GCC listed banks' results

A new reality

Year-ended
31 December 2021

April 2022

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Basis of preparation

In this report, KPMG professionals have analyzed the financial results of leading listed commercial banks from each GCC country — the Kingdom of Bahrain (Bahrain), the State of Kuwait (Kuwait), the Sultanate of Oman (Oman), the State of Qatar (Qatar), the Kingdom of Saudi Arabia (Saudi Arabia or KSA) and the United Arab Emirates (UAE). The financial results and selected key performance indicators (KPIs) of the 53 leading GCC banks' for the year-ended 31 December 2021 are summarized and compared with the prior year (year-ended 31 December 2020).

Foreword

We are delighted to launch the seventh edition of KPMG's Gulf Cooperation Council (GCC) listed banks results report. This report provides banking industry leaders with succinct analysis of the financial services sector outlook, as well as an overview of key performance indicators.

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The 2021 report, '**A new reality**', highlights some of the key financial trends identified in the banking sector across the region, including:

- **Robust asset growth**
- **Profitability increase**
- **Stable Non-Performing Loan (NPL) ratios**
- **Lower loan impairment**
- **Further cost efficiencies**
- **Rising share prices**

2021 followed an unprecedented year where the banking sector was forced to grapple with the far-reaching impact of Covid-19. Despite this challenge and a difficult economic environment, the GCC banking sector emerged resilient and stronger by taking proactive and timely measures, coupled with effective government support, to weather the storm. Our report highlights how: banks placed greater focus on digital transformation; ESG became a priority; NPLs continued to be managed effectively; and agile working practices became the norm, amongst other highlights.

In last year's report, we made several predictions for the GCC banking sector, including regulators embracing tech; cost and operational efficiencies; declining profitability; ESG gaining prominence; further consolidation; rising NPL and loan impairment; accelerated digital investment; and flexible working patterns. While a number of these predictions were realized in 2021, the sector has emerged far more resilient that one could have anticipated in the peak of the pandemic. The financial results have in fact exceeded expectations.

Looking forward to '**A New Reality**', key predictions for the sector in 2022 that are explored in this report include:

- **Increased regulatory oversight**
- **Cautious and selective lending**
- **Improved Net Interest Margins (NIMs)**
- **Effective NPL management**
- **Environmental, Social and Governance (ESG) drive**
- **Further consolidation**
- **Continued digital transformation**
- **Declining costs**
- **Robust economic environment to support resilience**

Throughout this report, heads of Financial Services from KPMG member firms in the six GCC countries provide views on their respective banking markets, specifically on the financial results of leading listed banks. We hope that our analysis, insights and predictions will continue to help drive banking strategies and shape the industry across the region.

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Content

Executive summary

I. Balance sheet

6.4% ↑

Total assets increased from **US$2.5 trillion** in 2020 to **US$2.6 trillion** in 2021.

0.4% ↑

Capital adequacy ratio increased from **18.6 percent** in 2020 to **19.0 percent** in 2021.

II. Income statement

35.8% ↑

Net profit increased from US$25.4 billion in 2020 to **US$34.5 billion** in 2021**.**

0.3% ↓

Cost-to-income ratio declined marginally from **41.4 percent** in
2020, to an average **41.1 percent** in 2021.

36.6% ↑

Share prices increased by **36.6 percent** on average in 2021.

0.3% ↑

Overall **ROA** increased from **1.0 percent** to **1.3 percent** in 2021.

2.8% ↑

Overall, **ROE** increased **from 8.5 percent** to **11.3 percent** in 2021.

III. Loan provision

14.5% ↓

Net provision on loans decreased from **US$20.8 billion** in 2020 to **US$17.8 billion** in 2021.

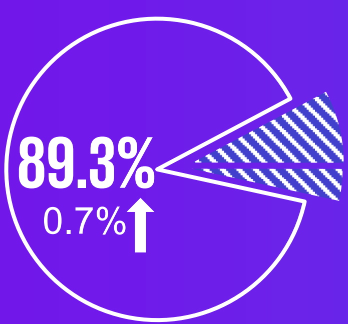
5.3% ↑

Coverage ratio on stage 3 loans increased **from 60.7 percent** to **66.0 percent.**

0.5%
Stage 1 - coverage ratio
0.1% ↓

10.5%
Stage 2 - coverage ratio
0.4% ↑

66.0%
Stage 3 - coverage ratio
5.3% ↑



0.5% ↓
7.7%

3.0%
0.2% ↓

NPL

Out of the **total loan exposure subject to ECL** as of 31 December 2021, **89.3 percent** was in **stage 1**, **7.7 percent** was in **stage 2**, and **3.0 percent** was in **stage 3.**

