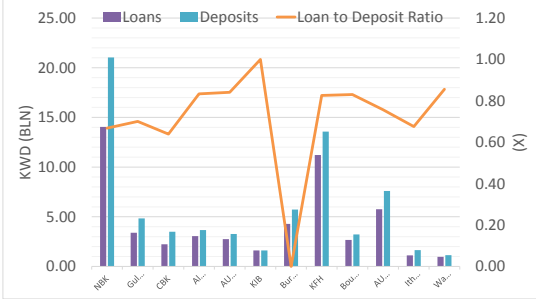
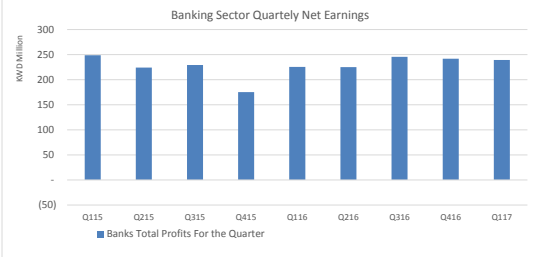




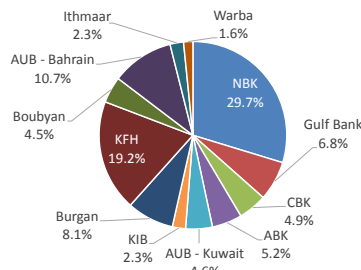
ARZAN FINANCIAL GROUP

ASSET MANAGEMENT

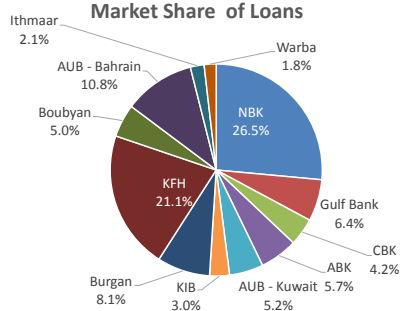
KSE Banking Quarterly Report (1Q 2017 Results)



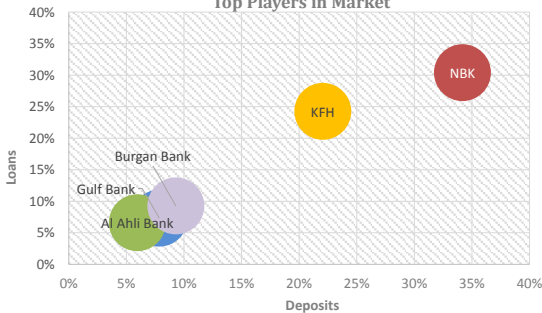
Market Share of Deposits



Market Share of Loans



Top Players in Market



Source: Thomson Reuters

Note: Market Share excludes Banks in Bahrain

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Banking Company's Return

	EARNINGS 1Q17/1Q16				
	1Q16 Earnings (KWD Mn)	1Q17 Earnings (KWD Mn)	1Q17 to 1Q16 change (%)	2016 to 2015 change (%)	2015 to 2014 change (%)
National Bank of Kuwait	78.94	85.36	▲ 8.1%	▲ 2.0%	▲ 5.4%
Gulf Bank	8.77	9.36	▲ 6.8%	▲ 10.1%	▲ 10.0%
Commercial Bank of Kuwait	7.77	0.80	▼ -89.8%	▲ 9.1%	▼ -6.0%
Al Ahli Bank of Kuwait	7.76	8.51	▲ 9.7%	▲ 7.0%	▼ -19.2%
Ahli United Bank - Kuwait	15.59	16.00	▲ 2.6%	▼ -5.7%	▼ -8.9%
Kuwait International Bank	6.73	7.59	▲ 12.7%	▲ 13.8%	▲ 17.0%
Burgan Bank	8.80	12.29	▲ 39.6%	▼ -10.4%	▲ 23.3%
Kuwait Finance House	34.10	38.59	▲ 13.1%	▲ 13.3%	▲ 15.3%
Boubyan Bank	9.10	10.66	▲ 17.2%	▲ 16.6%	▲ 24.8%
Ahli United Bank (B.S.C)	47.17	48.64	▲ 3.1%	▲ 6.2%	▲ 11.8%
Ithmaar Bank (B.S.C)	0.37	0.18	▼ -52.3%	▼ -105.4%	NA
Warba Bank	0.33	1.30	▲ 297.6%	▲ 157.5%	▲ 769.6%
Total	225.41	239.26			

