KPMG

GCC listed banks results

Shifting horizons

Year-ended 31 December 2017

April 2018

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Foreword

We are delighted to launch the third edition of KPMG's Gulf Cooperation Council (GCC) listed banks results report for 2017, which analyses the financial results for leading listed commercial banks across the GCC, comparing these to the previous year. This report provides industry leaders with succinct analysis, insights and forward-looking views, while comparing banking sector results and key performance indicators across the GCC.

The 2017 report, **'Shifting Horizons'**, identifies some of the key financial trends witnessed across the region's banking sector in 2017, including:

- **robust asset and profitability growth**
- **lower loan impairment and NPL ratios**
- **increased cost efficiencies**
- **improved capital positions.**

The trends identified through analysis of these results carried out by KPMG professionals were largely positive which, in the light of the unique political and economic circumstances the region has witnessed this year, is particularly impressive, and reflects the resilience of the banking sector. The report highlights the increased optimism on the back of these positive financial results which, coupled with the rising oil price environment, have resulted in banks shifting strategies from the more conservative approach witnessed in recent times, to a more innovative and growth-driven focus, albeit in a measured manner. Nevertheless, the results also highlight the challenges that exist in the region's banking sector, whether it be with regards to tightened liquidity or rising funding costs amongst others, which have been covered in more detail in this report.

Last year, KPMG professionals made a number of predictions in areas such as tax, regulatory reform, customer focus, digitization, cost efficiencies, governance, and capital/fundraising. Many of these predictions came true in 2017, and continue to support our overall positive long-term outlook on the sector.

The key predictions for 2018 explored in this report include the following broad themes:

- **continued customer focus through innovation and technology**
- **cost and operational efficiency initiatives remain a priority**
- **rising provisions expected in an IFRS 9 environment**
- **increased capital and fundraising activity.**

Throughout this report, heads of Financial Services at KPMG member firms in the six GCC countries provide thoughts on their respective banking markets, specifically on the results of the leading listed commercial banks. We hope that our analysis, insights and predictions will help drive banking strategies and shape the industry across the region in the 2018 and beyond.

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Basis of preparation

In this report, KPMG professionals have analyzed the 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 results and selected Key performance indicators (KPIs) of the 56 selected GCC banks for the year-ended 31 December 2017 are summarized and compared with those from last year (year-ended 31 December 2016).

The results and KPIs compared for each bank

- Total assets
- Net profit
- Net impairment charge on loans and advances
- Regulatory capital
- Share price
- Loan-to-deposit ratio (LDR)
- Capital adequacy ratio (CAR)
- Return on equity (ROE)
- Return on assets (ROA)
- Liquidity ratio (LR)
- Non-performing loan ratio (NPL)
- Cost-to-income ratio (CIR).

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.

All the figures used in the report are in US Dollar (US$). For conversion, the average exchange rate of the respective year has been used, i.e. to convert a data point from 2017 (reported in local currency), the average daily exchange rate between 1 January 2017 and 31 December 2017 has been used. The exchange rates used in this report are provided in Appendix II: Sources.

Where banks report in both local currency and US$, local currency figures have been converted to US$ to ensure consistency. The US$ is also used when calculating percentage changes.

This report does not reflect any restatements/revisions in 2016 numbers, as per the 2017 financial statements published by listed commercial banks. Some of the KPIs for the year-ended 31 December 2016 have been adjusted in this edition (wherever applicable, for consistency purposes) from the last version of the GCC listed banks results report.

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** is as reported in the published annual financial statements.
- **Net profit** is the net profit for the year attributable to the shareholders of the bank.
- **Net impairment charge on loans and advances** is the impairment charge/(write-back) for the year on loans and advances.
- **Regulatory capital** is the total of Tier 1 and Tier 2 capital, as reported by each bank.
- **Share price** is the quoted price at the close of the last day of each quarter, starting 31 December 2016 and ending 31 December 2017.
- **Loan-to-deposit ratio (LDR)** is calculated by dividing net loans and advances by customer deposits. For Islamic banks, unrestricted investment account (URIA) balances have been included in deposits.
- **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 bank to average equity, where average equity is calculated by halving the sum of total equity attributable to the bank's 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 bank to average assets, where average assets is calculated by halving the sum of total assets for the current and previous year ends.
- **Liquidity ratio (LR)** is calculated as cash and cash balances with central banks (including mandatory reserves, cash balances with maturity greater than 1 year, Treasury bills and government bonds), due from banks (with a maturity of less than 1 year) and listed (or quoted) (Level 1) investment securities, divided by customer deposits (including URIA balances for Islamic banks), due to banks (with a maturity of less than 1 year) and borrowings (full year's value).
- **Non-performing loan ratio (NPL)** is the ratio of non-performing loans to gross loans and advances.
- **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). For Islamic banks, net operating income includes the share of results of associates, while finance expenses and sukuk holders' share of profit have been netted.

Glossary

In this report, the following 56 listed banks results have been analyzed.

Bahrain[1]		Abv.	Sign-off date
1	Ahli United Bank	AUB	20-02-2018
2	*Al Baraka Banking Group*	*Al Baraka*	*20-02-2018*
3	*Al Salam Bank-Bahrain[2]*	*Al Salam*	*13-02-2018*
4	*Bahrain Islamic Bank*	*BISB*	*12-02-2018*
5	BBK[3]	BBK	19-02-2018
6	*Ithmaar Holding (formerly known as Ithmaar Bank)*	*Ithmaar*	*26-02-2018*
7	*Khaleeji Commercial Bank*	*Khaleeji*	*07-02-2018*
8	National Bank of Bahrain	NBB	29-01-2018

1 *For Bahrain, listed investment banks have been excluded from the report to provide more meaningful comparability of results.*
2 *Al Salam Bank adopted IFRS 9 in 2017, as a result certain ratios presented may not be comparable within the peer group and with the previous year results.*
3 *BBK was an early adopter of IFRS 9 in 2016 and continued in 2017. As a result, certain ratios presented may not be comparable within the peer group.*

Kuwait		Abv.	Sign-off date
1	*Ahli United Bank*	*AUBK*	*16-01-2018*
2	Al Ahli Bank of Kuwait	ABK	16-01-2018
3	*Boubyan Bank*	*Boubyan*	*07-01-2018*
4	Burgan Bank	Burgan	18-01-2018
5	Gulf Bank	GBK	18-01-2018
6	*Kuwait Finance House*	*KFH*	*08-01-2018*
7	*Kuwait International Bank*	*KIB*	*10-01-2018*
8	National Bank of Kuwait	NBK	08-01-2018
9	The Commercial Bank of Kuwait	CBK	07-02-2018
10	*Warba Bank*	*Warba*	*14-01-2018*

Oman		Abv.	Sign-off date
1	Ahli Bank	Ahli	22-01-2018
2	*Alizz Islamic Bank*	*Alizz*	*28-01-2018*
3	Bank Dhofar	Dhofar	29-01-2018
4	Bank Muscat	Muscat	28-02-2018
5	*Bank Nizwa*	*Nizwa*	*28-01-208*
6	Bank Sohar	Sohar	29-01-2018
7	HSBC Bank Oman	HSBC	04-03-2018
8	National Bank of Oman	NBO	28-01-2018