Results snapshot

Country \ KPI[1]	Total assets (US$ billion) 2020	Total assets (US$ billion) 2021	Total assets y-o-y	Total net profit (US$ million) 2020	Total net profit (US$ million) 2021	Total net profit y-o-y	Average capital adequacy ratio (%) 2020	Average capital adequacy ratio (%) 2021	Average capital adequacy ratio y-o-y	ROE 2020	ROE 2021	ROE y-o-y	ROA 2020	ROA 2021	ROA y-o-y
Bahrain*	107.0	111.2	▲ 3.9%	795.8	1,131.8	▲ 42.2%	18.9%	19.8%	▲ 0.8%	8.1%	11.5%	▲ 3.4%	0.8%	1.0%	▲ 0.3%
Kuwait	301.6	320.7	▲ 6.3%	1,519.5	2,907.7	▲ 91.4%	17.9%	18.3%	▲ 0.4%	4.4%	8.9%	▲ 4.5%	0.5%	0.9%	▲ 0.4%
Oman	87.1	93.4	▲ 7.3%	709.3	880.3	▲ 24.1%	17.4%	18.8%	▲ 1.4%	6.3%	7.3%	▲ 0.9%	0.8%	1.0%	▲ 0.1%
Qatar **	478.8	501.4	▲ 4.7%	5,919.9	6,333.7	▲ 7.0%	18.7%	19.3%	▲ 0.6%	12.9%	13.7%	▲ 0.8%	1.3%	1.3%	No change
Saudi Arabia **	738.9	807.7	▲ 9.3%	9,270.8	12,977.2	▲ 40.0%	20.5%	20.7%	▲ 0.2%	8.8%	11.7%	▲ 2.9%	1.3%	1.8%	▲ 0.4%
UAE	775.2	813.8	▲ 5.0%	7,212.2	10,243.0	▲ 42.0%	18.0%	17.3%	▼ 0.7%	7.7%	11.1%	▲ 3.3%	1.0%	1.3%	▲ 0.3%
Total	2,488.6	2,648.3	▲ 6.4%	25,378.0	34,460.2	▲ 35.8%	18.6%	19.0%	▲ 0.4%	8.5%	11.3%	▲ 2.8%	1.0%	1.3%	▲ 0.3%

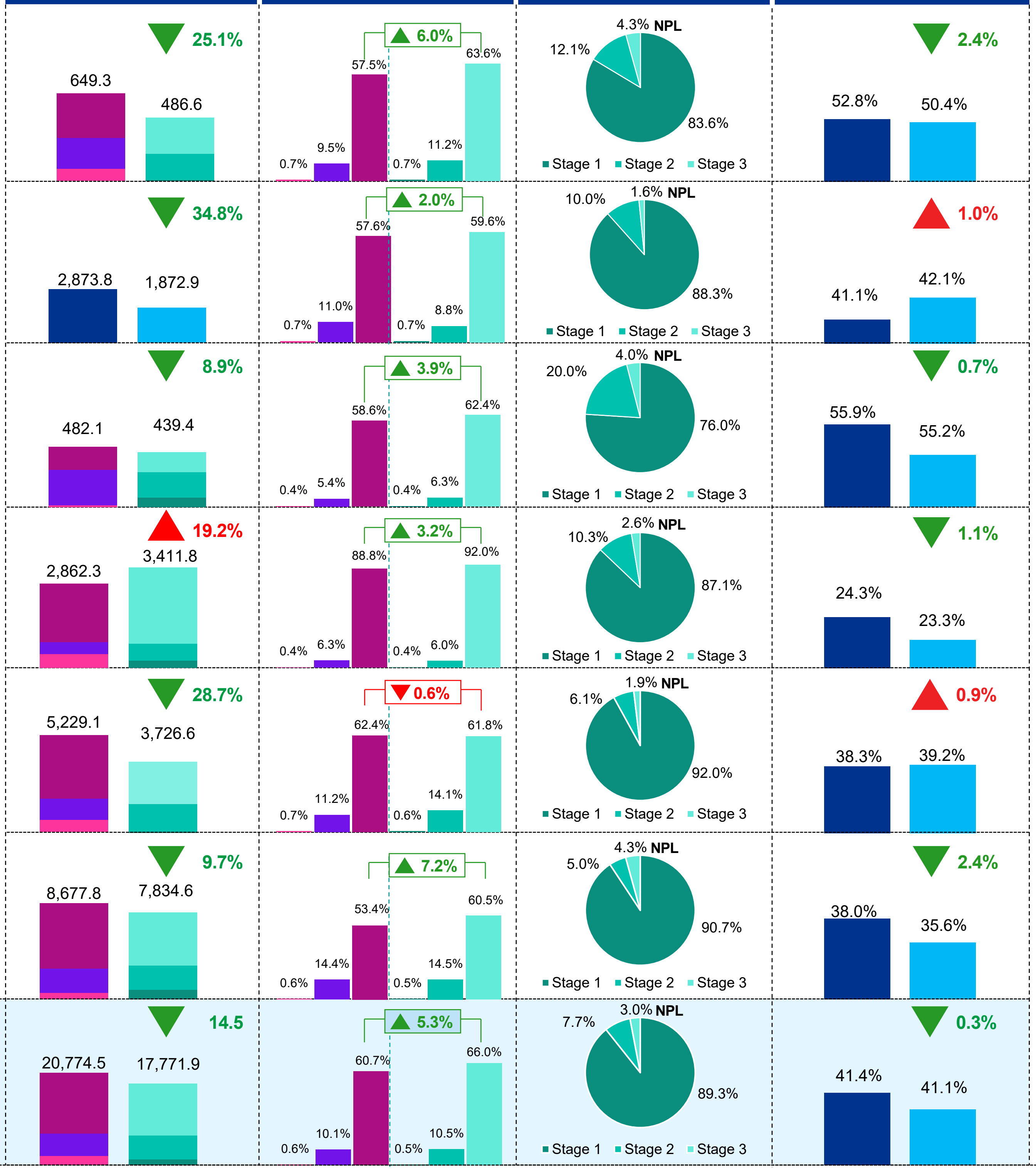
■ 2020 ■ 2021 ▲ y-o-y[3] increase ● No change ▼ y-o-y[3] decrease

