

# KUWAIT BOURSA

## BANKING SECTOR REPORT FOR THE PERIOD 30 SEPTEMBER 2019

**Market Sector** : Banking Sector

**Exchange** : Kuwait Boursa

**Date** : 28 November 2019

**Prepared by** : Alaa Alatilie

**Department** : Assets Management

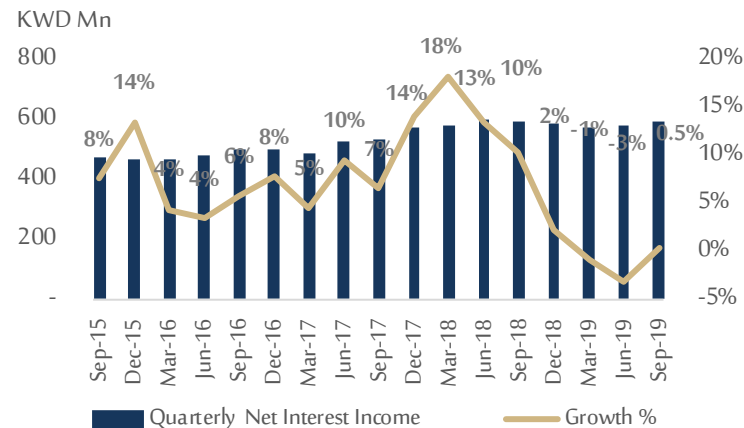


# Banking Sector Report

## Financial analysis - Income statements

### Banks' Net Interest (Financing) Income

KWD Million	3Q-18	3Q-19	Q-o-Q (%)		2018 to 2017		2017 to 2016	
National Bank of Kuwait	178.2	172.6	-3.2%	▼	9.8%	▲	10.4%	▲
Gulf Bank	38.5	36.1	-6.2%	▼	15.4%	▲	13.2%	▲
Commercial Bank of Kuwait	23.3	24.6	5.8%	▲	0.3%	▲	10.4%	▲
Al Ahli Bank of Kuwait	31.4	31.3	-0.2%	▼	8.3%	▲	3.0%	▲
Ahli United Bank - Kuwait	25.6	20.7	-19.4%	▼	-3.6%	▼	17.8%	▲
Kuwait International Bank	12.1	13.6	11.9%	▲	9.4%	▲	-1.4%	▼
Burgan Bank	45.5	43.3	-5.0%	▼	7.7%	▲	9.7%	▲
Kuwait Finance House	127.0	145.0	14.2%	▲	18.5%	▲	2.9%	▲
Boubyan Bank	31.2	29.6	-5.2%	▼	17.6%	▲	7.4%	▲
Ahli United Bank (B.S.C)	73.1	70.7	-3.2%	▼	7.1%	▲	3.6%	▲
Warba Bank	8.6	9.8	14.3%	▲	18.8%	▲	11.9%	▲
<b>Total</b>	<b>594.4</b>	<b>597.1</b>	<b>0.5%</b>	<b>▲</b>				



## Net Interest (Financing) Income

- The banking sector had a modest increase in its net interest (financing) income by 0.5% during 3<sup>rd</sup> quarter 2019 Q-o-Q to reach an amount of KWD 597.1 million. Additionally, the net interest (financing) income for the banking sector in Kuwait showed a continuous growth rates by 10.6% in 2018 Y-o-Y to reach an amount of KWD 2.4 billion compared to KWD 2.1 billion in 2017. The rise of the CBK Discount Rate from 2.25% in 2016 to 3.0% during first half of 2017 has a main effect on the banks interest income. Also, CBK Discount Rate had declined by the CBK in the middle of the 3<sup>rd</sup> quarter of 2019 for the first time following the Federal Bank of America whose lowered the discount rate twice in this year to reach 2.75% which considered as a key driver for the interest income.
- Percentage wise, Warba Bank continued to show the highest growth of 14.3% in 3Q 2019 to KWD 9.8 million Q-o-Q, while NBK accounted for the largest contribution of 28.9% amounted to KWD 172.6 million. On the other hand, the interests income of the Ahli United Bank – Kuwait deteriorated the most by 19.4% among the Kuwaiti banks followed by Gulf Bank and Boubyan bank by 6.2% and 5.2%, respectively.

