

KUWAIT BOURSA

BANKING SECTOR REPORT FOR THE PERIOD 30 JUNE 2018

Market Sector : Banking

Exchange : Kuwait Boursa

Date : 29 August 2018

Prepared by : Alaa Alatilie

Department : Assets Management



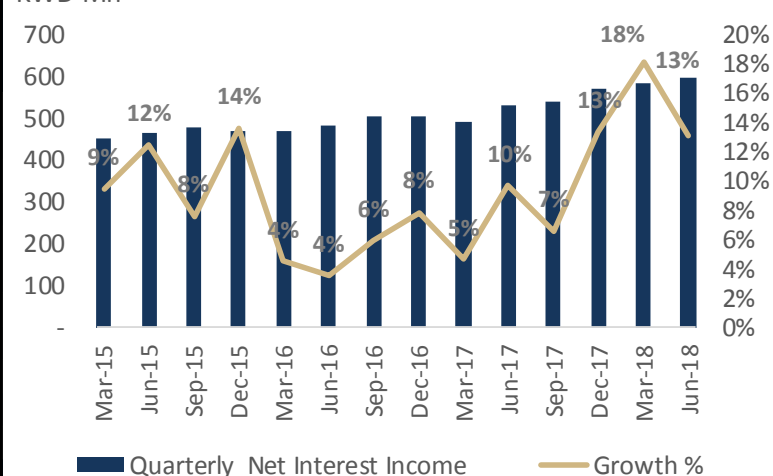
Banking Sector Report

Financial analysis - Income statements

Banks' Net Interest (Financing) Income

Banks' Name	2Q-17 (KWD Mn)	2Q-18 (KWD Mn)	Q-o-Q change (%)	2017 to 2016	2016 to 2015
National Bank of Kuwait	157.67	173.22	9.9% ▲	10.4% ▲	7.5% ▲
Gulf Bank	33.49	40.06	19.6% ▲	13.2% ▲	-1.8% ▼
Commercial Bank of Kuwait	23.42	22.76	-2.8% ▼	10.4% ▲	1.7% ▲
Al Ahli Bank of Kuwait	27.19	29.62	8.9% ▲	3.0% ▲	15.7% ▲
Ahli United Bank - Kuwait	24.44	25.54	4.5% ▲	17.8% ▲	-0.8% ▼
Kuwait International Bank	11.76	13.58	15.5% ▲	-1.4% ▼	3.9% ▲
Burgan Bank	43.98	46.41	5.5% ▲	9.7% ▲	19.6% ▲
Kuwait Finance House	110.74	139.46	25.9% ▲	2.3% ▲	0.8% ▲
Boubyan Bank	25.60	28.47	11.2% ▲	16.9% ▲	11.6% ▲
Ahli United Bank (B.S.C)	64.13	71.94	12.2% ▲	5.9% ▲	1.7% ▲
Warba Bank	7.30	7.86	7.6% ▲	74.5% ▲	36.4% ▲
Total	529.7	598.9	13.1% ▲		

KWD Mn



Net Interest (Financing) Income

- The banking sector boosted its net interest (financing) income by 13.1% during 2nd quarter 2018 Q-o-Q to reach an amount of KWD 598.9 million. Additionally, the net interest (financing) income for the banking sector in Kuwait continued to grow by 8.6% in 2017 Y-o-Y to reach an amount of KWD 2.1 billion compared to KWD 1.9 billion in 2016. The rise of the CBK Discount Rate from 2.25% in 2016 to 2.75% during first half of 2017 has a main effect on the banks interest income. Also, CBK Discount Rate has been increased in the middle of the 1st quarter of 2018 to reach 3.0% which considers as a key driver for the interest income.
- Percentage wise, Kuwait Finance House showed the highest growth of 25.9% in 21Q 2018 to KWD 139.5 million Q-o-Q, while NBK accounted for the highest contribution of 28.9% amounted to KWD 173.2 million. All the Kuwaiti banks showed a growth in the net interest (financing) income during 2Q 2018 with exception for commercial bank which declined its net interest by 2.8% Q-o-Q.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

