in the total loans to reach an amount of KWD 64.4 billion in Q3-2021 compared to KWD 60.8 billion on the same period last year. Compared to previous figures, the sector 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 14.3% 3Q-o-3Q to KWD 5.3 billion, followed by Kuwait Finance House and National Bank of Kuwait with a growth of 12% and 7.5% reaching an amount of KWD 11.3 billion and KWD 18.96 billion, respectively. There was a continuous growth in 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 18.96 billion, followed by KFH as the bank had a total market share of loans 17.6% and an amount of KWD 11.34 billion as of 30 Sep 2021. On the other hand, ABK and Commercial Bank led the losers' chart as they showed a decline in total loans during 3Q-2021 by 3% and 2.7%, respectively.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



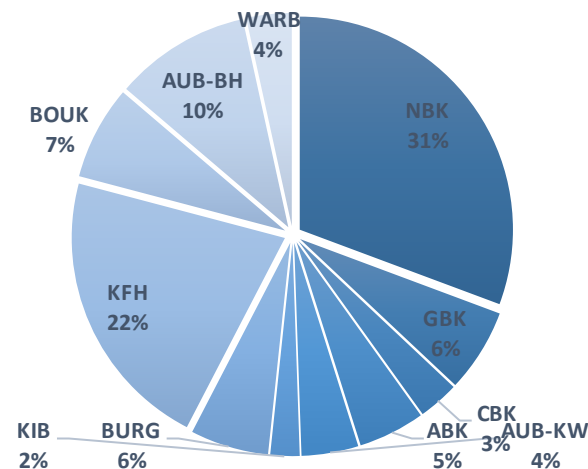
# Banking Sector Report

## Financial analysis - Balance Sheet

### Banks' Deposits

Banks' Name	Q3-2020	Q3-2021	Q-o-Q (%)	2020 to 2019	2019 to 2018
National Bank of Kuwait	25,020	26,331	5.2% ▲	0.2% ▲	4.9% ▲
Gulf Bank	5,110	5,436	6.4% ▲	-1.4% ▼	4.1% ▲
Commercial Bank of Kuwait	3,273	2,640	-19.3% ▼	-18.9% ▼	6.5% ▲
Al Ahli Bank of Kuwait	4,093	4,328	5.8% ▲	1.3% ▲	8.4% ▲
Ahli United Bank - Kuwait	3,724	3,701	-0.6% ▼	0.9% ▲	12.1% ▲
Kuwait International Bank	2,286	2,466	7.9% ▲	6.3% ▲	23.3% ▲
Burgan Bank	5,426	5,100	-6.0% ▼	-1.9% ▼	-7.4% ▼
Kuwait Finance House	17,854	18,454	3.4% ▲	14.3% ▲	10.4% ▲
Boubyan Bank	5,325	6,119	14.9% ▲	17.6% ▲	20.1% ▲
Ahli United Bank (B.S.C)	9,142	8,856	-3.1% ▼	-3.5% ▼	11.3% ▲
Warba Bank	2,931	2,948	0.6% ▲	7.1% ▲	40.8% ▲
<b>Total</b>	<b>84,184</b>	<b>86,381</b>	<b>2.6% ▲</b>		

### Banks' Deposits 30 Sep 2021



### Highlights on Bank's Deposits

- Total deposits in the Kuwaiti banking sector had an upsurge of 2.6% to reach an amount of KWD 86.4 billion by the end 3Q-2021 compared to an amount of KWD 84.2 billion on 3Q-2020. Boubyan Bank led the growth charts as its total deposits rose the most by 14.9% in 3Q-2021 among other banks in Kuwait to reach an amount of KWD 6.1 billion followed by Kuwait International Bank and Gulf Bank which grew by 7.9% and 6.4%, respectively to KWD 2.5 billion and KWD 5.4 billion as of 3Q-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 26.3 billion, followed by KFH with a total market share and a weight of 21.4% and amounted to KWD 18.5 billion on 3Q-2021.
- Commercial Bank and Burgan Bank topped the decliner chart as their total deposits declined. Commercial bank dropped by 19.3% to reach KWD 2.6 billion while Burgan Bank deposits declined by 6% 3Q-o-3Q to reach an amount of KWD 5.1 billion as of 3Q-2021.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