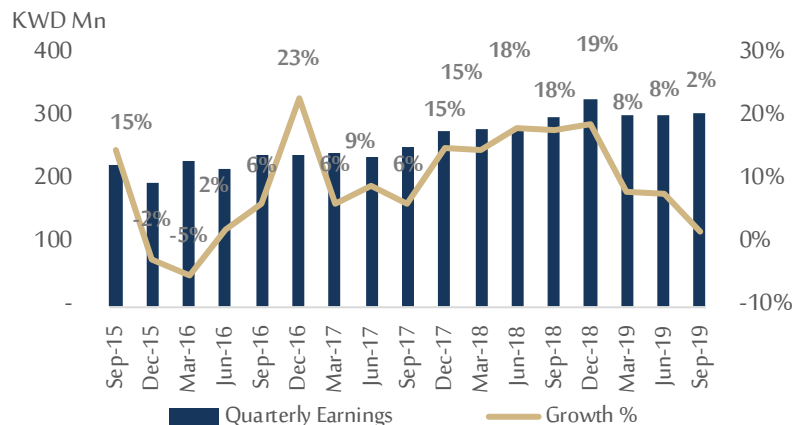
Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



# Banking Sector Report

## Financial analysis - Income statements

Banks' Net Profit							
Banks' Name	3Q-18	3Q-19	Q-o-Q (%)		2018 to 2017		2017 to 2016
National Bank of Kuwait	86.5	93.1	7.6%	▲	15.0%	▲	9.2%
Gulf Bank	15.9	13.2	-17.1%	▼	18.2%	▲	11.8%
Commercial Bank of Kuwait	9.2	6.8	-25.9%	▼	15.0%	▲	10.0%
Al Ahli Bank of Kuwait	7.9	(7.1)	-190.0%	▼	18.1%	▲	9.8%
Ahli United Bank - Kuwait	14.1	14.5	2.9%	▲	15.3%	▲	10.2%
Kuwait International Bank	3.5	3.2	-9.1%	▼	18.0%	▲	-2.8%
Burgan Bank	20.5	22.7	10.7%	▲	26.6%	▲	-4.3%
Kuwait Finance House	73.9	82.8	12.1%	▲	23.5%	▲	11.5%
Boubyan Bank	14.6	16.4	12.3%	▲	17.9%	▲	15.9%
Ahli United Bank (B.S.C)	51.7	55.0	6.3%	▲	12.4%	▲	8.6%
Warba Bank	2.9	5.6	92.7%	▲	63.4%	▲	189.5%
<b>Total</b>	<b>300.7</b>	<b>306.1</b>	<b>1.8%</b>	<b>▲</b>			



### Net profit attributable to shareholders

- In fact, the net interest income for the banking sector had a modest increase in Q3-2019 and this carries a direct effects that impact the banks net profit's growth. The banking sector continued to grow in Q3 2019 but at a lower rates compared to the previous quarters. In fact, net profit increased marginally in Q3-2019 by 1.8% to reach an amount of KWD 306.1 compared to the same period of the last year and this was also associated with an increase in the net Interest Income After Loan Loss Provision by 2.3%. Accordingly, the banking sector net profit had increased driven by the decline in the Loan Loss Provision by 4.1% Q-o-Q to reach KWD 164.6 million during the same period.
- The performance of the Kuwaiti banks in Q3 2019 were mixed. Accordingly, Warba Bank topped the banking growth list in Kuwait with a growth of 92.7% to reach KWD 5.6 million in 3Q 2019, followed by Boubyan and KFH by 12.3% & 12.1%, respectively. The huge growth was driven by the upper surge in Bank's financing income by 1.5%, operating revenue increased as well as and total provision declined during the Q3-2019 and compared to the same period of the last year. Ahli Bank of Kuwait reported losses in Q3-19 by KWD 7.1 million mainly due to the amount of provision was taken in the same period amounted to KWD 32.2 million.
- Total net profit for the shareholders of the banking sector's constituents have been continuously growing during 2016-2018. This was evidenced by the fact that the banking sector showed a growth of 9.3% in its net profit to reach KWD 1,015 Million in 2017. Also, net profit of the banking sector in 2018 were significantly growing by 17.7% in comparison with the previous year to reach KWD 1,194 million. The growth in the bank's net profit during 2016-2018 were mainly owing to the development in the banking sector's operating profit after provisions which parallely increased by 7.2% in 2017 YoY and 16.3% in 2018 to reach an amount of KWD 1,484 million and KWD 1,726 million, respectively.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

