

# KUWAIT BOURSA

## BANKING SECTOR REPORT FOR THE PERIOD 31 MARCH 2018

**Market Sector** : Banking

**Exchange** : Kuwait Boursa

**Date** : 29 May 2018

**Prepared by** : Alaa Alatilie

**Department** : Assets Management



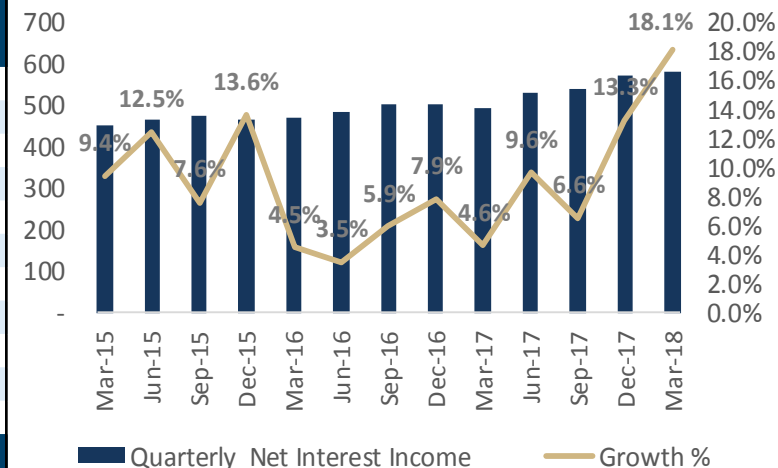
# Banking Sector Report

## Financial analysis - Income statements

### Banks' Net Interest (Financing) Income

Banks' Name	1Q-17 (KWD Mn)	1Q-18 (KWD Mn)	Q-o-Q change (%)	2017 to 2016	2016 to 2015
National Bank of Kuwait	147.54	163.59	10.9% ▲	10.4% ▲	7.5% ▲
Gulf Bank	29.99	36.81	22.7% ▲	13.2% ▲	-1.8% ▼
Commercial Bank of Kuwait	22.16	24.09	8.7% ▲	10.4% ▲	1.7% ▲
Al Ahli Bank of Kuwait	26.60	29.09	9.3% ▲	3.0% ▲	15.7% ▲
Ahli United Bank - Kuwait	23.36	25.34	8.5% ▲	17.8% ▲	-0.8% ▼
Kuwait International Bank	11.24	13.56	20.6% ▲	-1.4% ▼	3.9% ▲
Burgan Bank	39.10	46.73	19.5% ▲	9.7% ▲	19.6% ▲
Kuwait Finance House	100.10	138.38	38.2% ▲	2.3% ▲	0.8% ▲
Boubyan Bank	24.68	27.46	11.3% ▲	16.9% ▲	11.6% ▲
Ahli United Bank (B.S.C)	62.20	68.63	10.4% ▲	5.9% ▲	1.7% ▲
Warba Bank	5.73	8.34	45.5% ▲	74.5% ▲	36.4% ▲
<b>Total</b>	<b>492.7</b>	<b>582.0</b>	<b>18.1% ▲</b>		

KWD Mn



## Net Interest (Financing) Income

- The banking sector boosted its net interest (financing) income by 18.1% during 1st quarter 2018 Q-o-Q to reach an amount of KWD 582.0 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 1<sup>st</sup> quarter of 2018 to reach 3.00% which considers as a key driver for the interest income.
- Percentage wise, Warba Bank showed the highest growth of 45.5% in 1Q 2018 to KWD 8.34 million Q-o-Q, while NBK accounted for the highest contribution of 28.1% amounted to KWD 163.59 million. All the Kuwaiti banks showed a growth in the net interest (financing) income during 1Q 2018.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