■ Stage 1: 2020 ■ Stage 2: 2020 ■ Stage 3: 2020 ■ Stage 1: 2021 ■ Stage 2: 2021 ■ Stage 3: 2021

*Note: *2021 financial figures for total assets, net profit and provision charge for Bahrain has been adjusted for NBB, as appropriate, to remove effect of the BISB consolidation by NBB (only to the extent of publicly available information).*

***Al Khaliji Commercial bank of Qatar and SAMBA Financial of Saudi Arabia merged with Masraf Al Rayan, and Saudi National bank respectively, and hence have been adjusted accordingly*

Total net provision charge on loans[2] — by stage (US$ million)	Coverage ratios on loans — by stage (%)	Total loans subject to ECL — by stage as at 31 December 2021 (%)	Average cost-to-income ratio[2] (%)



2020 2021 y-o-y[3] increase No change y-o-y[3] decrease

Stage 1: 2020 Stage 2: 2020 Stage 3: 2020 Stage 1: 2021 Stage 2: 2021 Stage 3: 2021

Note: The total assets, net profit and net provision charge on loans numbers represent totals for all the analyzed listed banks covered for each country. Year-on-year percentage change has been calculated based on the actual, not rounded numbers. For other KPIs, a simple average of all listed banks' covered has been used.

[1]All KPIs have been calculated as of, or for the year-ended 31 December 2021.

[2]Decrease (or increase) in CIR and net provision charge on loans has been shown as a positive (or negative) movement.

[3] Y-o-y represents year-on-year. Y-o-y change for CAR, ROE, ROA, coverage ratio of loans – stage 3 and CIR are calculated basis absolute change.

Outcomes against last year's outlook

Cautious optimism

At the outset of COVID-19, the focus of the GCC banking sector turned to greater caution rather than growth, as banks began to rebuild after the impact of COVID-19 began to decline. Banks were able to utilize digital innovation to the benefit of their customers and shareholders and with the extensive government support, stability was maintained in the sector, which helped drive profitability growth.

Regulators embrace tech

The increase in 'regtech' witnessed over the last few years continued in 2021, with greater use of innovation to maintain their close supervision of the banking sector. Central banks continued to devote most of their attention to addressing Covid-19 related issues while also focusing on pre-existing initiatives around Anti Money Laundering (AML), cybersecurity, financial crime, Electronic Know Your Customer (eKYC), IBOR, corporate governance and open banking.

Agile working becomes the norm

With COVID-19 bringing about a much-needed shift in the working patterns across the banking sector, banks adopted a blended approach for their employees working from home and the office. Employers looked to maintain the flexibility in work patterns while also adhering to face-to face interactions with clients, where necessary. This new approach saw an increased focus on branchless banking, cashless and cardless transactions throughout the banking sector.

Rising NPLs and loan impairment

Despite the challenging economic environment, banks were able to manage their NPL ratios and loan impairment levels. This was done by adopting a cautious approach to lending, writing off fully provided customers, and a focus on the higher-end customer base and government/government agencies, all coupled with very robust government support programs.

Cost and operational efficiencies remain a priority

In line with our expectations, banks remained focused on cost and operational efficiencies in 2021, with the overall cost-to-income ratio reducing slightly compared with the prior year. Continuing with agile working norms, banks also looked to take advantage of robotic process automation, branchless banking, and other innovative ways to control their costs, while also being supported by a low cost of funding.

Profitability to decline

We expected a continuing downward trend in profitability in 2021, due to effects of COVID-19 in the prior year. However, due to the robust and proactive approach taken by banks and regulators across the GCC in response to COVID-19, banking profitability recovered and contrary to our prediction, grew by 36 percent after a drop in 2020. This was mainly due to banks' move to take most of the provisions in 2020 coupled with prudential lending, along with better credit management and extended government support across numerous sectors affected by the pandemic.

Banking on ESG

As expected, the Environmental, Social and Governance agenda gained more prominence in 2021. Banks placed greater emphasis on the 'environmental' and 'social' aspects of ESG, while continuing to promote good 'Governance'. Various stock exchanges have also made significant progress around the reporting side of ESG, as investors place greater scrutiny around banking practices in this space.

Further consolidation

As predicted, banking consolidation continued in 2021 as many GCC countries witnessed activity on the M&A front both in the conventional and Islamic banking sector as banks' sought to remain competitive and shareholders looked to achieve synergies. The consolidation drive, which resulted in the creation of larger, stronger and more resilient financial institutions.

Accelerated digital investment

We saw a greater focus, and further investments in the digital arena and transformation plans, particularly owing to the challenges and customer needs emerging as a result of Covid-19. Banks redefined their business models, using technology to serve their customer base. banks aggressively pursued technological advancement and the use of digital platforms, partnering with various fintech firms to make banking more accessible to all.

