

# KUWAIT BOURSA

## BANKING SECTOR REPORT FOR THE PERIOD 31 MARCH 2019

**Market Sector** : Banking

**Exchange** : Kuwait Boursa

**Date** : 26 May 2019

**Prepared by** : Alaa Alatilie

**Department** : Assets Management

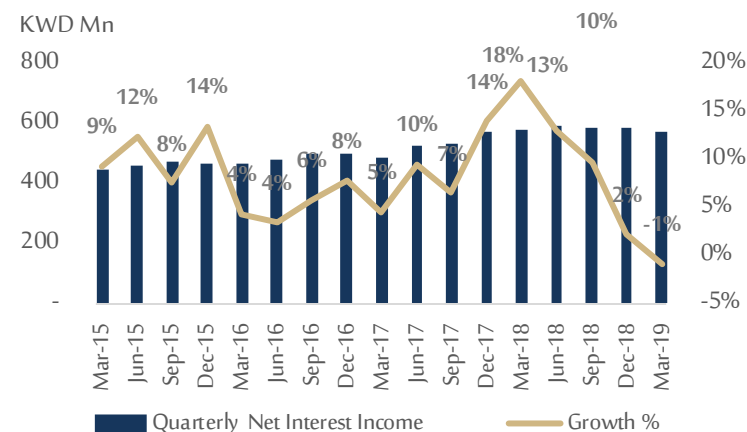


# Banking Sector Report

## Financial analysis - Income statements

### Banks' Net Interest (Financing) Income

KWD Million	1Q-18	1Q-19	Q-o-Q (%)	2018 to 2017	2017 to 2016
National Bank of Kuwait	163.6	171.2	4.7% ▲	9.8% ▲	10.4% ▲
Gulf Bank	36.8	37.6	2.1% ▲	15.4% ▲	13.2% ▲
Commercial Bank of Kuwait	24.1	24.1	0.1% ▲	0.3% ▲	10.4% ▲
Al Ahli Bank of Kuwait	29.1	32.3	10.9% ▲	8.3% ▲	3.0% ▲
Ahli United Bank - Kuwait	25.3	22.4	-11.6% ▼	-3.6% ▼	17.8% ▲
Kuwait International Bank	13.6	13.4	-1.0% ▼	9.4% ▲	-1.4% ▼
Burgan Bank	46.7	37.5	-19.8% ▼	7.7% ▲	9.7% ▲
Kuwait Finance House	138.4	128.2	-7.3% ▼	18.5% ▲	2.9% ▲
Boubyan Bank	28.8	28.6	-0.8% ▼	13.3% ▲	7.4% ▲
Ahli United Bank (B.S.C)	68.6	74.0	7.8% ▲	7.1% ▲	3.6% ▲
Warba Bank	8.3	9.7	16.3% ▲	19.1% ▲	11.9% ▲
<b>Total</b>	<b>583.4</b>	<b>579.0</b>	<b>-0.8% ▼</b>		



## Net Interest (Financing) Income

- The banking sector had a modest decline in its net interest (financing) income by 0.8% during 1st quarter 2019 Q-o-Q to reach an amount of KWD 579 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 2.75% 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 1<sup>st</sup> quarter of 2018 to reach 3.00% which considers as a key driver for the interest income.
- Percentage wise, Warba Bank showed the highest growth of 16.3% in 1Q 2019 to KWD 9.7 million Q-o-Q, while NBK accounted for the highest contribution of 29.6% amounted to KWD 171.2 million. On the other hand, Burgan's interests income deteriorated the most by 19.8% among the Kuwaiti banks followed by AUB-Kuwait and KFH by 11.6% and 7.3%, respectively.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis



# Banking Sector Report

## Financial analysis - Income statements

### Banks' Earnings

Banks' Name	1Q-18	1Q-19	Q-o-Q (%)	2018 to 2017	2017 to 2016
National Bank of Kuwait	93.6	107.7	15.1% ▲	15.0% ▲	9.2% ▲
Gulf Bank	10.8	11.8	9.0% ▲	18.2% ▲	11.8% ▲
Commercial Bank of Kuwait	10.1	1.0	-90.5% ▼	15.0% ▲	10.0% ▲
Al Ahli Bank of Kuwait	10.0	12.4	23.5% ▲	18.1% ▲	9.8% ▲
Ahli United Bank - Kuwait	16.8	17.6	4.3% ▲	15.3% ▲	10.2% ▲
Kuwait International Bank	7.7	6.2	-19.3% ▼	18.0% ▲	-2.8% ▼
Burgan Bank	20.4	19.2	-5.8% ▼	26.6% ▲	-4.3% ▼
Kuwait Finance House	44.0	51.6	17.4% ▲	23.5% ▲	11.5% ▲
Boubyan Bank	12.6	14.6	16.4% ▲	17.9% ▲	15.9% ▲
Ahli United Bank (B.S.C)	52.3	58.7	12.2% ▲	12.4% ▲	8.6% ▲
Warba Bank	2.9	3.8	31.0% ▲	70.9% ▲	189.5% ▲
<b>Total</b>	<b>281.1</b>	<b>304.5</b>	<b>8.3% ▲</b>		



