

KUWAIT BOURSA

BANKING SECTOR REPORT FOR THE PERIOD 30 SEPTEMBER 2017

Market Sector : Banking

Exchange : Kuwait Boursa

Date : 29 November 2017

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Department : Assets Management



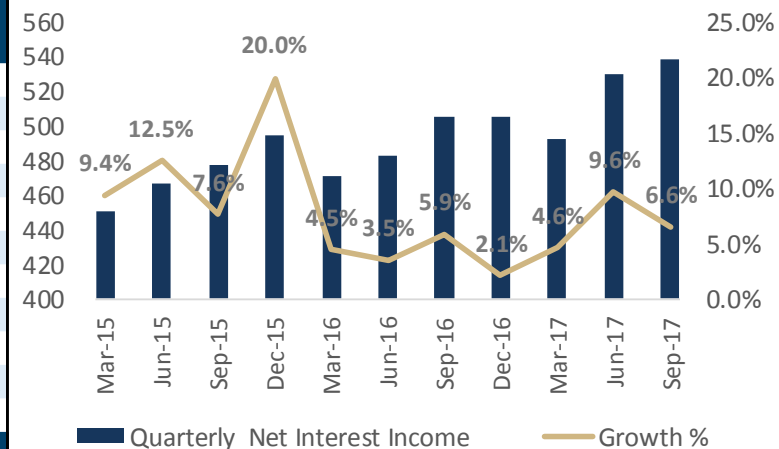
Banking Sector Report

Financial analysis - Income statements

Banks' Net Interest (Financing) Income

Banks' Name	3Q-16 (KWD Mn)	3Q-17 (KWD Mn)	Q-o-Q change (%)	2016 to 2015	2015 to 2014
National Bank of Kuwait	142.80	161.05	12.8% ▲	7.5% ▲	13.0% ▲
Gulf Bank	29.10	33.75	16.0% ▲	-1.8% ▼	1.0% ▲
Commercial Bank of Kuwait	20.83	23.58	13.2% ▲	1.7% ▲	-1.4% ▼
Al Ahli Bank of Kuwait	27.11	29.10	7.4% ▲	15.7% ▲	11.9% ▲
Ahli United Bank - Kuwait	22.38	24.15	7.9% ▲	-0.8% ▼	12.0% ▲
Kuwait International Bank	12.74	11.84	-7.1% ▼	3.9% ▲	12.4% ▲
Burgan Bank	39.58	42.96	8.5% ▲	-0.6% ▼	5.9% ▲
Kuwait Finance House	120.48	112.09	-7.0% ▼	0.8% ▲	18.8% ▲
Boubyan Bank	22.46	26.58	18.4% ▲	11.6% ▲	19.8% ▲
Ahli United Bank (B.S.C)	63.89	66.08	3.4% ▲	1.7% ▲	12.8% ▲
Warba Bank	4.23	7.62	80.2% ▲	36.4% ▲	35.5% ▲
Total	505.6	538.8	6.6% ▲		

KWD Mn



Net Interest (Financing) Income

- The net interest (financing) income for the banking sector in Kuwait grew by 7.5% during 2016 Y-o-Y to reach an amount of KWD 569.7 million. Additionally, the banking sector continued to boost its net interest (financing) income by 6.6% to reach an amount of KWD 538.8 million during 30 September 2017. This increase was mainly driven by the rise of the CBK Discount rate which was 2.25% in 2016 and it increased in two phases to reach 2.75% during first half of 2017.
- Based on percentage wise, Warba bank during 3Q 2017 topped the banking charts with a growth of 80.2% to reach KWD 7.62 million Q-o-Q, while NBK added the largest amount of KWD 18.2 million to its net interest income during the same period. KIB and KFD were the only two banks that had a drop in its net interest income by 7.1% and 7.0%, respectively Q-o-Q to reach KWD 12.84 million and KWD 112.09 million as of 30 September 2017.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

