

MENA ASSET MANAGEMENT

**USD280BN TOTAL
ASSETS OF
PUBLICLY LISTED
KUWAITI BANKS**

DECEMBER 2019

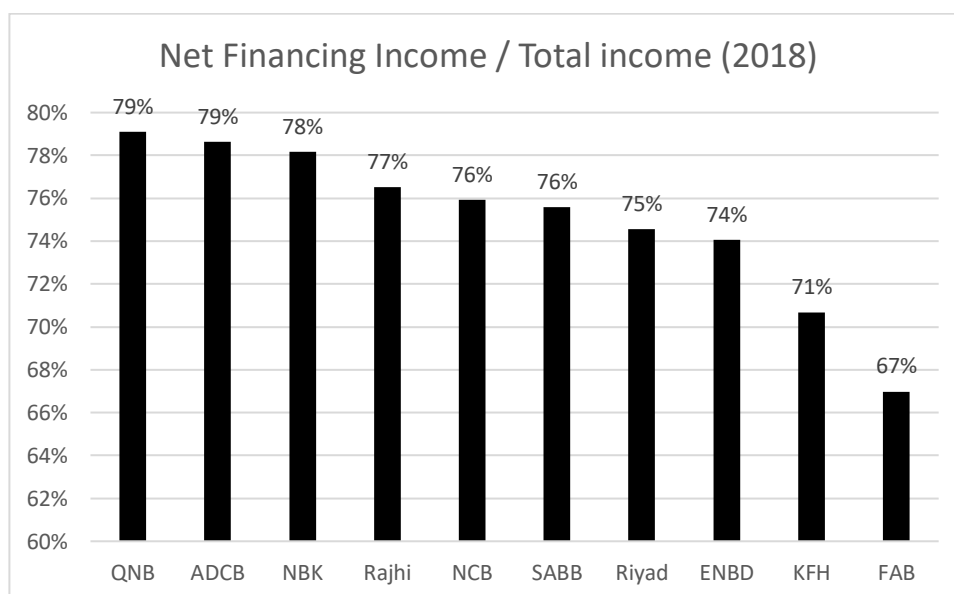
NBK Capital: USD280bn Total Assets of Publicly Listed Kuwaiti Banks

75% of total assets of all companies listed on Boursa Kuwait

Banks are an integral part of a country’s financial system and macroeconomic structure. They perform critical functions including intermediation and credit creation. In the GCC, banks are the most important financial intermediaries as the majority of borrowers’ liabilities are in the form of bank loans. GCC Governments and Government-related agencies also borrow from local banks to support their spending programs.

GCC banks are mostly conventional in nature, generating a large portion of their revenue from the traditional deposit taking and lending activities. Income generated from such activities is called “*Net Financing Income*.” Net Financing Income contributes around 75% of total revenues of large GCC banks. The remaining 25% is comprised of fee income, foreign exchange income and other income, which may include dividends, investment gains, and property-related income.

Many of the large GCC banks do offer additional services including asset management, brokerage, and investment banking. However, their contribution to total revenue tends to be relatively small.

