

# KUWAIT BOURSA

## BANKING SECTOR REPORT FOR THE PERIOD 31 DECEMBER 2018

**Market Sector** : Banking

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**Exchange** : Kuwait Boursa

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**Date** : 7 March 2019

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**Prepared by** : Alaa Alatilie

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**Department** : Assets Management

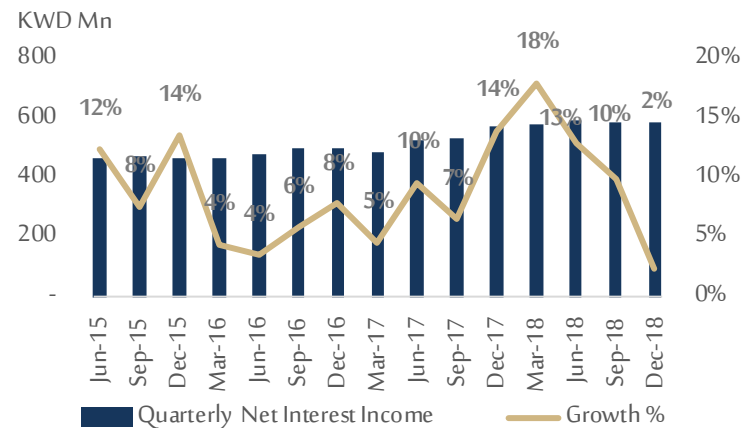
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# Banking Sector Report

## Financial analysis - Income statements

### Banks' Net Interest (Financing) Income

KWD Million	4Q-17	4Q-18	Q-o-Q (%)		2018 to 2017		2017 to 2016	
National Bank of Kuwait	162.7	175.4	7.8%	▲	9.8%	▲	1.8%	▲
Gulf Bank	35.0	37.2	6.4%	▲	15.4%	▲	5.1%	▲
Commercial Bank of Kuwait	24.4	23.7	-2.8%	▼	0.3%	▲	3.0%	▲
Al Ahli Bank of Kuwait	29.5	31.7	7.4%	▲	8.3%	▲	1.6%	▲
Ahli United Bank - Kuwait	32.2	23.9	-25.8%	▼	-3.6%	▼	9.3%	▲
Kuwait International Bank	14.2	14.4	1.4%	▲	9.4%	▲	2.7%	▲
Burgan Bank	44.9	45.3	1.0%	▲	7.7%	▲	4.2%	▲
Kuwait Finance House	121.9	122.4	0.4%	▲	18.5%	▲	2.9%	▲
Boubyan Bank	30.5	35.6	16.8%	▲	12.1%	▲	7.4%	▲
Ahli United Bank (B.S.C)	72.8	70.3	-3.4%	▼	7.1%	▲	3.6%	▲
Warba Bank	8.0	9.2	15.6%	▲	19.1%	▲	11.9%	▲
<b>Total</b>	<b>576.2</b>	<b>589.5</b>	<b>2.3%</b>	<b>▲</b>				



### Net Interest (Financing) Income

- The banking sector boosted its net interest (financing) income by 2.3% during 4<sup>th</sup> quarter 2018 Q-o-Q to reach an amount of KWD 589.5 million. Accordingly, the banking net interest (financing) income for 2018 augmented by 10.5% in 2018 to reach KWD 2.36 billion compared to the previous year. Moreover, net interest (financing) income of the banking sector grew by 8.6% in 2017 Y-o-Y to reach an amount of KWD 2.14 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 3.0% which considers as a key driver for the interest income.
- All the Kuwaiti banks showed a growth in the net interest (financing) income during 4Q-2018 with exception for AUB-KW, AUB-BH and CBK which showed a lower interest income in 4Q-2018 by 25.8%, 3.4% and 2.8% respectively. Percentage wise, Boubyan Bank showed the highest growth of 16.8% in 4Q 2018 to KWD 35.6 million Q-o-Q, while NBK accounted for the highest contribution of 29.8% amounted to KWD 175 million from the total net interest (finance) income earned by the banking sector in Kuwait.