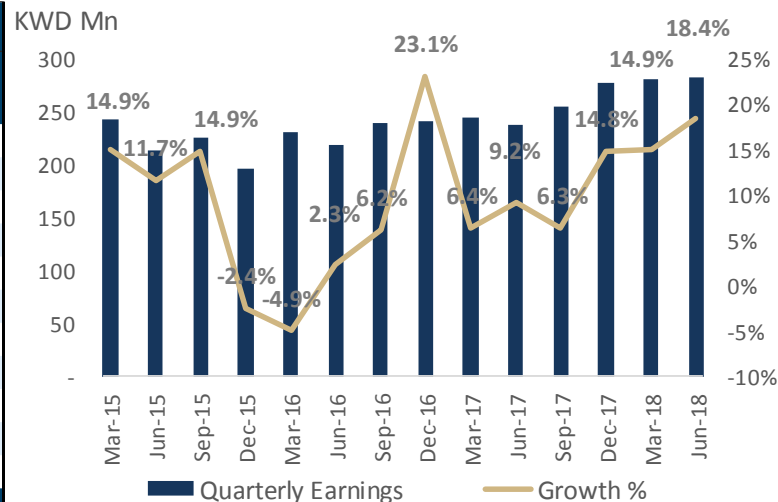


Banking Sector Report

Financial analysis - Income statements

Banks' Earnings

Banks' Name	2Q-17 (KWD Mn)	2Q-18 (KWD Mn)	Q-o-Q change (%)		2017 to 2016		2016 to 2015
National Bank of Kuwait	79.34	92.27	16.3%	▲	9.2%	▲	4.6%
Gulf Bank	13.41	16.01	19.4%	▲	11.8%	▲	10.1%
Commercial Bank of Kuwait	1.20	(4.03)	-436.5%	▼	10.0%	▲	9.1%
Al Ahli Bank of Kuwait	7.70	9.08	17.9%	▲	9.8%	▲	7.0%
Ahli United Bank - Kuwait	10.49	12.14	15.7%	▲	10.2%	▲	-5.7%
Kuwait International Bank	3.33	4.27	28.2%	▲	-2.8%	▼	13.8%
Burgan Bank	21.06	30.09	42.9%	▲	-4.3%	▼	-10.4%
Kuwait Finance House	43.06	51.25	19.0%	▲	11.5%	▲	13.3%
Boubyan Bank	11.21	13.18	17.5%	▲	15.9%	▲	16.6%
Ahli United Bank (B.S.C)	45.96	55.25	20.2%	▲	8.6%	▲	6.3%
Warba Bank	1.29	2.28	77.1%	▲	167.6%	▲	157.5%
Total	238.0	281.8	18.4%	▲			



Net profit attributable to shareholders

- During the period 2Q 2018, the banking sector had an improvement in its net profit by 18.4% to reach an amount of KWD 281.8 compared to the same period of the last year and this was associated with an increase in the earnings before taxes and provisions by 13.1%. The Net profit for all the Kuwaiti banks has increased during the first quarter of 2018 with exception for CBK which had significantly declined during 2Q-2018 by 436% to reach an amount of KWD -4.03 million. Although provisions for impairment and other provisions of the banking sector increased by 23.6% Q-o-Q but it did not affect the huge growth in the bank's profit in the same period. This had driven the increase in the banks operating profit during the period Q2-2018.
- The banking sector in Kuwait had a growth of 5.9% in its net profit amounted to KWD 929 million during 2016 compared to an amount of KWD 876.9 million in 2015. Although there was an increase in the banks provisions by 12.3% to reach KWD 651.5 million in 2017 Y-o-Y, the banking sector continued to have a growth of 9.2% in its net profit to reach an amount of KWD 1,014 million in 2017 compared to KWD 929 million in 2016. Additionally, the banking sector's operating profit after provisions had an increase of 6.9% in 2017 YoY to KWD 1,480 million.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

