

Corporate earnings

Kuwait: Improved corporate earnings still signaling some softness

> Nembr Kanafani
Head of Research
+965 2259 5365, nemrkanafani@nbk.com

> Hiba Koraytem
Senior Economist
+965 2259 5363, hibakoraytem@nbk.com

Listed Kuwaiti companies continued to post a notable rise in profits for the first nine months of 2017, though softness in business activity has affected revenue growth. The financial sector was the main contributor to the solid growth, with investment income benefiting from the stock market rally. Although results in other sectors continued to reflect a more lackluster operating environment, moderation in the consumer sector was visible in company results.

Earnings of listed corporates were up 18% y/y during the first nine months of the year. The aggregate profits of 148 reporting companies, out of 153 Kuwaiti companies listed on Boursa Kuwait, rose to KD 1.34 billion. There was also a significant drop in aggregate losses, which shrank by 50% y/y to KD 43 million; still, the number of loss-making companies was steady at 37.

The financial services sector benefited from the stock market rally this year. Boursa Kuwait's weighted index was up 9% during 3Q17, as the market benefited from the Zain acquisition by Omantel and the upgrade of Kuwait's market to emerging by FTSE. Non-bank financial service companies with large exposures to the local market made strong gains on their investment portfolios. Total profits for this sector quadrupled to KD 131 million in 3Q17, up from KD 26 million in 3Q16. The strong results of the sector were broad-based. The number of loss-making companies dropped notably compared to 3Q16 with 54% of reporting companies seeing an improvement in earnings.

Banks were the second largest contributor to profit growth in 3Q17. Profits for the sector rose a good 7% to KD 595 million. Most banks contributed to the growth, with only one bank seeing declines in earnings. While growth came primarily from investment gains, net interest income also supported the sector's profitability.

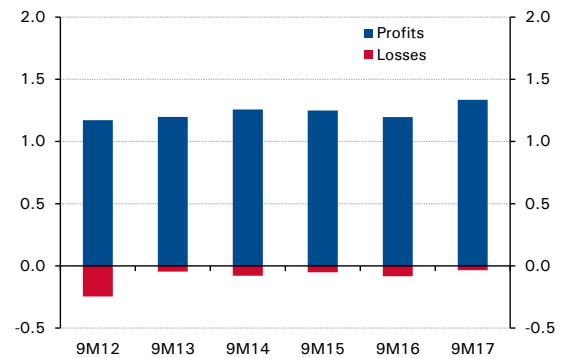
Industrial companies were another main contributor to profit growth. The sector's profits were up 26% in 3Q17. Gains from the sector were concentrated in two main companies, with others posting mixed to flat results.

Real estate companies have also done well, benefiting from the pickup in activity in the sector in 2017. The real estate market witnessed a slow and orderly correction in activity and prices in tandem with the declining oil prices between 4Q15 and 4Q16. Since then, the pickup in the sector's activity and stabilization in real estate prices help push profits of real estate companies up 24% y/y in 3Q17.

The consumer sector was a clear exception to the positive outcome, with results still reflecting a moderating operating environment. Although profits for the consumer sector were down 11% y/y, only a third of the companies saw declines in earnings. This is in line with the slight improvement that was witnessed in consumer sector data recently. In fact, consumer spending, imports of consumer goods, consumer confidence and household debt have all improved somewhat in 3Q17.