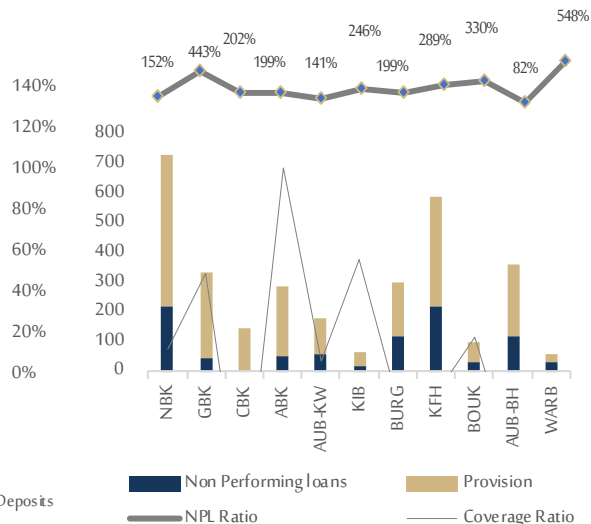
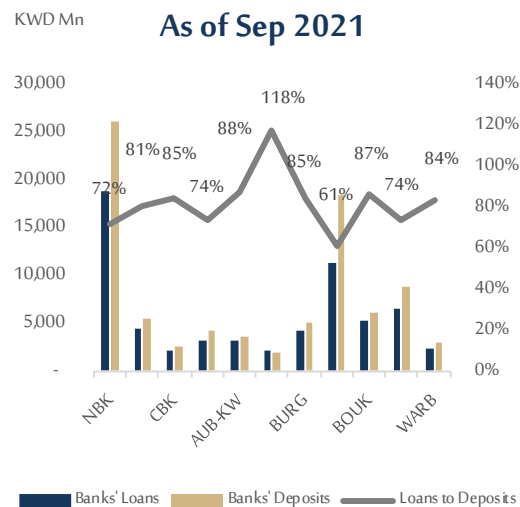


# Banking Sector Report

## Financial analysis - Balance Sheet

Banks' Name	Non Performing loans	Total Provisions	Coverage Ratio	NPL Ratio	Capital Adequacy Ratio
National Bank of Kuwait	423.5	643.7	152%	1.43%	18.2%
Gulf Bank	67.3	298.0	443%	1.40%	16.6%
Commercial Bank of Kuwait*	100.3	202.3	202%	2.00%	18.6%
Al Ahli Bank of Kuwait	127.3	253.7	199%	3.68%	17.2%
Ahli United Bank - Kuwait	96.7	136.1	141%	2.85%	17.7%
Kuwait International Bank	54.5	69.8	246%	2.33%	20.3%
Burgan Bank	101.9	202.3	199%	4.30%	16.3%
Kuwait Finance House	229.4	663.1	289%	1.88%	18.1%
Boubyan Bank	50.2	165.6	330%	0.90%	16.1%
Ahli United Bank (B.S.C)	171.6	139.1	82%	2.50%	16.9%
Warba Bank	54.3	71.7	548%	1.13%	15.8%
<b>Average</b>	<b>1,477.0</b>	<b>2,845.5</b>	<b>192.7%</b>	<b>2.22%</b>	<b>17.43%</b>

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 Sep 2021, NPL reached KWD 1.5 billion showing a decrease by 14.2% 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 20.3% in 3Q-2021.
- The coverage ratio for the Banking Sector increased to reach 192.7% in Sep 2021 with total provisions of KWD 2.8 billion which speaks for the financial strength for the banking sector in Kuwait. The highest coverage ratio is accounted for Gulf Bank at 443% 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