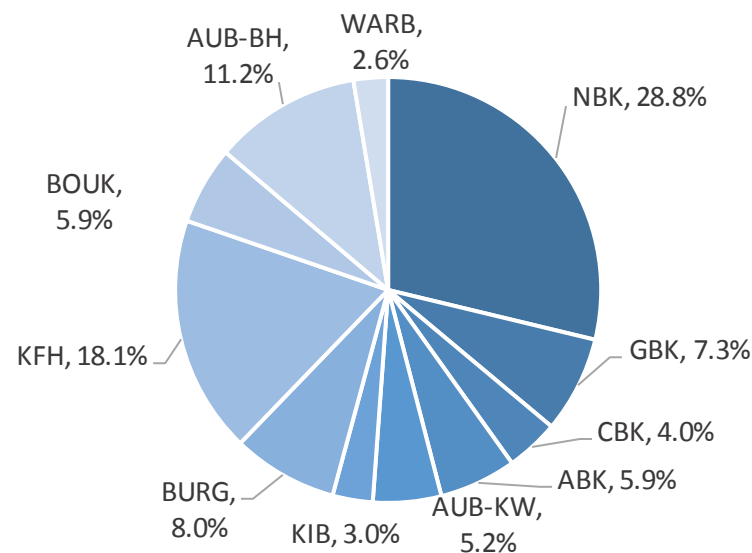


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Loans

Banks' Name	2Q-17 (KWD Mn)	2Q-18 (KWD Mn)	Q-o-Q change (%)	2017 to 2016	2016 to 2015
National Bank of Kuwait	14,327	15,228	6.3% ▲	6.5% ▲	0.4% ▲
Gulf Bank	3,518	3,879	10.3% ▲	10.5% ▲	-5.2% ▼
Commercial Bank of Kuwait	2,260	2,137	-5.5% ▼	-0.6% ▼	-2.0% ▼
Al Ahli Bank of Kuwait	3,071	3,100	0.9% ▲	1.5% ▲	-0.6% ▼
Ahli United Bank - Kuwait	2,752	2,745	-0.3% ▼	-1.2% ▼	1.0% ▲
Kuwait International Bank	1,329	1,521	14.4% ▲	1.7% ▲	0.2% ▲
Burgan Bank	4,427	4,243	-4.2% ▼	4.3% ▲	3.3% ▲
Kuwait Finance House	11,860	12,571	6.0% ▲	12.7% ▲	1.0% ▲
Boubyan Bank	2,775	3,132	12.9% ▲	14.3% ▲	15.9% ▲
Ahli United Bank (B.S.C)	5,792	5,927	2.3% ▲	3.5% ▲	-3.2% ▼
Warba Bank	1,132	1,386	22.4% ▲	52.6% ▲	52.2% ▲
Total	53,242.7	55,868.5	4.9% ▲		



Highlights on Bank's Loans

- The banking sector in Kuwait showed an increase of 4.9% in the total loans to reach an amount of KWD 55.9 billion by the end of 30 June 2018 compared to an amount of KWD 53.2 billion on 30 June 2017. There were a remarkable increase in Warba Bank's total loans which grew by 22.4% followed by Kuwait International Bank and Boubyan Bank as their total loans grew by 14.4% and 12.9% Q-o-Q to reach an amount of KWD 1.5 billion, KWD 12.6 billion and KWD 3.1 billion, respectively.
- National Bank of Kuwait "NBK" continued to lead the banking sector with its largest market share of loans of 27.3% to reach an amount of KWD 15.2 billion, followed by KFH as the bank had a total market share of loans 22.5% and an amount of KWD 12.6 billion as of 30 June 2018.
- The banking sector showed out that CBK, AUB-Kuwait and Burgan had decline in its performance based on total loans growth as of 30 June 2018. All the previous banks faced a decline in total loans by 5.5%, 0.3% and 4.2% respectively to reach KWD 2.1 billion, KWD 2.7 billion and KWD 4.2 billion as of 30 June 2018.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