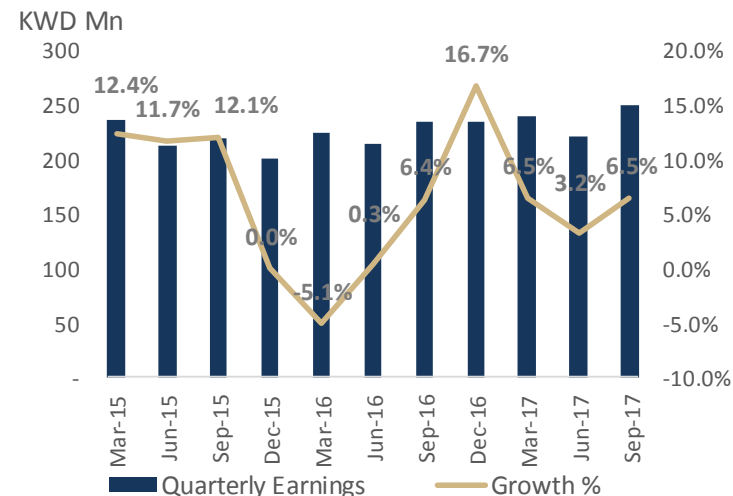


Banking Sector Report

Financial analysis - Income statements

Banks' Earnings

Banks' Name	3Q-16 (KWD Mn)	3Q-17 (KWD Mn)	Q-o-Q change (%)		2016 to 2015		2015 to 2014	
National Bank of Kuwait	68.65	73.67	7.3%	▲	2.0%	▲	5.4%	▲
Gulf Bank	12.11	13.38	10.5%	▲	10.1%	▲	10.0%	▲
Commercial Bank of Kuwait	15.98	12.45	-22.1%	▼	9.1%	▲	-6.0%	▼
Al Ahli Bank of Kuwait	4.75	5.88	23.8%	▲	7.0%	▲	-19.2%	▼
Ahli United Bank - Kuwait	13.50	13.55	0.4%	▲	-5.7%	▼	-8.9%	▼
Kuwait International Bank	1.50	2.55	70.1%	▲	13.8%	▲	17.0%	▲
Burgan Bank	11.72	9.55	-18.5%	▼	-10.4%	▼	23.3%	▲
Kuwait Finance House	52.25	56.22	7.6%	▲	13.3%	▲	15.3%	▲
Boubyan Bank	10.72	12.20	13.8%	▲	16.6%	▲	24.8%	▲
Ahli United Bank (B.S.C)	42.42	47.48	11.9%	▲	1.2%	▲	17.8%	▲
Warba Bank	0.42	2.23	428.2%	▲	157.5%	▲	769.6%	▲
Total	234.0	249.2	6.5%	▲				



Net profit attributable to shareholders

- The banking sector in Kuwait had a growth of 5.1% in its net profit amounted to KWD 915.6 million during 2016 compared to an amount of KWD 870.9 million in 2015. Although net operating profit for the banking sector decreased during the same period by 1.6% to reach KWD 1.4 billion, but the increase in the sector net profit was mainly ambitious by the drop in the amount of the occurred provisions by 15.5% to reach KWD 523 million in 2016 compared to KWD 619.1 million.
- During the period 3Q 2017, the banking sector had an improvement in its net profit by 6.5% to reach an amount of KWD 249.2 compared to the same period of the last year and this was associated with an increase in the earnings before taxes and provisions by 7.7%. Net profit for CBK and Burgan deteriorated of 22.1% and 18.5%, respectively in 3Q 2017 compared to the same period one year earlier. CBK's net profit decreased due to increase in provisions for impairment and other provisions, decrease in profit on foreign exchange and dividend income while Burgan net profit's drop due to the increase in the provision occurred by 35.5% to KWD 11.7 million.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