Qatar		Abv.	Sign-off date
1	Ahli Bank	Ahli	17-01-2018
2	Al Khaliji Commercial Bank	Al Khaliji	24-01-2018
3	Doha Bank	Doha	23-01-2018
4	*Masraf Al Rayan*	*MAR*	*16-01-2018*
5	*Qatar International Islamic Bank*	*QIIB*	*24-01-2018*
6	*Qatar Islamic Bank*	*QIB*	*17-01-2018*
7	Qatar National Bank	QNB	16-01-2018
8	The Commercial Bank	CB	29-01-2018

Saudi Arabia		Abv.	Sign-off date
1	*Al Rajhi Banking and Investment Corporation*	*Al Rajhi*	*18-02-2018*
2	Alawwal Bank (formerly known as Saudi Hollandi Bank)	AAAL	22-02-2018
3	*Alinma Bank*	*Alinma*	*06-02-2018*
4	Arab National Bank	ANB	27-02-2018
5	*Bank AlBilad*	*BAB*	*14-02-2018*
6	*Bank AlJazira*	*BAJ*	*07-02-2018*
7	Banque Saudi Fransi	BSF	07-03-2018
8	Riyad Bank	Riyad	14-02-2018
9	SAMBA Financial Group	SAMBA	25-02-2018
10	The National Commercial Bank	NCB	07-02-2018
11	The Saudi British Bank	SABB	25-02-2018
12	The Saudi Investment Bank	SAIB	20-02-2018

United Arab Emirates[1]		Abv.	Sign-off date
1	Abu Dhabi Commercial Bank	ADCB	28-01-2018
2	*Abu Dhabi Islamic Bank*	*ADIB*	*04-02-2018*
3	Commercial Bank of Dubai	CBD	07-02-2018
4	*Dubai Islamic Bank*	*DIB*	*24-01-2018*
5	Emirates NBD	ENBD	15-01-2018
6	Mashreq bank	Mashreq	28-01-2018
7	The National Bank of Ras Al-Khaimah	RAK	29-01-2018
8	Union National Bank	UNB	06-02-2018
9	First Abu Dhabi Bank[2]	FAB	29-01-2018
10	*Sharjah Islamic Bank*	*SIB*	*13-01-2018*

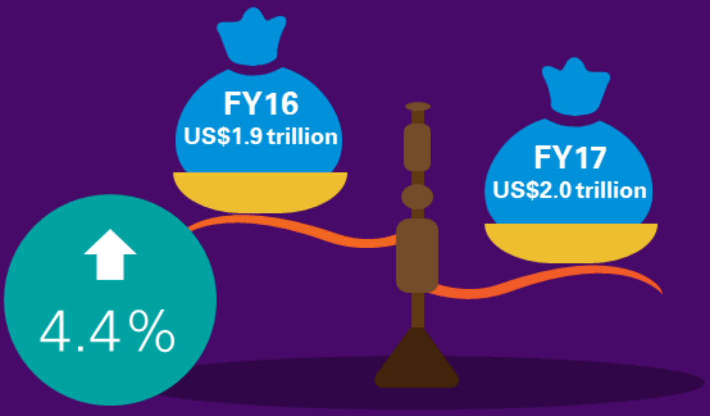
1 *Of the 20 listed banks in the UAE, the 10 largest (by assets and net profit) have been considered for the purpose of this report.*
2 *First Abu Dhabi Bank (FAB) is a result of the merger of First Gulf Bank (FGB) and National Bank of Abu Dhabi (NBAD), declared effective on 1 April 2017.*

Note(s): 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.

Contents

Executive summary

The larger GCC economies help drive impressive profitability, with overall **net profit up by 6.7 percent to US$32.2 billion.**



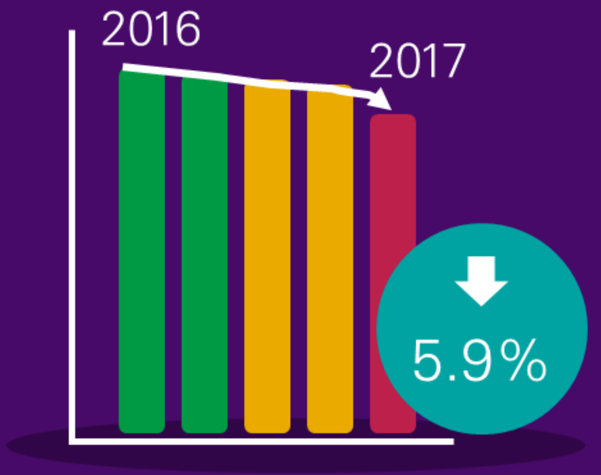
Total assets up by 4.4 percent to US$2.0 trillion with robust asset growth across all GCC countries predominantly due to public sector lending.

Regulatory capital increased across the GCC by **5.9 percent** to **US$278.9 billion** reflecting the focus on capital raising activities.

Liquidity challenges and market conditions resulting in **upward pressure on funding costs.**

Net impairment on loans marginally down by 0.4 percent to US$9.6 billion.

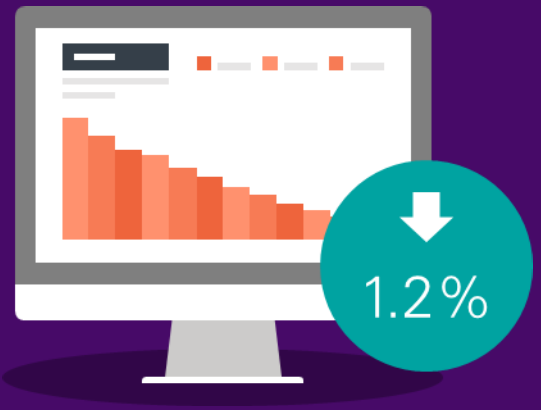
Net impairment on loans



Bank share prices have exhibited a general **downward trend** with a decline of **5.9 percent** over the year despite positive financial results in 2017.

Liquidity ratios are marginally down from the prior year given market conditions in 2017.

At **3.2 percent**, the overall **non-performing loan ratio** remains relatively low and has further **reduced by 0.3 percent** from 2016.

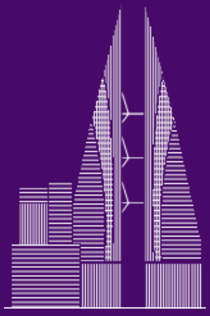


The overall **cost-to-income ratio** has declined by **1.2 percent** from 2016, as a result of cost management initiatives, and now averages **41.6 percent.**

Total capital adequacy ratio, at 18.7 percent, is well above minimum regulatory requirements across the GCC.

Overall average **ROA (1.3 percent)** and **ROE (10.0 percent) marginally down** from 2016.

