

KUWAIT BOURSA

BANKING SECTOR REPORT FOR THE PERIOD 30 JUNE 2019

Market Sector : Banking Sector

Exchange : Kuwait Boursa

Date : 5 August 2019

Prepared by : Alaa Alatilie

Department : Assets Management

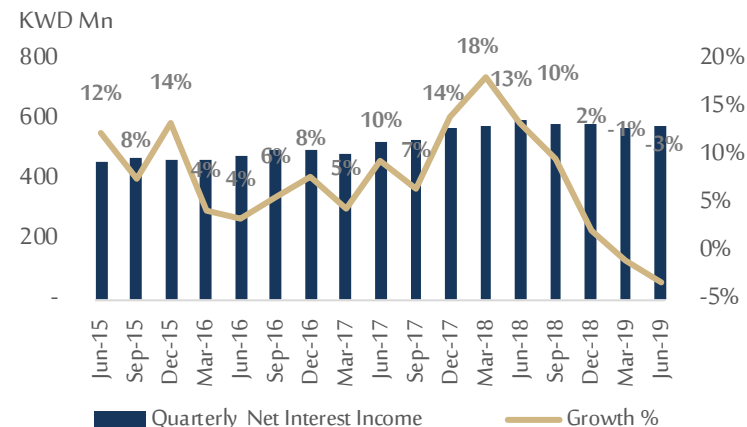


Banking Sector Report

Financial analysis - Income statements

Banks' Net Interest (Financing) Income

KWD Million	2Q-18	2Q-19	Q-o-Q (%)	2018 to 2017	2017 to 2016
National Bank of Kuwait	173.2	173.2	0.0% ▼	9.8% ▲	10.4% ▲
Gulf Bank	40.1	36.9	-7.9% ▼	15.4% ▲	13.2% ▲
Commercial Bank of Kuwait	22.8	24.9	9.6% ▲	0.3% ▲	10.4% ▲
Al Ahli Bank of Kuwait	29.6	31.7	7.1% ▲	8.3% ▲	3.0% ▲
Ahli United Bank - Kuwait	25.5	21.3	-16.6% ▼	-3.6% ▼	17.8% ▲
Kuwait International Bank	13.6	12.9	-4.7% ▼	9.4% ▲	-1.4% ▼
Burgan Bank	46.4	44.5	-4.1% ▼	7.7% ▲	9.7% ▲
Kuwait Finance House	139.5	122.4	-12.3% ▼	18.5% ▲	2.9% ▲
Boubyan Bank	30.6	29.8	-2.7% ▼	15.3% ▲	7.4% ▲
Ahli United Bank (B.S.C)	71.9	74.8	4.0% ▲	7.1% ▲	3.6% ▲
Warba Bank	7.9	9.7	23.6% ▲	19.1% ▲	11.9% ▲
Total	601.1	582.2	-3.1% ▼		



Net Interest (Financing) Income

- The banking sector had a modest decline in its net interest (financing) income by 3.1% during 2nd quarter 2019 Q-o-Q to reach an amount of KWD 582 million. However, 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 been increased in the middle of the 1st quarter of 2018 to reach 3.00% which considers as a key driver for the interest income.
- Percentage wise, Warba Bank continued to show the highest growth of 23.6% in 2Q 2019 to KWD 9.7 million Q-o-Q, while NBK accounted for the largest contribution of 29.7% amounted to KWD 173 million. On the other hand, the interests income of the Ahli United Bank – Kuwait deteriorated the most by 19.8% among the Kuwaiti banks followed by KFH and Gulf Bank by 12.3% and 7.9%, respectively.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