Country rankings

Metric	Rank	By y-o-y GROWTH rate (2020 vs. 2021) Country	Δ y-o-y	By VALUE/PERCENT as of 31 December 2021 Country	Value/ percent
Total assets – by average (US$ billion)	1	Saudi Arabia[2]	9.3%	UAE	81.3
	2	Oman	7.3%	Saudi Arabia[2]	73.4
	3	Kuwait	6.3%	Qatar[2]	62.6
	4	UAE	5.0%	Kuwait	32.1
	5	Qatar[2]	4.7%	Bahrain[1]	13.9
	6	Bahrain	3.9%	Oman	11.7
Net profit – by average (US$ million)	1	Kuwait	91.4%	Saudi Arabia[2]	1,179.7
	2	Bahrain	42.2%	UAE	1,024.3
	3	UAE	42.0%	Qatar[2]	791.7
	4	Saudi Arabia[2]	40.0%	Kuwait	290.8
	5	Oman	24.1%	Bahrain[1]	141.5
	6	Qatar[2]	7.0 %	Oman	110.0
Net provision charge on loans – by average (US$ million)	1	Qatar[2]	19.2%	UAE	783.5
	2	Oman	(8.9)%	Qatar[2]	426.5
	3	UAE	(9.7)%	Saudi Arabia[2]	338.8
	4	Bahrain	(25.1)%	Kuwait	187.3
	5	Saudi Arabia[2]	(28.7)%	Bahrain[1]	60.8
	6	Kuwait	(34.8)%	Oman	54.9
Return on equity (%)	1	Kuwait	4.5%	Qatar[2]	13.7%
	2	Bahrain	3.4%	Saudi Arabia[2]	11.7%
	3	UAE	3.3%	Bahrain	11.5%
	4	Saudi Arabia[2]	2.9%	UAE	11.1%
	5	Oman	0.9%	Kuwait	8.9%
	6	Qatar[2]	0.8%	Oman	7.3%
Return on assets (%)	1	Saudi Arabia[2]	0.4%	Saudi Arabia[2]	1.8%
	2	Kuwait	0.4%	Qatar[2]	1.3%
	3	UAE	0.3%	UAE	1.3%
	4	Bahrain	0.3%	Bahrain	1.0%
	5	Oman	0.1%	Oman	1.0%
	6	Qatar[2]	0.0%	Kuwait	0.9%

Note: [1]Financial figures for total assets, net profit and provision charge for Bahrain has been adjusted for NBB, as appropriate, to remove effect of the BISB consolidation by NBB (only to the extent of publicly available information).
The rankings are based on the actual, not rounded off, numbers and are shown based on the sample covered of the financial services sector in the respective countries
[2] Al Khaliji Commercial bank of Qatar and SAMBA Financial of Saudi Arabia merged with Masraf Al Rayan and Saudi National Bank respectively, and hence have been adjusted accordingly

	By y-o-y GROWTH rate (2020 vs. 2021)			By VALUE/PERCENT as of 31 December 2021		
		Country	Δ y-o-y		Country	Value/ percent
Capital adequacy ratio (%)	1	Oman	1.4%	1	Saudi Arabia[2]	20.7%
	2	Bahrain	0.8%	2	Bahrain	19.8%
	3	Qatar[2]	0.6%	3	Qatar[2]	19.3%
	4	Kuwait	0.4%	4	Oman	18.8%
	5	Saudi Arabia[2]	0.2%	5	Kuwait	18.3%
	6	UAE	(0.7)%	6	UAE	17.3%
Cost-to-income ratio[1] (%)	1	Bahrain	(2.4)%	1	Qatar[2]	23.3%
	2	UAE	(2.4)%	2	UAE	35.6%
	3	Qatar[2]	(1.1)%	3	Saudi Arabia[2]	39.2%
	4	Oman	(0.7)%	4	Kuwait	42.1%
	5	Saudi Arabia[2]	0.9%	5	Bahrain	50.4%
	6	Kuwait	1.0%	6	Oman	55.2%
Coverage ratios on loans – stage 3[2] (%)	1	UAE	7.2%	1	Qatar[2]	92.0%
	2	Bahrain	6.0%	2	Bahrain	63.6%
	3	Oman	3.9%	3	Oman	62.4%
	4	Qatar[2]	3.2%	4	Saudi Arabia[2]	61.8%
	5	Kuwait	2.0%	5	UAE	60.5%
	6	Saudi Arabia[2]	(0.6)%	6	Kuwait	59.6%
Stage 3 loans subject to ECL[1,2] (%)	1	Bahrain	(0.7)%	1	Kuwait	1.6%
	2	Saudi Arabia[2]	(0.6)%	2	Saudi Arabia[2]	1.9%
	3	Kuwait	(0.6)%	3	Qatar[2]	2.6%
	4	UAE	(0.1)%	4	Oman	4.0%
	5	Oman	0.0%	5	UAE	4.3%
	6	Qatar[2]	0.2%	6	Bahrain	4.3%

● Bahrain ● Kuwait ● Oman ● Qatar ● Saudi Arabia ● United Arab Emirates

Note: [1]Rankings for CIR and stage 3 loans subject to ECL have been sorted from smallest to largest, reflecting preferred negative movement.
Y-o-y represents year-on-year. Y-o-y change for CAR, ROE, ROA, coverage ratio of loans – stage 3 and CIR are calculated basis absolute change.
The rankings are based on the actual, not rounded off, numbers.