### Net profit attributable to shareholders

- During the period 1Q 2019, the banking sector continued to show a significant growth rate in its net profit by 8.3% to reach an amount of KWD 304.5 compared to the same period of the last year and this was associated with an increase in the net Interest Income After Loan Loss Provision by 13.9%. The Net profit for all the Kuwaiti banks has increased during the first quarter of 2019 in addition to Warba Bank topped the banking growth list in Kuwait with a growth of 31.0% to reach KWD 3.8 million in 1Q 2019. The huge growth was driven by the upper surge in Bank's financing income by 39.6% and therefore the operating revenue increased as well as by 30.7% during the same period.
- Total net profit for the shareholders of the banking sector's constituents have been continuously growing during 2016-2018. This was evidenced by that 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

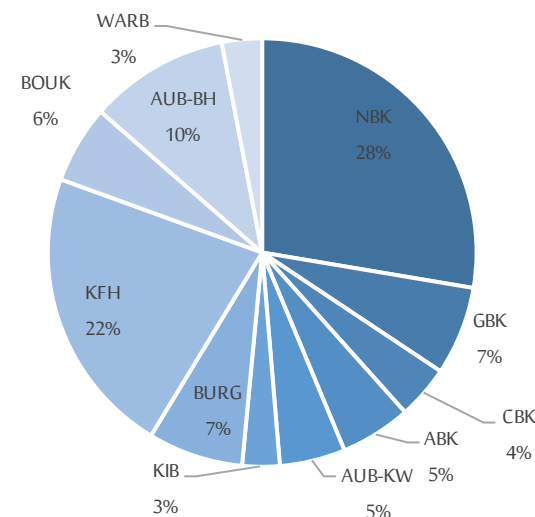


# Banking Sector Report

## Financial analysis - Balance Sheet

### Banks' Loans

Banks' Name	1Q-18	1Q-19	Q-o-Q (%)	2018 to 2017	2017 to 2016
National Bank of Kuwait	14,838	16,046	8.1% ▲	6.9% ▲	6.5% ▲
Gulf Bank	3,820	3,890	1.8% ▲	3.7% ▲	10.5% ▲
Commercial Bank of Kuwait	2,144	2,340	9.2% ▲	0.7% ▲	-0.6% ▼
Al Ahli Bank of Kuwait	3,046	3,098	1.7% ▲	-1.6% ▼	1.5% ▲
Ahli United Bank - Kuwait	2,696	2,874	6.6% ▲	4.8% ▲	-1.2% ▼
Kuwait International Bank	1,355	1,636	20.8% ▲	21.2% ▲	1.7% ▲
Burgan Bank	4,340	4,169	-3.9% ▼	-3.3% ▼	4.3% ▲
Kuwait Finance House	12,504	12,691	1.5% ▲	-2.1% ▼	-0.5% ▼
Boubyan Bank	3,013	3,405	13.0% ▲	13.4% ▲	14.3% ▲
Ahli United Bank (B.S.C)	5,914	6,119	3.5% ▲	0.5% ▲	3.5% ▲
Warba Bank	1,361	1,762	29.4% ▲	27.3% ▲	52.6% ▲
<b>Total</b>	<b>55,032</b>	<b>58,030</b>	<b>5.4% ▲</b>		



## Highlights on Bank's Loans

- The banking sector in Kuwait showed an increase of 5.4% in the total loans to reach an amount of KWD 58.0 billion by the end of 31 March 2019 compared to an amount of KWD 55.0 billion on 31 March 2018. There were a remarkable increase in Warba Bank's total loans which grew by 29.4% followed by Kuwait International Bank and Boubyan Bank as total loans grew by 20.8% and 13.0% Q-o-Q to reach an amount of KWD 1.76 billion, KWD 1.63 billion and KWD 3.4 billion, respectively.
- National Bank of Kuwait "NBK" continued to lead the banking sector with its largest market share of loans of 27.7% to reach an amount of KWD 16.0 billion, followed by KFH as the bank had a total market share of loans 21.9% and an amount of KWD 12.7 billion as of 31 March 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 3.9% Q-o-Q in march 2019 to reach KWD 4.2 billion.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