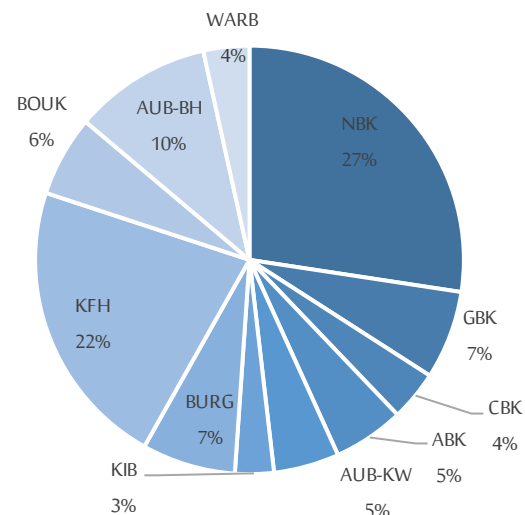


# Banking Sector Report

## Financial analysis - Balance Sheet

### Banks' Loans

Banks' Name	3Q-18	3Q-19	Q-o-Q (%)	2018 to 2017	2017 to 2016
National Bank of Kuwait	15,407	16,359	6.2% ▲	6.9% ▲	6.5% ▲
Gulf Bank	3,821	3,992	4.5% ▲	3.7% ▲	10.5% ▲
Commercial Bank of Kuwait	2,198	2,257	2.7% ▲	0.7% ▲	-0.6% ▼
Al Ahli Bank of Kuwait	3,122	3,197	2.4% ▲	-1.6% ▼	1.5% ▲
Ahli United Bank - Kuwait	2,859	2,951	3.2% ▲	4.8% ▲	-1.2% ▼
Kuwait International Bank	1,543	1,748	13.3% ▲	21.2% ▲	1.7% ▲
Burgan Bank	4,155	4,218	1.5% ▲	-3.3% ▼	4.3% ▲
Kuwait Finance House	12,306	13,075	6.2% ▲	-2.1% ▼	-0.5% ▼
Boubyan Bank	3,193	3,637	13.9% ▲	13.4% ▲	14.3% ▲
Ahli United Bank (B.S.C)	6,010	6,196	3.1% ▲	0.5% ▲	3.5% ▲
Warba Bank	1,452	2,070	42.5% ▲	27.3% ▲	52.6% ▲
<b>Total</b>	<b>56,068</b>	<b>59,701</b>	<b>6.5% ▲</b>		



### Highlights on Bank's Loans

- The banking sector in Kuwait showed an increased of 6.5% in the total loans to reach an amount of KWD 59.7 billion by the end of 30 September 2019 compared to an amount of KWD 56.1 billion on 30 September 2018. There were a remarkable increase in Warba Bank's total loans which grew by 42.5% to KWD 2.1 billion, followed by Boubyan Bank and KIB with a growth of 13.9% & 13.3% respectively in their total loans to reach an amount of KWD 3.6 billion, and KWD 1.75 billion, respectively. There was a continuous growth in the banks total loans between the period 2015-2018 by an annual growth of 7.5% in 2015, 1.2% in 2016, 7.3% in 2017 and 4.5% in 2018 to reach KWD 53.7 billion in December 2018.
- The banking sector showed a growth in total loans of all the constituents of the banking sector without any exception for the period 3Q/19-o-3Q/18. Accordingly, National Bank of Kuwait "NBK" continued to lead the banking sector with its largest market share of loans of 29.1% to reach an amount of KWD 16.4 billion, followed by KFH as the bank had a total market share of loans 21.9% and an amount of KWD 13.1 billion as of 30 September 2019.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