Bank rankings

		By y-o-y GROWTH rate (2020 vs. 2021)				By VALUE/PERCENT as of 31 December 2021		
		Banks	Country	Δ y-o-y		Banks	Country	Value/ percent
Total assets (US$ billion)	1	*The Saudi National Bank*	*Saudi Arabia*	*52.3%*	1	Qatar National Bank	Qatar	298.3
	2	*Masraf Al Rayan*	*Qatar*	*42.7%*	2	First Abu Dhabi Bank	UAE	272.3
	3	*Al Rajhi* Bank	*Saudi Arabia*	*32.8%*	3	*The Saudi National Bank*	*Saudi Arabia*	*243.4*
	4	*Al Salam* Bank	*Bahrain*	*18.7%*	4	Emirates NBD	UAE	187.1
	5	Commercial Bank of Dubai	UAE	17.3%	5	*Al Rajhi* Bank	*Saudi Arabia*	*166.1*
	6	Bank *Nizwa*	*Oman*	*16.5%*	6	Abu Dhabi Commercial Bank	UAE	119.9
Net profit (US$ million)	1	*Kuwait International* Bank	*Kuwait*	*1,081,069%*	1	*Al Rajhi* Bank	*Saudi Arabia*	*3,926.9*
	2	Bank *Al Jazira*	*Saudi Arabia*	*2876.5%*	2	Qatar National Bank	Qatar	3,605.3
	3	*Warba* Bank	*Kuwait*	*181.3%*	3	First Abu Dhabi Bank	UAE	3,411.2
	4	*Al Salam* Bank	*Bahrain*	*133.7%*	4	*The Saudi National Bank*	*Saudi Arabia*	*3,373.5*
	5	*Banque Saudi Fransi*	*Saudi Arabia*	*122.8%*	5	Emirates NBD	UAE	2,531.0
	6	Commercial Bank of Qatar	Qatar	75.9%	6	*Riyad Bank*	*Saudi Arabia*	*1,604.6*
Net provision charge on loans (US$ million)	1	RAK Bank	UAE	268.2%	1	First Abu Dhabi Bank	UAE	3,181.9
	2	*Masraf Al Rayan*	*Qatar*	*67.0%*	2	Emirates NBD	UAE	2,071.5
	3	*The Saudi National Bank*	*Saudi Arabia*	*51.1%*	3	Qatar National Bank	Qatar	1,928.3
	4	*Khaleeji Commercial* Bank	Bahrain	43.5%	4	*The Saudi National Bank*	*Saudi Arabia*	*1,062.5*
	5	*Oman Arab* Bank	*Oman*	*40.2%*	5	*Al Rajhi* Bank	*Saudi Arabia*	*1,013.9*
	6	Mashreq Bank	UAE	38.6%	6	Abu Dhabi Commercial Bank	UAE	722.8
Return on equity (%)	1	*Ithmaar Holding*	Bahrain	222.6%	1	*Ithmaar Holding*	*Bahrain*	*147.0%*
	2	Al Ahli Bank of Kuwait	Kuwait	18.0%	2	*Al Rajhi* Bank	*Saudi Arabia*	*23.5%*
	3	Bahrain Islamic Bank	Bahrain	17.1%	3	*Qatar Islamic* Bank	*Qatar*	*17.2%*
	4	*Saudi British Bank (SABB)*	*Saudi Arabia*	*13.9%*	4	Qatar National Bank	Qatar	15.8%
	5	National Bank of Fujairah	UAE	12.6%	5	Bank *Albilad*	*Saudi Arabia*	*14.8%*
	6	Mashreq Bank	UAE	11.3%	6	*Qatar International Islamic* Bank	*Qatar*	*13.9%*
Return on assets (%)	1	*Saudi British Bank (SABB)*	*Saudi Arabia*	*2.7%*	1	*Al Rajhi* Bank	*Saudi Arabia*	*2.7%*
	2	Al Ahli Bank of Kuwait	Kuwait	2.0%	2	*Qatar Islamic* Bank	*Qatar*	*1.9%*
	3	Bahrain Islamic Bank	Bahrain	1.5%	3	*Riyad Bank*	*Saudi Arabia*	*1.9%*
	4	National Bank of Fujairah	UAE	1.4%	4	*Abu Dhabi Islamic* Bank	*UAE*	*1.8%*
	5	Mashreq Bank	UAE	1.4%	5	*Banque Saudi Fransi*	*Saudi Arabia*	*1.7%*
	6	Commercial Bank of Kuwait	Kuwait	1.3%	6	*The Saudi National Bank*	*Saudi Arabia*	*1.7%*

Note: The rankings are based on the actual, not rounded off, numbers. Islamic banks have been presented in italics.