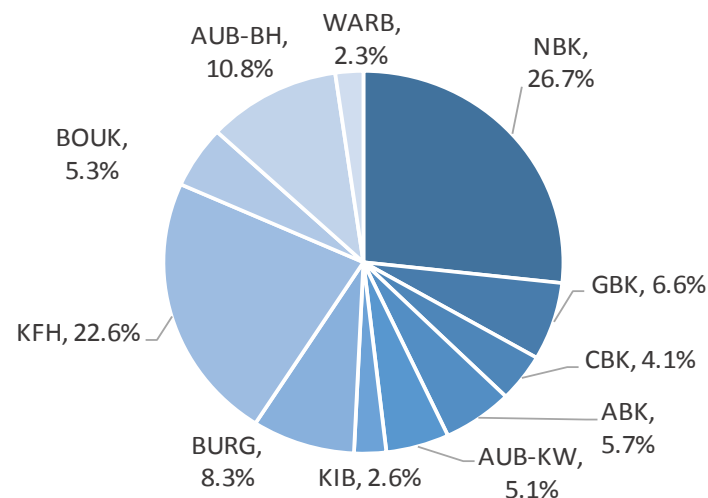


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Loans

Banks' Name	3Q-16 (KWD Mn)	3Q-17 (KWD Mn)	Q-o-Q change (%)	2016 to 2015	2015 to 2014
National Bank of Kuwait	13,877	14,464	4.2% ▲	0.4% ▲	13.8% ▲
Gulf Bank	3,685	3,560	-3.4% ▼	-5.2% ▼	1.4% ▲
Commercial Bank of Kuwait	2,283	2,199	-3.7% ▼	-2.0% ▼	-1.0% ▼
Al Ahli Bank of Kuwait	3,183	3,066	-3.7% ▼	-0.6% ▼	25.8% ▲
Ahli United Bank - Kuwait	2,794	2,763	-1.1% ▼	1.0% ▲	8.1% ▲
Kuwait International Bank	1,375	1,403	2.0% ▲	0.2% ▲	18.7% ▲
Burgan Bank	4,254	4,502	5.8% ▲	6.6% ▲	-8.5% ▼
Kuwait Finance House	11,326	12,221	7.9% ▲	-2.1% ▼	-0.5% ▼
Boubyan Bank	2,443	2,848	16.5% ▲	15.9% ▲	20.3% ▲
Ahli United Bank (B.S.C)	5,896	5,843	-0.9% ▼	-3.2% ▼	8.6% ▲
Warba Bank	755	1,223	62.0% ▲	52.2% ▲	40.1% ▲
Total	51,871.5	54,092.5	4.3% ▲		



Highlights on Bank's Loans

- The banking sector in Kuwait showed an increase of 4.3% in its total loans to reach an amount of KWD 54.1 billion by the end of 30 September 2017 compared to an amount of KWD 51.9 billion on 30 Sep 2016. There were a remarkable increase in Warba Bank's total loans which grew by 62% followed by Boubyan Bank by 16.5% to reach an amount of KWD 1.13 billion and KWD 2.78 billion, respectively.
- National Bank of Kuwait "NBK" continued to lead the market with its largest market share of loans of 26.7% to reach an amount of KWD 13.8 billion, followed by KFH as the bank had a total market share of loans 22.6% and an amount of KWD 12.22 billion as of 30 Sep 2017.
- The banking sector showed out that ABK and CBK had the worst performance as its total loans declined by 3.7% Q-o-Q followed by Gulf Bank of Kuwait with a drop of 3.4% Q-o-Q to reach an amount of KWD 3.1 billion and KWD 2.2 billion and KWD 3.6 billion, respectively on 30 September 2017.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

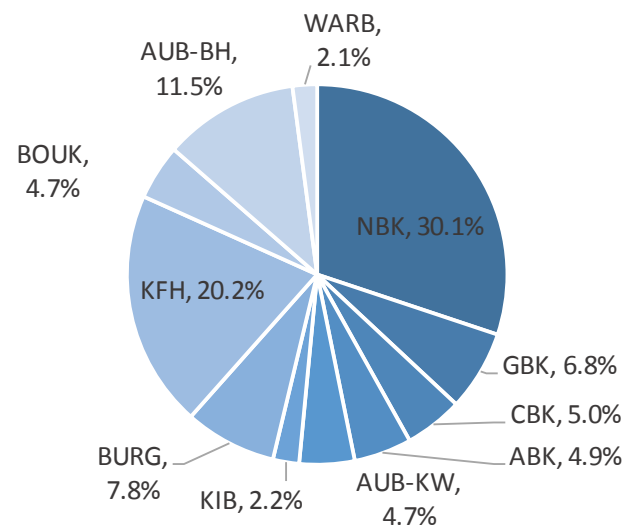


Banking Sector Report

Financial analysis - Balance Sheet

Banks' Deposits

Banks' Name	3Q-16 (KWD Mn)	3Q-17 (KWD Mn)	Q-o-Q change (%)		2016 to 2015		2015 to 2014	
National Bank of Kuwait	20,910	21,448	2.6%	▲	1.8%	▲	7.4%	▲
Gulf Bank	4,880	4,866	-0.3%	▼	-2.6%	▼	2.8%	▲
Commercial Bank of Kuwait	3,351	3,534	5.5%	▲	1.5%	▲	-6.1%	▼
Al Ahli Bank of Kuwait	3,760	3,494	-7.1%	▼	-1.6%	▼	29.1%	▲
Ahli United Bank - Kuwait	3,595	3,343	-7.0%	▼	-8.5%	▼	8.7%	▲
Kuwait International Bank	1,562	1,584	1.4%	▲	2.7%	▲	8.5%	▲
Burgan Bank	5,652	5,569	-1.5%	▼	3.5%	▲	-12.0%	▼
Kuwait Finance House	13,714	14,357	4.7%	▲	-1.7%	▼	-4.0%	▼
Boubyan Bank	3,017	3,346	10.9%	▲	8.6%	▲	20.4%	▲
Ahli United Bank (B.S.C)	8,800	8,185	-7.0%	▼	-9.3%	▼	4.5%	▲
Warba Bank	932	1,483	59.1%	▲	51.2%	▲	35.8%	▲
Total	70,172.6	71,208.9	1.5%	▲				



