

KUWAIT BOURSA

BANKING SECTOR REPORT FOR THE PERIOD 30 JUNE 2017

Market Sector : Banking

Exchange : Kuwait Boursa

Date : 2 October 2017

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Department : Assets Management

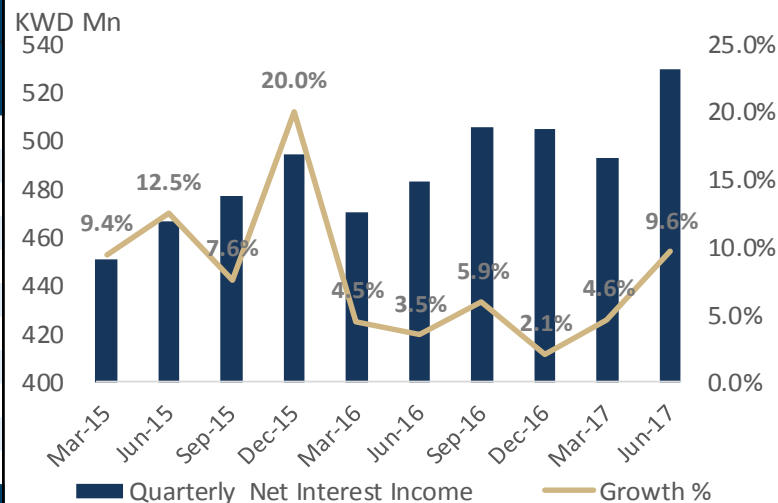


Banking Sector Report

Financial analysis - Income statements

Banks' Net Interest (Financing) Income

Banks' Name	2Q-16 (KWD Mn)	2Q-17 (KWD Mn)	Q-o-Q change (%)	2016 to 2015	2015 to 2014
National Bank of Kuwait	138.45	157.67	13.9% ▲	7.5% ▲	13.0% ▲
Gulf Bank	29.37	33.49	14.0% ▲	-1.8% ▼	1.0% ▲
Commercial Bank of Kuwait	20.81	23.42	12.5% ▲	1.7% ▲	-1.4% ▼
Al Ahli Bank of Kuwait	27.25	27.19	-0.2% ▼	15.7% ▲	11.9% ▲
Ahli United Bank - Kuwait	21.48	24.44	13.7% ▲	-0.8% ▼	12.0% ▲
Kuwait International Bank	12.59	11.76	-6.5% ▼	3.9% ▲	12.4% ▲
Burgan Bank	37.59	43.98	17.0% ▲	-0.6% ▼	5.9% ▲
Kuwait Finance House	108.16	110.74	2.4% ▲	0.8% ▲	18.8% ▲
Boubyan Bank	21.49	25.60	19.1% ▲	11.6% ▲	19.8% ▲
Ahli United Bank (B.S.C)	62.15	64.13	3.2% ▲	1.7% ▲	12.8% ▲
Warba Bank	3.78	7.30	93.1% ▲	36.4% ▲	35.5% ▲
Total	483.1	529.7	9.6% ▲		



Net Interest (Financing) Income

- The net interest (financing) income for the banking sector in Kuwait grew by 7.5% during 2016 Y-o-Y to reach an amount of KWD 569.7 million. Additionally, the banking sector continued to boost its net interest (financing) income by 9.6% to reach an amount of KWD 529.7 million during 30 June 2017. This increase was mainly driven by the rise of the CBK Discount rate which was 2.25% in 2016 and it increased in two phases to reach 2.75% during first half of 2017. Based on percentage wise, Warba banks during 2Q 2017 topped the banking charts with a growth of 93.1% to reach KWD 7.3 million Q-o-Q, while NBK added the largest amount of KWD 19.2 million to its net interest income during the same period. KIB had a decline in its net interest income by 6.5% Q-o-Q to reach KWD 11.8 million as of 30 June 2017.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