Metric	By y-o-y GROWTH rate (2020 vs. 2021)				By VALUE/PERCENT as of 31 December 2021			
		Banks	Country	Δ y-o-y		Banks	Country	Value/ percent
Capital adequacy ratio (%)	1	*Bank Nizwa*	Oman	5.1%	1	*Al Salam Bank Bahrain*	Bahrain	28.5%
	2	*Warba bank*	Kuwait	4.6%	2	*Bank Al Jazira*	*Saudi Arabia*	*24.4%*
	3	*Ahli bank*	Qatar	3.7%	3	Bank of Bahrain and Kuwait	Bahrain	23.6%
	4	*Bank Alinma*	*Saudi Arabia*	*3.5%*	4	*Bank Alinma*	*Saudi Arabia*	*22.8%*
	5	Bahrain Islamic Bank	Bahrain	3.1%	5	HSBC Bank Oman S.A.O.G.	Oman	22.6%
	6	Ahli United Bank	Kuwait	2.5%	6	National Bank of Bahrain	Bahrain	22.1%
Cost-to-income ratio[1] (%)	1	*Bahrain Islamic bank*	Bahrain	(12.9)%	1	*Qatar Islamic* Bank	Qatar	18.1%
	2	HSBC Bank Oman S.A.O.G.	Oman	(8.7)%	2	*Qatar International Islamic* Bank	Qatar	18.8%
	3	*Ithmaar Holding*	Bahrain	(7.8)%	3	*Masraf Al Rayan*	Qatar	22.0%
	4	*Al Rajhi Bank*	*Saudi Arabia*	*(5.6)%*	4	Qatar National Bank	Qatar	22.5%
	5	Burgan Bank	Kuwait	(5.3)%	5	Ahli Bank	Qatar	25.0%
	6	Warba Bank	Kuwait	(4.6)%	6	First Abu Dhabi Bank	UAE	26.9%
Coverage ratios on loans – stage 3[2] (%)	1	Mashreq Bank	UAE	27.6%	1	Qatar National Bank	Qatar	116.8%
	2	Warba Bank	Kuwait	27.6%	2	Gulf Bank	Kuwait	102.0%
	3	*Al Salam Bank - Bahrain BSC*	Bahrain	27.4%	3	Al Ahli Bank of Kuwait	Kuwait	93.8%
	4	Bank Nizwa	Oman	19.4%	4	Bank *Albilad*	*Saudi Arabia*	*92.8%*
	5	Khaleeji Commercial Bank	Bahrain	18.9%	5	Emirates NBD	UAE	90.6%
	6	First Abu Dhabi Bank	UAE	15.2%	6	Mashreq Bank	UAE	90.4%
Stage 3 loans subject to ECL[1] (%)	1	*Khaleeji Commercial* Bank	Bahrain	(3.1)%	1	Commercial Bank of Kuwait	Kuwait	*0.0%*
	2	*Al Salam* Bank	Bahrain	(2.9)%	2	Bank *Nizwa*	*Oman*	*0.8%*
	3	Burgan Bank	Kuwait	(2.4)%	3	*Al Rajhi Bank*	*Saudi Arabia*	*0.9%*
	4	*Arab National Bank*	*Saudi Arabia*	*(1.8)%*	4	*Boubyan Bank*	Kuwait	*0.9%*
	5	National Bank of Bahrain	Bahrain	(1.2)%	5	Gulf Bank	Kuwait	*1.0%*
	6	Bank of Bahrain and Kuwait	Bahrain	(1.1)%	6	National Bank of Kuwait	Kuwait	*1.0%*

Bahrain · Kuwait · Oman · Qatar · Saudi Arabia · United Arab Emirates

Note: [1]Rankings for CIR and stage 3 loans subject to ECL have been sorted from smallest to largest, reflecting preferred negative movement. Y-o-y represents year-on-year. Y-o-y change for CAR, ROE, ROA, coverage ratio of loans – stage 3 and CIR are calculated basis absolute change. The rankings are based on the actual, not rounded off, numbers. Islamic banks have been presented in italics.

Insights — 2021

The summary below outlines the broader themes emerging from the results analysis provided in this report for the year-ended 31 December 2021.

The GCC banking sector continued to remain relatively resilient despite the economic uncertainty caused by COVID-19 in the region and across the globe.

Profitability saw a double-digit increase of 35.8 percent compared with 2020, driven particularly by growth in loan books, a lower cost of funds and continued focus on cost efficiencies.

Asset growth remained robust as banks increased their asset base by 6.4 percent. Growth was driven by cautious lending and government security dominated investments.

Loan book increased by 6.0 percent on an average compared with 2020, reflecting the continuous growth and activity that banks are both experiencing and supporting across the region.

The overall NPL ratio for the GCC banking sector **decreased by 0.2 percent and now stands at 3.0 percent**, reflecting the recovery made after a year of economic stress in certain sectors.

Net impairment charges on loans and advances decreased year on year by an average of 14.5 percent, with the drop observed mainly in stage 1 and 3 portfolios, indicating the improvement in credit quality.

ROE (11.3 percent in 2021) and ROA (1.3 percent in 2021) **both increased, by 2.8 percent and 0.3 percent respectively**, compared with the prior year as a result of the rise in profitability.

Cost-to-income ratios reduced compared with 2020 **(41.4 percent to 41.1 percent)**, reflecting the continued focus on cost reductions and operating efficiency initiatives.

The average coverage ratio for stage 2 and 3 loans increased by 0.4 percent and 5.3 percent respectively from the prior year, indicating how banks continue to be cautious in relation to their approach to provisioning.

The average capital adequacy ratio increased slightly year on year by 0.4 percent and currently stands at **19.0 percent** — well above the minimum regulatory requirements across all GCC countries.