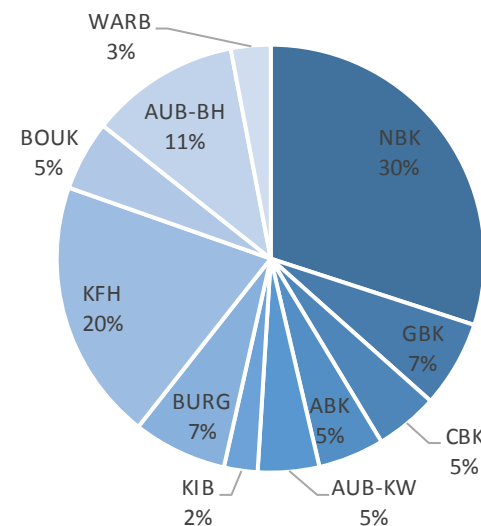


# Banking Sector Report

## Financial analysis - Balance Sheet

### Banks' Deposits

Banks' Name	1Q-18	1Q-19	Q-o-Q (%)	2018 to 2017	2017 to 2016
National Bank of Kuwait	22,425	22,688	1.2% ▲	5.5% ▲	6.7% ▲
Gulf Bank	4,886	4,960	1.5% ▲	5.8% ▲	3.6% ▲
Commercial Bank of Kuwait	3,441	3,603	4.7% ▲	-0.4% ▼	4.2% ▲
Al Ahli Bank of Kuwait	3,637	3,776	3.8% ▲	2.3% ▲	-2.7% ▼
Ahli United Bank - Kuwait	3,205	3,505	9.4% ▲	6.6% ▲	-1.8% ▼
Kuwait International Bank	1,655	1,920	16.0% ▲	9.4% ▲	6.9% ▲
Burgan Bank	5,418	5,363	-1.0% ▼	-6.3% ▼	4.2% ▲
Kuwait Finance House	14,060	14,943	6.3% ▲	0.8% ▲	6.1% ▲
Boubyan Bank	3,701	3,999	8.0% ▲	10.2% ▲	14.7% ▲
Ahli United Bank (B.S.C)	7,983	8,559	7.2% ▲	6.1% ▲	2.7% ▲
Warba Bank	1,629	2,269	39.2% ▲	19.4% ▲	54.4% ▲
<b>Total</b>	<b>72,040</b>	<b>75,585</b>	<b>4.9% ▲</b>		



### Highlights on Bank's Deposits

- Total deposits in the Kuwaiti banking sector had an upsurge of 4.9% to reach an amount of KWD 75.6 billion by the end of 31 March 2016 compared to an amount of KWD 72.0 billion on 31 March 2018.
- Warba Bank leads the growth charts as its total deposits rose the most by 39.2% Q-o-Q compared to other banks in Kuwait to reach an amount of KWD 2.3 billion followed by Kuwait International Bank which also grew by 16.0% Q-o-Q to reach KWD 1.9 billion as of 31 March 2019.
- Kuwait National Bank continued to prime the market with its largest market share of deposits and a weight of 30.0% to an amount of KWD 22.7 billion, followed by KFH with a total market share and a weight of 19.8% and amounted to KWD 14.9 billion on 31 March 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 5.4 billion.