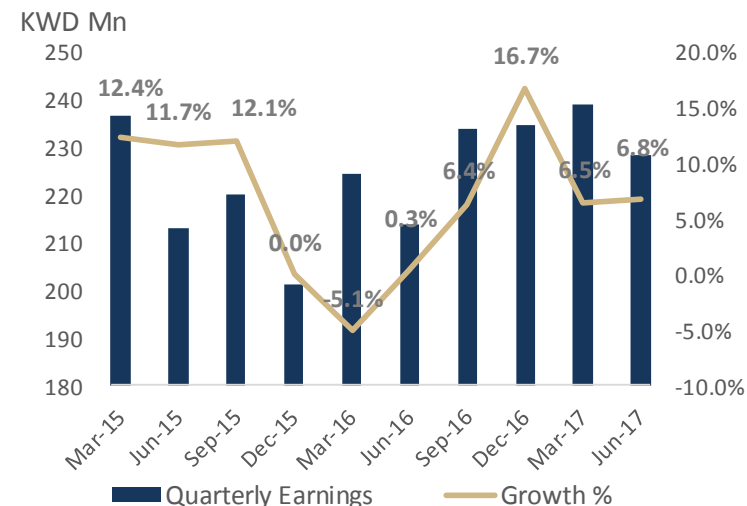


Banking Sector Report

Financial analysis - Income statements

Banks' Earnings

Banks' Name	2Q-16 (KWD Mn)	2Q-17 (KWD Mn)	Q-o-Q change (%)	2016 to 2015	2015 to 2014
National Bank of Kuwait	71.68	79.34	10.7% ▲	2.0% ▲	5.4% ▲
Gulf Bank	11.93	13.41	12.4% ▲	10.1% ▲	10.0% ▲
Commercial Bank of Kuwait	3.74	1.20	-68.0% ▼	9.1% ▲	-6.0% ▼
Al Ahli Bank of Kuwait	7.30	7.70	5.6% ▲	7.0% ▲	-19.2% ▼
Ahli United Bank - Kuwait	10.05	8.81	-12.3% ▼	-5.7% ▼	-8.9% ▼
Kuwait International Bank	5.25	3.33	-36.6% ▼	13.8% ▲	17.0% ▲
Burgan Bank	17.14	21.06	22.9% ▲	-10.4% ▼	23.3% ▲
Kuwait Finance House	36.78	43.06	17.1% ▲	13.3% ▲	15.3% ▲
Boubyan Bank	9.81	8.64	-11.9% ▼	16.6% ▲	24.8% ▲
Ahli United Bank (B.S.C)	40.05	40.55	1.3% ▲	1.2% ▲	17.8% ▲
Warba Bank	0.13	1.22	859.8% ▲	157.5% ▲	769.6% ▲
Total	213.8	228.3	6.8% ▲		



Net profit attributable to shareholders

- The banking sector in Kuwait had a modest growth in its net profit amounted to KWD 281.5 million during 2016 compared to an amount of KWD 276.1 million in 2015. The modest upsurge in the banking net profit was due to the shy growth in the banks net profit before tax and provisions of 3.6% during the same period to reach KWD 340.9 million.
- During the second quarter of 2017, the banking sector had an improvement in its net profit by 6.8% to reach an amount of KWD 228.3 compared to the same period of the last year and this was associated with an increase in the earnings before taxes and provisions by 9.8% during the same period. There was a huge drop in the net profit for CBK and KIB by 68.0% and 36.6%, respectively during 2Q 2017 compared to the same period one year earlier. CBK's net profit decreased due to increase in provisions for impairment and other provisions, decrease in profit on foreign exchange and dividend income while KIB net profit's drop due to the decline in operating profit.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