The positive financial results were reflected in market sentiment with **share prices of 45 banks out of 53** showing an upward trend compared with the previous year, with an overall **average increase of 36.6 percent.**

Outlook — 2022

The summary below elucidates the thoughts of KPMG Financial Services leaders from member firms across the GCC on the outlook for the banking sector in the region.

Continued digital transformation

The GCC banking sector has already accelerated its digital investment and transformation plans, which are likely to gather pace in 2022 as well. We expect banks to continue to aggressively pursue technological transformation and further explore the use of digital platforms to make banking more accessible to customers, while implementing robotics, Fintech and other innovative ways to efficiently manage customers' banking needs.

Increased regulatory oversight

Regulators will continue to enhance their oversight on the banking sector with enhanced reporting, driven by global developments and the increased use of technology. Basel IV regulations, increased focus on Anti Money Laundering (AML), Financial Crime, and Know Your Customer (eKYC), Cybersecurity, Open banking, and Digital Currencies amongst other areas will be the primary focus in the year ahead.

Cautious and selective lending

Going forward, banks will maintain a cautious approach to lending and focus on government, high-end customers and collateralized business sectors to continue a sustained growth in the lending portfolio. This will enable banks to manage their provisions levels, while providing a reasonable return on capital.

Effective NPL management

With the cautious approach to lending, we expect NPLs to remain at the current level in 2022. Banks will look to proactively manage their non-performing portfolios through lending to low risk sectors, coupled with possible sales and write offs of fully provided troubled customers.

Robust economic environment to support resilience

We expect the GCC banking sector to be supported by a robust economic environment fueled by rising oil prices. While banks have emerged resilient in the face of economic challenges posed by COVID-19, government support, accelerated innovation plans, and committed infrastructure investment will see further growth going forward.

Declining costs

Given the significant investments in technology over the past few years, we expect cost and operational efficiencies to remain high on the management agenda. Banks are likely to look at more sophisticated ways in which costs can be managed through collaboration with Fintech players amongst others.

ESG drive

Environmental, Social and Governance matters will gain more prominence in 2022. Stock exchanges and Central Banks are likely to drive this agenda as they look to mandate some form of common ESG reporting across the banking sector. ESG will not only be a focus for banks but for all stakeholders including investors and customers

Improved NIMs

As the impact of COVID-19 and preventive government measures come to a halt, and with the global rising interest rate trend we expected interest margins to improve. The increase will stabilize the returns on lending and investment securities, which will help preserve interest margins and fuel profit growth.

Further consolidation

GCC banks will continue to pursue consolidating as they seek to remain competitive and relevant in the marketplace. In 2021, several GCC countries experienced mergers, or talks to merge, both in the conventional and Islamic banking sector thus creating larger, stronger and more resilient financial institutions. We expect that this consolidation drive will continue in 2022 across the region.

KPIs defined

KPI definitions and assumptions

Given the varied accounting frameworks and reporting styles across Islamic and conventional banks in the GCC, the following parameters have been used in calculations for consistency in our analysis:

- **Total assets** are as reported in the published annual financial statements.
- **Net profit** is the net profit for the year attributable to the shareholders of the banks.
- **Capital adequacy ratio (CAR)** is the ratio of total capital (the sum of Tier 1 and 2 capital) to total risk weighted assets (RWAs). For Islamic banks, URIA balances are included in total capital, as a result the ratios for Islamic and conventional banks are not entirely comparable.
- **Return on equity (ROE)** is the ratio of net profit attributable to the shareholders of the banks to average equity, where average equity is calculated by halving the sum of total equity attributable to the banks' shareholders (excluding additional Tier 1 (AT1) capital) for the current and previous year ends. The coupon on any AT1 instrument is excluded from net profit.
- **Return on asset (ROA)** is the ratio of net profit attributable to the shareholders of the banks to average assets, where average assets are calculated by halving the sum of total assets for the current and previous year ends.
- **Net provision charge on loans** is the sum of the expected credit loss (ECL) on stage 1 and 2 and impairment charge on stage 3 loans for year-ended 31 December 2020 and 31 December 2021.
- **Coverage ratios on loans – by stage** is the provisions (including interest in suspense) at 31 December 2020 and 31 December 2021 for the respective stages as a percentage of the relevant exposure.
- **Total loans subject to ECL – by stage at 31 December 2021** is the stage-wise exposure of loans subject to ECL (before the impact of ECL) at 31 December 2021 as a percentage of total exposure subject to ECL.
- **Cost-to-income ratio (CIR)** is the ratio of total operating expenses (excluding impairment charges) to total operating income (where interest/financing income or expenses, fee commission income or expenses and URIA costs have all been netted).

The results and KPIs compared for each bank

- Total assets
- Net profit
- Capital adequacy ratio (CAR)
- Return on equity (ROE)
- Return on assets (ROA)
- Net provision charge on loans
- Coverage ratios on loans – by stage
- Total loans subject to ECL – by stage
- Cost-to-income ratio (CIR)
- Share price

The information used in this report has been obtained solely from publicly available sources, including company filings (interim reports, investor presentations and annual reports), databases and web searches. The terms 'loans and advances' and 'financing assets' (for Islamic banks) have been used interchangeably and collectively referred to as 'loans.

