

KUWAIT BOURSA

BANKING SECTOR REPORT FOR THE PERIOD 31 DECEMBER 2017

Market Sector : Banking

Exchange : Kuwait Boursa

Date : 18 March 2018

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Department : Assets Management



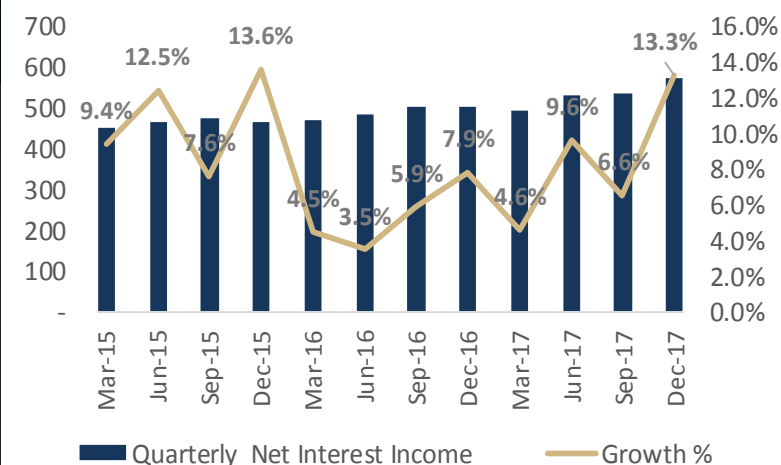
Banking Sector Report

Financial analysis - Income statements

Banks' Net Interest (Financing) Income

Banks' Name	4Q-16 (KWD Mn)	4Q-17 (KWD Mn)	Q-o-Q change (%)	2017 to 2016	2016 to 2015
National Bank of Kuwait	151.87	162.70	7.1% ▲	10.4% ▲	7.5% ▲
Gulf Bank	28.64	35.01	22.2% ▲	13.2% ▲	-1.8% ▼
Commercial Bank of Kuwait	21.71	24.43	12.5% ▲	10.4% ▲	1.7% ▲
Al Ahli Bank of Kuwait	27.72	29.54	6.5% ▲	3.0% ▲	15.7% ▲
Ahli United Bank - Kuwait	23.30	32.19	38.2% ▲	17.8% ▲	-0.8% ▼
Kuwait International Bank	12.90	14.21	10.2% ▲	-1.4% ▼	3.9% ▲
Burgan Bank	37.97	44.89	18.2% ▲	9.7% ▲	19.6% ▲
Kuwait Finance House	109.25	121.92	11.6% ▲	2.3% ▲	0.8% ▲
Boubyan Bank	23.11	26.62	15.2% ▲	16.9% ▲	11.6% ▲
Ahli United Bank (B.S.C)	63.68	72.83	14.4% ▲	5.9% ▲	1.7% ▲
Warba Bank	4.95	7.99	61.3% ▲	74.5% ▲	36.4% ▲
Total	505.1	572.3	13.3% ▲		

KWD Mn



Net Interest (Financing) Income

- 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. Also, the banking sector boosted its net interest (financing) income by 13.3% during 4th quarter 2017 Q-o-Q to reach an amount of KWD 572.3 million. 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.
- Percentage wise, Warba Bank showed the highest growth of 61.3% in 4Q 2017 to KWD 7.99 million Q-o-Q, while NBK accounted for the highest contribution of 28.4% amounted to KWD 162.7 million. KIB was the only bank that has a decline in its net interest income by 1.4% Q-o-Q to reach KWD 12.9 million as of 31 December 2017.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