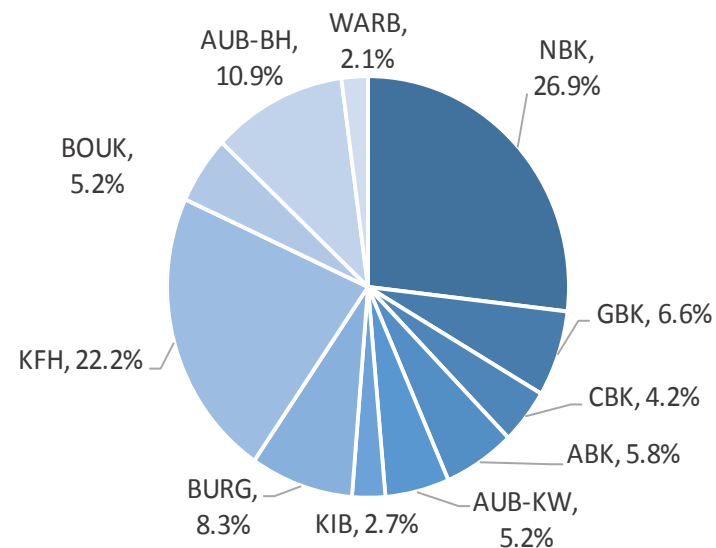


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Loans

Banks' Name	2Q-16 (KWD Mn)	2Q-17 (KWD Mn)	Q-o-Q change (%)		2016 to 2015		2015 to 2014	
National Bank of Kuwait	13,703	14,327	4.6%	▲	0.4%	▲	13.8%	▲
Gulf Bank	3,624	3,518	-2.9%	▼	-5.2%	▼	1.4%	▲
Commercial Bank of Kuwait	2,281	2,260	-0.9%	▼	-2.0%	▼	-1.0%	▼
Al Ahli Bank of Kuwait	3,127	3,071	-1.8%	▼	-0.6%	▼	25.8%	▲
Ahli United Bank - Kuwait	2,774	2,752	-0.8%	▼	1.0%	▲	8.1%	▲
Kuwait International Bank	1,374	1,423	3.6%	▲	0.2%	▲	18.7%	▲
Burgan Bank	4,318	4,427	2.5%	▲	6.6%	▲	-8.5%	▼
Kuwait Finance House	11,747	11,860	1.0%	▲	-2.1%	▼	-0.5%	▼
Boubyan Bank	2,360	2,775	17.6%	▲	15.9%	▲	20.3%	▲
Ahli United Bank (B.S.C)	5,883	5,792	-1.5%	▼	-3.2%	▼	8.6%	▲
Warba Bank	675	1,132	67.6%	▲	52.2%	▲	40.1%	▲
Total	51,865.1	53,336.7	2.8%	▲				



Highlights on Bank's Loans

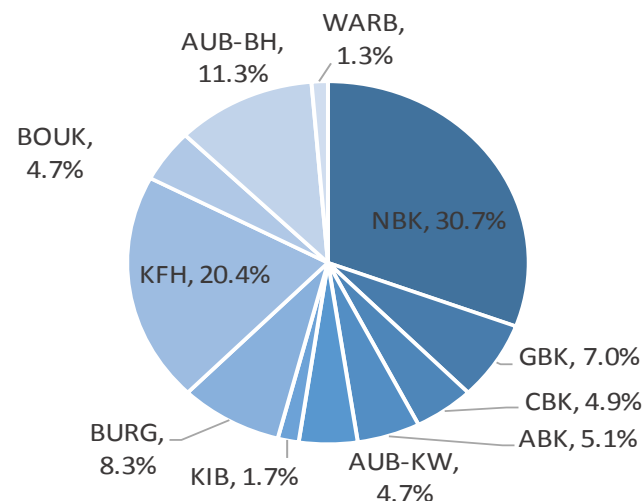
- The banking sector in Kuwait showed an increase of 2.8% in its total loans to reach an amount of KWD 53.3 billion by the end of 30 June 2017 compared to an amount of KWD 51.9 billion on 30 June 2016. There were a remarkable increase in Warba Bank's total loans which grew by 67.6% followed by Boubyan Bank by 17.6% to reach an amount of KWD 1.13 billion and KWD 2.78 billion, respectively.
- Kuwait National Bank continued to lead the market with its largest market share of loans of 26.9% to reach an amount of KWD 14.3 billion, followed by KFH as the bank had a total market share of loans 22.2% and an amount of KWD 11.9 billion as of 30 June 2017.
- Among the banking sector we found out that Gulf bank had the worst performance as its total loans declined by 2.9% Q-o-Q followed by Al Ahli Bank of Kuwait with a drop of 1.8% Q-o-Q to reach an amount of KWD 3.5 billion and KWD 3.1 billion, respectively on 30 June 2017.

Banking Sector Report

Financial analysis - Balance Sheet

Banks' Deposits

Banks' Name	2Q-16 (KWD Mn)	2Q-17 (KWD Mn)	Q-o-Q change (%)	2016 to 2015	2015 to 2014
National Bank of Kuwait	20,300	21,374	5.3% ▲	1.8% ▲	7.4% ▲
Gulf Bank	4,749	4,872	2.6% ▲	-2.6% ▼	2.8% ▲
Commercial Bank of Kuwait	3,414	3,380	-1.0% ▼	1.5% ▲	-6.1% ▼
Al Ahli Bank of Kuwait	3,923	3,531	-10.0% ▼	-1.6% ▼	29.1% ▲
Ahli United Bank - Kuwait	3,527	3,281	-7.0% ▼	-8.5% ▼	8.7% ▲
Kuwait International Bank	1,540	1,590	3.3% ▲	2.7% ▲	8.5% ▲
Burgan Bank	5,892	5,767	-2.1% ▼	3.5% ▲	-12.0% ▼
Kuwait Finance House	14,122	14,211	0.6% ▲	-1.7% ▼	-4.0% ▼
Boubyan Bank	2,974	3,267	9.8% ▲	8.6% ▲	20.4% ▲
Ahli United Bank (B.S.C)	8,291	7,853	-5.3% ▼	-9.3% ▼	4.5% ▲
Warba Bank	818	1,314	60.6% ▲	51.2% ▲	35.8% ▲
Total	69,552.1	70,441.1	1.3% ▲		