Country highlights

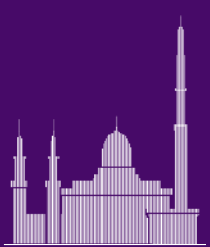


Bahrain

The growth momentum in Bahrain's economy was primarily driven by the non-oil sector, with a real growth rate of 3.6 percent in 2017 as compared with 3.2 percent in 2016. This growth was primarily led by large-scale infrastructure and expansion programs in the non-oil sector, while the oil sector remained almost flat. Bahrain's financial sector showed mixed trends arising from increasing pressure, competition and new regulations introduced to enhance stability, transparency and sustainability of the sector. However, the positive momentum is expected to continue due to the strengthened contribution from the non-oil sector, especially infrastructure, leisure and tourism.

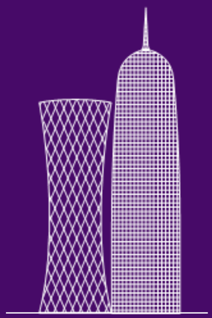
Kuwait

2017 has been a good year for the banking industry in general. Kuwait banks have seen their net profits grow by 8.9 percent in 2017, notwithstanding the higher level of provisions as compared to the prior year. Costs have also been managed effectively as banks look to digital solutions to remain competitive. Whilst profits have grown, a healthy growth in total assets of 5.9 percent has resulted in a flat ROA in 2017. In addition to the Kuwait government, three Kuwait banks accessed the international debt market in 2017 raising a total of US$9.5 billion, which is a testament to the international community's confidence in the Kuwait banking sector.



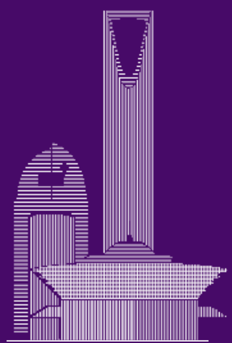
Oman

The Omani banking sector remained well capitalized and profitable in 2017. The credit growth remained healthy despite economic challenges. As of 31 December 2017, outstanding credit extended by banks totaled US$61.0 billion, a rise of 6.4 percent over the level witnessed a year ago. During 2017, total deposits grew by over 5.6 percent to US$56.1 billion to support the stability of the banks' funding base. The banks are playing an important role in supporting the economy by financing public and private sector projects, and assisting small and medium-sized enterprise (SMEs). Additionally, the banks continued to attract and develop local talent which remains a key priority for the government.



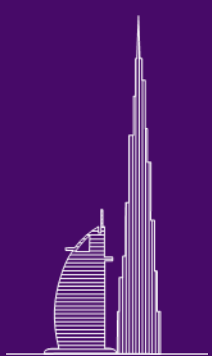
Qatar

It has been a positive year for the listed banks in Qatar. With an average 5.0 percent growth in net profit and 8.1 percent growth in total asset year-on-year (y-o-y), the highest asset growth rate in the region, this demonstrates strength in the banking sector. Furthermore there has been a general decline in costs, reflecting the continued focus on efficiencies to improve net profits. Credit quality does remain a challenge, as loan impairment increased marginally during the year, and the estimated expected credit loss (ECL) impact as a result of the adoption of IFRS 9 on 1 January 2018 was reported at US$2.3 billion. Qatar's banks however do not expect a significant impact on the total capital adequacy as a result of the adoption of IFRS 9.



Saudi Arabia

The year 2017 was widely considered to be a year of recovery and consolidation for the banking industry in Saudi Arabia. Oil prices significantly recovered in 2017 and the banks noted cautious stability in their asset base. The increase in the Interbank Offered Rate in 2017 had a positive impact on margins and resulted in increased profitability which, as a result, drove increased ROA and ROEs in 2017. The government also played a vital role in supporting the industry's liquidity profile by accessing the international and domestic debt markets, while the banking industry's overall capital position also strengthened in 2017. However, the industry continues to face cost pressures due to a rise in the cost of doing business.



UAE

An analysis of the top 10 banks highlights a stable year, with an increase in profitability mainly due to a reduction in impairment charges. Growth in assets were modest as most of the banks have adopted a cautious approach to lending. The liquidity position has slightly improved, however this came at a price, as the cost of funding continued to increase in-line with Central Bank of UAE's commitment to the US$ peg which led to three rate rises during the year. Throughout 2017, the UAE banking sector geared up for number of accounting and regulatory changes which include Basel III, IFRS 9 and VAT. Considering the moderate economic growth, there is an expectation of further consolidation in the UAE banking sector.

Results snapshot

KPI / Country	Total assets (US$ billion) 2016	Total assets 2017	Total assets y-o-y	Net profit (US$ million) 2016	Net profit 2017	Net profit y-o-y	Net impairment charge on loans and advances[1] (US$ million) 2016	Net impairment 2017	Net impairment y-o-y	Regulatory capital (US$ billion) 2016	Regulatory capital 2017	Regulatory capital y-o-y
Bahrain	90.1	95.1	5.6%	1,109.0	1,060.7	4.4%	397.8	376.8	5.3%	10.9	11.7	7.2%
Kuwait	237.8	251.9	5.9%	2,499.0	2,722.1	8.9%	1,367.4	1,472.7	7.7%	29.0	30.8	6.1%
Oman	67.2	71.0	5.6%	885.5	884.1	0.2%	209.9	202.1	3.7%	10.0	11.2	12.0%
Qatar	360.2	389.4	8.1%	5,484.0	5,756.8	5.0%	1,351.6	1,427.6	5.6%	38.0	40.2	5.7%
Saudi Arabia	590.1	592.5	0.4%	11,018.9	11,982.0	8.7%	2,644.7	2,738.3	3.5%	100.6	105.7	5.0%
UAE	549.7	578.4	5.2%	9,223.0	9,836.2	6.6%	3,707.9	3,426.1	7.6%	74.8	79.4	6.2%
Total	1,895.1	1,978.3	4.4%	30,219.4	32,241.8	6.7%	9,679.2	9,643.6	0.4%	263.3	278.9	5.9%

2016 2017

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

Capital adequacy Ratio (%)			Return on equity/return on assets (%)						Liquidity ratio (%)			Non-performing loan ratio[1] (%)			Cost-to-income ratio[1] (%)		
			ROE			ROA											
0.3%	20.0%	20.3%	3.5%	9.3%	5.8%	0.1%	1.1%	0.9%	0.3%	33.8%	33.5%	2.0%	10.8%	8.7%	4.5%	46.4%	50.8%
0.0%	18.5%	18.4%	0.3%	8.3%	8.6%	0.1%	1.0%	1.0%	0.3%	30.4%	30.8%	0.3%	1.9%	1.6%	2.1%	41.8%	39.7%
1.2%	18.1%	16.9%	0.1%	6.7%	6.6%	0.1%	0.8%	0.9%	2.8%	17.5%	14.6%	0.2%	2.0%	2.2%	5.7%	64.3%	58.6%
0.4%	16.6%	17.1%	0.0%	12.0%	12.0%	0.1%	1.5%	1.4%	1.3%	24.1%	22.8%	0.2%	1.9%	2.1%	1.9%	31.5%	29.5%
0.8%	19.5%	20.2%	0.5%	11.8%	12.3%	0.1%	1.7%	1.8%	1.7%	25.8%	27.6%	0.2%	1.3%	1.5%	2.0%	40.5%	38.6%
0.0%	18.6%	18.7%	0.2%	13.3%	13.5%	0.0%	1.7%	1.7%	1.3%	31.8%	33.0%	0.1%	4.4%	4.3%	0.1%	35.8%	35.9%
0.1%	18.6%	18.7%	0.3%	10.4%	10.0%	0.0%	1.3%	1.3%	0.0%	27.4%	27.4%	0.3%	3.5%	3.2%	1.2%	42.9%	41.6%

Note: The total assets and net profit 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]Decrease (or increase) in CIR, net impairment charge on loans and advances and NPL ratio has been shown as a positive (or negative) movement.

