

# KUWAIT BOURSA

## BANKING SECTOR REPORT FOR THE PERIOD 30 SEPTEMBER 2018

**Market Sector** : Banking

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**Exchange** : Kuwait Boursa

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**Date** : 6 November 2018

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**Prepared by** : Alaa Alatilie

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**Department** : Assets Management

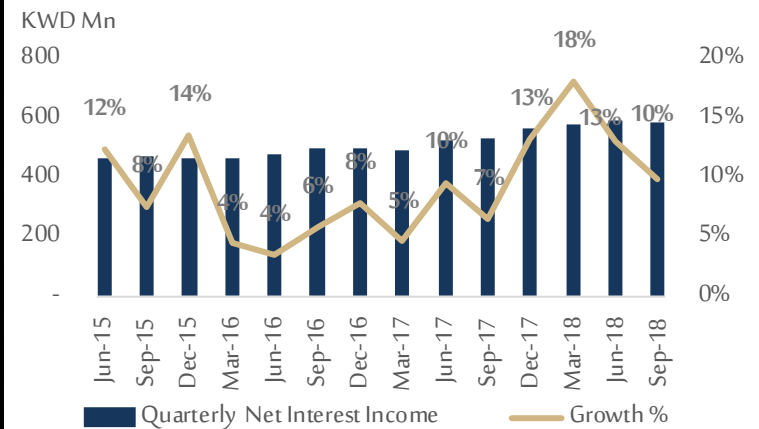
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# Banking Sector Report

## Financial analysis - Income statements

### Banks' Net Interest (Financing) Income

KWD Million	3Q-17	3Q-18	Q-o-Q (%)		2017 to 2016		2016 to 2015	
National Bank of Kuwait	134.5	178.2	32.5%	▲	10.4%	▲	7.5%	▲
Gulf Bank	28.4	38.5	35.4%	▲	13.2%	▲	-1.8%	▼
Commercial Bank of Kuwait	20.7	23.3	12.3%	▲	10.4%	▲	1.7%	▲
Al Ahli Bank of Kuwait	23.2	31.4	35.0%	▲	3.0%	▲	15.7%	▲
Ahli United Bank - Kuwait	22.2	25.6	15.2%	▲	17.8%	▲	-0.8%	▼
Kuwait International Bank	10.6	12.1	14.7%	▲	-1.4%	▼	3.9%	▲
Burgan Bank	38.7	45.5	17.7%	▲	9.7%	▲	19.6%	▲
Kuwait Finance House	110.6	127.0	14.8%	▲	2.3%	▲	0.8%	▲
Boubyan Bank	20.9	28.7	37.4%	▲	16.9%	▲	11.6%	▲
Ahli United Bank (B.S.C)	64.4	73.1	13.4%	▲	5.9%	▲	1.7%	▲
Warba Bank	3.1	8.7	182.6%	▲	74.5%	▲	36.4%	▲
<b>Total</b>	<b>477.4</b>	<b>592.1</b>	<b>24.0%</b>	<b>▲</b>				



### Net Interest (Financing) Income

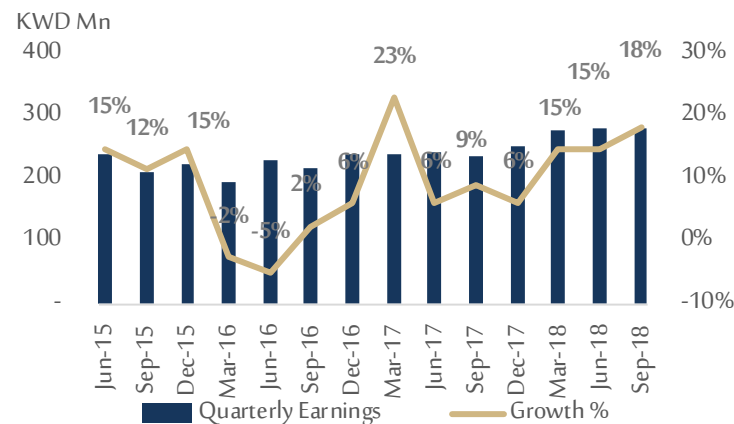
- The banking sector boosted its net interest (financing) income by 24% during 3<sup>rd</sup> quarter 2018 Q-o-Q to reach an amount of KWD 592.1 million. Additionally, the net interest (financing) income for the banking sector in Kuwait continued to grow by 8.6% in 2017 Y-o-Y to reach an amount of KWD 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 3.0% which considers as a key driver for the interest income.
- All the Kuwaiti banks showed a growth in the net interest (financing) income during 3Q-2018. Percentage wise, Warba Bank showed the highest growth of 182.6% in 3Q 2018 to KWD 139.5 million Q-o-Q, while NBK accounted for the highest contribution of 30.1% amounted to KWD 178.2 million from the total net interest (finance) income earned by the banking sector in Kuwait.