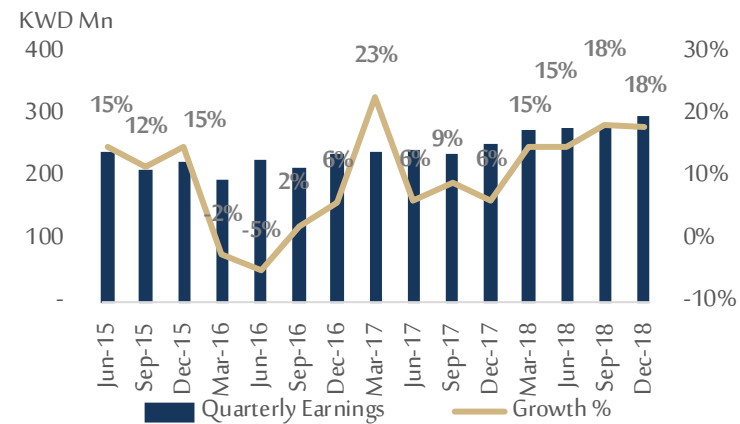
Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

# Banking Sector Report

## Financial analysis - Income statements

### Banks' Earnings

Banks' Name	4Q-17	4Q-18	Q-o-Q (%)	2018 to 2017	2017 to 2016
National Bank of Kuwait	84.0	98.3	17.0% ▲	15.0% ▲	9.2% ▲
Gulf Bank	11.9	14.1	18.4% ▲	18.2% ▲	11.8% ▲
Commercial Bank of Kuwait	41.0	48.5	18.4% ▲	15.0% ▲	10.0% ▲
Al Ahli Bank of Kuwait	13.6	15.1	11.0% ▲	18.1% ▲	9.8% ▲
Ahli United Bank - Kuwait	4.4	8.2	86.1% ▲	15.3% ▲	10.2% ▲
Kuwait International Bank	4.2	5.4	27.9% ▲	18.0% ▲	-2.8% ▼
Burgan Bank	11.3	11.6	2.7% ▲	26.6% ▲	-4.3% ▼
Kuwait Finance House	46.3	58.3	26.0% ▲	23.5% ▲	11.5% ▲
Boubyan Bank	13.5	15.8	16.7% ▲	17.9% ▲	15.9% ▲
Ahli United Bank (B.S.C)	45.3	51.3	13.3% ▲	12.4% ▲	8.6% ▲
Warba Bank	2.5	4.1	61.1% ▲	70.9% ▲	189.5% ▲
<b>Total</b>	<b>278.0</b>	<b>330.7</b>	<b>18.9% ▲</b>		



### Net profit attributable to shareholders

- During the period 4Q 2018, the banking sector had an improvement in its net profit by 18.9% to reach an amount of KWD 330.7 compared to the same period of the last year and this was associated with an increase in the earnings before taxes and after loan loss provisions by 15.3%. In instance, all the Kuwaiti Banks showed a surge in their net profit results during the fourth quarter of 2018 which was mainly reflected as the Banks distributing went up based on the payout ratio of the Kuwaiti banks in 2018. During Q4-2018, we found out that the provisions for impairment and other provisions of the banking sector declined significantly by 35% to reach amount of KWD 95.3 million Q-o-Q which leads to higher growth in the bank's operating profit in addition to the growth driven from the increase of the banking net interest (financing) income during the same period.
- The banking sector in Kuwait had a growth of 9.3% in its net profit amounted to KWD 1,015 billion during 2017 compared to an amount of KWD 929 million in 2016. In fact, there was a surge in the bank's total loans loss provision by 4.3% to reach KWD 562.2 million in 2018 Y-o-Y. Nevertheless, the banking sector had shown a significant growth in their net profit by 17.7% Y-o-Y to reach KWD 1,194 million in 2018 compared to KWD 1,014 million in 2016. Also, operating profit after provisions of the Banks grew by 16.2% in 2018 YoY to reach KWD 1,725 million.