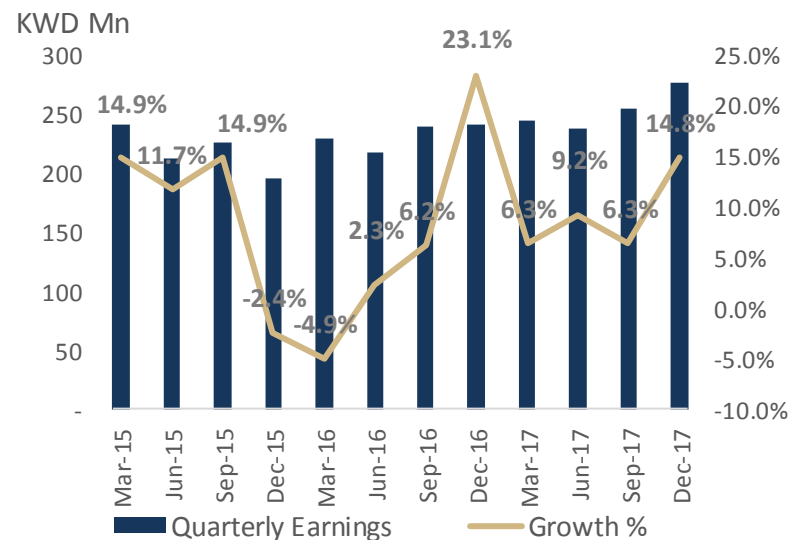


Banking Sector Report

Financial analysis - Income statements

Banks' Earnings

Banks' Name	4Q-16 (KWD Mn)	4Q-17 (KWD Mn)	Q-o-Q change (%)	2017 to 2016	2016 to 2015
National Bank of Kuwait	75.92	84.00	10.6% ▲	9.2% ▲	4.6% ▲
Gulf Bank	10.14	11.88	17.1% ▲	11.8% ▲	10.1% ▲
Commercial Bank of Kuwait	22.91	40.99	78.9% ▲	10.0% ▲	9.1% ▲
Al Ahli Bank of Kuwait	12.67	13.57	7.1% ▲	9.8% ▲	7.0% ▲
Ahli United Bank - Kuwait	1.22	4.42	263.4% ▲	10.2% ▲	-5.7% ▼
Kuwait International Bank	4.73	4.23	-10.4% ▼	-2.8% ▼	13.8% ▲
Burgan Bank	19.57	11.32	-42.2% ▼	-4.3% ▼	-10.4% ▼
Kuwait Finance House	42.10	46.29	10.0% ▲	11.5% ▲	13.3% ▲
Boubyan Bank	11.44	13.54	18.3% ▲	15.9% ▲	16.6% ▲
Ahli United Bank (B.S.C)	39.25	45.26	15.3% ▲	8.6% ▲	6.3% ▲
Warba Bank	1.70	2.02	18.7% ▲	162.8% ▲	157.5% ▲
Total	241.6	277.5	14.8% ▲		



Net profit attributable to shareholders

- Although there was an increase in the banks provisions by 12.6% to reach KWD 653.3 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. Regardless of the increase in provisions incurred during 2017, the banking sector's operating profit after provisions had an increase of 6.9% in 2017 YoY to KWD 1,480 million.
- During the period 4Q 2017, the banking sector had a significant increase in its net profit by 14.8% to reach an amount of KWD 277.5 compared to the same period of the last year and this was associated with an increase in the operating profit after provisions by 25.5%.
- KIB and Burgan were the only banks that had a decline in their net profit in Q4 2017 by 10.4% and 42% respectively. Burgan has a decline mainly driven by the increase in provisions for investment security which increased by 173% to KWD 8.8 million in 2017. KIB net profit decreased due to increase in total operating cost by 8.9% in 2017 to reach KWD 32.8 million Y-o-Y.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