Source: Thomson Reuters, Banks Financial Statements and Arzan Analysis

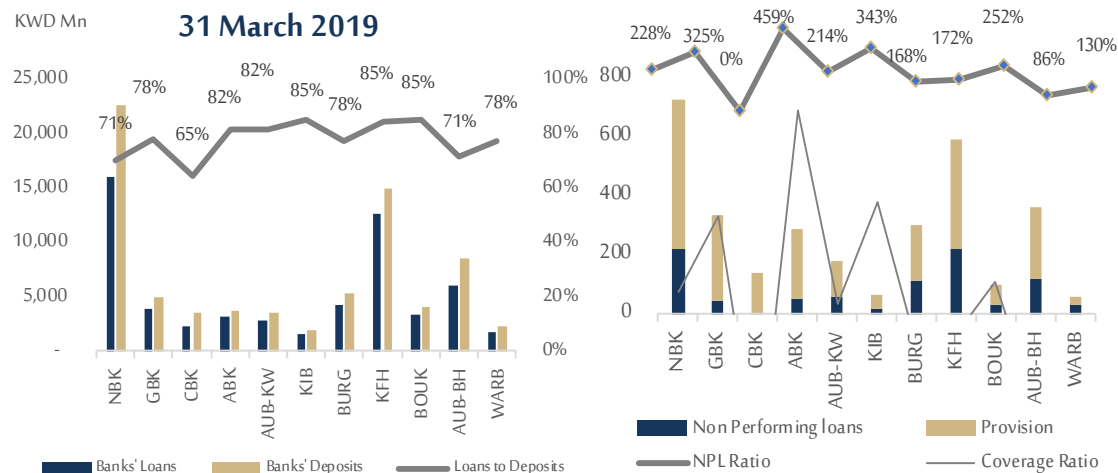


# Banking Sector Report

## 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%
<b>Average</b>	<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 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

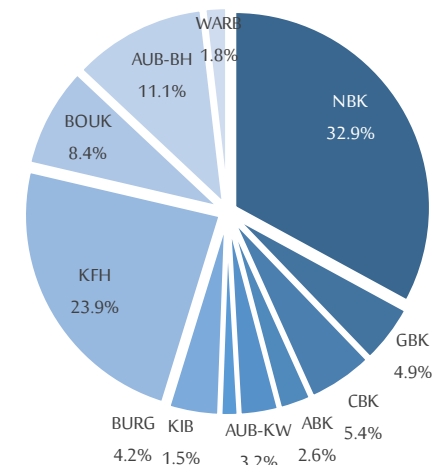


# Banking Sector Report

## 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	6,260	18.2	512.6	1.90	60.3%	3.6%	49.2%	32.6%	1.4%	11.7%
Gulf Bank	929	17.8	211.8	1.51	51.3%	3.3%	31.2%	23.2%	1.0%	9.4%
Commercial Bank of Kuwait	1,031	17.3	355.5	1.47	56.5%	3.9%	38.8%	35.6%	1.2%	7.8%
Al Ahli Bank of Kuwait	500	13.0	401.2	0.78	53.8%	4.5%	28.8%	17.8%	1.0%	6.9%
Ahli United Bank - Kuwait	612	13.0	257.6	1.27	55.4%	5.1%	44.1%	30.1%	1.3%	10.7%
Kuwait International Bank	280	14.9	276.6	1.04	49.2%	4.2%	30.6%	20.6%	0.9%	7.2%
Burgan Bank	795	10.3	351.8	0.92	38.7%	4.0%	33.8%	19.2%	1.2%	9.4%
Kuwait Finance House	4,539	23.0	265.6	2.48	55.0%	3.1%	40.0%	26.2%	1.3%	12.9%
Boubyan Bank	1,588	30.9	175.5	3.36	37.4%	1.5%	40.1%	27.9%	1.3%	12.3%
Ahli United Bank (B.S.C)	2,119	10.6	151.2	1.60	60.3%	6.2%	65.6%	39.3%	2.0%	16.4%
Warba Bank	351	35.1	176.5	1.55	0.0%	0.0%	27.0%	11.1%	0.6%	6.0%
	<b>19,005.8</b>	<b>19.1</b>	<b>1.98</b>	<b>51.8%</b>	<b>3.9%</b>	<b>39.0%</b>	<b>25.8%</b>	<b>1.2%</b>	<b>10.1%</b>	

Market Cap as of 26 May 2019



## Market Indicators

- The total market cap for the banking sector increased to KWD 18.7 billion on 31 March 2019 compared to KWD 16.1 billion in 31 December 2018. NBK continued to have the largest market cap in Kuwait Boursa and accounted for the largest rate of 32.9% of the banking sector with a market cap of KWD 6.3 billion, followed by KFH with a 23.9% with a market cap of KWD 4.5 billion on 31 March 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 3.9% and where AUB-Bahrain gave the highest dividend yield of 6.2% followed by AUB-KW and Al-Ahli Bank by 5.1% and 4.5%, respectively based on 2018 payout ratio and market price on 26 May 2019.
- As of 31 March 2019, NBK topped the banking sector based on its book value per share reached 512.6 fils followed by Al-Ahli Bank of Kuwait with BVPS of 401.2 fils. Al-Ahli had the lowest P/BV among the banking sector with P/BV of 0.78x as of 31 March 2019 but the lowest PE of 10.6x went to AUB-BH. On the other hand, the highest PE and P/BV went for Warba Bank and Boubyan Bank respectively at 35.1x and 3.36x, respectively.



# Arzan Financial Group

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