Highlights on Bank's Deposits

- Total deposits in the Kuwaiti banking sector had a modest upsurge of 1.3% to reach an amount of KWD 70.4 billion by the end of 30 June 2017 compared to an amount of KWD 69.5 billion on 30 June 2016. Warba Bank leads the growth charts as its total deposits rose the most by 60.6% Q-o-Q compared to other banks in Kuwait to reach an amount of KWD 1.3 billion.
- Kuwait National Bank continued to prime the market with its largest market share of deposits and a weight of 30.7% to reach an amount of KWD 21.4 billion, followed by KFH with a total market share and a weight of 20.4% and amounted to KWD 14.2 billion on 30 June 2017.
- Al Ahli Bank of Kuwait suffered from the highest decline in its total deposits by 10.0% Q-o-Q among the banking sector in Kuwait to reach an amount KWD 3.5 billion, followed by Ahli United Bank – Kuwait as its total deposits declined by 7.0% Q-o-Q to reach KWD 3.3 billion.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

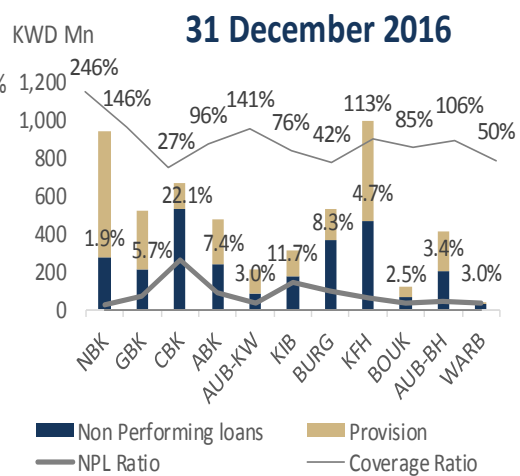
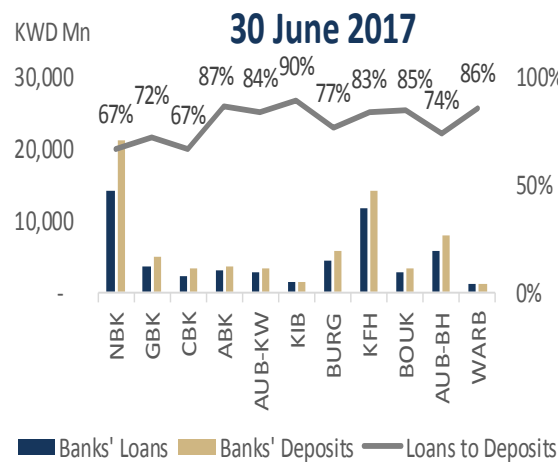


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Name	Non Performing loans	Total Provisions	Coverage Ratio	NPL Ratio
National Bank of Kuwait	272.0	668.3	245.7%	1.9%
Gulf Bank	212.5	309.6	145.7%	5.7%
Commercial Bank of Kuwait	528.4	141.2	26.7%	22.1%
Al Ahli Bank of Kuwait	240.7	231.2	96.1%	7.4%
Ahli United Bank - Kuwait	85.9	120.9	140.8%	3.0%
Kuwait International Bank	176.7	134.7	76.2%	11.7%
Burgan Bank	369.8	157.1	42.5%	8.3%
Kuwait Finance House	466.1	525.8	112.8%	4.7%
Boubyan Bank	65.0	55.6	85.5%	2.5%
Ahli United Bank (B.S.C)	201.5	212.9	105.7%	3.4%
Warba Bank	25.3	12.7	50.2%	3.0%
Average	2,643.7		102.5%	6.7%