[2]All KPIs have been calculated as of, or for the year-ended 31 December 2017.

[3] Y-o-y represents year-on-year.

Outcomes against last year's outlook

Tax back on the agenda

In 2017, we saw the implementation of value-added tax (VAT) gather momentum in the GCC. Both the UAE and Saudi Arabia introduced their respective VAT laws and regulations, effective from 1 January 2018. Bahrain has committed to introducing VAT from 1 October 2018, while Kuwait, Oman and Qatar are expected to announce their effective dates later in 2018, given that the latest date for implementation, as stated in the GCC framework agreement, is 1 January 2019.

Evolving regulatory regimes

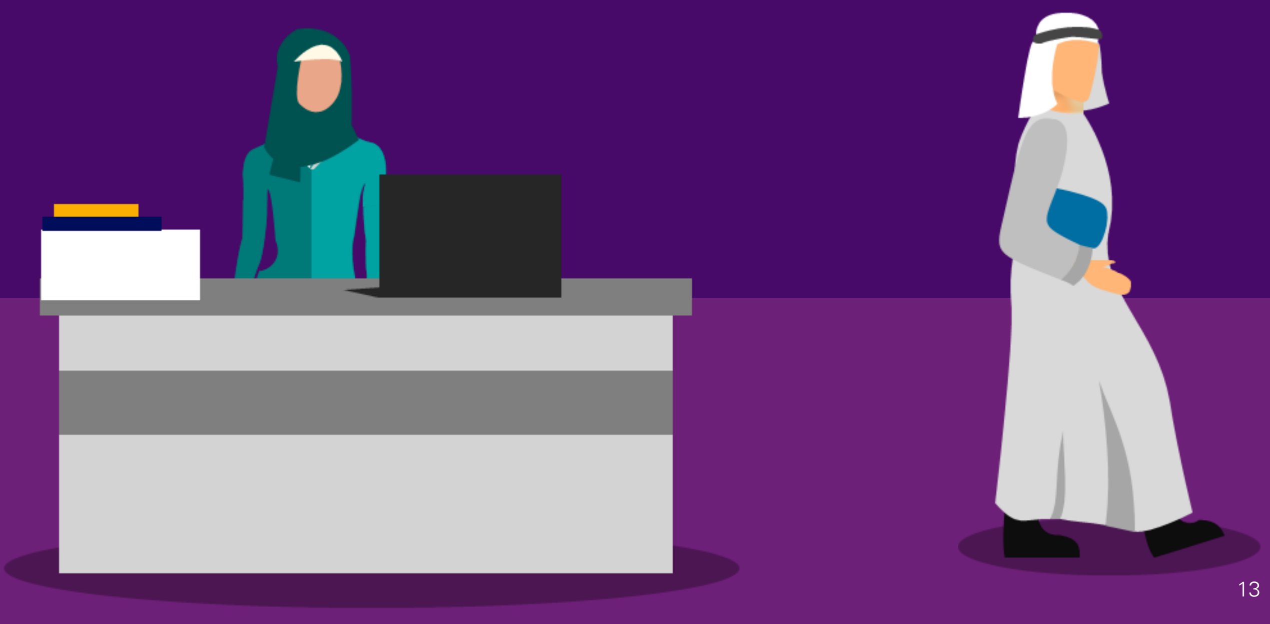
The increase in regulatory oversight and supervision witnessed in 2015 and 2016, continued in 2017, and is expected to continue in the foreseeable future. We saw regulators across the region take on a proactive role around IFRS 9 implementation, with most regulators issuing specific guidance relating to this. GCC regulators continue to roll out directives driven by developments in western financial markets, including a focus on liquidity, recovery and resolution, and capital.

Greater customer focus

With profitability growth not yet at the levels experienced a few years ago, banks have become more customer focused. This is clear in the way banks are managing customer satisfaction and relationships and, in turn, developing internal KPIs to monitor progress. We have also seen banks implement innovative technology to improve the ways in which customers, both retail and corporate, engage with banks through the various channels and, in particular, through mobile applications.

Digitize to remain relevant

Banks in the region have ramped up their efforts around 'digitization' to keep pace with the evolving needs of their customers, remain relevant, and reduce internal costs. Steps taken by banks in the region include branch rationalization, back-office operations restructuring, launch of digital-only banking offerings, and an overall focus on creating efficiencies through digital processes. There has also been a rise in the number of 'chief innovation officer' or equivalent appointments within GCC banks.



Cost and operational efficiencies remain a priority

We expected banks to further increase their focus on cost and operational efficiencies in 2017, to mitigate lower profit growth rates, which is what we have seen. Overall CIRs declined year-on-year. We expect this trend to continue in the long-term with cost reduction, operational efficiency, digitization, and innovation all likely to continue to be high on board agendas, to help ensure that banks manage the cost of doing business.

Data gains prominence

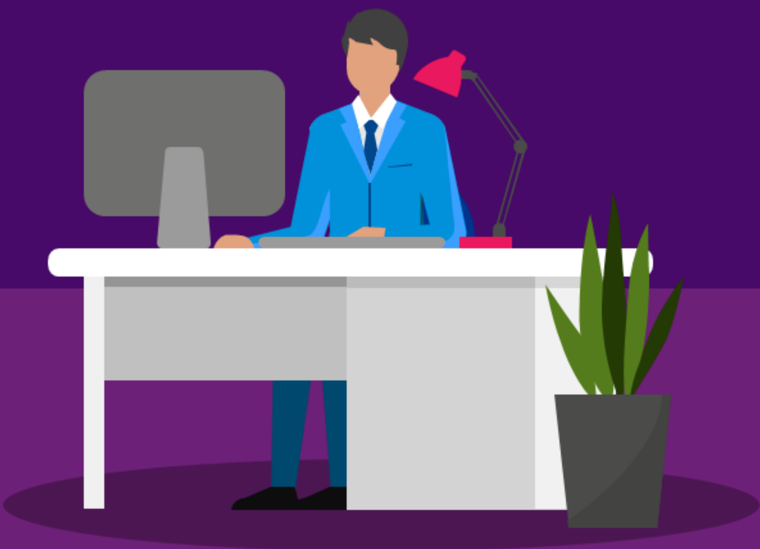
Banks have been increasing the granularity of data that they hold as a result of the increasing regulatory (e.g. General Data Protection Regulations) and accounting (e.g. IFRS 9) requirements. We have seen banks place greater emphasis on the quality of data they manage, given the importance of this for accurate management and financial reporting. The importance of data is seen by many banks as now being on par with the customer.