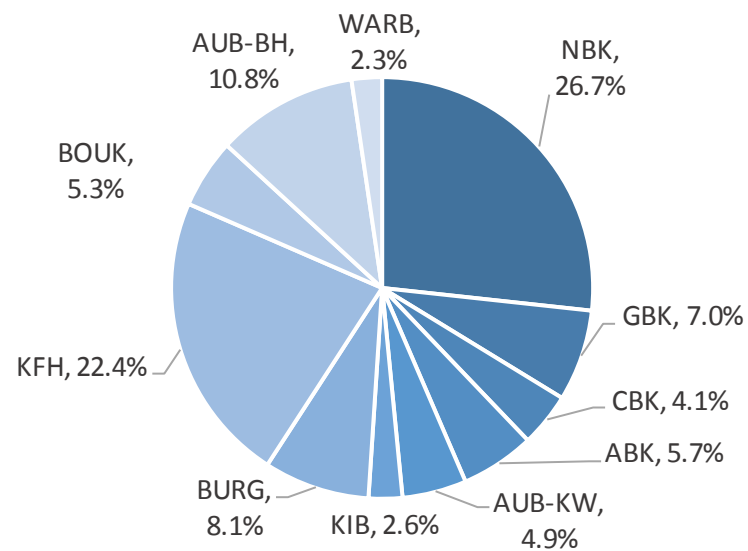


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Loans

Banks' Name	4Q-16 (KWD Mn)	4Q-17 (KWD Mn)	Q-o-Q change (%)	2017 to 2016	2016 to 2015
National Bank of Kuwait	13,611	14,503	6.5% ▲	6.5% ▲	0.4% ▲
Gulf Bank	3,446	3,809	10.5% ▲	10.5% ▲	-5.2% ▼
Commercial Bank of Kuwait	2,250	2,237	-0.6% ▼	-0.6% ▼	-2.0% ▼
Al Ahli Bank of Kuwait	3,029	3,075	1.5% ▲	1.5% ▲	-0.6% ▼
Ahli United Bank - Kuwait	2,706	2,673	-1.2% ▼	-1.2% ▼	1.0% ▲
Kuwait International Bank	1,377	1,401	1.7% ▲	1.7% ▲	0.2% ▲
Burgan Bank	4,224	4,408	4.3% ▲	4.3% ▲	3.3% ▲
Kuwait Finance House	11,053	12,142	9.9% ▲	12.7% ▲	1.0% ▲
Boubyan Bank	2,517	2,877	14.3% ▲	14.3% ▲	15.9% ▲
Ahli United Bank (B.S.C)	5,682	5,884	3.5% ▲	3.5% ▲	-3.2% ▼
Warba Bank	828	1,263	52.6% ▲	52.6% ▲	52.2% ▲
Total	50,724.4	54,270.1	7.0% ▲		



Highlights on Bank's Loans

- The banking sector in Kuwait showed an increase of 7.0% in its total loans to reach an amount of KWD 54.3 billion by the end of 31 December 2017 compared to an amount of KWD 50.7 billion on 31 December 2016. There were a remarkable increase in Warba Bank's total loans which grew by 52.6% followed by Boubyan Bank by 14.3% to reach an amount of KWD 1.3 billion and KWD 2.9 billion, respectively.
- National Bank of Kuwait "NBK" continued to lead the market with its largest market share of loans of 26.7% to reach an amount of KWD 14.5 billion, followed by KFH as the bank had a total market share of loans 22.4% and an amount of KWD 12.1 billion as of 31 December 2018.
- Ahli United Bank – Kuwait and Commercial Bank are the only two banks that showed a decline in total loans by 1.2% and 0.6% to reach an amount of KWD 2.7 billion and KWD 2.2 billion, respectively on 31 December 2018.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

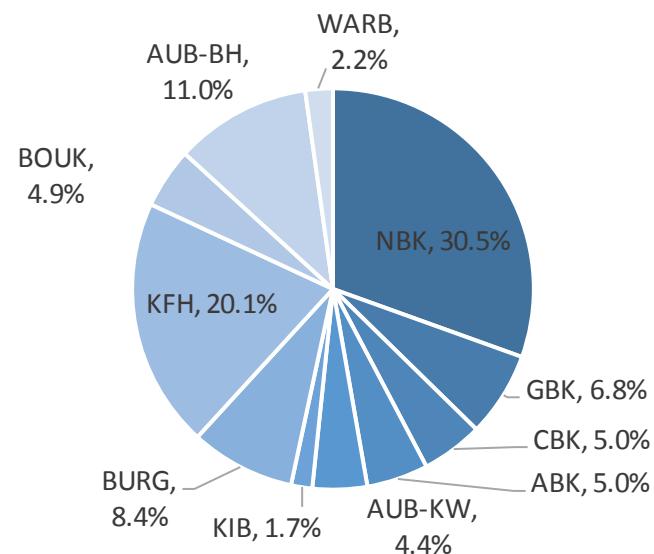


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Deposits

Banks' Name	4Q-16 (KWD Mn)	4Q-17 (KWD Mn)	Q-o-Q change (%)		2017 to 2016		2016 to 2015	
National Bank of Kuwait	20,372	21,740	6.7%	▲	6.7%	▲	1.8%	▲
Gulf Bank	4,700	4,871	3.6%	▲	3.6%	▲	-2.6%	▼
Commercial Bank of Kuwait	3,390	3,534	4.2%	▲	4.2%	▲	1.5%	▲
Al Ahli Bank of Kuwait	3,635	3,536	-2.7%	▼	-2.7%	▼	-1.6%	▼
Ahli United Bank - Kuwait	3,194	3,135	-1.8%	▼	-1.8%	▼	-8.5%	▼
Kuwait International Bank	1,554	1,609	3.5%	▲	6.9%	▲	10.8%	▲
Burgan Bank	5,770	6,013	4.2%	▲	4.2%	▲	3.5%	▲
Kuwait Finance House	13,534	14,355	6.1%	▲	6.1%	▲	-1.7%	▼
Boubyan Bank	3,021	3,466	14.7%	▲	14.7%	▲	8.6%	▲
Ahli United Bank (B.S.C)	7,629	7,831	2.7%	▲	2.7%	▲	-9.3%	▼
Warba Bank	1,025	1,582	54.4%	▲	54.4%	▲	51.2%	▲
Total	67,824.3	71,672.4	5.7%	▲				