Note: all the data in this table is as of 31 December 2016



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 and this accounted for 4.9% of total loans.
- The main movement in the non performing loans in 2016 were as follow:
 - KIB NPL surged by 112.4% to reach KWD 176.7 million;
 - Warba NPL rose by 61.1% to reach KWD 25.3 million;
 - Boubyan NPL decreased the most by 30.2% to reach KWD 65 million; and
 - NBK NPL declined by 11.7% to reach KWD 271.9 million.
- The coverage ratio for the Banking Sector reached 102.5% in 2016 and an amount of KWD 2.6 billion and this can introduced the financial strength for the banking sector in Kuwait.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



Banking Sector Report

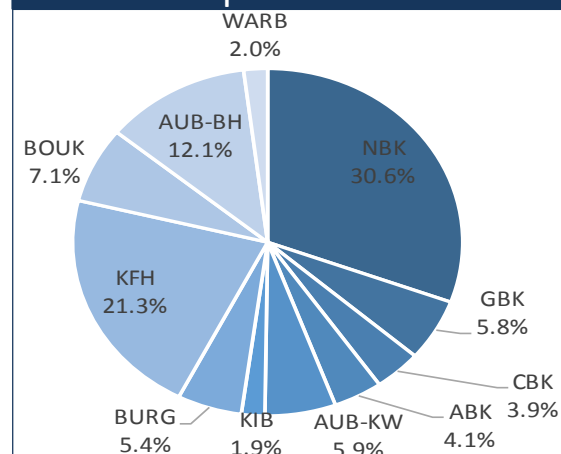
Financial analysis - Market Performance

Banks' Name	Market Cap (KWD Mn)**	PE*	BVPS (fils)*	P/BV*	Payout Ratio	DY*	Operating profit %*	Net profit %*	ROA %*	ROE %*
National Bank of Kuwait	3,989.7	13.50	531.1	1.29	57.7%	4.4%	45.5%	35.2%	1.2%	9.6%
Gulf Bank	752.0	16.7	195.5	1.32	46.7%	2.8%	27.3%	23.6%	0.8%	7.9%
Commercial Bank of Kuwait	511.4	12.5	355.9	0.86	44.4%	4.8%	30.5%	33.5%	1.0%	6.9%
Al Ahli Bank of Kuwait	528.9	15.7	344.8	0.95	55.0%	3.4%	25.2%	18.6%	0.8%	6.1%
Ahli United Bank - Kuwait	766.2	19.4	256.6	1.77	46.3%	2.9%	36.8%	29.1%	1.0%	9.1%
Kuwait International Bank	252.8	14.7	268.5	1.01	51.3%	4.1%	28.7%	24.3%	0.9%	6.8%
Burgan Bank	698.5	9.2	378.1	0.88	17.7%	1.5%	35.8%	23.5%	1.0%	9.5%
Kuwait Finance House	2,781.6	15.8	315.5	1.55	53.1%	3.5%	33.3%	26.1%	1.1%	9.8%
Boubyan Bank	920.2	22.2	184.9	2.19	33.7%	1.5%	40.6%	30.8%	1.2%	9.9%
Ahli United Bank (B.S.C)	1,577.4	9.5	162.9	1.29	51.7%	6.1%	60.0%	41.6%	1.7%	13.6%
Warba Bank	257.7	55.5	133.6	1.93	0.0%	0.0%	16.1%	11.6%	0.4%	3.5%
	13,036.4	15.3		1.39	45.8%	3.5%	34.5%	27.1%	1.0%	8.4%

Note: ** Is calculated as of 30 June 2017

Note: * Is calculated based in the LTM as of 30 June 2017

Market Cap as of 30 June 2017



Market Indicators

- The total market cap for the banking sector reached KWD 13.0 billion on 30 June 2017. NBK market cap accounted for the largest rate of 30.6% and a market cap of KWD 4.0 billion, followed by KFH with a 21.3% with a market cap of KWD 2.8 billion on 30 June 2017.
- When comparing banks in terms of dividend payout ratio, NBK topped the list chart with 57.7% followed by ABK and KFH of 55% and 53.1%, respectively. Dividend Yield of the banking sector reached 3.5% and where AUB Bahrain gave the peak dividend yield of 6.1% followed by CBK and NBK by 4.8% and 4.4%, respectively.
- As of 30 June 2017, NBK topped the banking sector based on its book value per share reached 571 fils and then Burgan with BVPS of 378.1 fils. Burgan Bank had the lowest PE and P/BV among the banking sector with PE of 9.2x and P/BV of 0.88x as of 30 June 2017, while the highest PE and P/BV went for Warba Bank and Boubyan Bank of 55.5x and 2.19x, respectively.



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