# Banking Sector Report

## Financial analysis - Income statements

### Banks' Earnings

Banks' Name	3Q-17	3Q-18	Q-o-Q (%)	2017 to 2016	2016 to 2015
National Bank of Kuwait	73.7	86.5	17.5% ▲	9.2% ▲	4.6% ▲
Gulf Bank	13.4	15.9	18.6% ▲	11.8% ▲	10.1% ▲
Commercial Bank of Kuwait	12.4	9.2	-26.2% ▼	10.0% ▲	9.1% ▲
Al Ahli Bank of Kuwait	5.9	7.9	35.0% ▲	9.8% ▲	7.0% ▲
Ahli United Bank - Kuwait	13.6	14.1	3.8% ▲	10.2% ▲	-5.7% ▼
Kuwait International Bank	2.6	3.5	37.6% ▲	-2.8% ▼	13.8% ▲
Burgan Bank	15.0	20.5	36.3% ▲	-4.3% ▼	-10.4% ▼
Kuwait Finance House	56.2	73.9	31.4% ▲	11.5% ▲	13.3% ▲
Boubyan Bank	12.2	14.6	19.4% ▲	15.9% ▲	16.6% ▲
Ahli United Bank (B.S.C)	47.5	51.7	9.0% ▲	8.6% ▲	6.3% ▲
Warba Bank	2.3	3.5	52.0% ▲	170.0% ▲	157.5% ▲
<b>Total</b>	<b>254.7</b>	<b>301.3</b>	<b>18.3% ▲</b>		



### Net profit attributable to shareholders

- During the period 3Q 2018, the banking sector had an improvement in its net profit by 18.3% to reach an amount of KWD 301.3 compared to the same period of the last year and this was associated with an increase in the earnings before taxes and provisions by 13.5%. The Net profit for all the Kuwaiti banks has increased during the third quarter of 2018 with exception for CBK which had significantly declined during 2Q-2018 by 26.2% to reach an amount of KWD 9.2 million compared to the Q3-2017. Although provisions for impairment and other provisions of the banking sector declined marginally by 1% to reach amount of KWD 170.9 million Q-o-Q but it was not a main factor that affect the growth in the bank's profit in the same period. This had driven the increase in the banks operating profit during the period Q3-2018.
- 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 12.3% to reach KWD 651.5 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. Additionally, the banking sector's operating profit after provisions had an increase of 6.9% in 2017 YoY to KWD 1,480 million.

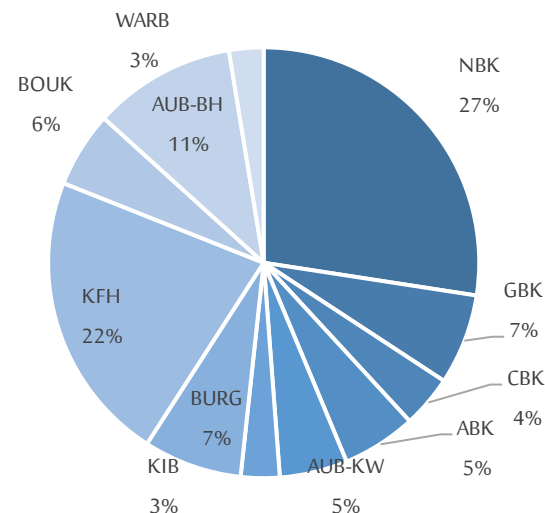
Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

