

# Al-Roshood: H1 positive results reflect financial strength of KFH

## KFH earnings webcast H1-2021

**KUWAIT:** Kuwait Finance House (KFH) held its H1-2021 earnings webcast. AbdulWahab Al-Roshood, Acting Group Chief Executive Officer at KFH highlighted the Bank's financial performance during H1-2021 earnings webcast.

He said that KFH has, by the grace of Allah, reported a net profit of KD 102.2 million for KFH shareholders; that represents an increase of 79.5 percent compared to the same period last year.

Earnings per share reached 12.21

income is comparatively lower primarily due to the impact of decrease in local and international benchmark rates started from Q2-20.

Zahran indicated that the decrease in COF is mainly due to decrease in benchmark rates across the globe, and improvement in CASA deposits at Kuwait and group level. Net Operating income at KD 248.0mn decreased by KD 19.6 million or 7.3 percent compared to same period last year; the decrease is mainly from Investment income by KD 34.5 million offset by

amounted to KD 92.5 million an increase of KD 0.6 million from KD 91.9 million in H1 2020. The group has continued to adopt cautious approach towards provisioning and recorded precautionary general provision to address the COVID-19 related uncertainties.

Zahran pointed out that impairment related to investments and others reduced by KD 96.8 million with net recovery of KD 2.5 million recorded in H1 2021 compared to charge of KD 94.3 million in H1 2020. This decline is

age of total funding at 85.4 percent reflects healthy funding mix and shows robust liquidity. Zahran also highlighted that during the H1-21, KFH has completed issuance of AT-1 Sukuk of \$750 million at profit rate of 3.6 percent p.a. to further diversify source of funding and enhance capital and other regulatory ratios.

In the last slide looking at the key performance ratios which reflects improvement in profitability except to C/I ratio which deteriorated slightly as explained earlier.

and the third in the world with \$692.9 billion according to Forbes Middle East.

As of June 28th, over 3 million doses of the vaccine have been administered in Kuwait, which is enough to fully cover about 35 percent of the population, in line with the target of the ministry of health, to vaccinate 2 million of the 4.3 million population by September 2021, and the vaccination program will continue into 2022 in an attempt to inoculate the whole population.



**Al-Roshood: KFH plays its role as a main pillar in supporting the national economy and the development plans in Kuwait and the region**

fills; an increase of 79.3 percent compared to the same period of last year. Total operating expenses for the first half of the year stabilized to reach 152.1 million at the same level for the comparative period. He added that financing receivables reached KD 11.1 billion, an increase of KD 338.8 million or 3.2 percent compared to the year-end 2020, while investment in Sukuk reached KD 2.7 billion; an increase of 0.2 percent compared to year end 2020. Total assets reached KD 21.5 billion, while depositors' accounts reached KD 15.8 billion, an increase of KD 459 million or 3.0 percent compared to end of year 2020.

Al-Roshood pointed out that the first half positive results reflect the financial strength and creditworthiness of KFH, adding that the figures also confirm the efficiency of KFH's operational performance and its business model as well as the tangible improvements achieved by the bank in digital transformation and various strategic initiatives.

He indicated that KFH successfully issued \$750 million AT1 Mudaraba Sukuk, the largest issuance in Kuwait in terms of size, the received subscription orders reached USD 2 billion, close to three times the targeted issue size. That Mudaraba Sukuk aims to support KFH's Tier 1 capital, diversify its financing resources, increase its financial and investment capabilities, support the infrastructure projects and the local productive economic sectors as well as help customers with their expansion plans regionally and globally.

Al-Roshood confirmed that KFH plays its role as a main pillar in supporting the national economy and the development plans in Kuwait and the region by participating in project financing and providing a wide range of banking and financing solutions, including trade finance, contracts, SMEs, and business banking, in addition to large companies and development projects. Regarding the acquisition, he explained that KFH has disclosed to the regulatory authorities and the market the latest developments in this regard, adding that all these disclosures were published via the official website of Boursa Kuwait, and any new development will be updated as and when it comes available.

### Shadi Zahran, Group Chief Financial Officer

Meanwhile, Shadi Zahran, Group Chief Financial Officer at KFH, highlighted the financial performance of H1-2021, indicating the Group has achieved net profit After Tax attributable to Shareholders for the period ended 30th June 2021 of KD 102.2 million higher by KD 45.3 million or 79.5 percent compared to H1-2020 of KD 56.9 million. The higher profits are mainly from lower provisions and higher FX income offset by lower investment income.

He added that net financing income has witnessed a slight decrease by KD 4 million or 1.3 percent compared to same period last year. Financing

the increase in Net gains from foreign currencies by KD 12.4 million and fees & commissions by KD 2.9 million.

He explained that the decrease in investment income by KD 34.5 million is mainly due loss on Islamic derivative transactions (mainly currency & commodity swaps entered by our subsidiary Kuwait Turk) partly offset by increase in other investment income. Despite the slight decrease in net financing income, contribution of net financing income to operating income increased from 70 percent to 73 percent.

Zahran added that non-financing income dropped from KD 124 million for same period last year to KD 108.3 million lower by 12.7 percent mainly due to lower investment income. Total Operating Expenses at KD 152.1 million has been maintained at same comparative period level due to rationalization of certain expenses on account of COVID-19 enforced changes to normal business activities.