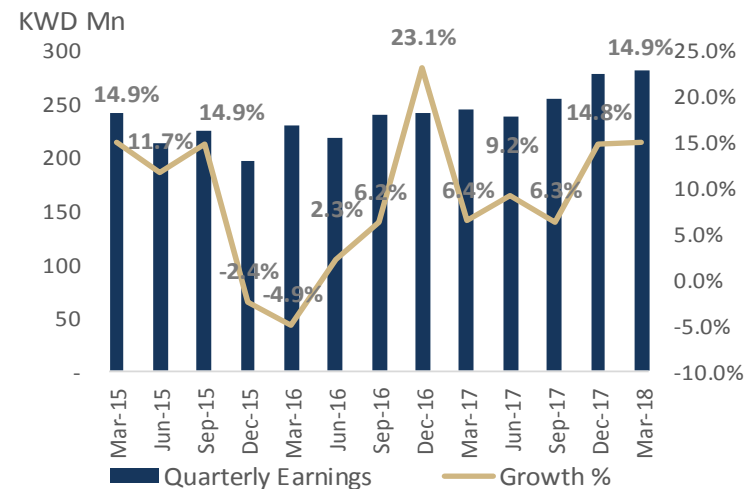


# Banking Sector Report

## Financial analysis - Income statements

### Banks' Earnings

Banks' Name	1Q-17 (KWD Mn)	1Q-18 (KWD Mn)	Q-o-Q change (%)	2017 to 2016	2016 to 2015
National Bank of Kuwait	85.36	93.59	9.6% ▲	9.2% ▲	4.6% ▲
Gulf Bank	9.36	10.81	15.5% ▲	11.8% ▲	10.1% ▲
Commercial Bank of Kuwait	0.80	10.07	1166.5% ▲	10.0% ▲	9.1% ▲
Al Ahli Bank of Kuwait	8.51	10.04	18.0% ▲	9.8% ▲	7.0% ▲
Ahli United Bank - Kuwait	16.00	16.82	5.1% ▲	10.2% ▲	-5.7% ▼
Kuwait International Bank	7.59	7.70	1.5% ▲	-2.8% ▼	13.8% ▲
Burgan Bank	17.81	20.38	14.4% ▲	-4.3% ▼	-10.4% ▼
Kuwait Finance House	38.59	43.97	13.9% ▲	11.5% ▲	13.3% ▲
Boubyan Bank	10.66	12.56	17.9% ▲	15.9% ▲	16.6% ▲
Ahli United Bank (B.S.C)	48.58	52.29	7.6% ▲	8.6% ▲	6.3% ▲
Warba Bank	1.36	2.92	115.0% ▲	164.9% ▲	157.5% ▲
<b>Total</b>	<b>244.6</b>	<b>281.1</b>	<b>14.9% ▲</b>		



## Net profit attributable to shareholders

- During the period 1Q 2018, the banking sector had an improvement in its net profit by 14.9% to reach an amount of KWD 281.1 compared to the same period of the last year and this was associated with an increase in the earnings before taxes and provisions by 13.9%. The Net profit for all the Kuwaiti banks has increased during the first quarter of 2018 in addition to CBK topped the banking growth list in Kuwait with a growth of 1166.5% to reach KWD 10.07 million in 1Q 2018. The huge growth was driven by the decline in provisions for impairment and other provisions in Q1 2018 compared to the same period of the last year.
- 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 12.6% 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.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