# Banking Sector Report

## Financial analysis - Balance Sheet

### Banks' Loans

Banks' Name	3Q-17	3Q-18	Q-o-Q(%)	2017 to 2016	2016 to 2015
National Bank of Kuwait	14,464	15,407	6.5% ▲	6.5% ▲	0.4% ▲
Gulf Bank	3,560	3,821	7.3% ▲	10.5% ▲	-5.2% ▼
Commercial Bank of Kuwait	2,199	2,198	0.0% ▼	-0.6% ▼	-2.0% ▼
Al Ahli Bank of Kuwait	3,066	3,122	1.8% ▲	1.5% ▲	-0.6% ▼
Ahli United Bank - Kuwait	2,763	2,859	3.5% ▲	-1.2% ▼	1.0% ▲
Kuwait International Bank	1,403	1,635	16.6% ▲	1.7% ▲	0.2% ▲
Burgan Bank	4,502	4,155	-7.7% ▼	4.3% ▲	3.3% ▲
Kuwait Finance House	12,221	12,306	0.7% ▲	12.7% ▲	1.0% ▲
Boubyan Bank	2,848	3,193	12.1% ▲	14.3% ▲	15.9% ▲
Ahli United Bank (B.S.C)	5,843	6,010	2.9% ▲	3.5% ▲	-3.2% ▼
Warba Bank	1,223	1,453	18.8% ▲	52.6% ▲	52.2% ▲
<b>Total</b>	<b>54,092</b>	<b>56,160</b>	<b>3.8% ▲</b>		



### Highlights on Bank's Loans

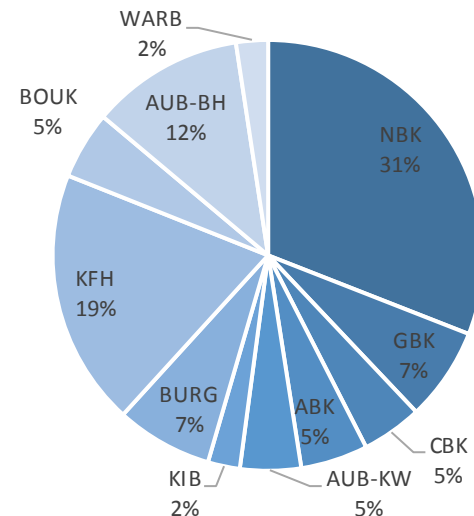
- The banking sector in Kuwait showed an increase of 3.8% in the total loans to reach an amount of KWD 56.2 billion by the end of 30 September 2018 compared to of KWD 54.1 billion on 30 September 2017. There were a remarkable increase in Warba Bank's, and Kuwait International Bank in their total loans which grew by 18.8% and 16.6% respectively, followed by Boubyan Bank as its loans grew by 12.1% Q-o-Q to reach an amount of KWD 1.45 billion, KWD 1.63 billion and KWD 3.19 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 15.4 billion, followed by KFH as the bank had a total market share of loans 22% and an amount of KWD 12.3 billion as of 30 September 2018.
- The banking sector showed out that Burgan Bank and Commercial Bank had decline in its performance based on total loans growth as of 30 September 2018. All the previous banks faced a decline in total loans by 7.7% and 0.04% respectively to reach KWD 4.16 billion and KWD 2.19 billion.

# Banking Sector Report

## Financial analysis - Balance Sheet

### Banks' Deposits

Banks' Name	3Q-17	3Q-18	Q-o-Q (%)	2017 to 2016	2016 to 2015
National Bank of Kuwait	21,448	22,699	5.8% ▲	6.7% ▲	1.8% ▲
Gulf Bank	4,866	5,134	5.5% ▲	3.6% ▲	-2.6% ▼
Commercial Bank of Kuwait	3,534	3,330	-5.8% ▼	4.2% ▲	1.5% ▲
Al Ahli Bank of Kuwait	3,494	3,702	6.0% ▲	-2.7% ▼	-1.6% ▼
Ahli United Bank - Kuwait	3,343	3,353	0.3% ▲	-1.8% ▼	-8.5% ▼
Kuwait International Bank	1,554	1,762	13.4% ▲	6.9% ▲	10.8% ▲
Burgan Bank	5,569	5,318	-4.5% ▼	4.2% ▲	3.5% ▲
Kuwait Finance House	14,357	14,143	-1.5% ▼	6.1% ▲	-1.7% ▼
Boubyan Bank	3,346	3,731	11.5% ▲	14.7% ▲	8.6% ▲
Ahli United Bank (B.S.C)	8,185	8,418	2.9% ▲	2.7% ▲	-9.3% ▼
Warba Bank	1,478	1,758	18.9% ▲	54.4% ▲	51.2% ▲
<b>Total</b>	<b>71,174</b>	<b>73,350</b>	<b>3.1% ▲</b>		