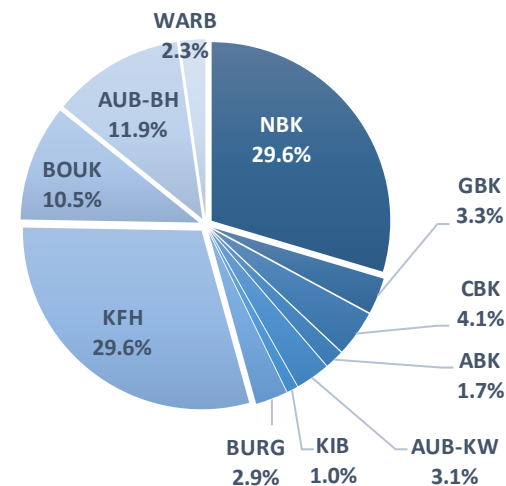
Banks' Name	Market Cap (KWD Mn)	PE*	BVPS (fils)*	P/BV*	Payout Ratio 2020	DY%*	Operating profit %*	Net profit %*	ROA %*	ROE %*
National Bank of Kuwait	7,117	21.4	464.9	2.12	62.5%	2.0%	42.2%	34.3%	1.1%	9.9%
Gulf Bank	786	20.7	213.4	1.14	50.8%	2.0%	23.7%	20.5%	0.6%	5.9%
Commercial Bank of Kuwait*	995	42.0	385.8	1.30	0.0%	0.0%	20.9%	25.2%	0.6%	3.1%
Al Ahli Bank of Kuwait	406	51.0	301.6	0.79	0.0%	0.0%	-21.6%	-22.6%	-0.8%	-8.0%
Ahli United Bank - Kuwait	743	22.1	213.6	1.42	0.0%	0.0%	38.4%	25.4%	0.8%	7.3%
Kuwait International Bank	240	74.5	253.8	0.81	0.0%	0.0%	5.2%	-2.6%	0.1%	1.2%
Burgan Bank	698	16.9	246.6	0.88	53.2%	2.3%	19.6%	13.4%	0.6%	6.1%
Kuwait Finance House	7,112	33.0	223.6	3.54	51.2%	1.3%	38.0%	24.1%	1.0%	11.5%
Boubyan Bank	2,530	58.7	170.4	4.45	0.0%	0.0%	21.7%	17.2%	0.6%	8.0%
Ahli United Bank (B.S.C)	2,866	50.2	124.6	2.12	29.2%	1.4%	50.8%	34.7%	1.2%	11.8%
Warba Bank	548	20.9	125.9	2.10	0.0%	0.0%	24.5%	21.4%	0.7%	13.2%
	24,040.4	26.6		2.62	49.4%	1.8%	28.5%	24.0%	0.7%	7.8%

Note: \* calculated based in the LTM as of 30 Sep 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 31<sup>st</sup> of March 2021. As of 7 Dec 2021, the market cap of the banking sector increased again to reach KWD 24.1 billion driven by the market recovery from effect of Corona Virus spread.
- NBK slightly beat KFH in leading the banking sector in terms of market cap share where it accounted for 29.6% of the banking sector with a market cap of KWD 7.12 billion, followed by KFH with 29.6% representing KWD 7.11 billion as of 7 December 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 1.8% where Burgan Bank gave the highest dividend yield of 2.3%, followed by NBK and Gulf Bank with 2.0% each, based on 2020 payout ratio and market price on 7 December 2021.
- As of 3Q-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 0.79x as of 7 Dec 2021 while the lowest PE of 16.9x went to Burgan Bank. On the other hand, the highest PE and P/BV went to KIB and Boubyan Bank at 74.5x and 4.5x, respectively as of 7 Dec 2021.

### Market Cap 7 December 2021



Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



# Arzan Financial Group

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