He mentioned that the reduction in operating income resulted in an increase in Cost to income ratio to 38.01 percent (FY 2020 was 37.21 percent and H1-20 was 36.24 percent). At KFH-Kuwait, C/I ratio at 30.5 percent is still below both the local Islamic banks average of 42.6 percent and local conventional Banks average of 41.1 percent (calculated from published financials for Q1-21)

Zahran said that average Yielding Assets is up by 3.9 percent compared to both H1-20 and 2020, resulted mainly from the growth in financing receivables. (avg financing receivables is up by KD 0.4 billion compared to 2020 and by KD 0.7 billion compared to H1-20). Group NFM at 2.94 percent shows (28)bps decrease over H1-20 average of 3.22 percent. Average Yield decreased by (65)bps due to the

mainly due to reversal of expected credit losses on Sukuk portfolio of KD 22.4 million during the current period due to improvement in macro-economic factors. He highlighted that the current credit provisions level in KFH group books exceeds ECL required as per CBK IFRS 9 by KD 291 million as of June 2021. Total assets at KD 21.5 billion increased marginally by KD 0.1 billion or 0.2 percent in H1-21.



Financing receivables at KD 11.1 billion increased by 3.2 percent. Growth in financing receivables mainly in Kuwait in both; Corporate and Retail, while decline in Turkey mainly due to devaluation of Turkish lira. Overall growth in financing receivable without impact of TL devaluation was around 5.8 percent.

He added that investments in Sukuk at KD 2.7 billion is maintained at the 2020 level. Additionally, deposits for H1-21 at KD 15.8 billion are KD 0.5 billion or three percent above 2020 level. Growth in Deposits without impact of decline in Turkish lira was 4.2 percent. The group was able to maintain favorable deposits mix with

- ROAE increased from 5.80 percent to 10.90 percent
- ROAA increased from 0.67 percent to 1.28 percent
- C/I increased from 36.24 percent to 38.01 percent, and
- EPS increased from 6.8 fils to 12.2 fils

Zahran concluded that NPL ratio increased slightly to reach 2.22 per-

cent for interest rates, the Central Bank of Kuwait kept interest rate at 1.5 percent after the last cut of 100 basis points on the 16th of March 2020. Further "KFH" enjoys a high creditworthiness, Fitch Ratings affirmed Kuwait Finance House Long-Term Issuer Default Rating at 'A+' with a Negative Outlook as a result of revising the outlooks on 11 Kuwaiti banks to Negative from Stable, following a similar action

**Al-Mukhaizeem: KFH has successfully contributing to strategic initiatives which reflected positively on society and the national economy**

cent (as per CBK calculation) in H1-21 compared to 2.20 percent for 2020. Provisions Coverage ratio for Group is 245 percent in H1-21 compared to 223 percent for 2020.

### Fahad Al-Mukhaizeem, Group Chief Strategy Officer

Meanwhile, Fahad Al-Mukhaizeem, Group Chief Strategy Officer covered highlights of the Kuwait operating environment with an overview on KFH. He also shared KFH's strategy, as well as H1-2021 results.

Al-Mukhaizeem said that most countries are now seeing an economic recovery, which will accelerate from the second half of 2021 as immuniza-

tion rates continue to climb quickly across the world, after the recession in 2020. According to the latest forecasts by the International Monetary Fund (IMF) in April 2021, Kuwait GDP will rebound by 0.7 percent in 2021 (up from negative 8.1 percent in 2020) and 3.2 percent in 2022.

He added that Kuwait's Sovereign wealth fund ranked the first in terms of asset value among the Arab countries

on Kuwait's sovereign rating on 2 February 2021, and Moody's assigned A2 long-term deposit rating with a Stable Outlook.

In addition, Al-Mukhaizeem said that KFH Group has recently been named as the Best Islamic Financial Institution in the World by Global Finance Magazine, the Bank of the year in the Middle East and in Kuwait by The Banker, and the Best Domestic bank in Kuwait by AsiaMoney.

He added that as a part of our sustainable development strategy, KFH has successfully contributing to different strategic initiatives which reflected positively on society and the national economy, such as the KD 20 million initiative to pay the debts of defaulting debtors, in addition to its excellence in various aspects of social responsibility.

Al-Mukhaizeem explained that KFH keeps focusing on developing the products and services provided to its customers and is keen to continue adopting banking digitization in collaboration with FinTechs, employing Artificial Intelligence and robotics, and keeping pace with developments in the global banking industry.

He indicated that the digitization of banking operations contributes to raising the efficiency of performance, enhancing financial inclusion, increasing productivity, and reducing costs, and thus enhancing profitability. KFH is moving forward by investing in emerging technologies and FinTech companies, to maintain the lead on competitors and achieve customer's aspirations in such a rapidly changing and evolving environment. Al-Mukhaizeem said: "Although, KFH has launched a project to develop the sustainability strategy to integrate with business strategy of KFH, paying attention to the efficiency of risk management, developing human resources, enhancing the transparency and credit rating through the 7th sustainability report according to the latest global principles and criteria."