Focus on governance, conduct and culture

Regulators in the region continue to raise the bar when it comes to corporate governance regulations, particularly as the region's banking sector becomes more prominent on a global scale. In 2017, one GCC country issued a revised set of corporate governance regulations for listed entities in-line with international best practice, while prescribing more detailed requirements on areas such as internal control, executive compensation and auditor engagement.

Continued capital and fundraising activity

All GCC countries experienced an increase in regulatory capital for the banking sector in 2017, as banks look to prepare for future growth, while also ensuring compliance with increasing minimum regulatory requirements. 2017 was a challenging year for the region from a funding perspective, given the political environment, however, we expect debt issuances to increase in 2018 as the market stabilizes and as banks look to continue to grow and manage ratios.



Bank rankings

		By y-o-y growth rate (2016 vs. 2017)				By value/percent as of, or for the y/e, 31 December 2017		
		Bank	**Country**	**Δ y-o-y**		**Bank**	**Country**	**Value/ percent**
TOTAL ASSETS (US$ billion)	1	*Warba Bank K.S.C.P.*	*Kuwait*	*56.7%*	1	Qatar National Bank	Qatar	219.2
	2	*Alizz Islamic Bank Oman*	*Oman*	*49.1%*	2	First Abu Dhabi Bank	UAE	182.1
	3	*Bank Nizwa*	*Oman*	*35.0%*	3	Emirates NBD	UAE	128.0
	4	*Dubai Islamic Bank*	*UAE*	*18.5%*	4	National Commercial Bank	KSA	118.3
	5	*Bahrain Islamic Bank*	*Bahrain*	*17.9%*	5	*Al Rajhi Bank*	*KSA*	*91.4*
	6	*Bank AlBilad*	*KSA*	*17.3%*	6	National Bank of Kuwait	Kuwait	85.7
NET PROFIT (US$ million)	1	*Bank Nizwa*	*Oman*	*3351.0%*	1	Qatar National Bank	Qatar	3,548.5
	2	*Warba Bank K.S.C.P.*	*Kuwait*	*161.8%*	2	First Abu Dhabi Bank	UAE	2,971.1
	3	The Saudi Investment Bank	KSA	34.0%	3	National Commercial Bank	KSA	2,612.2
	4	*Alinma Bank*	*KSA*	*33.9%*	4	*Al Rajhi Bank*	*KSA*	*2,430.7*
	5	Bank Sohar	Oman	32.5%	5	Emirates NBD	UAE	2,271.5
	6	Al Khaliji Commercial Bank	Qatar	27.2%	6	SAMBA	KSA	1,338.1
NET IMPAIRMENT CHARGE ON LOANS AND ADVANCES[1] (US$ million)	1	Ahli Bank	Qatar	(707.3)%	1	Commercial Bank of Kuwait	Kuwait	(68.8)
	2	Commercial Bank of Kuwait	Kuwait	(131.3)%	2	*Bank Nizwa*	*Oman*	*5.0*
	3	*Qatar International Islamic Bank*	*Qatar*	*(76.4)%*	3	*Alizz Islamic Bank Oman*	*Oman*	*5.4*
	4	Al-Ahli United Bank	Bahrain	(56.2)%	4	*Bahrain Islamic Bank*	*Bahrain*	*6.7*
	5	Bank Muscat	Oman	(35.5)%	5	*Qatar International Islamic Bank*	*Qatar*	*7.6*
	6	*Al Rajhi Bank*	*KSA*	*(27.8)%*	6	Ahli Bank	Oman	9.3
REGULATORY CAPITAL (US$ billion)	1	*Warba Bank*	*Kuwait*	*81.9%*	1	First Abu Dhabi Bank	UAE	23.6
	2	Bank Sohar	Oman	35.1%	2	National Commercial Bank	KSA	19.2
	3	*Al Baraka Banking Group*	*Bahrain*	*24.3%*	3	Qatar National Bank	Qatar	18.3
	4	Ahli Bank	Oman	19.5%	4	Emirates NBD	UAE	16.2
	5	*Sharjah Islamic Bank*	*UAE*	*13.8%*	5	*Al Rajhi Bank*	*KSA*	*15.6*
	6	Bank Dhofar	Oman	13.5%	6	SAMBA	KSA	12.2
CAPITAL ADEQUACY RATIO (%)	1	*Warba Bank*	*Kuwait*	*4.5%*	1	National Bank of Bahrain	Bahrain	36.3%
	2	Alawwal Bank	KSA	2.5%	2	*Al Rajhi Bank*	*KSA*	*23.3%*
	3	Bank Sohar	Oman	2.3%	3	*Warba Bank*	*Kuwait*	*22.5%*
	4	Doha Bank	Qatar	1.9%	4	Emirates NBD	UAE	21.9%
	5	*Al Baraka Banking Group*	*Bahrain*	*1.8%*	5	*Al Salam Bank*	*Bahrain*	*21.4%*
	6	Ahli Bank	Oman	1.7%	6	SAMBA	KSA	21.1%

Note (s): [1]Rankings for CIR, net impairment charge on loans and advances and NPL ratio have been sorted from smallest to largest, reflecting preferred negative movement. The rankings are based on the actual, not rounded off, numbers. Islamic banks have been presented in italics.