Highlights on Bank's Deposits

- Total deposits in the Kuwaiti banking sector had a modest upsurge of 1.5% to reach an amount of KWD 71.2 billion by the end of 30 September 2017 compared to an amount of KWD 70.2 billion on 30 September 2016. Warba Bank leads the growth charts as its total deposits rose the most by 59.1% Q-o-Q compared to other banks in Kuwait to reach an amount of KWD 1.5 billion.
- Kuwait National Bank continued to prime the market with its largest market share of deposits and a weight of 30.1% to an amount of KWD 21.45 billion, followed by KFH with a total market share and a weight of 20.2% and amounted to KWD 14.36 billion on 30 Sep 2017.
- Al Ahli Bank of Kuwait suffered from the highest decline in its total deposits by 7.1% Q-o-Q among the banking sector in Kuwait to reach KWD 3.5 billion, followed by AUB-Kuwait and AUB-Bahrain as its total deposits declined by 7.0% Q-o-Q to reach KWD 3.34 billion and KWD 8.19 billion.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



Banking Sector Report

Financial analysis - Balance Sheet

31-Dec-2016

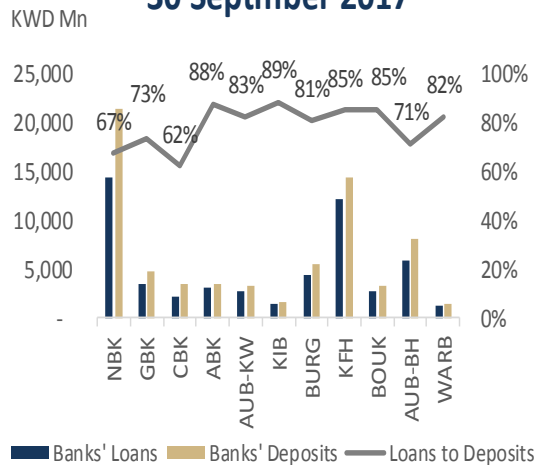
Banks' Name	Non Performing loans	Total Provisions	Coverage Ratio	NPL Ratio
National Bank of Kuwait	272.0	668.3	245.7%	1.9%
Gulf Bank	212.5	309.6	145.7%	5.7%
Commercial Bank of Kuwait	528.4	141.2	26.7%	22.1%
Al Ahli Bank of Kuwait	240.7	231.2	96.1%	7.4%
Ahli United Bank - Kuwait	85.9	120.9	140.8%	3.0%
Kuwait International Bank	176.7	134.7	76.2%	11.7%
Burgan Bank	369.8	157.1	42.5%	8.3%
Kuwait Finance House	466.1	525.8	112.8%	4.7%
Boubyan Bank	65.0	55.6	85.5%	2.5%
Ahli United Bank (B.S.C)	201.5	212.9	105.7%	3.4%
Warba Bank	25.3	12.7	50.2%	3.0%
Average	2,643.7		102.5%	6.7%

Note: all the data in this table is as of 31 December 2016

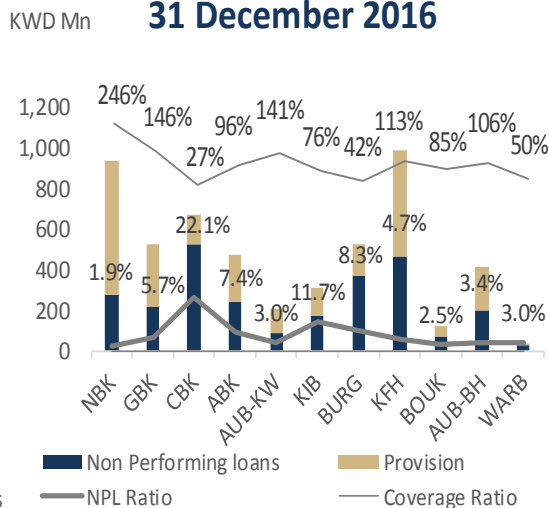
Ratio Analysis

- 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.
- The main movement in the non performing loans in 2016 were as follow:
 - KIB NPL surged by 112.4% to reach KWD 176.7 million;
 - Warba NPL rose by 61.1% to reach KWD 25.3 million;
 - Boubyan NPL decreased the most by 30.2% to reach KWD 65 million; and
 - NBK NPL declined by 11.7% to reach KWD 271.9 million.
- The coverage ratio for the Banking Sector reached 102.5% in 2016 and an amount of KWD 2.6 billion and this can introduced the financial strength for the banking sector in Kuwait.