### Highlights on Bank's Deposits

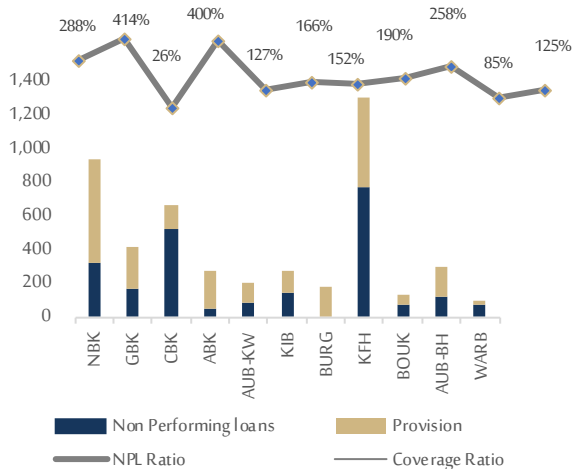
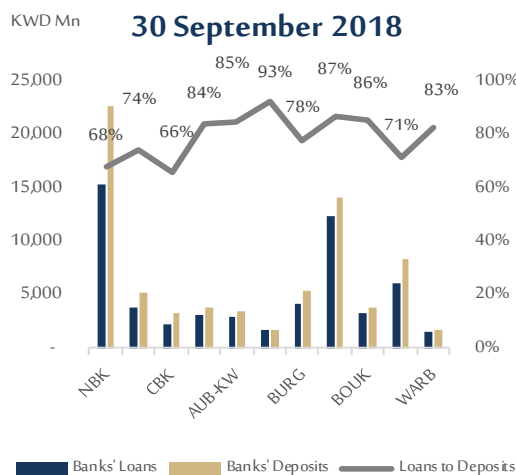
- Total deposits in the Kuwaiti banking sector had a modest upsurge of 3.1% to reach an amount of KWD 73.35 billion by the end of 30 September 2018 compared to an amount of KWD 71.17 billion on 30 September 2017. The banking sector had a total deposit by the end of 2017 with an amount of KWD 71.3 billion. Warba Bank leads the growth charts as its total deposits rose the most by 18.9% Q-o-Q compared to other banks in Kuwait to reach an amount of KWD 1.76 billion followed by Boubyan Bank and KIB which also grew by 11.5% and 13.4% Q-o-Q to reach an amount of KWD 3.7 billion and KWD 1.76 billion as of 30 September 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 22.7 billion, followed by KFH with a total market share and a weight of 19% and amounted to KWD 14.1 billion on 30 September 2018. Commercial Bank suffered from the highest decline in its total deposits during the period by 5.8% Q-o-Q among the banking sector constituents in Kuwait to reach KWD 3.3 billion, followed by Burgan Bank as its total deposits deteriorated by 4.5% Q-o-Q to reach KWD 5.3 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	319.8	615.5	288%	1.4%	17.8%
Gulf Bank	73.0	251.1	414%	1.7%	17.8%
Commercial Bank of Kuwait*	525.0	136.9	26%	23.5%	17.9%
Al Ahli Bank of Kuwait	174.9	222.8	400%	1.7%	17.2%
Ahli United Bank - Kuwait	89.3	113.1	127%	1.2%	17.2%
Kuwait International Bank	31.3	45.1	166%	2.4%	18.0%
Burgan Bank	118.8	180.1	152%	2.7%	16.2%
Kuwait Finance House	276.2	525.8	190%	2.5%	17.8%
Boubyan Bank	15.2	60.3	258%	0.8%	19.4%
Ahli United Bank (B.S.C)	114.5	177.8	85%	1.9%	17.0%
Warba Bank	70.8	20.9	125%	5.6%	22.5%
<b>Average</b>	<b>1,628.3</b>	<b>2,349.3</b>	<b>202.8%</b>	<b>4.1%</b>	<b>18.1%</b>