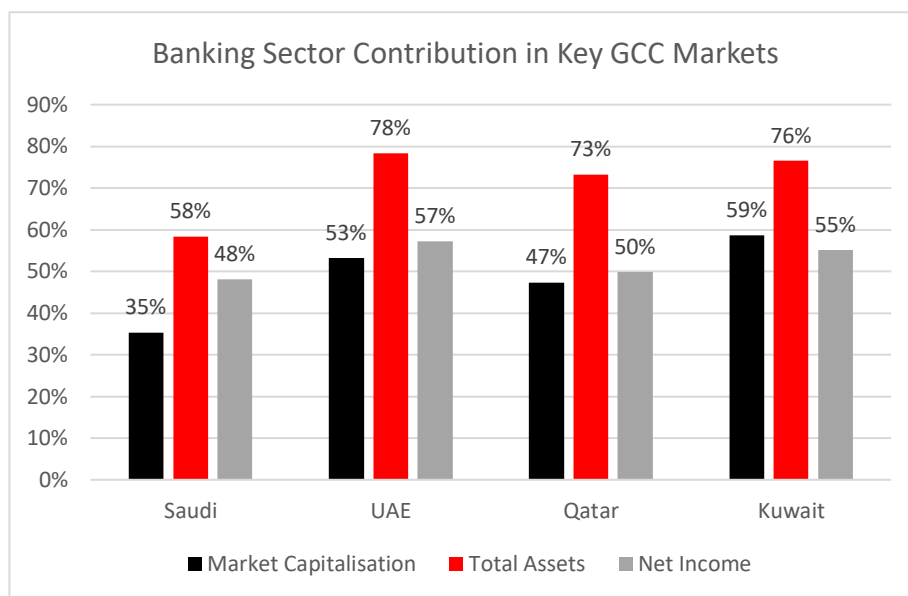


From a regional stock markets perspective, the importance of banks cannot be understated. The banking

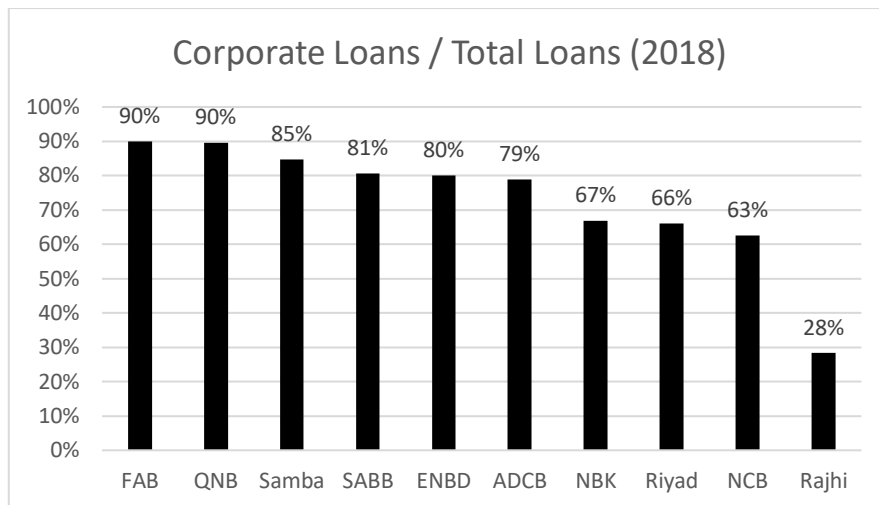
sector is a large contributor to total market capitalization. For example, banks contribute nearly 60% of the country’s market value in Kuwait. The Total Assets of publicly listed Kuwaiti banks as of September 2019 stood at nearly USD280bn, which was around 75% of total assets of all companies listed on Borsa Kuwait.

The sector’s contribution to total earnings and asset base is also substantial. For example, the contribution of banking sector earnings to total publicly listed corporates earnings is around 50% in key GCC markets, which include Saudi Arabia, United Arab Emirates, Qatar and Kuwait. Similarly, the sector contributes about 70% of total assets in those markets.

The weight of banks in key regional equity indices also tends to be significant. The banking sector contributes about 50% of MSCI indices in Saudi Arabia and UAE and almost 65% in Qatar.



In the GCC, loans extended to corporates represent the largest portion of the aggregate loan book. Within the corporate space, the share of loans given to the services sector is usually higher than that of the manufacturing sector. The services sector includes trade, real estate, and contracting.



On the consumer lending side, the share of personal loans, auto loans and credit cards tends to be high while the share of mortgages has been generally low. In Saudi, for example, consumer loans contributed about 35% of the total loan book out of which about 10% were mortgage loans during 2018.

Conclusion

In summary, GCC banks are not only a key part of the regional financial system but are also an important component of the stock market; they are the main financial intermediaries in the region given the reliance on bank borrowings. Therefore, revenue contribution from credit creation activity tends to be high. Additionally, their contribution to total market capitalization, total assets and aggregate net income of the region is material.

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