30 September 2017



31 December 2016



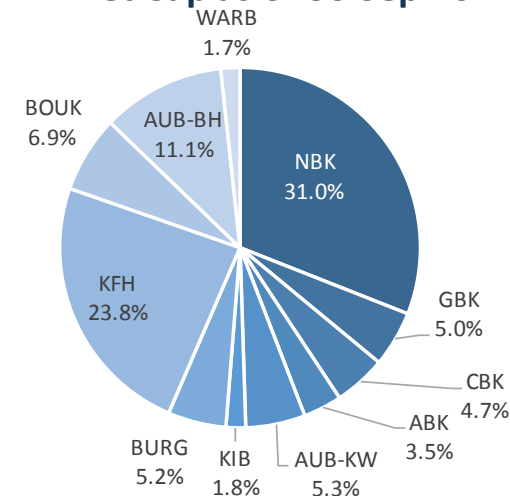
Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



Banking Sector Report

Financial analysis - Market Performance

Market Cap as of 30 Sep 2017



Banks' Name	Market Cap (KWD Mn)**	PE*	BVPS (fils)*	P/BV*	Payout Ratio	DY%*	Operating profit %*	Net profit %*	ROA %*	ROE %*
National Bank of Kuwait	4,503.2	15.64	532.3	1.45	57.7%	3.9%	44.7%	33.7%	1.2%	9.5%
Gulf Bank	728.5	16.2	198.1	1.26	46.7%	2.9%	27.2%	23.4%	0.8%	8.0%
Commercial Bank of Kuwait	683.2	16.7	364.0	1.12	44.4%	3.6%	27.0%	29.3%	0.9%	6.1%
Al Ahli Bank of Kuwait	501.9	14.9	345.7	0.90	55.0%	3.5%	25.2%	19.0%	0.8%	6.3%
Ahli United Bank - Kuwait	776.4	19.6	267.9	1.72	46.3%	2.9%	36.0%	28.6%	1.0%	8.8%
Kuwait International Bank	256.2	14.9	270.9	1.01	51.3%	4.0%	30.6%	25.7%	1.0%	7.2%
Burgan Bank	759.6	10.0	384.1	0.94	17.7%	1.4%	34.8%	22.6%	1.0%	9.1%
Kuwait Finance House	3,465.2	19.7	317.0	1.92	53.1%	2.8%	33.6%	26.5%	1.1%	10.0%
Boubyan Bank	1,000.9	24.1	188.0	2.35	33.7%	1.4%	40.0%	30.2%	1.2%	10.1%
Ahli United Bank (B.S.C)	1,608.4	9.7	166.0	1.29	51.7%	6.0%	60.2%	42.8%	1.8%	13.7%
Warba Bank	250.0	53.8	153.4	1.63	0.0%	0.0%	19.9%	9.9%	0.5%	4.2%
Total	14,533.6	17.1	1.55	45.8%	3.3%	34.5%	26.5%	1.0%	8.4%	

Note: ** Is calculated as of 30 September 2017

Note: * Is calculated based in the LTM as of 30 September 2017

Market Indicators

- The total market cap for the banking sector increased to KWD 14.5 billion on 30 Sep 2017 compared to KWD 13.0 million in 30 June 2017. NBK market cap accounted for the largest rate of 31.0% and a market cap of KWD 4.5 billion, followed by KFH with a 23.8% with a market cap of KWD 3.5 billion on 30 September 2017.
- When comparing banks in terms of dividend payout ratio, NBK topped the list chart with 57.7% followed by ABK and KFH of 55% and 53.1%, respectively. Dividend Yield of the banking sector reached 3.3% and where AUB Bahrain gave the peak dividend yield of 6.0% followed by KIB and NBK by 4.0% and 3.9%, respectively based on 2016 payout ratio and market price on 29 September 2017.
- As of 30 September 2017, NBK topped the banking sector based on its book value per share reached 532.3 fils and then Burgan with BVPS of 284 fils. Burgan Bank had the lowest P/BV among the banking sector with P/BV of 0.94 as of 30 Sep 2017 and AUB Bahrain had the lowest PE of 9.7x and, while the highest PE and P/BV went for Warba Bank and Boubyan Bank of 53.8x and 2.35x, respectively.



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