		By y-o-y growth rate (2016 vs. 2017)				By value/percent as of, or for the y/e, 31 December 2017		
		Bank	Country	Δ y-o-y		Bank	Country	Value/ percent
RETURN ON EQUITY (%)	1	*Bank Nizwa*	*Oman*	*2.9%*	1	*Dubai Islamic Bank*	*UAE*	*21.5%*
	2	The Saudi Investment Bank	KSA	2.3%	2	Qatar National Bank	Qatar	19.8%
	3	*Bank Alinma*	*KSA*	*2.1%*	3	*Abu Dhabi Islamic Bank*	*UAE*	*19.2%*
	4	*Abu Dhabi Islamic Bank*	*UAE*	*2.0%*	4	National Commercial Bank	KSA	18.0%
	5	*Alizz Islamic Bank Oman*	*Oman*	*1.9%*	5	*Al Rajhi Bank*	*KSA*	*16.9%*
	6	RAK Bank	UAE	1.8%	6	Emirates NBD	UAE	16.5%
RETURN ON ASSETS (%)	1	*Alizz Islamic Bank Oman*	*Oman*	*0.9%*	1	*Al Rajhi Bank*	*KSA*	*2.7%*
	2	*Bank Nizwa*	*Oman*	*0.6%*	2	*Dubai Islamic Bank*	*UAE*	*2.3%*
	3	The Saudi Investment Bank	KSA	0.4%	3	National Commercial Bank	KSA	2.2%
	4	Alawwal Bank	KSA	0.3%	4	SAMBA	KSA	2.2%
	5	Riyad Bank	KSA	0.3%	5	Saudi British Bank (SABB)	KSA	2.1%
	6	*Bank Alinma*	*KSA*	*0.3%*	6	*Masraf Rayan*	*Qatar*	*2.1%*
LIQUIDITY RATIO (%)	1	National Commercial Bank	KSA	11.9%	1	Commercial Bank of Kuwait	Kuwait	57.9%
	2	Alawwal Bank	KSA	10.4%	2	First Abu Dhabi Bank	UAE	54.6%
	3	First Abu Dhabi Bank	UAE	9.9%	3	BBK	Bahrain	54.5%
	4	Saudi British Bank (SABB)	KSA	8.3%	4	National Bank of Kuwait	Kuwait	43.0%
	5	Doha Bank	Qatar	8.1%	5	Al-Ahli United Bank	Bahrain	42.5%
	6	*Warba Bank*	*Kuwait*	*6.1%*	6	National Bank of Bahrain	Bahrain	41.5%
NON-PERFORMING LOAN RATIO[1] (%)	1	*Al Salam Bank*	*Bahrain*	*(15.6)%*	1	*Bank Nizwa*	*Oman*	*0.2%*
	2	*Ithmaar Holding B.S.C. (formerly known as Ithmaar Bank)*	*Bahrain*	*(4.2)%*	2	*Alizz Islamic Bank Oman*	*Oman*	*0.2%*
	3	Al Ahli Bank of Kuwait	Kuwait	(1.6)%	3	*Masraf Al Rayan*	*Qatar*	*0.5%*
	4	*Sharjah Islamic Bank*	*UAE*	*(1.6)%*	4	Commercial Bank of Kuwait	Kuwait	0.5%
	5	Burgan Bank	Kuwait	(1.6)%	5	*Al Rajhi Bank*	*KSA*	*0.7%*
	6	*Ahli United Bank*	*Kuwait*	*(0.9)%*	6	*Boubyan Bank*	*Kuwait*	*0.8%*
COST-TO-INCOME RATIO[1] (%)	1	*Alizz Islamic Bank Oman*	*Oman*	*(27.9)%*	1	*Masraf Al Rayan*	*Qatar*	*21.1%*
	2	*Warba Bank*	*Kuwait*	*(18.5)%*	2	*Qatar Islamic Bank*	*Qatar*	*26.6%*
	3	*Bank Nizwa*	*Oman*	*(17.9)%*	3	*Qatar International Islamic Bank*	*Qatar*	*27.3%*
	4	The Commercial Bank	Qatar	(11.9)%	4	Al Khaliji Commercial Bank	Qatar	27.6%
	5	*Bank Alinma*	*KSA*	*(5.3)%*	5	Al-Ahli United Bank	Bahrain	28.8%
	6	Bank Sohar	Oman	(4.1)%	6	Qatar National Bank	Qatar	29.7%

Note (s): [1]Rankings for CIR, net impairment charge on loans and advances and NPL ratio have been sorted from smallest to largest, reflecting preferred negative movement. The rankings are based on the actual, not rounded off, numbers. Islamic banks have been presented in italics.

Insights

The summary below sets out the broader themes, both positive and negative, emerging from the results analysis provided in this report for the year-ended 31 December 2017.

This year's results have again demonstrated the GCC banking sector's resilience and ability to weather political and economic challenges in the region and across the globe.

Asset growth remains robust at 4.4 percent, particularly when compared to more developed markets. Growth was driven by increased lending to government and related entities to support national level growth initiatives.

Overall net profit increased 6.7 percent year-on-year when compared to a decline in the previous year's growth rate. This increase was driven by the larger GCC economies.

The overall NPL ratio for the GCC banking sector reduced by 0.3 percent to 3.2 percent, which remains relatively low. This decline is also as a result of the more stringent risk policies adopted by banks in recent years, given the focus on credit from regulators.

CIRs continue to decline, reflecting a significant focus by GCC banks on cost reductions and operating efficiency initiatives, particularly driven by digital innovation and technology.

Regulatory capital and related capital ratios have increased from the previous year. Overall average total capital adequacy now stands at over 18.7 percent, well above the minimum regulatory requirement for all GCC countries, reflecting the increased capital raising activity during the year.

Although banks have performed well in 2017, growth is still not as high as the sector experienced in recent years, which is reflected in both fundamentals and market sentiment.

Although the overall liquidity ratio has only marginally increased from 2016, this is an area that banks continue to work on by looking to raise long-term liabilities and invest in more short-term assets, given the regulatory focus and market conditions.

2017, once again, witnessed a general downward trend in bank share prices, contrary to the positive financial performance delivered. This reflects the investor caution around the political and economic uncertainty in the region.

The expected credit loss impact from the adoption of IFRS 9 from 1 January 2018 is likely to have an adverse impact on banks' common equity tier (CET) 1 ratios and, in turn, impact profitability as the cost of risk increases under the new accounting rules.

ROE has come under pressure in 2017, as equity balances have increased at a higher rate compared to profit growth rates, given the higher capital raising activity seen during the year.

Funding costs continue to rise given the greater competition on the liability side of banks' balance sheets, which has resulted in margin compression, and in turn had an adverse impact on profitability.

Outlook

The summary below sets out the thoughts of our heads of Financial Services from across the GCC on the outlook for the banking sector in the region.

Tax a continued focus area

With the introduction of VAT expected across the GCC throughout 2018/9, tax will continue to be on the board agenda. Although often misunderstood as being outside the scope of VAT, banks will need to be proactive and assess the potential impact of VAT on their businesses and take action accordingly to help mitigate any adverse implications which are likely to be additional costs, negatively impacting margins and, in turn, profitability.

Regulatory regimes continue to evolve

As predicted last year, the regulatory agenda continues to evolve on a national, regional and international level, driven by global developments. Basel IV, GDPR and IFRS 9 will continue to keep regulators busy in the year ahead, while banks will need to ensure that their business models are reshaped to ensure compliance with these initiatives.

Continued customer focus through innovation

Banks will continue to focus on their customers' ever-changing needs and requirements. With the rapid pace of technological advancement in the financial services industry, banks will be looking to identify ways in which they can use innovation to gain a competitive advantage over their peers. Traditional banking channels will continue to be challenged in favor of more efficient and effective alternatives.

More measured credit growth

With the challenging political environment and increasing regulatory capital requirements, banks will be more measured in their lending activities and look to focus on the higher-end customer base. This could lead to a slower credit growth rate when compared to what we have seen in recent years, and further increase concentration risk in the sector.

Positive long-term outlook

Similar to last year, the overall long-term outlook for the GCC banking sector remains relatively positive when compared with more developed markets. Banks are well positioned to weather the current political and economic challenges, given the expectation of continued government support, rising oil prices and committed infrastructure spend, which will help maintain stability in the sector.

Cost and operational efficiencies remain a priority

Given the margin pressures banks have experienced across the region in 2017, we expect cost and operational efficiencies to remain high on the management agenda. Having been through one wave of cost cuts and efficiency measures, banks are likely to look at more sophisticated ways in which costs can continue to be managed through the innovative ways such as the use of robotics and analytics.