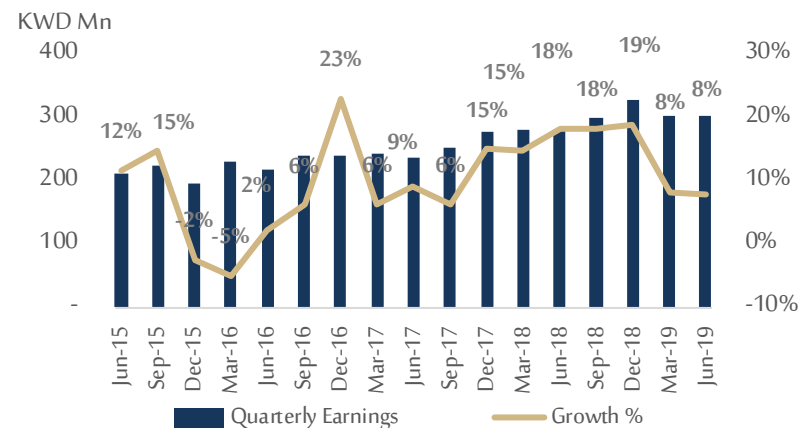


Banking Sector Report

Financial analysis - Income statements

Banks' Earnings

Banks' Name	2Q-18	2Q-19	Q-o-Q (%)	2018 to 2017	2017 to 2016
National Bank of Kuwait	92.3	101.4	9.9% ▲	15.0% ▲	9.2% ▲
Gulf Bank	16.0	12.2	-23.8% ▼	18.2% ▲	11.8% ▲
Commercial Bank of Kuwait	(4.0)	8.9	880.1% ▲	15.0% ▲	10.0% ▲
Al Ahli Bank of Kuwait	9.1	10.2	12.0% ▲	18.1% ▲	9.8% ▲
Ahli United Bank - Kuwait	12.1	13.2	8.8% ▲	15.3% ▲	10.2% ▲
Kuwait International Bank	4.3	3.4	-20.5% ▼	18.0% ▲	-2.8% ▼
Burgan Bank	30.1	25.6	-15.1% ▼	26.6% ▲	-4.3% ▼
Kuwait Finance House	51.3	56.1	9.4% ▲	23.5% ▲	11.5% ▲
Boubyan Bank	13.2	14.2	8.1% ▲	17.9% ▲	15.9% ▲
Ahli United Bank (B.S.C)	55.2	56.0	1.3% ▲	12.4% ▲	8.6% ▲
Warba Bank	2.3	2.7	17.4% ▲	70.9% ▲	189.5% ▲
Total	281.8	303.7	7.8% ▲		



Net profit attributable to shareholders

- Although net interest income for the banking sector declined by 3.0% in Q2-2019 but, the banking sector continued to show a clear growth signs in its net profit by 7.8% to reach an amount of KWD 304 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 2.6%. Accordingly, the banking sector net profit had increased driven by the decline in the Loan Loss Provision by 13.7% Q-o-Q to reach KWD 183 million during the same period.
- The Net profit for all the Kuwaiti banks has increased during the Second quarter of 2019 in addition to Commercial Bank topped the banking growth list in Kuwait with a growth of 880% to reach KWD 8.9 million in 2Q 2019. The huge growth was driven by the upper surge in Bank's financing income by 9.6%, operating revenue increased as well as by 17.5% and total provision declined by 21% during the Q2-2019 and compared to the same period of the last year.
- 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