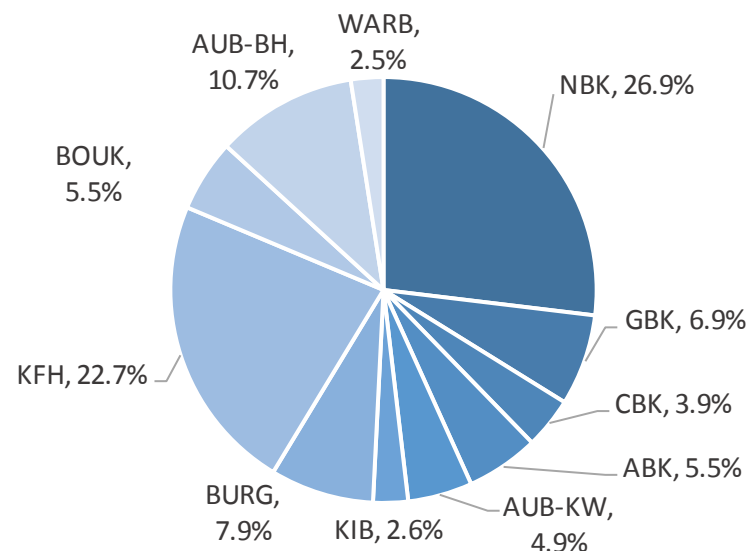


# Banking Sector Report

## Financial analysis - Balance Sheet

### Banks' Loans

Banks' Name	1Q-17 (KWD Mn)	1Q-18 (KWD Mn)	Q-o-Q change (%)	2017 to 2016	2016 to 2015
National Bank of Kuwait	14,049	14,838	5.6% ▲	6.5% ▲	0.4% ▲
Gulf Bank	3,386	3,820	12.8% ▲	10.5% ▲	-5.2% ▼
Commercial Bank of Kuwait	2,234	2,144	-4.0% ▼	-0.6% ▼	-2.0% ▼
Al Ahli Bank of Kuwait	3,052	3,046	-0.2% ▼	1.5% ▲	-0.6% ▼
Ahli United Bank - Kuwait	2,749	2,696	-1.9% ▼	-1.2% ▼	1.0% ▲
Kuwait International Bank	1,399	1,460	4.3% ▲	1.7% ▲	0.2% ▲
Burgan Bank	4,282	4,340	1.3% ▲	4.3% ▲	3.3% ▲
Kuwait Finance House	11,212	12,504	11.5% ▲	12.7% ▲	1.0% ▲
Boubyan Bank	2,671	3,013	12.8% ▲	14.3% ▲	15.9% ▲
Ahli United Bank (B.S.C)	5,753	5,914	2.8% ▲	3.5% ▲	-3.2% ▼
Warba Bank	971	1,361	40.2% ▲	52.6% ▲	52.2% ▲
<b>Total</b>	<b>51,757.9</b>	<b>55,136.0</b>	<b>6.5% ▲</b>		



## Highlights on Bank's Loans

- The banking sector in Kuwait showed an increase of 6.5% in the total loans to reach an amount of KWD 55.136 billion by the end of 31 March 2018 compared to an amount of KWD 51.75 billion on 31 March 2017. There were a remarkable increase in Warba Bank's total loans which grew by 40.2% followed by Boubyan Bank and Gulf Bank as their total loans grew by 12.8% Q-o-Q to reach an amount of KWD 1.361 billion, KWD 3.013 billion and KWD 3.820 billion, respectively.
- National Bank of Kuwait "NBK" continued to lead the banking sector with its largest market share of loans of 26.9% to reach an amount of KWD 14.8 billion, followed by KFH as the bank had a total market share of loans 22.7% and an amount of KWD 12.5 billion as of 31 March 2018.
- The banking sector showed out that CBK, AUB-Kuwait and ABK had the worst performance based on total loans growth as of 31 March 2018. All the previous banks faced a decline in total loans by 4.0%, 1.9% and 0.4% respectively to reach KWD 2.14 billion, KWD 2.696 billion and KWD 3.046 billion as of 31 March 2018.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

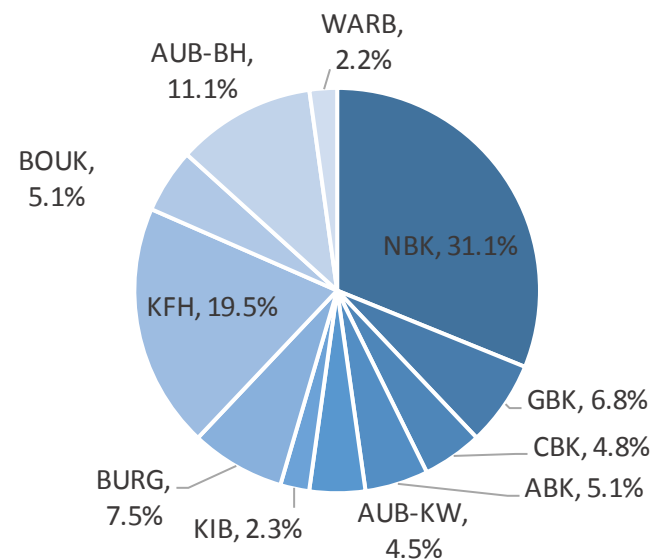


# Banking Sector Report

## Financial analysis - Balance Sheet

### Banks' Deposits

Banks' Name	1Q-17 (KWD Mn)	1Q-18 (KWD Mn)	Q-o-Q change (%)	2017 to 2016	2016 to 2015
National Bank of Kuwait	21,034	22,425	6.6% ▲	6.7% ▲	1.8% ▲
Gulf Bank	4,834	4,886	1.1% ▲	3.6% ▲	-2.6% ▼
Commercial Bank of Kuwait	3,493	3,441	-1.5% ▼	4.2% ▲	1.5% ▲
Al Ahli Bank of Kuwait	3,661	3,637	-0.7% ▼	-2.7% ▼	-1.6% ▼
Ahli United Bank - Kuwait	3,267	3,205	-1.9% ▼	-1.8% ▼	-8.5% ▼
Kuwait International Bank	1,616	1,663	2.9% ▲	6.9% ▲	10.8% ▲
Burgan Bank	5,721	5,418	-5.3% ▼	4.2% ▲	3.5% ▲
Kuwait Finance House	13,572	14,060	3.6% ▲	6.1% ▲	-1.7% ▼
Boubyan Bank	3,217	3,701	15.0% ▲	14.7% ▲	8.6% ▲
Ahli United Bank (B.S.C)	7,599	7,983	5.1% ▲	2.7% ▲	-9.3% ▼
Warba Bank	1,134	1,636	44.3% ▲	54.4% ▲	51.2% ▲
<b>Total</b>	<b>69,148.2</b>	<b>72,053.6</b>	<b>4.2% ▲</b>		