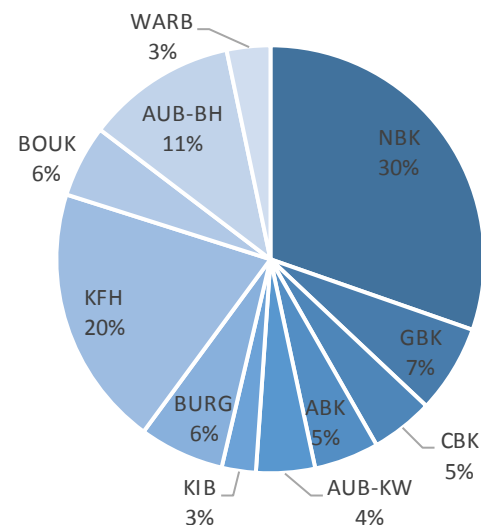


# Banking Sector Report

## Financial analysis - Balance Sheet

### Banks' Deposits

Banks' Name	3Q-18	3Q-19	Q-o-Q (%)		2018 to 2017		2017 to 2016	
National Bank of Kuwait	22,699	23,989	5.7%	▲	5.5%	▲	6.7%	▲
Gulf Bank	5,134	5,277	2.8%	▲	5.8%	▲	3.6%	▲
Commercial Bank of Kuwait	3,330	3,730	12.0%	▲	-0.4%	▼	4.2%	▲
Al Ahli Bank of Kuwait	3,702	3,873	4.6%	▲	2.3%	▲	-2.7%	▼
Ahli United Bank - Kuwait	3,353	3,519	4.9%	▲	6.6%	▲	-1.8%	▼
Kuwait International Bank	1,762	2,037	15.6%	▲	9.4%	▲	6.9%	▲
Burgan Bank	5,318	5,081	-4.4%	▼	-6.3%	▼	4.2%	▲
Kuwait Finance House	14,143	15,651	10.7%	▲	0.8%	▲	6.1%	▲
Boubyan Bank	3,731	4,318	15.7%	▲	10.2%	▲	14.7%	▲
Ahli United Bank (B.S.C)	8,418	8,974	6.6%	▲	6.1%	▲	2.7%	▲
Warba Bank	1,758	2,602	48.0%	▲	19.4%	▲	54.4%	▲
<b>Total</b>	<b>73,350</b>	<b>79,051</b>	<b>7.8%</b>	<b>▲</b>				



### Highlights on Bank's Deposits

- Total deposits in the Kuwaiti banking sector had an upsurge of 7.8% to reach an amount of KWD 79.1 billion by the end of 30 September 2019 compared to an amount of KWD 73.3 billion on 30 September 2018.
- Warba Bank leads the growth charts as its total deposits rose the most by 48% Q-o-Q compared to other banks in Kuwait to reach an amount of KWD 2.6 billion followed by Boubyan Bank and KIB which grew by 15.7% and 15.6% Q-o-Q to reach KWD 4.3 billion and KWD 2.0 billion as of 30 September 2019.
- Kuwait National Bank continued to prime the market with its largest market share of deposits and a weight of 30.3% to an amount of KWD 23.9 billion, followed by KFH with a total market share and a weight of 19.8% and amounted to KWD 15.7 billion on 30 September 2019.
- Burgan Bank were the only bank that had a decline in its total deposits. In fact, Burgan Bank showed a marginal deterioration in its total deposits during the period by 4.4% Q-o-Q among the banking sector constituents in Kuwait to reach KWD 5.1 billion.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