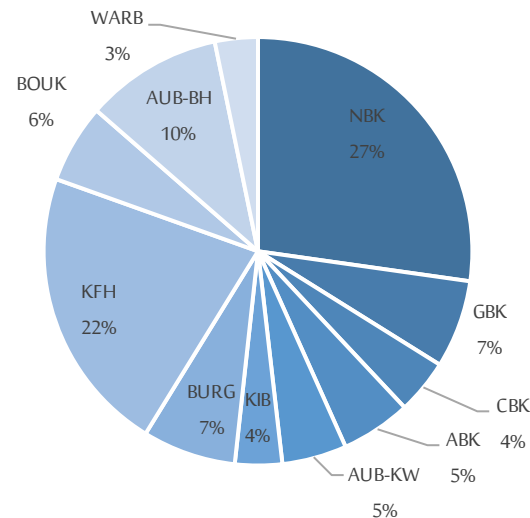


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Loans

Banks' Name	2Q-18	2Q-19	Q-o-Q (%)	2018 to 2017	2017 to 2016
National Bank of Kuwait	15,228	16,216	6.5% ▲	6.9% ▲	6.5% ▲
Gulf Bank	3,879	3,955	2.0% ▲	3.7% ▲	10.5% ▲
Commercial Bank of Kuwait	2,137	2,455	14.9% ▲	0.7% ▲	-0.6% ▼
Al Ahli Bank of Kuwait	3,100	3,149	1.6% ▲	-1.6% ▼	1.5% ▲
Ahli United Bank - Kuwait	2,745	2,905	5.8% ▲	4.8% ▲	-1.2% ▼
Kuwait International Bank	1,871	2,116	13.1% ▲	21.2% ▲	1.7% ▲
Burgan Bank	4,243	4,199	-1.0% ▼	-3.3% ▼	4.3% ▲
Kuwait Finance House	12,571	12,906	2.7% ▲	-2.1% ▼	-0.5% ▼
Boubyan Bank	3,132	3,541	13.1% ▲	13.4% ▲	14.3% ▲
Ahli United Bank (B.S.C)	5,927	6,154	3.8% ▲	0.5% ▲	3.5% ▲
Warba Bank	1,388	1,931	39.1% ▲	27.3% ▲	52.6% ▲
Total	56,220	59,528	5.9% ▲		



Highlights on Bank's Loans

- The banking sector in Kuwait showed an increase of 5.9% in the total loans to reach an amount of KWD 59.5 billion by the end of 30 June 2019 compared to an amount of KWD 56.2 billion on 30 June 2018. There were a remarkable increase in Warba Bank's total loans which grew by 39.1% to KWD 1.93 billion, followed by Commercial Bank by 14.9% and both KIB and Boubyan Banks of showed a growth of 13.1% in their total loans to reach an amount of KWD 2.45 billion, KWD 2.1 billion and KWD 3.54 billion, respectively.
- National Bank of Kuwait "NBK" continued to lead the banking sector with its largest market share of loans of 27.2% to reach an amount of KWD 16.2 billion, followed by KFH as the bank had a total market share of loans 22.7% and an amount of KWD 12.9 billion as of 30 June 2019.
- The banking sector showed a growth in total loans for all the constituents of the banking sector with exception for Burgan Bank as total loans decayed by 1.0% Q-o-Q to reach KWD 4.2 billion as of 30 June 2019.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

