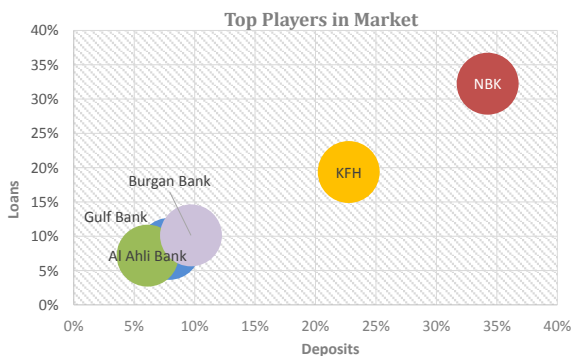
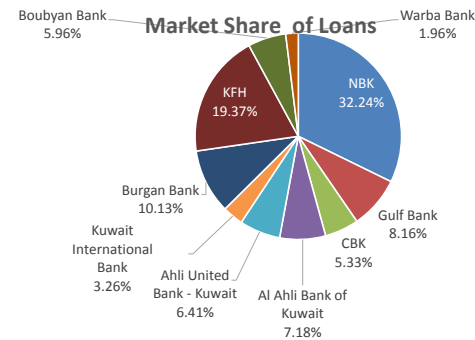
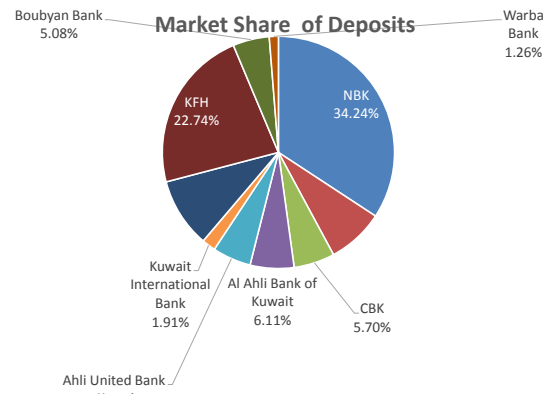
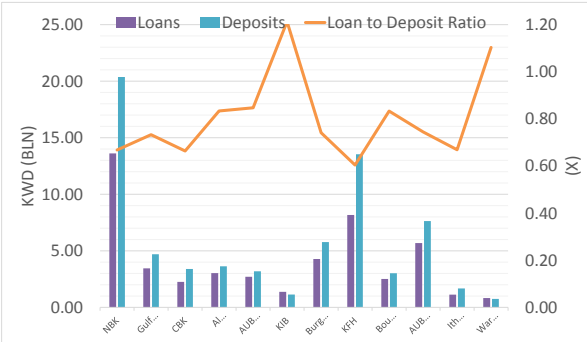
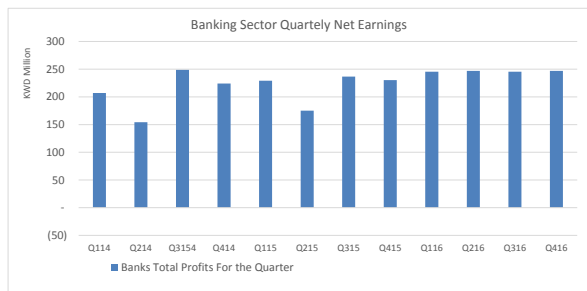




ARZAN FINANCIAL GROUP

ASSET MANAGEMENT

KSE Banking Quarterly Report (4Q 2016 Results)



Banking Company's Return					
EARNINGS 2016/2015					
	4Q15 Earnings (KWD Mn)	4Q16 Earnings (KWD Mn)	Q4 16 to Q4 15 change (%)	2016 to 2015 change (%)	2014 to 2015 change (%)
National Bank of Kuwait	71.68	62.27	-13.13%	1.98%	5.45%
Gulf Bank	11.93	10.14	-14.98%	10.10%	9.99%
Commercial Bank of Kuwait	3.74	22.91	512.92%	9.13%	-5.98%
Al Ahli Bank of Kuwait	7.30	12.67	73.64%	6.96%	-19.23%
Ahli United Bank - Kuwait	10.05	1.22	-87.89%	-5.74%	-8.94%
Kuwait International Bank	5.25	4.73	-9.91%	13.75%	17.00%
Burgan Bank	17.14	30.52	78.09%	16.14%	-4.95%
Kuwait Finance House	36.78	42.10	14.47%	13.29%	-523.27%
Boubyan Bank	9.81	11.44	16.66%	16.56%	24.77%
Ahli United Bank (B.S.C)	55.27	48.45	-12.33%	6.24%	11.32%
Ithmaar Bank (B.S.C)	1.20	(1.22)	-201.25%	-105.39%	NA
Warba Bank	0.13	1.70	1237.01%	157.50%	769.57%
Total	230.25	246.92			

DEPOSITS 2016/2015					
	4Q15 Deposits (KWD Bln)	4Q16 Deposits (KWD Bln)	Q4 16 to Q4 15 change (%)	Q3 16 to Q3 15 change (%)	H1-16 to H1-15 change (%)
National Bank of Kuwait	21.20	20.37	1.75%	2.68%	4.28%
Gulf Bank	4.85	4.70	-2.58%	1.47%	1.93%
Commercial Bank of Kuwait	3.43	3.39	1.50%	-25.65%	-2.67%
Al Ahli Bank of Kuwait	3.86	3.63	-1.65%	17.91%	29.29%
Ahli United Bank - Kuwait	3.68	3.19	-8.50%	4.68%	7.96%
Kuwait International Bank	1.14	1.14	10.83%	9.32%	14.13%
Burgan Bank	5.81	5.77	3.46%	-12.66%	-9.66%
Kuwait Finance House	14.03	13.53	-1.66%	-1.19%	-2.58%
Boubyan Bank	2.91	3.02	8.62%	14.43%	18.17%
Ahli United Bank (B.S.C)	8.49	7.63	-9.31%	5.50%	1.69%
Ithmaar Bank (B.S.C)	1.47	1.68	4.83%	-8.56%	-3.49%
Warba Bank	0.53	0.75	73.14%	57.84%	50.18%
Total	71.39	68.81			