Highlights on Bank's Deposits

- Total deposits in the Kuwaiti banking sector had clear upsurge of 5.7% to reach an amount of KWD 71.3 billion by the end of 31 December 2018 compared to an amount of KWD 67.4 billion on 31 December 2016. Warba Bank leads the growth charts as its total deposits rose the most by 54.4% compared to other banks in Kuwait to reach an amount of KWD 1.58 billion.
- 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 21.7 billion, followed by KFH with a total market share and a weight of 20.1% and amounted to KWD 14.35 billion on 31 December 2018.
- Al Ahli Bank of Kuwait suffered from the highest decline in its total deposits by 2.7% among the banking sector in Kuwait to reach KWD 3.5 billion, followed by AUB-Kuwait the bank total deposits went down by 1.8% to reach KWD 3.1 billion.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



Banking Sector Report

Financial analysis - Balance Sheet

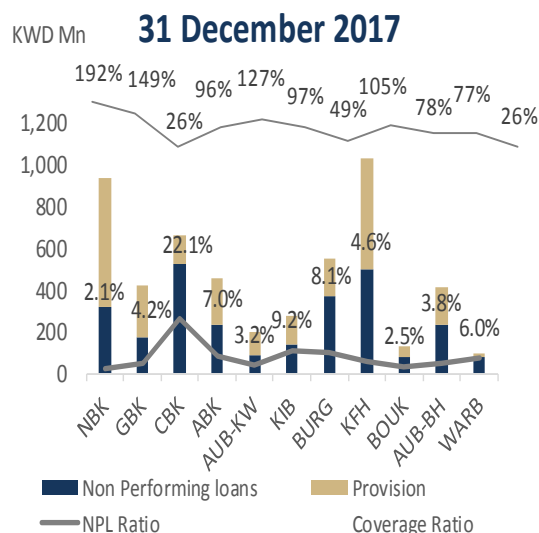
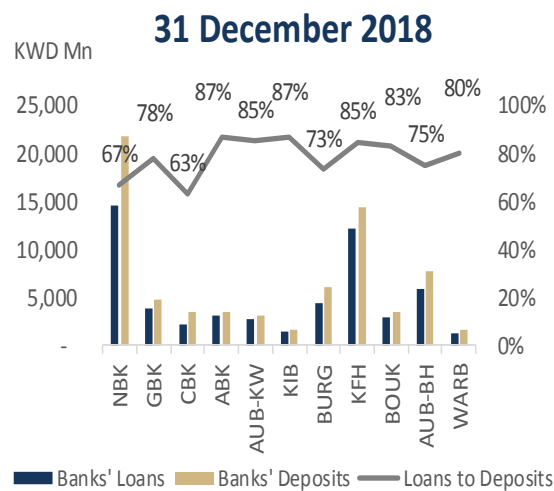
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Banks' Name	Non Performing loans	Total Provisions	Coverage Ratio	NPL Ratio
National Bank of Kuwait	319.8	615.5	192.4%	2.1%
Gulf Bank	168.6	251.1	149.0%	4.2%
Commercial Bank of Kuwait	525.0	136.9	26.1%	22.1%
Al Ahli Bank of Kuwait	231.1	222.8	96.4%	7.0%
Ahli United Bank - Kuwait	89.3	113.1	126.6%	3.2%
Kuwait International Bank	141.5	136.5	96.5%	9.2%
Burgan Bank*	369.8	180.1	48.7%	8.1%
Kuwait Finance House	501.8	525.8	104.8%	4.6%
Boubyan Bank	74.8	58.3	78.0%	2.5%
Ahli United Bank (B.S.C)	231.3	177.8	76.9%	3.8%
Warba Bank	77.6	20.4	26.2%	6.0%
	2,730.5		92.9%	6.6%

Ratio Analysis

- The Kuwaiti banking sector's NPL level faced an increase in 2016 to reach KWD 2.6 billion and this accounted for 4.9% of total loans. Also, amount of NPL increased in 2017 to reach an amount of KWD 2.7 billion and this accounted for 5.0% from the total loans in the sector.
- The main movement in the non-performing loans in 2017 were as follow:
 - Warba NPL surged by 206% to reach KWD 77.7 million;
 - NBK NPL rose by 17.6% to reach KWD 319.8 million;
 - Gulf Bank NPL dropped the most by 20.7% to reach KWD 168.6 million; and
 - KIB NPL declined by 19.9% to reach KWD 141.5 million.
- The banking sector total provisions constitutes a coverage ratio of 92.9% in 2017 and an amount of KWD 2.4 billion and this can introduced the financial strength for the banking sector in Kuwait.