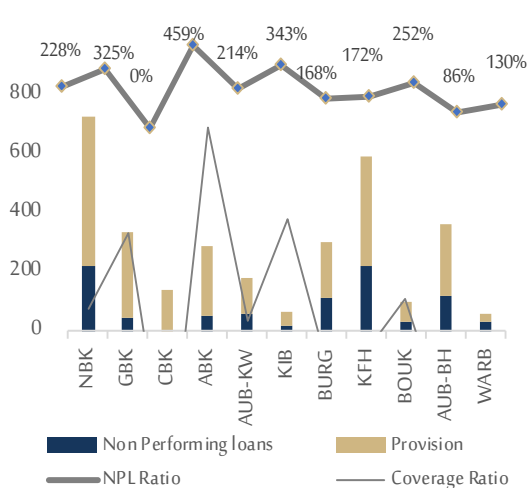
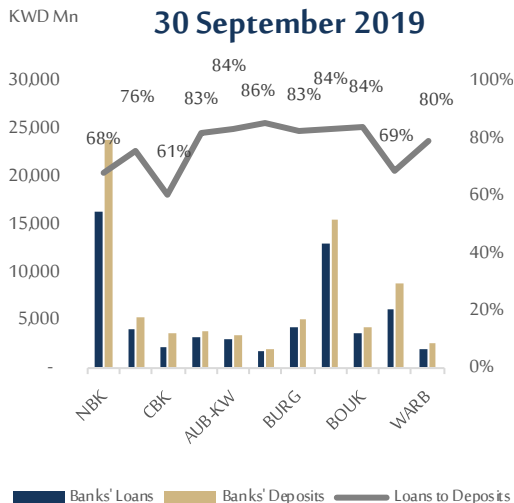


# Banking Sector Report

## Financial analysis - Balance Sheet

Banks' Name	Non Performing loans	Total Provisions	Coverage Ratio	NPL Ratio	Capital Adequacy Ratio
National Bank of Kuwait	220.9	505.7	228%	1.4%	17.2%
Gulf Bank	42.4	294.4	325%	1.0%	17.5%
Commercial Bank of Kuwait	Zero	142.2	N/A	0.0%	17.9%
Al Ahli Bank of Kuwait	51.4	236.2	459%	1.8%	19.2%
Ahli United Bank - Kuwait	58.1	124.1	214%	2.1%	17.2%
Kuwait International Bank	16.1	51.0	343%	1.0%	16.6%
Burgan Bank	115.1	188.8	168%	2.7%	17.4%
Kuwait Finance House	217.8	374.2	172%	2.3%	17.5%
Boubyan Bank	28.3	68.5	252%	0.9%	18.2%
Ahli United Bank (B.S.C)	117.0	247.1	86%	1.9%	16.9%
Warba Bank	28.8	30.3	130%	1.8%	24.3%
<b>Average</b>	<b>896.0</b>	<b>2,262.7</b>	<b>237.6%</b>	<b>1.5%</b>	<b>18.2%</b>

Note: all the data in this table is as of 31 December 2018



## Ratio Analysis

- The Kuwaiti banking sector NPL level faced a decline in 2018 to reach an amount of KWD 896 billion and this accounted for 1.5% of total loans.
- During 2018 there was a huge settlement for Commercial and Gulf Banks which leads Non Performing Loans Ratio to reach to zero for CBK and 1% for Gulf Bank.
- The Banks' Capital Adequacy Ratio is at an average of 18.2% and the highest CAR went for Warba Bank at 24.3% driven by the additional IPO's amounted to KWD 50 million and 50% of the Bank's share capital during 2018.
- The coverage ratio for the Banking Sector reached 237.6% in 2018 and an amount of KWD 2.26 billion and this can introduced the financial strength for the banking sector in Kuwait. In addition, the highest coverage ratio is accounted for AlAhli Bank of Kuwait, Kuwait International Bank and Gulf Bank at 459%, 343%, and 325%, respectively indicating high financial strength against any upcoming financial difficulties.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