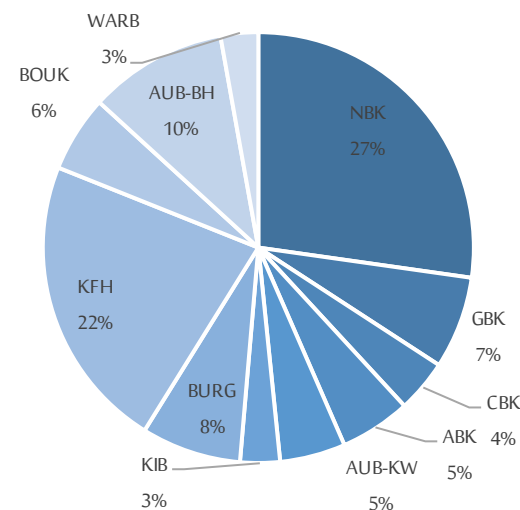
Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

# Banking Sector Report

## Financial analysis - Balance Sheet

### Banks' Loans

Banks' Name	4Q-17	4Q-18	Q-o-Q (%)	2018 to 2017	2017 to 2016
National Bank of Kuwait	14,503	15,503	6.9% ▲	6.9% ▲	6.5% ▲
Gulf Bank	3,809	3,950	3.7% ▲	3.7% ▲	10.5% ▲
Commercial Bank of Kuwait	2,237	2,253	0.7% ▲	0.7% ▲	-0.6% ▼
Al Ahli Bank of Kuwait	3,075	3,026	-1.6% ▼	-1.6% ▼	1.5% ▲
Ahli United Bank - Kuwait	2,673	2,800	4.8% ▲	4.8% ▲	-1.2% ▼
Kuwait International Bank	1,401	1,698	21.2% ▲	14.6% ▲	1.7% ▲
Burgan Bank	4,408	4,263	-3.3% ▼	-3.3% ▼	4.3% ▲
Kuwait Finance House	12,142	12,634	4.1% ▲	1.8% ▲	12.7% ▲
Boubyan Bank	2,877	3,262	13.4% ▲	13.4% ▲	14.3% ▲
Ahli United Bank (B.S.C)	5,884	5,912	0.5% ▲	0.5% ▲	3.5% ▲
Warba Bank	1,263	1,607	27.2% ▲	27.2% ▲	52.6% ▲
<b>Total</b>	<b>54,270</b>	<b>56,908</b>	<b>4.9% ▲</b>		



### Highlights on Bank's Loans

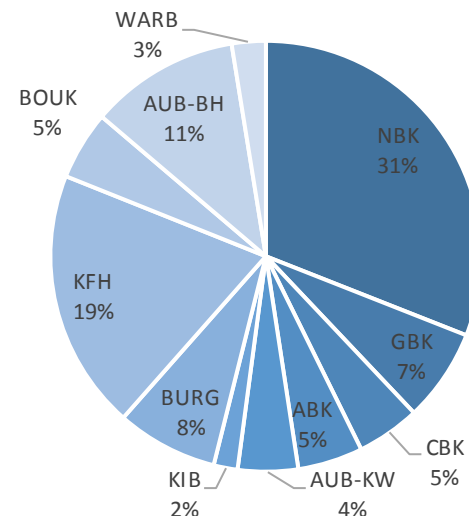
- The banking sector in Kuwait showed an increase of 4.9% in the total loans to reach an amount of KWD 56.9 billion by the end of 31 December 2018 compared to KWD 54.3 billion on 31 December 2017. There was a remarkable increase in the total loans of Warba Bank, and Kuwait International Bank evidenced by a growth of 27.2% and 14.6% respectively, followed by Boubyan Bank as its loans grew by 13.4% Q-o-Q to reach an amount of KWD 1.6 billion, KWD 1.7 billion and KWD 3.3 billion, respectively.
- National Bank of Kuwait "NBK" continued to lead the banking sector with its largest market share of loans of 27% to reach an amount of KWD 15.5 billion, followed by KFH as the bank had a total market share of loans 22% and an amount of KWD 12.6 billion as of 31 December 2018.
- The banking sector showed that Burgan Bank and Al Ahli Bank of Kuwait had a decline in its total loans as of 31 December 2018. All the previous banks faced a decline in total loans by 3.3% and 1.6% respectively to reach KWD 4.3 billion and KWD 1.6 billion.