Note: all the data in this table is as of 31 December 2017 with exception for Burgan Bank as last available data is in 2016



Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



Banking Sector Report

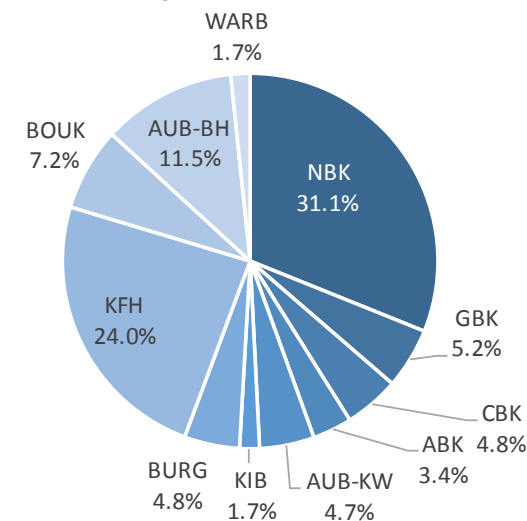
Financial analysis - Market Performance

Banks' Name	Market Cap (KWD Mn)**	PE*	BVPS (fils)*	P/BV*	Payout Ratio	DY%*	Operating profit %*	Net profit %*	ROA %*	ROE %*
National Bank of Kuwait	4,304.8	13.35	538.6	1.37	56.6%	4.1%	44.9%	34.4%	1.3%	10.3%
Gulf Bank	724.9	15.1	200.5	1.24	52.9%	3.8%	27.2%	23.4%	0.9%	8.2%
Commercial Bank of Kuwait	658.5	11.9	371.9	1.06	53.1%	4.5%	27.0%	29.3%	1.3%	8.9%
Al Ahli Bank of Kuwait	469.6	13.2	348.4	0.84	54.5%	4.1%	25.2%	19.0%	0.8%	6.4%
Ahli United Bank - Kuwait	653.0	14.7	271.2	1.43	53.3%	3.7%	36.0%	28.6%	1.2%	9.7%
Kuwait International Bank	236.3	13.4	273.3	0.93	52.7%	4.4%	30.6%	25.7%	0.9%	6.9%
Burgan Bank	660.1	10.1	385.7	0.81	27.6%	2.3%	34.8%	19.1%	0.9%	8.0%
Kuwait Finance House	3,318.6	18.0	319.6	1.83	52.5%	3.0%	33.6%	26.5%	1.1%	10.1%
Boubyan Bank	991.1	20.8	191.2	2.28	37.4%	1.6%	40.0%	30.2%	1.3%	11.0%
Ahli United Bank (B.S.C)	1,596.2	8.5	168.5	1.26	57.9%	6.6%	60.3%	42.8%	1.9%	14.7%
Warba Bank	229.8	34.0	173.6	1.32	0.0%	0.0%	19.8%	9.9%	0.4%	3.9%
Average	13,842.9	14.7	1.46	49.9%	3.8%	34.5%	26.3%	1.1%	8.9%	

Note: ** Is calculated as of 28 December 2018.

Note: * Is calculated based in banks performance on 31 December 2017.

Market Cap as of 28 December 2018



Market Indicators

- The total market cap for the banking sector increased to KWD 13.8 billion on 28 December 2017 compared to KWD 14.5 million in 30 September 2017. NBK market cap accounted for the largest rate of 31% and a market cap of KWD 4.5 billion, followed by KFH with a 24% with a market cap of KWD 3.3 billion on 28 December 2017.
- When comparing banks in terms of dividend payout ratio, AUB-BH topped the list chart with 57.9% followed by NBK and ABK of 56.6% and 54.5%, respectively. Average Dividend Yield of the banking sector reached 3.8%. AUB Bahrain stock gives the highest dividend yield of 6.6% followed by CBK and KIB by 4.5% and 4.4%, respectively based on 2017 payout ratio and market price on 28 December 2017.
- As of 31 December 2017, NBK topped the banking sector based on its book value per share reached 538.6 fils, followed by Burgan with BVPS of 385.7 fils. Therefore, Burgan Bank had the lowest P/BV among the banking sector with P/BV of 0.81 as of 31 Dec 2017 while AUB-BH had the lowest PE of 8.5x. On the other hand, the highest PE and P/BV went for Warba Bank and Boubyan Bank of 34x and 2.28x, respectively.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



Arzan Financial Group

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