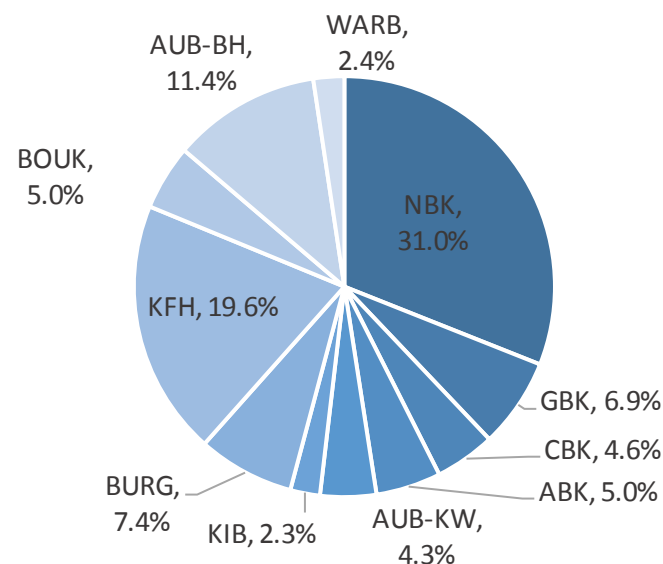


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Deposits

Banks' Name	2Q-17 (KWD Mn)	2Q-18 (KWD Mn)	Q-o-Q change (%)	2017 to 2016	2016 to 2015
National Bank of Kuwait	21,374	22,679	6.1% ▲	6.7% ▲	1.8% ▲
Gulf Bank	4,872	5,036	3.4% ▲	3.6% ▲	-2.6% ▼
Commercial Bank of Kuwait	3,380	3,396	0.5% ▲	4.2% ▲	1.5% ▲
Al Ahli Bank of Kuwait	3,531	3,652	3.4% ▲	-2.7% ▼	-1.6% ▼
Ahli United Bank - Kuwait	3,281	3,147	-4.1% ▼	-1.8% ▼	-8.5% ▼
Kuwait International Bank	1,590	1,765	11.0% ▲	6.9% ▲	10.8% ▲
Burgan Bank	5,767	5,434	-5.8% ▼	4.2% ▲	3.5% ▲
Kuwait Finance House	14,211	14,361	1.1% ▲	6.1% ▲	-1.7% ▼
Boubyan Bank	3,267	3,663	12.1% ▲	14.7% ▲	8.6% ▲
Ahli United Bank (B.S.C)	7,853	8,330	6.1% ▲	2.7% ▲	-9.3% ▼
Warba Bank	1,311	1,737	32.5% ▲	54.4% ▲	51.2% ▲
Total	70,437.5	73,199.5	3.9% ▲		