# Banking Sector Report

## Financial analysis - Balance Sheet

### Banks' Deposits

Banks' Name	4Q-17	4Q-18	Q-o-Q (%)		2018 to 2017		2017 to 2016	
National Bank of Kuwait	21,740	22,930	5.5%	▲	5.5%	▲	6.7%	▲
Gulf Bank	4,871	5,155	5.8%	▲	5.8%	▲	3.6%	▲
Commercial Bank of Kuwait	3,534	3,520	-0.4%	▼	-0.4%	▼	4.2%	▲
Al Ahli Bank of Kuwait	3,536	3,616	2.3%	▲	2.3%	▲	-2.7%	▼
Ahli United Bank - Kuwait	3,135	3,343	6.6%	▲	6.6%	▲	-1.8%	▼
Kuwait International Bank	2,003	2,364	18.0%	▲	14.8%	▲	3.6%	▲
Burgan Bank	6,013	5,633	-6.3%	▼	-6.3%	▼	4.2%	▲
Kuwait Finance House	14,355	14,469	0.8%	▲	0.8%	▲	6.1%	▲
Boubyan Bank	3,466	3,818	10.2%	▲	10.2%	▲	14.7%	▲
Ahli United Bank (B.S.C)	7,831	8,309	6.1%	▲	6.1%	▲	2.7%	▲
Warba Bank	1,582	1,888	19.4%	▲	19.4%	▲	54.4%	▲
<b>Total</b>	<b>72,067</b>	<b>75,046</b>	<b>4.1%</b>	<b>▲</b>				



### Highlights on Bank's Deposits

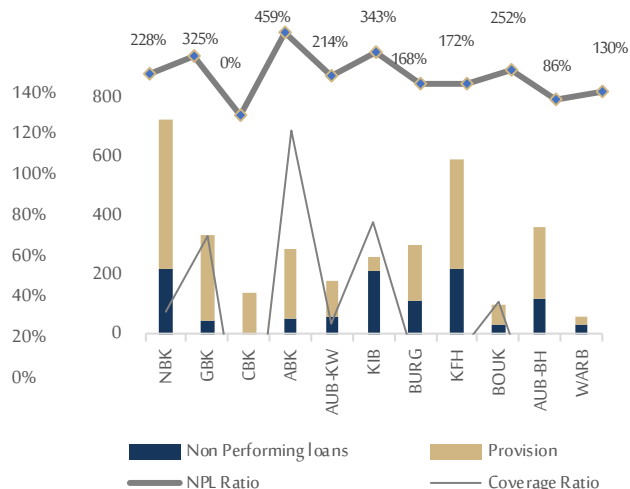
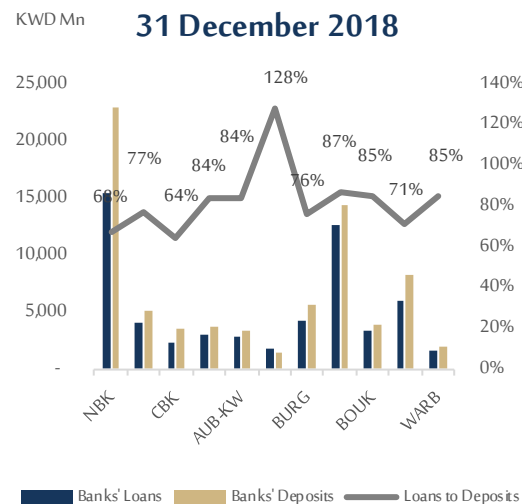
- Total deposits in the Kuwaiti banking sector had a modest upsurge of 3.8% to reach an amount of KWD 74 billion by the end of 31 December 2018 compared to an amount of KWD 71.3 billion on 31 December 2017. There were a outstanding increase in the total loans of Warba Bank whose leads the growth charts as its total deposits rose by 19.4% Q-o-Q compared to other banks in Kuwait to reach an amount of KWD 1.9 billion followed by Boubyan Bank and KIB which also grew by 10.2% and 18% Q-o-Q to reach an amount of KWD 3.8 billion and KWD 2.4 billion as of 31 December 2018, respectively .
- Kuwait National Bank continued to prime the market with its largest market share of deposits and a weight of 31% to an amount of KWD 22.9 billion, followed by KFH with a total market share and a weight of 19% and amounted to KWD 14.5 billion on 31 December 2018. Burgan Bank suffered from the highest decline in its total deposits during the period by 6.3% Q-o-Q among the banking sector constituents in Kuwait to reach KWD 5.6 billion, followed by Commercial Bank as its total deposits had a modest decline of 0.4% Q-o-Q to reach KWD 3.5 billion.