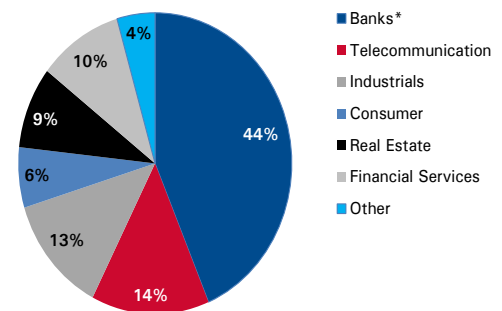
Chart 1: Profits and losses

(KD billion)



Source: Boursa Kuwait

Chart 2: Profits by sector



Source: Boursa Kuwait

Table: Profits by sector

(KD million)	Net profits		Growth
	9M16	9M17	% y/y
Banks*	537	575	7.1%
Basic Materials	16	22	38.1%
Consumer Goods	63	56	-11.2%
Consumer Services	34	31	-9.9%
Financial Services	27	131	391.9%
Healthcare	4	5	39.0%
Industrials	133	168	26.1%
Insurance	19	25	31.7%
Oil & Gas	4	5	5.8%
Real Estate	93	116	24.1%
Technology	6	2	-64.1%
Telecommunications	186	184	-1.3%
Total	1,123	1,320	17.5%

Source: Boursa Kuwait

* Adjusted for NBK's consolidation of Boubyan Bank.

Head Office

Kuwait

National Bank of Kuwait SAKP
Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2242 2011
Fax: +965 2259 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network

Bahrain

National Bank of Kuwait SAKP
Zain Branch
Zain Tower, Building 401, Road 2806
Seef Area 428, P. O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

National Bank of Kuwait SAKP
Bahrain Head Office
GB Corp Tower
Block 346, Road 4626
Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

United Arab Emirates

National Bank of Kuwait SAKP
Dubai Branch
Latifa Tower, Sheikh Zayed Road
Next to Crown Plaza
P.O.Box 9293, Dubai, U.A.E
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait SAKP
Abu Dhabi Branch
Sheikh Rashed Bin Saeed
Al Maktoom, (Old Airport Road)
P.O.Box 113567, Abu Dhabi, U.A.E
Tel: +971 2 4199 555
Fax: +971 2 2222 477

Saudi Arabia

National Bank of Kuwait SAKP
Jeddah Branch
Al Khalidiah District,
Al Mukmal Tower, Jeddah
P.O Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

Jordan

National Bank of Kuwait SAKP
Amman Branch
Shareef Abdul Hamid Sharaf St
P.O. Box 941297, Shmeisani,
Amman 11194, Jordan
Tel: +962 6 580 0400
Fax: +962 6 580 0441

Lebanon

National Bank of Kuwait
(Lebanon) SAL
BAC Building, Justinien Street, Sanayeh
P.O. Box 11-5727, Riad El-Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 759700
Fax: +961 1 747866

Iraq

Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

Egypt

National Bank of Kuwait - Egypt
Plot 155, City Center, First Sector
5th Settlement, New Cairo
Egypt
Tel: +20 2 26149300
Fax: +20 2 26133978

United States of America

National Bank of Kuwait SAKP
New York Branch
299 Park Avenue
New York, NY 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

United Kingdom

National Bank of Kuwait
(International) Plc
Head Office
13 George Street
London W1U 3QJ
UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

National Bank of Kuwait
(International) Plc
Portman Square Branch
7 Portman Square
London W1H 6NA, UK
Tel: +44 20 7224 2277
Fax: +44 20 7486 3877

France

National Bank of Kuwait
(International) Plc
Paris Branch
90 Avenue des Champs-Elysees
75008 Paris
France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore

National Bank of Kuwait SAKP
Singapore Branch
9 Raffles Place # 44-01
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

China

National Bank of Kuwait SAKP
Shanghai Representative Office
Suite 1003, 10th Floor, Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

NBK Capital

Kuwait

NBK Capital
38th Floor, Arraya II Building, Block 6
Shuhada'a street, Sharq
PO Box 4950, Safat, 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904 / 5

United Arab Emirates

NBK Capital Limited - UAE
Precinct Building 3, Office 404
Dubai International Financial Center
Sheikh Zayed Road
P.O. Box 506506, Dubai
UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2805

Associates

Turkey

Turkish Bank
Valikonagl CAD. 7
Nisantasi, P.O. Box. 34371
Istanbul, Turkey
Tel: +90 212 373 6373
Fax: +90 212 225 0353