Note: all the data in this table is as of 31 December 2017



## Ratio Analysis

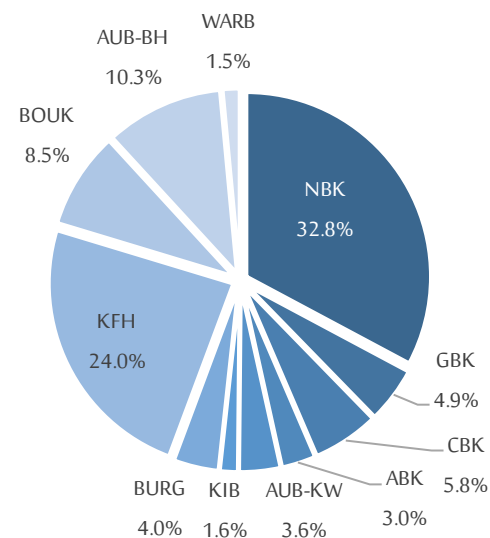
- The Kuwaiti banking sector had an amount of KWD 2.4 billion in 2015 as a non performing loans “NPL” and this accounted for 4.4% from the total loans in the sector. Additionally, the banking sector’s NPL level faced an increase in 2016 to reach KWD 2.6 billion and this accounted for 4.9% of total loans. In 2017, the banking sector non performing loans declined significantly by 34.9% YoY to reach KWD 1.8 billion and NPL Ratio accounted for 3.3%.
- The main movement in the non performing loans in 2017 were as follow:
  - KIB’s NPL dropped by 82% to reach KWD 31 million;
  - Burgan NPL declined by 68% to reach KWD 119 million;
  - GBK’s NPL Dropped by 66% to reach KWD 73 million;
  - AUB-BH NPL decreased by 43% to reach KWD 114 million; and
  - NBK and Warba’s NPL are up by 18% and 180% to reach KWD 320 million and KWD 71 million.
- The coverage ratio for the Banking Sector reached 202.8% in 2017 and an amount of KWD 2.35 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

Market Cap as of 30 September 2018



Banks' Name	Market Cap (KWD Mn)	PE*	BVPS (fils)*	P/BV*	Payout Ratio 2017	DY%*	Operating profit %*	Net profit %*	ROA %*	ROE %*
National Bank of Kuwait	5,176	15.1	526.6	1.61	56.6%	3.6%	45.6%	33.4%	1.3%	10.7%
Gulf Bank	774	14.9	206.4	1.29	52.9%	3.5%	29.0%	23.0%	0.9%	8.7%
Commercial Bank of Kuwait	920	15.5	380.2	1.38	53.1%	3.6%	40.1%	42.7%	1.4%	8.9%
Al Ahli Bank of Kuwait	471	12.2	368.6	0.80	54.5%	4.1%	25.5%	18.9%	0.9%	6.5%
Ahli United Bank - Kuwait	570	12.1	270.6	1.19	53.3%	4.5%	40.0%	29.3%	1.2%	9.8%
Kuwait International Bank	247	13.2	281.5	0.94	52.7%	4.2%	28.7%	22.7%	0.9%	7.1%
Burgan Bank	625	8.1	367.6	0.76	27.6%	2.8%	33.6%	18.2%	1.1%	9.3%
Kuwait Finance House	3,786	19.1	289.5	2.09	52.5%	2.8%	35.1%	23.9%	1.1%	10.9%
Boubyan Bank	1,342	26.1	192.7	2.96	37.4%	1.2%	39.4%	28.8%	1.2%	11.3%
Ahli United Bank (B.S.C)	1,629	8.1	164.5	1.26	57.9%	6.4%	63.6%	41.2%	1.9%	15.5%
Warba Bank	234	24.6	179.0	1.31	0.0%	0.0%	22.6%	7.1%	0.5%	5.3%
	15,774.9	15.9		1.69	49.9%	3.7%	36.7%	26.3%	1.1%	9.5%

## Market Indicators

- The total market cap for the banking sector increased to KWD 15.9 billion on 30 September 2018 compared to KWD 15.4 billion in 30 June 2018. NBK continued to have the largest market cap in Kuwait Boursa and accounted for the largest rate of 32.8% of the banking sector with a market cap of KWD 5.2 billion, followed by KFH with a 24% with a market cap of KWD 3.8 billion on 30 September 2018.
- Based on the Banks dividend payout ratio, We found out that 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 an average of 3.7% where AUB Bahrain gives the highest dividend yield of 6.4% followed by AUB-Kuwait and KIB by 4.5% and 4.2%, respectively based on 2017 payout ratio and market price on 30 September 2018.
- On 30 Sep 2018, NBK topped the banking sector based on its book value per share reached 526.6 fils followed by Commercial Bank with BVPS of 380.2 fils. Burgan Bank had the lowest P/BV among the banking sector with P/BV of 0.76x and had the lowest PE ratio of 8.1x. On the other hand, the highest PE and P/BV went for Warba Bank and Boubyan Bank respectively at 24.6 and 2.96x, respectively.

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