Highlights on Bank's Deposits

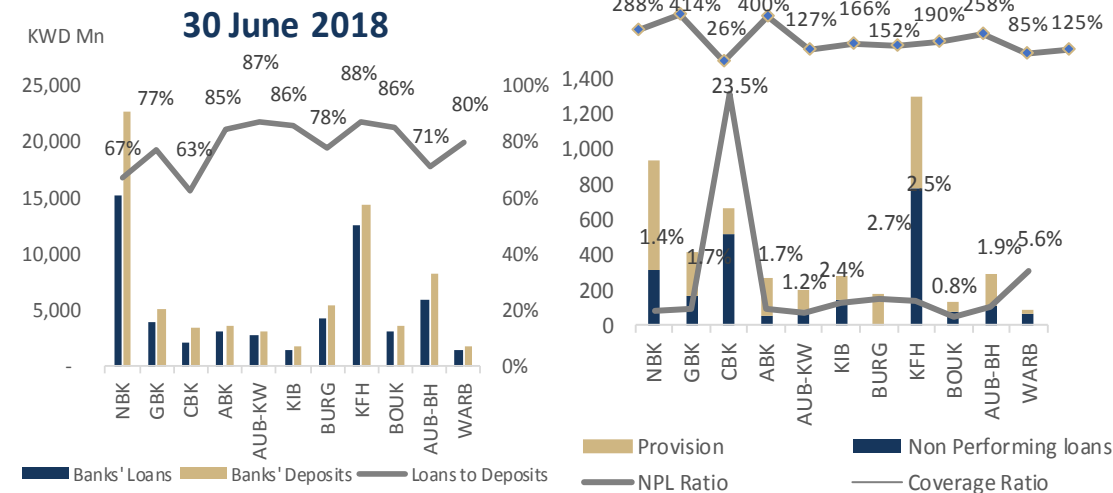
- Total deposits in the Kuwaiti banking sector had a modest upsurge of 3.9% to reach an amount of KWD 73.2 billion by the end of 30 June 2018 compared to an amount of KWD 70.4 billion on 30 June 2017.
- Warba Bank leads the growth charts as its total deposits rose the most by 32.5% Q-o-Q compared to other banks in Kuwait to reach an amount of KWD 1.7 billion followed by Boubyan Bank which also grew by 12.1% Q-o-Q to reach KWD 3.7 billion as of 30 June 2018.
- Kuwait National Bank continued to prime the market with its largest market share of deposits and a weight of 31% to an amount of KWD 22.7 billion, followed by KFH with a total market share and a weight of 19.6% and amounted to KWD 14.4 billion on 30 June 2018.
- Burgan Bank suffered from the highest decline in its total deposits during the period by 5.8% Q-o-Q among the banking sector constituents in Kuwait to reach KWD 5.4 billion, followed by AUB-Kuwait as its total deposits deteriorated by 4.1% Q-o-Q to reach KWD 3.1 billion.

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	319.8	615.5	288%	1.4%	17.8%
Gulf Bank	73.0	251.1	414%	1.7%	17.8%
Commercial Bank of Kuwait*	525.0	136.9	26%	23.5%	17.9%
Al Ahli Bank of Kuwait	174.9	222.8	400%	1.7%	17.2%
Ahli United Bank - Kuwait	89.3	113.1	127%	1.2%	17.2%
Kuwait International Bank	31.3	45.1	166%	2.4%	18.0%
Burgan Bank	118.8	180.1	152%	2.7%	16.2%
Kuwait Finance House	276.2	525.8	190%	2.5%	17.8%
Boubyan Bank	15.2	60.3	258%	0.8%	19.4%
Ahli United Bank (B.S.C)	114.5	177.8	85%	1.9%	17.0%
Warba Bank	70.8	20.9	125%	5.6%	22.5%
Average	1,628.3	2,349.3	202.8%	4.1%	18.1%

Note: all the data in this table is as of 31 December 2017



Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



Ratio Analysis

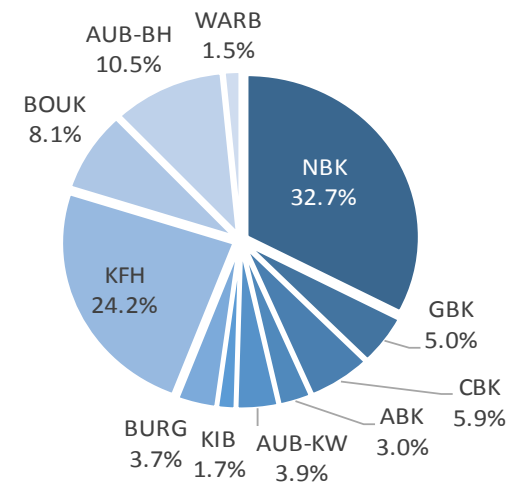
- The Kuwaiti banking sector had an amount of KWD 2.4 billion in 2015 as a non performing loans “NPL” and this accounted for 4.4% from the total loans in the sector. Additionally, the banking sector’s NPL level faced an increase in 2016 to reach KWD 2.6 billion an this accounted for 4.9% of total loans while it decreased by 9.6% in 2017 to reach KWD 2.35 billion and NPL Ratio accounted for 4.6%.
- The main movement in the non performing loans in 2017 were as follow:
 - ABK NPL dropped by 79% to reach KWD 51.4 million;
 - Burgan NPL declined by 68% to reach KWD 118.8 million;
 - AUB-KW NPL decreased by 62% to reach KWD 32 million; and
 - NBK and Boubyan’s NPL are up by 18% and 15% to reach KWD 319 million and KWD 74.8 million.
- The coverage ratio for the Banking Sector reached 202.8% in 2017 and an amount of KWD 2.35 billion and this can introduced the financial strength for the banking sector in Kuwait.