Expected credit losses

With the adoption of IFRS 9 on 1 January 2018, banks will move towards a more forward-looking approach to calculating provisions for credit risk. This will result in banks recording provisions earlier and against performing customers, which will cause an increase in overall provisions for the banking sector and, in turn, have an adverse impact on profitability in the event that banks are not able to pass on this additional cost of risk to their customers.

Sustainable profit growth rates

Although we expect profitability to increase in 2018, it may not necessarily be at the high single-digit growth rate experienced in 2017. This is mainly due to the expected increase in provisions, slower credit growth, increased competition for higher quality assets, and continued rise in the cost of funds as a result of the liquidity challenges the region faces in wake of the current political climate.

Continued capital and fundraising activity

We expect the increasing trend of capital and fundraising activity to continue in 2018, as regulators increase the minimum capital adequacy and liquidity requirements in-line with Basel regulations. Banks will also look to strengthen their funding base on the back of an expected improvement in the political and economic environment.

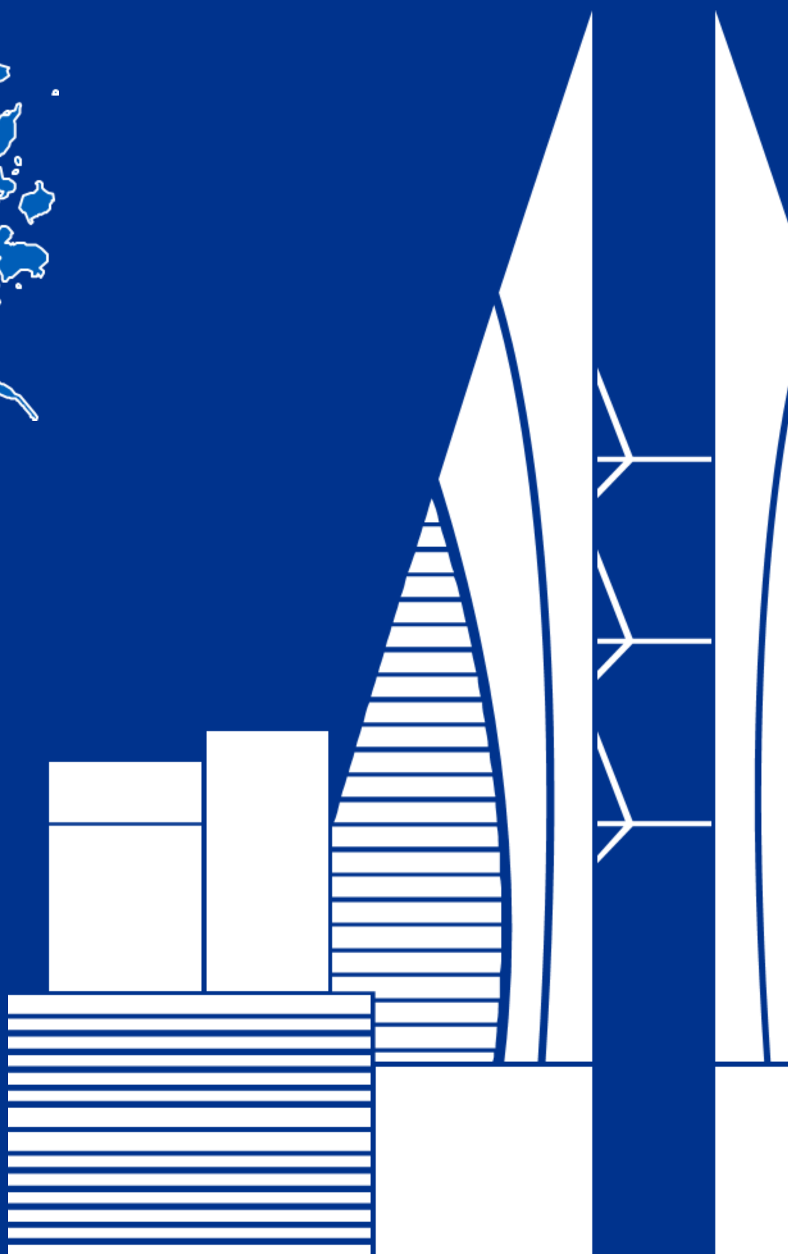
Country analysis

Bahrain

Population (million)[1]	**1.5**
Nominal GDP (US$ billion)[1]	**33.2**
GDP per head (US$ at PPP)[1]	**48,760.0**
Inflation (%)[2]	**1.3**

Economic data as of 31 December 2017

Source(s):
[1]Economic Intelligence Unit estimates.
Economist Intelligence Unit, Bahrain— Data by country, 22 March 2018;
Main Economic Indicators,
[2]Bahrain Inflation Rate, Trading economics website, 22 March 2018,
accessed on 22 March 2018



Summary

Sector overview

Under the Central Bank of Bahrain's (CBB) regulatory regime, the conventional segment includes 23 retail banks (including branches), 69 wholesale banks, two specialized banks and 36 representative offices of overseas banks. The Islamic segment has six retail banks and 18 wholesale banks. Of this list, three conventional banks and five Islamic banks are listed on the Bahrain Bourse, and have been covered in this report.

Regulatory update

The CBB has been proactive in implementing new requirements to enhance transparency and improve the quality of the banking business in Bahrain. The CBB has been issuing consultation and updates to the rulebooks to work towards a fully Basel III compliant framework by 2018. In 2017, it also launched a regulatory sandbox environment for fintech companies to test their innovation and products on the platform.

Financial position

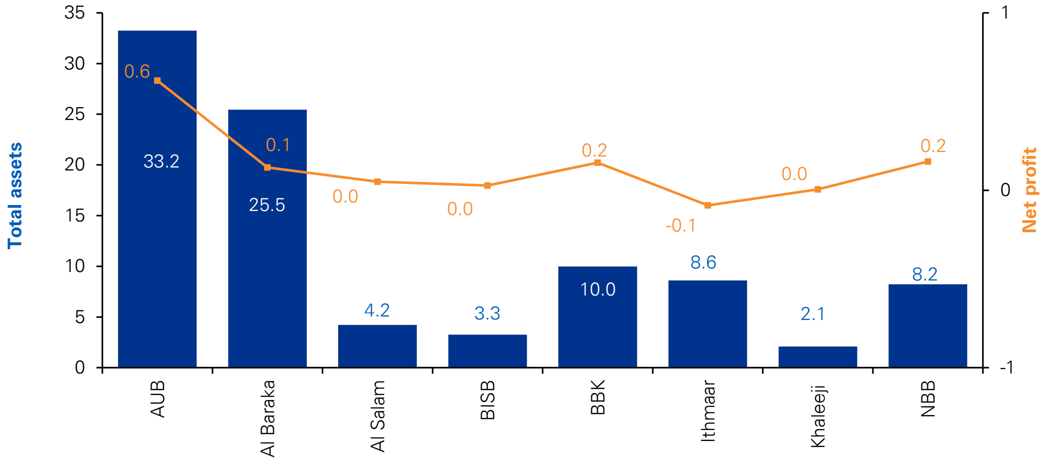
Retail banks' total assets have increased from US$82.8 billion in 2016 to US$83.0 billion in November 2017, representing 0.2 percent growth. The retail banking assets have been witnessing year-on-year growth since 2010 and the trend is expected to continue. The LDR witnessed an increase in 2017 compared with 2016.