# 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>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 2017



## 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 1.6% 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

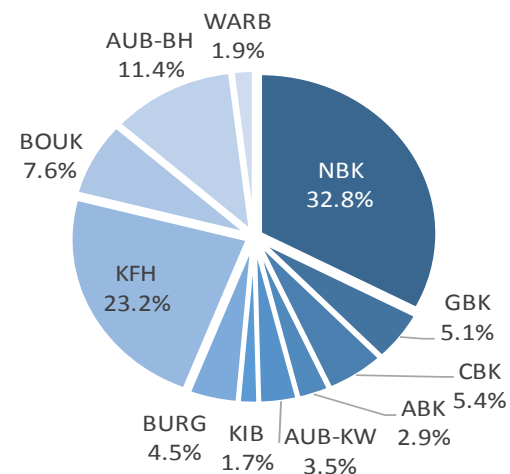
# Banking Sector Report

## 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	5,685	16.5	531.7	1.75	60.3%	3.8%	45.6%	33.4%	1.4%	11.4%
Gulf Bank	887	17.0	209.2	1.46	51.3%	3.4%	29.0%	23.0%	1.0%	9.3%
Commercial Bank of Kuwait	936	15.7	390.6	1.37	56.5%	3.9%	40.1%	42.7%	1.5%	9.3%
Al Ahli Bank of Kuwait	497	12.9	384.8	0.80	53.8%	4.6%	25.5%	18.9%	0.9%	6.8%
Ahli United Bank - Kuwait	601	12.8	270.9	1.24	55.4%	4.9%	40.0%	29.3%	1.3%	10.6%
Kuwait International Bank	303	16.2	284.8	1.14	49.2%	3.8%	28.7%	22.7%	1.0%	7.9%
Burgan Bank	780	10.2	367.6	0.92	38.7%	3.8%	33.6%	18.2%	1.2%	9.8%
Kuwait Finance House	4,033	20.4	290.4	2.22	55.0%	3.1%	35.1%	23.9%	1.3%	12.5%
Boubyan Bank	1,311	25.5	193.9	2.83	37.4%	1.5%	38.7%	28.1%	1.3%	12.1%
Ahli United Bank (B.S.C)	1,986	9.9	163.3	1.53	57.9%	5.4%	63.6%	41.2%	2.0%	16.2%
Warba Bank	328	32.8	171.8	1.62	0.0%	0.0%	23.8%	7.9%	0.6%	6.3%
	<b>17,348.3</b>	<b>17.1</b>		<b>1.78</b>	<b>51.6%</b>	<b>3.8%</b>	<b>36.7%</b>	<b>26.3%</b>	<b>1.2%</b>	<b>10.2%</b>

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

### Market Cap as of 7 March 2019



## Market Indicators

- The total market cap for the banking sector increased to KWD 16.1 billion on 31 December 2018 compared to KWD 15.9 billion in 30 September 2018. NBK continued to have the largest market cap in Kuwait Boursa and accounted for the largest rate of 32.2% of the banking sector with a market cap of KWD 5.2 billion, followed by KFH with a 24.1% with a market cap of KWD 3.9 billion on 31 December 2018.
- Based on the Banks dividend payout ratio, We found out that National Bank of Kuwait topped the list chart with 60.3% followed by SUB-Bahrain and CBK of 57.9% and 56.5%, respectively. Dividend Yield of the banking sector reached an average of 3.8% where AUB Bahrain gives the highest dividend yield of 5.4% followed by AUB-Kuwait and ABK by 4.9% and 4.6%, respectively based on 2018 payout ratio and market price on 7 March 2019.
- On 31 December 2018, NBK topped the banking sector based on its book value per share reached 532 fils followed by CBK with BVPS of 391 fils. ABK had the lowest P/BV among the banking sector with P/BV of 0.8x while the lowest PE is accounted for AUB-BH at 9.9x. On the other hand, the highest PE and P/BV went for Warba Bank and Boubyan Bank respectively at 32.8x and 2.8x, respectively.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

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