Banking Sector Report

Financial analysis - Market Performance

Banks' Name	Market Cap (KWD Mn)	PE*	BVPS (fils)*	P/BV*	Payout Ratio 2017	DY%*	Operating profit %*	Net profit %*	ROA %*	ROE %*
National Bank of Kuwait	5,033	14.7	520.7	1.58	56.6%	3.7%	45.6%	33.4%	1.3%	10.8%
Gulf Bank	771	14.8	204.3	1.30	52.9%	3.6%	29.0%	23.0%	0.9%	8.8%
Commercial Bank of Kuwait	911	15.3	371.8	1.40	53.1%	3.6%	40.1%	42.7%	1.4%	9.1%
Al Ahli Bank of Kuwait	460	11.9	352.4	0.81	54.5%	4.2%	25.5%	18.9%	0.9%	6.8%
Ahli United Bank - Kuwait	599	12.8	267.3	1.27	53.3%	4.3%	40.0%	29.3%	1.3%	9.9%
Kuwait International Bank	259	13.8	278.5	1.00	52.7%	4.0%	28.7%	22.7%	1.0%	7.2%
Burgan Bank	565	7.4	365.9	0.69	27.6%	2.8%	33.6%	18.2%	1.1%	9.3%
Kuwait Finance House	3,723	18.8	291.0	2.05	52.5%	2.9%	35.1%	23.9%	1.1%	10.9%
Boubyan Bank	1,242	24.1	191.8	2.78	37.4%	1.3%	39.4%	28.8%	1.3%	11.5%
Ahli United Bank (B.S.C)	1,615	8.1	163.5	1.26	57.9%	6.8%	63.5%	41.2%	2.0%	15.6%
Warba Bank	235	24.9	177.0	1.33	0.0%	0.0%	22.5%	7.0%	0.5%	5.3%
Total	15,413.6	15.5	1.65	49.9%	3.7%	36.6%	26.3%	1.1%	9.6%	

Market Cap as of 29 August 2018



Market Indicators

- The total market cap for the banking sector increased to KWD 15.4 billion on 30 June 2018 compared to KWD 14.2 billion in 31 March 2018. NBK continued to have the largest market cap in Kuwait Boursa and accounted for the largest rate of 32.7% of the banking sector with a market cap of KWD 5.03 billion, followed by KFH with a 24.2% with a market cap of KWD 3.7 billion on 29 August 2018.
- When comparing banks in terms of dividend payout ratio, AUB- Bahrain topped the list chart with 57.9% followed by NBK and AUB- Kuwait of 56.6% and 54.5%, respectively. Dividend Yield of the banking sector reached an average of 3.7% where AUB Bahrain gives the highest dividend yield of 6.8% followed by AUB-Kuwait and ABK by 4.3% and 4.2%, respectively based on 2017 payout ratio and market price on 29 August 2018.
- As of 29 August 2018, NBK topped the banking sector based on its book value per share reached 520.7 fils followed by Commercial Bank with BVPS of 371.8 fils. Burgan Bank had the lowest P/BV among the banking sector with P/BV of 0.69 and had the lowest PE ratio of 7.4x. On the other hand, the highest PE and P/BV went for Warba Bank and Boubyan Bank respectively at 24.9x and 2.78x, respectively.



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