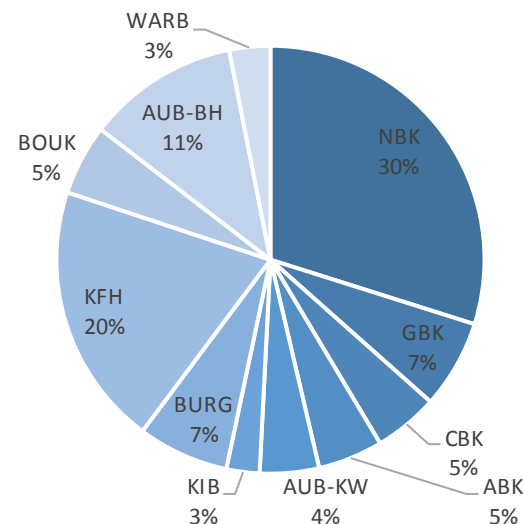


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Deposits

Banks' Name	2Q-18	2Q-19	Q-o-Q (%)	2018 to 2017	2017 to 2016
National Bank of Kuwait	22,679	23,018	1.5% ▲	5.5% ▲	6.7% ▲
Gulf Bank	5,036	5,151	2.3% ▲	5.8% ▲	3.6% ▲
Commercial Bank of Kuwait	3,396	3,758	10.7% ▲	-0.4% ▼	4.2% ▲
Al Ahli Bank of Kuwait	3,652	3,783	3.6% ▲	2.3% ▲	-2.7% ▼
Ahli United Bank - Kuwait	3,147	3,441	9.4% ▲	6.6% ▲	-1.8% ▼
Kuwait International Bank	1,765	1,929	9.3% ▲	9.4% ▲	6.9% ▲
Burgan Bank	5,434	5,312	-2.2% ▼	-6.3% ▼	4.2% ▲
Kuwait Finance House	14,361	15,329	6.7% ▲	0.8% ▲	6.1% ▲
Boubyan Bank	3,663	4,109	12.2% ▲	10.2% ▲	14.7% ▲
Ahli United Bank (B.S.C)	8,330	8,838	6.1% ▲	6.1% ▲	2.7% ▲
Warba Bank	1,737	2,388	37.5% ▲	19.4% ▲	54.4% ▲
Total	73,199	77,055	5.3% ▲		



Highlights on Bank's Deposits

- Total deposits in the Kuwaiti banking sector had an upsurge of 5.3% to reach an amount of KWD 77.1 billion by the end of 30 June 2019 compared to an amount of KWD 72.0 billion on 30 June 2018.
- Warba Bank leads the growth charts as its total deposits rose the most by 37.5% Q-o-Q compared to other banks in Kuwait to reach an amount of KWD 2.4 billion followed by Boubyan Bank which grew by 12.2% Q-o-Q to reach KWD 4.1 billion as of 30 June 2019.
- Kuwait National Bank continued to prime the market with its largest market share of deposits and a weight of 29.9% to an amount of KWD 23.0 billion, followed by KFH with a total market share and a weight of 19.9% and amounted to KWD 15.3 billion on 30 June 2019.
- Burgan Bank were the only bank that had a decline in its total deposits. In fact, Burgan Bank showed a modest deterioration in its total deposits during the period by 1.0% Q-o-Q among the banking sector constituents in Kuwait to reach KWD 5.3 billion.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

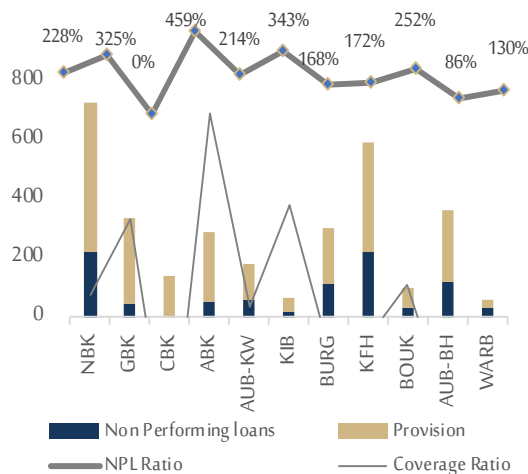
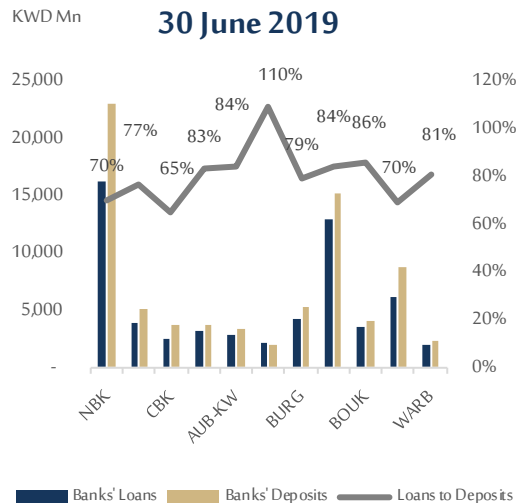


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Name	Non Performing loans	Total Provisions	Coverage Ratio	NPL Ratio	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%
Average	896.0	2,262.7	237.6%	1.5%	18.2%