## Highlights on Bank's Deposits

- Total deposits in the Kuwaiti banking sector had a modest upsurge of 4.2% to reach an amount of KWD 72.0 billion by the end of 31 March 2018 compared to an amount of KWD 69.1 billion on 31 March 2017.
- Warba Bank leads the growth charts as its total deposits rose the most by 44.3% Q-o-Q compared to other banks in Kuwait to reach an amount of KWD 1.636 billion followed by Boubyan Bank which also grew by 15% Q-o-Q to reach KWD 3.70 billion as of 31 March 2018.
- Kuwait National Bank continued to prime the market with its largest market share of deposits and a weight of 31.1% to an amount of KWD 22.4 billion, followed by KFH with a total market share and a weight of 19.5% and amounted to KWD 14.06 billion on 31 March 2018.
- Burgan Bank suffered from the highest decline in its total deposits during the period by 5.3% Q-o-Q among the banking sector constituents in Kuwait to reach KWD 5.4 billion, followed by AUB-Kuwait and Commercial Bank as its total deposits deteriorated by 1.9% and 1.5% Q-o-Q to reach KWD 3.20 billion and KWD 3.44 billion.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

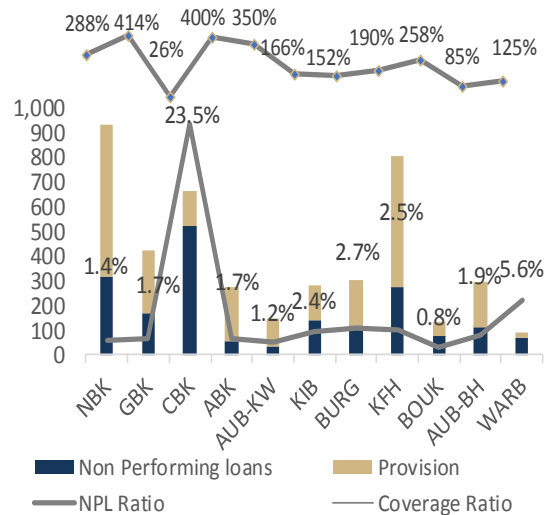
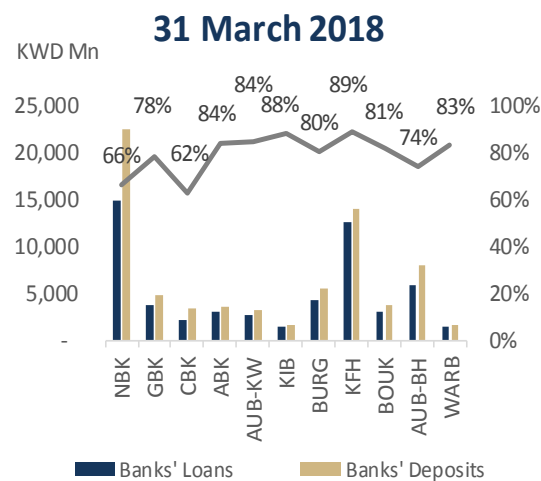


# Banking Sector Report

## Financial analysis - Balance Sheet

Banks' Name	Non Performing loans	Total Provisions	Coverage Ratio	NPL Ratio	Capital Adequacy Ratio
National Bank of Kuwait	319.8	615.5	288%	1.42%	17.8%
Gulf Bank	73.0	251.1	414%	1.70%	17.8%
Commercial Bank of Kuwait*	525.0	136.9	26%	23.48%	17.9%
Al Ahli Bank of Kuwait	51.4	222.8	400%	1.67%	17.2%
Ahli United Bank - Kuwait	32.3	113.1	350%	1.21%	17.2%
Kuwait International Bank	31.3	45.1	166%	2.40%	18.0%
Burgan Bank	118.8	180.1	152%	2.70%	16.2%
Kuwait Finance House	276.2	525.8	190%	2.50%	17.8%
Boubyan Bank	15.2	60.3	258%	0.80%	19.4%
Ahli United Bank (B.S.C)	114.5	177.8	85%	1.90%	17.0%
Warba Bank	70.8	20.9	125%	5.60%	22.5%
<b>Average</b>	<b>1,628.3</b>	<b>2,349.3</b>	<b>223.1%</b>	<b>4.1%</b>	<b>18.1%</b>