NET LOANS 2016/2015					
	4Q15 Loans (KWD Bln)	4Q16 Loans (KWD Bln)	Q4TQ4 change (%)	Q3TQ3 change (%)	H1-16 to H1-15 change (%)
National Bank of Kuwait	13.55	13.61	0.45%	4.87%	8.68%
Gulf Bank	3.63	3.45	-5.16%	1.54%	-0.02%
Commercial Bank of Kuwait	2.30	2.25	-2.05%	2.11%	2.38%
Al Ahli Bank of Kuwait	3.05	3.03	-0.58%	14.87%	20.74%
Ahli United Bank - Kuwait	2.68	2.71	0.96%	5.71%	8.81%
Kuwait International Bank	1.37	1.38	0.24%	6.89%	16.48%
Burgan Bank	4.01	4.28	6.59%	-3.41%	-4.23%
Kuwait Finance House	8.10	8.18	0.99%	5.75%	2.27%
Boubyan Bank	2.17	2.52	15.88%	15.94%	18.64%
Ahli United Bank (B.S.C)	5.87	5.68	-3.20%	2.61%	7.08%
Ithmaar Bank (B.S.C)	1.08	1.12	4.23%	0.47%	2.36%
Warba Bank	0.54	0.83	52.24%	53.31%	49.35%
Total	48.35	49.02			

Q4 2016									
	Market Cap. (KWD Mn)	Operating Profits Margin %	% NPL over TL*	NPL Coverage Ratio*	ROE %	ROA %	PE (x)	PB (x)	
National Bank of Kuwait	3,607	35.01	1.9%	2.46	9.29	1.31	13.73	1.13	
Gulf Bank	713	24.79	5.7%	1.46	7.73	0.72	16.94	1.21	
Commercial Bank of Kuwait	629	53.11	22.1%	0.27	8.55	1.12	12.67	1.09	
Al Ahli Bank of Kuwait	494	22.49	7.4%	0.96	5.78	0.77	15.59	0.89	
Ahli United Bank - Kuwait	684	8.23	3.1%	1.13	10.03	0.93	17.59	1.59	
Kuwait International Bank	210	21.43	11.7%	0.76	7.33	0.93	12.98	0.76	
Burgan Bank	666	29.95	8.3%	0.42	10.60	0.88	10.08	0.85	
Kuwait Finance House	2,726	18.69	4.7%	3.39	9.21	1.00	18.21	1.49	
Boubyan Bank	867	34.03	2.5%	0.85	12.39	1.22	22.11	2.10	
Ahli United Bank (B.S.C)	1,320	28.24	3.4%	1.06	14.25	1.68	9.56	1.10	
Ithmaar Bank (B.S.C)	115	-0.12	18.2%	0.31	0.78	-0.58	NM	0.86	
Warba Bank	216	15.20	3.0%	0.50	2.75	0.15	NM	2.31	
Total Market	12,245						14.71	1.29	

Note: *Available Annually

Market Commentary

2016 has seen a very flat movement in the banking sector in terms of quarterly earnings releases, which is articulated in the first chart above. KIB and Warba have above average LTD ratio suggesting an elevated liquidity risk for both banks and emphasizing their operations in terms of relying heavily on borrowed funds. NBK has the highest increase in both its loans and deposits with 30% in both, second in line is KFH with percentages of over 20%, because of the large market share both these banks have it is only normal for them to dominate growth in both these fields however their earning performances were not so eye catching. A key highlight for the banking sector this year is that it shun the spotlight on the future of banking in Kuwait, specifically banks who are focusing on new online services.

What we look at in good performing banks is the ability to have a high operating profit margin yet maintaining a low NPL/TL % a good example would be NBK, Boubyan, AUB: B, Burgan and KIB.

Our recommendations:

1. KIB has attractive PE, Low NPL, below 1 PB and still trading 25.2% discount to 52 Week H and 13% premium to 52 W low (below average)
2. Boubyan Bank Low NPL, high PE (above average) and trading 12% discount to 52 Week H and 8% premium to 52 W low (below average)
3. Ahli united Bank - Bahrain Attractive PE, below 1 PB and is trading 30% discount to 52 Week H and 8% premium to 52W low (below average)

Prepared by: Asset Management Team, Arzan Financial Group

Email: am@arzan.com.kw; Tel: +965 22203035, +965 22203033

Source: Thomson Reuters

Note: Market Share excludes Banks in Bahrain

Disclosure: This document has been compiled by and is issued by Arzan Financial Group, which has obtained the information used in this document from sources it believes to be reliable, but has not carried out an independent verification of the data contained herein and does not guarantee neither its accuracy nor its completeness. This document is not an offer to sell or a solicitation to buy any securities. The opinions and estimates expressed herein are those of Arzan Financial Group and subject to change at any time without any prior notice. Past performance is not an indicator of future results.