DEPOSITS 2017/2016

	DEPOSITS 2017/2016			
	1Q16 Deposits (KWD Bln)	1Q17 Deposits (KWD Bln)	1Q17 to 1Q16 change (%)	1Q16 to 1Q15 change (%)
National Bank of Kuwait	21.20	21.03	▼ -0.8%	▲ 4.8%
Gulf Bank	4.85	4.83	▲ 2.6%	▲ 0.9%
Commercial Bank of Kuwait	3.43	3.49	▼ -1.0%	▲ 0.5%
Al Ahli Bank of Kuwait	3.86	3.66	▼ -10.0%	▲ 31.0%
Ahli United Bank - Kuwait	3.68	3.27	▼ -7.0%	▲ 10.8%
Kuwait International Bank	1.49	1.61	▲ 4.5%	▲ 50.6%
Burgan Bank	5.81	5.72	▼ -2.1%	▼ -9.1%
Kuwait Finance House	14.03	13.57	▲ 0.6%	▼ -2.1%
Boubyan Bank	2.91	3.22	▲ 9.8%	▲ 19.7%
Ahli United Bank (B.S.C)	8.49	7.60	▼ -5.3%	▲ 2.9%
Ithmaar Bank (B.S.C)	1.47	1.65	▲ 6.9%	▼ -5.1%
Warba Bank	0.73	1.13	▲ 52.8%	▲ 108.2%
Total	71.94	70.79		

NET LOANS 2017/2016

	NET LOANS 2017/2016		
	1Q16 Loans (KWD Bln)	1Q17 Loans (KWD Bln)	Q1TQ1 change (%)
National Bank of Kuwait	13.56	14.05	▲ 3.6%
Gulf Bank	3.57	3.39	▼ -5.1%
Commercial Bank of Kuwait	2.30	2.23	▼ -2.7%
Al Ahli Bank of Kuwait	3.09	3.05	▼ -1.3%
Ahli United Bank - Kuwait	2.78	2.75	▼ -1.1%
Kuwait International Bank	1.63	1.61	▼ -1.4%
Burgan Bank	4.18	4.28	▲ 2.5%
Kuwait Finance House	11.40	11.21	▼ -1.7%
Boubyan Bank	2.27	2.67	▲ 17.8%
Ahli United Bank (B.S.C)	5.93	5.75	▼ -2.9%
Ithmaar Bank (B.S.C)	1.07	1.11	▲ 4.4%
Warba Bank	0.59	0.97	▲ 63.9%
Total	52.36	53.08	

Q1 2017

	Market Cap. (KWD Mn)	Operating Profits Margin %	% NPL over TL*	NPL Coverage Ratio*	ROE %	ROA%	PE (x)	PB (x)
National Bank of Kuwait	3,906	37.03	1.9%	2.46	9.77	1.31	15.72	1.24
Gulf Bank	750	19.21	5.7%	1.46	7.99	0.79	15.57	1.25
Commercial Bank of Kuwait	644	1.68	22.1%	0.27	7.12	1.23	16.01	1.06
Al Ahli Bank of Kuwait	494	15.59	7.4%	0.96	6.01	0.75	14.70	0.88
Ahli United Bank - Kuwait	797	41.90	3.1%	1.13	9.53	0.99	18.63	1.61
Kuwait International Bank	247	35.92	11.7%	0.76	6.86	1.00	14.00	0.88
Burgan Bank	676	17.81	8.3%	0.42	11.80	0.95	10.37	0.84
Kuwait Finance House	3,056	22.95	4.7%	3.39	9.87	1.21	20.07	1.66
Boubyan Bank	933	27.40	2.5%	0.85	12.22	1.25	25.02	2.21
Ahli United Bank (B.S.C)	1,657	48.27	3.4%	1.06	13.84	1.91	9.91	1.32
Ithmaar Bank (B.S.C)	148	14.61	18.2%	0.31	-2.44	0.17	NM	1.09
Warba Bank	255	10.85	3.0%	0.50	4.88	0.27	NM	2.69
Total Market	13,561						16.00	1.41

Note: *Available Annually

Market Commentary

The banking sector continued to record an upward movement in the quarterly earnings released in 1Q 2017 by 6.1% as compared to the 1Q 2016, which is articulated in the banking sector net earnings chart.

KIB and Warba topped the banking sector based on their LTD ratio with 100% and 85.6%, respectively. This indicates an elevated liquidity risk for both banks and emphasizing their operations in terms of relying heavily on borrowed funds.

NBK topped the list of banks with the largest loans market share of 26.5%, followed by KFH with 21.1% based on 31 March 2017. Additionally, NBK and KFH topped the chart of banks deposits with 29.7% and 19.2%, respectively during the same period. Since these two banks have a large market share, so it predictable for them to dominate the highest growth in earnings compared to other banks.

Generally, the best performing banks are the one that has high operating profit margin yet maintaining a low NPL/TL, a good example would be AUB, NBK and AUB: Bahrain.

Our recommendations:

1. AUB has attractive ROE %, Low NPL, high operating margin, 3% discount to 52 Week H and 33% premium to 52 W low.
2. NBK has a low NPL and high operating margin, trading 8.8% discount to 52 Week H and 26% premium to 52 W low and (below average).
3. Ahli united Bank - Bahrain Attractive PE, below 1 PB and is trading 14% discount to 52 Week H and 33% premium to 52 W low. Highest dividend yield of 5%.

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