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 while it decreased by 9.6% in 2017 to reach KWD 2.349 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 223.1% in 2017 and an amount of KWD 2.349 billion and this can introduced the financial strength for the banking sector in Kuwait.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



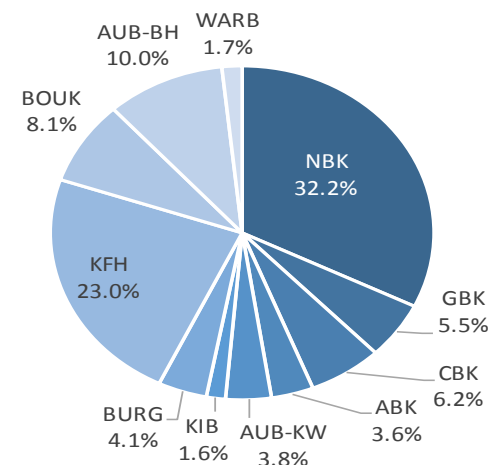
# Banking Sector Report

## 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	4,574.7	13.84	516.3	1.45	56.6%	4.3%	45.1%	33.4%	1.3%	10.5%
Gulf Bank	782.6	15.8	202.4	1.33	52.9%	3.8%	28.1%	23.0%	0.9%	8.4%
Commercial Bank of Kuwait	882.9	13.6	356.3	1.38	53.1%	4.9%	43.7%	46.6%	1.5%	10.1%
Al Ahli Bank of Kuwait	504.7	13.6	350.2	0.90	54.5%	4.1%	25.6%	18.8%	0.9%	6.6%
Ahli United Bank - Kuwait	545.6	12.0	267.6	1.17	53.3%	3.9%	40.6%	28.8%	1.2%	9.7%
Kuwait International Bank	228.0	12.8	275.7	0.89	52.7%	4.4%	28.2%	22.4%	0.9%	6.9%
Burgan Bank	584.6	8.6	363.5	0.72	27.6%	2.4%	32.0%	16.3%	0.9%	8.3%
Kuwait Finance House	3,269.4	17.2	291.6	1.79	52.5%	3.2%	34.3%	24.4%	1.1%	10.4%
Boubyan Bank	1,152.5	23.3	186.8	2.62	37.4%	1.7%	39.6%	28.5%	1.3%	11.3%
Ahli United Bank (B.S.C)	1,420.1	7.4	162.6	1.12	57.9%	6.9%	63.1%	41.4%	1.9%	15.0%
Warba Bank	240.8	28.7	175.6	1.37	0.0%	0.0%	21.0%	6.1%	0.5%	4.8%
	<b>14,185.7</b>	<b>14.8</b>	<b>1.51</b>	<b>49.9%</b>	<b>4.0%</b>	<b>36.5%</b>	<b>26.3%</b>	<b>1.1%</b>	<b>9.3%</b>	

Note: \* Is calculated based in the LTM as of 31 March 2018

Market Cap as of 22 May 2018



## Market Indicators

- The total market cap for the banking sector increased to KWD 14.5 billion on 31 March 2018 compared to KWD 13.85 billion in 31 December 2017. NBK continued to have the largest market cap in Kuwait Bourse and accounted for the largest rate of 32.2% of the banking sector with a market cap of KWD 4.66 billion, followed by KFH with a 23% with a market cap of KWD 3.42 billion on 31 March 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 4.0% and where AUB Bahrain gave the highest dividend yield of 6.9% followed by KIB and NBK by 4.4% and 4.3%, respectively based on 2017 payout ratio and market price on 22 May 2018.
- As of 31 March 2018, NBK topped the banking sector based on its book value per share reached 516.3 fils followed by Burgan Bank with BVPS of 363.5 fils. Burgan Bank had the lowest P/BV among the banking sector with P/BV of 0.72 as of 31 March 2018 and the lowest PE of 7.4x went to AUB Bahrain. On the other hand, the highest PE and P/BV went for Warba Bank and Boubyan Bank respectively at 28.7x and 2.62x, respectively.



# Arzan Financial Group

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