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

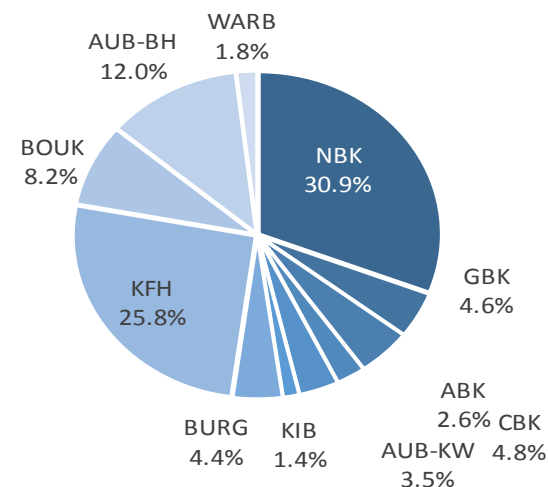


Banking Sector Report

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	6,489	18.9	520	1.94	60.3%	3.5%	49.2%	32.6%	1.4%	11.5%
Gulf Bank	960	18.4	214	1.55	51.3%	3.2%	31.2%	23.2%	1.0%	9.3%
Commercial Bank of Kuwait	1,010	17.0	366	1.40	56.5%	3.9%	38.8%	35.6%	1.2%	7.6%
Al Ahli Bank of Kuwait	542	14.1	419	0.81	53.8%	4.2%	28.8%	17.8%	1.0%	6.6%
Ahli United Bank - Kuwait	742	15.8	263	1.52	55.4%	4.2%	44.1%	30.1%	1.3%	10.6%
Kuwait International Bank	303	16.2	303	1.03	49.2%	3.9%	30.6%	20.6%	0.9%	6.6%
Burgan Bank	921	12.0	344	1.05	38.7%	3.4%	33.8%	19.2%	1.2%	9.3%
Kuwait Finance House	5,433	27.5	269	2.93	55.0%	2.6%	40.0%	26.2%	1.3%	12.7%
Boubyan Bank	1,727	33.5	188	3.35	37.4%	1.3%	40.1%	27.6%	1.3%	11.3%
Ahli United Bank (B.S.C)	2,514	12.6	154	1.87	60.3%	5.2%	65.6%	39.3%	2.0%	16.2%
Warba Bank	387	38.7	182	1.53	0.0%	0.0%	27.0%	11.1%	0.6%	5.4%
	21,027.9	21.2		2.16	51.8%	3.5%	39.0%	25.8%	1.2%	9.7%

Market Cap as of 4 August 2019



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

Market Indicators

- The total market cap for the banking sector increased to KWD 20.0 billion on 30 June 2019 compared to KWD 18.7 billion in 31 March 2019. NBK continued to have the largest market cap in Kuwait Boursa and accounted for the largest rate of 30.9% of the banking sector with a market cap of KWD 6.5 billion, followed by KFH with a 25.8% with a market cap of KWD 5.4 billion as of 4 August 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 3.5% and where AUB-Bahrain gave the highest dividend yield of 5.2% followed by AUB-KW and Al-Ahli Bank by 4.2% for both of them based on 2018 payout ratio and market price on 4 August 2019.
- As of 30 June 2019, NBK topped the banking sector based on its book value per share reached 520 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 0.81x as of 4 August 2019 while the lowest PE of 12.6x went to AUB-BH. On the other hand, the highest PE and P/BV went for Warba Bank and Boubyan Bank respectively at 38.7x and 3.35x, respectively.



Arzan Financial Group

Disclaimer

It should be noted that this report does not constitute investment recommendations or whether investors should continue to own their investments. The report was prepared only for the purpose of viewing and should not be relied upon for any other purpose.

This report is prepared for general circulation and was sent to you as a customer for the purpose of providing general information only, it is not intended to offer or provide advice regarding the purchase or sale of any security or investment.

Although the information in this report has been gathered from sources that the company believes to be reliable, we have not verified independently whether it is inaccurate or incomplete. There is no responsibility on the company for any losses arising directly or indirectly from this information.