All the figures used in the report are in the US dollar (US$). For conversion, the average exchange rate of the respective year has been used, i.e. to convert a data point from 2021 (reported in local currency), the average daily exchange rate between 1 January 2021 and 31 December 2021 has been used.

The range and extent of regulatory measures and support in each country impact the reported ratios and numbers presented by banks and may not be comparable across the GCC. However, we have provided a relative analysis of country and banks performances based on their reported numbers using a common KPI definition. Users should exercise caution in deriving their conclusions or in making business decisions solely based on this analysis. Users should also make themselves aware of local regulatory measures and perform further detailed analysis on each banks and each jurisdiction.

Glossary

In this report, the following 53 listed banks' results have been analyzed.

Bahrain[1]		Abv.	Sign-off date
1	Ahli United Bank	AUB	24-02-2022
2	*Al Baraka Banking Group*	*Al Baraka*	24-02-2022
3	*Al Salam Bank Bahrain*	*Al Salam*	13-02-2022
4	*Bahrain Islamic Bank*	*BISB*	*16-02-2022*
5	Bank of Bahrain and Kuwait	BBK	01-03-2022
6	*Ithmaar Holding (formerly known as Ithmaar Bank)*	*Ithmaar*	*15-02-2022*
7	*Khaleeji Commercial Bank*	*Khaleeji*	*08-02-2022*
8	National Bank of Bahrain	NBB	23-02-2022

1. For Bahrain, listed investment banks have been excluded from the report to provide more meaningful comparison of results.

Qatar		Abv.	Sign-off date
1	*Ahli Bank*	*Ahli*	*03-02-2022*
2	*Doha Bank*	*Doha*	*01-03-2022*
3	*Masraf Al Rayan*	*MAR*	*06-04-2022*
4	*Qatar International Islamic Bank*	*QIIB*	*13-02-2022*
5	*Qatar Islamic Bank*	*QIB*	*30-01-2022*
6	*Qatar National Bank*	*QNB*	*18-01-2022*
7	*The Commercial Bank*	*CB*	*22-02-2022*

Kuwait		Abv.	Sign-off date
1	*Ahli United Bank*	*AUBK*	*02-02-2022*
2	Al Ahli Bank of Kuwait	ABK	09-02-2022
3	*Boubyan Bank*	*Boubyan*	*21-02-2022*
4	Burgan Bank	Burgan	06-02-2022
5	Gulf Bank	GBK	10-02-2022
6	*Kuwait Finance House*	*KFH*	*06-02-2022*
7	*Kuwait International Bank*	*KIB*	*21-02-2022*
8	National Bank of Kuwait	NBK	26-01-2022
9	The Commercial Bank of Kuwait	CBK	15-03-2022
10	*Warba Bank*	*Warba*	*15-02-2022*

Saudi Arabia		Abv.	Sign-off date
1	*Al Rajhi Bank*	*Al Rajhi*	*14-02-2022*
2	*Alinma Bank*	*Alinma*	*14-02-2022*
3	*Arab National Bank*	*ANB*	*03-03-2022*
4	*Bank Albilad*	*BAB*	*13-02-2022*
5	*Bank AlJazira*	*BAJ*	*13-02-2022*
6	*Banque Saudi Fransi*	*BSF*	*15-02-2022*
7	*Riyad Bank*	*Riyad*	*09-03-2022*
8	*The Saudi National Bank*	*NCB*	*10-02-2022*
9	*The Saudi British Bank*	*SABB*	*21-02-2022*
10	*The Saudi Investment Bank*	*SAIB*	*14-02-2022*

Oman		Abv.	Sign-off date
1	Ahli Bank	Ahli	10-03-2022
2	Bank Dhofar	Dhofar	06-03-2022
3	Bank Muscat	Muscat	28-02-2022
4	*Bank Nizwa*	*Nizwa*	*11-03-2022*
5	HSBC Bank Oman	HSBC	04-03-2022
6	National Bank of Oman	NBO	16-03-2022
7	Oman Arab Bank	OAB	15-03-2022
8	Sohar International	Sohar	10-03-2022

United Arab Emirates[1]		Abv.	Sign-off date
1	Abu Dhabi Commercial Bank	ADCB	31-01-2022
2	*Abu Dhabi Islamic Bank*	*ADIB*	*14-02-2022*
3	Commercial Bank of Dubai	CBD	10-02-2022
4	*Dubai Islamic Bank*	*DIB*	*16-02-2022*
5	Emirates NBD	ENBD	26-01-2022
6	First Abu Dhabi Bank	FAB	26-01-2022
7	Mashreq bank	Mashreq	10-02-2022
8	National Bank of Fujairah	NBF	28-01-2022
9	*Sharjah Islamic Bank*	*SIB*	*21-01-2022*
10	The National Bank of Ras Al-Khaimah	RAK	02-02-2022

1. Of the 20 listed banks in the UAE, the 10 largest (by assets and net profit) have been considered for the purpose of this report.

Note: banks have been listed alphabetically, by their full names, which is also the order followed throughout the report.
The sign-off dates represent the sign-off date available on the statement of financial position; in case of unavailability, the auditor sign-off date has been considered.
Islamic banks have been presented in Italics. In case of Qatar, the sign-off date represents the auditor sign-off date.

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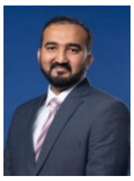

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