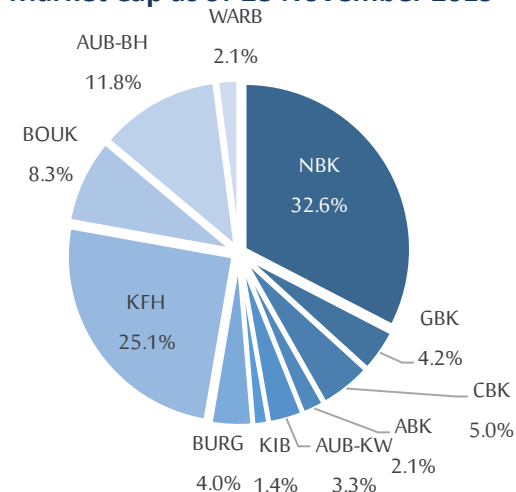


# Banking Sector Report

## Financial analysis - Market Performance

Banks' Name	Market Cap (KWD Mn)	PE*	BVPS (fils)*	P/BV*	Payout Ratio 2018	DY%*	Operating profit %*	Net profit %*	ROA %*	ROE %*
National Bank of Kuwait	6,596	17.3	527.5	1.94	60.3%	3.5%	49.2%	32.6%	1.4%	11.3%
Gulf Bank	841	16.0	216.3	1.34	51.3%	3.6%	31.2%	23.2%	1.0%	9.2%
Commercial Bank of Kuwait	1,020	15.5	370.3	1.40	56.5%	3.9%	38.8%	35.6%	1.2%	7.5%
Al Ahli Bank of Kuwait	434	18.1	419.9	0.64	53.8%	5.2%	28.8%	17.8%	0.9%	6.6%
Ahli United Bank - Kuwait	666	12.0	265.8	1.35	55.4%	4.6%	44.1%	30.1%	1.3%	10.5%
Kuwait International Bank	290	14.8	328.4	0.91	49.2%	4.1%	30.6%	20.6%	0.8%	6.1%
Burgan Bank	814	13.2	340.5	0.91	38.7%	3.9%	33.8%	19.2%	1.2%	9.1%
Kuwait Finance House	5,086	21.5	275.8	2.68	55.0%	2.7%	40.0%	26.2%	1.3%	12.4%
Boubyan Bank	1,673	29.6	199.1	3.00	37.4%	1.4%	40.1%	27.1%	1.2%	10.4%
Ahli United Bank (B.S.C)	2,396	11.6	156.1	1.76	60.3%	5.5%	65.6%	39.3%	1.9%	15.9%
Warba Bank	417	36.4	188.1	1.49	0.0%	0.0%	25.8%	10.3%	0.5%	4.7%
	20,233.9	18.6		2.03	51.8%	3.8%	38.9%	25.7%	1.2%	9.4%

Market Cap as of 28 November 2019



Note: \* Is calculated based in the LTM as of 30 September 2019.

### Market Indicators

- The total market cap for the banking sector declined in the 3<sup>rd</sup> quarter to KWD 19.3 billion as of 30 September 2019 compared to KWD 20.0 billion in 30 June 2019. NBK continued to have the largest market cap in Kuwait Boursa and accounted for the largest rate of 32.6% of the banking sector with a market cap of KWD 6.6 billion, followed by KFH with a 25.1% with a market cap of KWD 5.1 billion as of 28 November 2019.
- When comparing banks in terms of dividend payout ratio, AUB-BH and NBK topped the list chart with 60.3% followed by CBK and AUB-KW of 56.5% and 53.8%, respectively. Dividend Yield of the banking sector reached 3.8% and where AUB-KW gave the highest dividend yield of 5.5% followed by AUB-BH and Al-Ahli Bank by 5.2% and 4.6% respectively as of 28 November 2019 market prices using the latest annual distribution for all the banks.
- As of 30 September 2019, NBK topped the banking sector based on its book value per share reached 527.5 fils followed by Al-Ahli Bank of Kuwait with BVPS of 419 fils. Al-Ahli had the lowest P/BV among the banking sector with P/BV of 0.64X as of 28 November 2019 while the lowest PE of 12.0X went to AUB-KW. On the other hand, the highest PE and P/BV went for Warba Bank and Boubyan Bank respectively at 36.4X and 3.0x, respectively.



# Arzan Financial Group

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