Financial performance

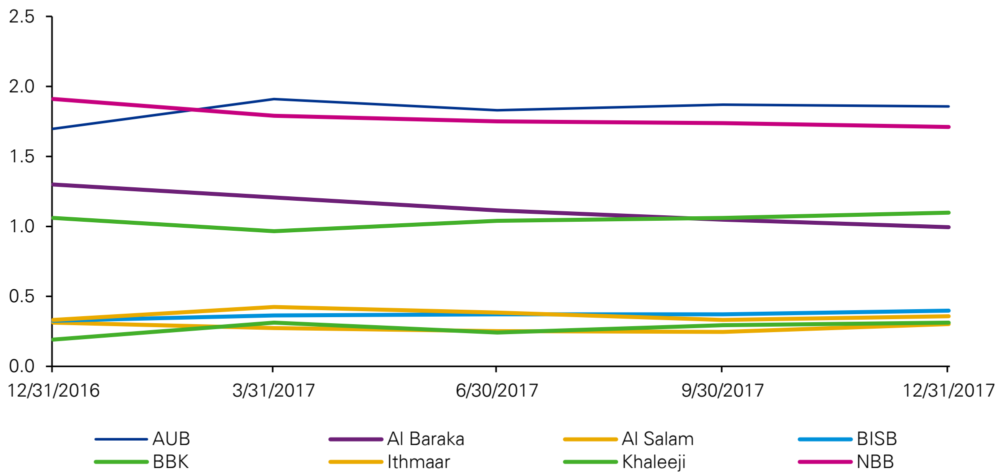
In 2017, all listed retail banks reported an increase in profits, as compared with the previous year, excluding three banks that reported negative growth on profit. Change in ROA from 2016 has been mixed in the range of (1.0)–0.2 percent. ROE in 2017, was in the range of 1.7–15.9 percent, excluding one retail bank, which was negative primarily due to a reorganization carried out by the end of 2016.

Total assets and net profit (US$ billon)

as of, and for the year-ending, 31 December 2017



Share price movement (US$)



Insights

The year gone by (2017)

Resilient growth

— The year 2017 marked the cyclical low point for growth in the GCC region. While non-oil-related growth was generally resilient, it was impacted due to fiscal consolidation and subdued spending by the government.

— Bahrain's finance sector saw year-on-year growth of 6.4 percent in 2017 (until the third quarter of 2017), compared to 5.2 percent in 2016.

Blended performance

— ROE/ROA remained almost at the same level as 2016 for three banks, while it decreased for four and increased for one.

— Total assets grew an average of 5.6 percent year-on-year and the average LDR ratio increased 3.6 percent, emphasizing the continued stress on liquidity.

More or less stable liquidity

— The majority of the banks managed to maintain their liquidity ratio similar to the levels in 2016.

— In the remaining cases, the increase was in the range of 0.4–4.8 percent and decline of (1.0)–(8.2) percent.

Stronger CARs

— The regulatory CARs remained between 13.9 and 36.3 percent, as compared to the minimum requirement of 12.5 percent.

— The movement in CAR of individual banks was between (1.4) percent and 1.8 percent, resulting in a nominal increase of 0.3 percent.

Increasing cost and volatile profits

— Profitability was mixed compared to 2016. While the growth in profitability was in the range of 4 to 8 percent, three banks reported a decline ranging from 15.0 percent to 2683.4 percent.

— The CIR also increased compared to 2016, impacting the overall profitability of banks.

Deterioration of asset quality

— NPL witnessed a decrease of 2.0 percent compared with that in 2016.

— Net impairment charge on loans and advances for a majority of the banks demonstrated an increasing trend compared to 2016, which could be a major concern in the future.

Outlook

The year ahead (2018)

Dynamic regulatory norms

In early 2018, the CBB issued consultation papers on guidelines for market risks, Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR) aligned with the Basel III requirements. Structural changes and rebalancing are expected in the funding mix and asset-liability profiles of banks, which could impact net spreads and costs. Similarly, a suite of amendments to align the rulebook requirements with international risk management practices can be expected to follow. This would require the banking sector to align its risk appetite, capital plans, stress testing frameworks, risk systems and people to adopt these new changes.

Market impact from implementation of IFRS 9

As the financial sector absorbs the impact of IFRS 9, 2018 would be the first year that the markets would operate under the new pricing and provisioning measures adopted by each bank. While directionally, rates charged by banks may be higher to reflect the risk-adjusted credit risk costs, market competition may not allow costs to be passed on to customers. This is expected to create some volatility in credit underwriting and pricing strategies adopted by banks.

Innovation — constant evolution

Innovation is expected to continue to dominate the banking sector. The current trending topics on innovation include digitization, cybersecurity, big data, analytics, Artificial Intelligence (AI), wallets and payments, blockchain, and electronic-Know Your Customer (e-KYC). The CBB has been proactive in promoting this innovation through a regulatory sandbox environment for fintech, which already has active participants involved in testing their system and products, this would continue to encourage entities to focus on technology to enhance customer experience and competitiveness.

Mergers – inevitable

The changing regulations will add additional pressure to small and medium-sized banks, which would face challenges to meet the required guidelines. This would essentially further drive consolidation to strengthen the sector.

Disruptions, challenges and opportunities

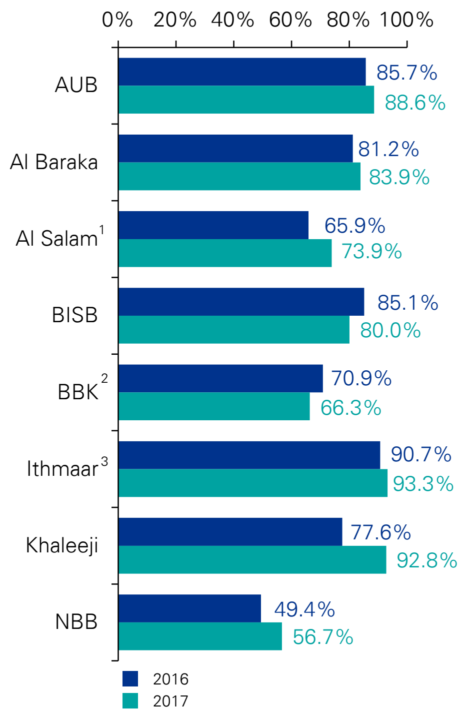
The banking sector is facing unprecedented disruption globally. Higher capital requirements, simplified legal structures, shrinking margins, as well as an increase in regulatory and compliance costs, and market volatility are some challenges it can expect in the short to medium-term. At the same time, disruption provides opportunities for entities to turn them to their advantage. Banks will be seen investing in technology, innovation and resources management to ensure that the right opportunities are tapped to improve customer experience and enhance shareholders value.

VAT: Ready or not, here I come!

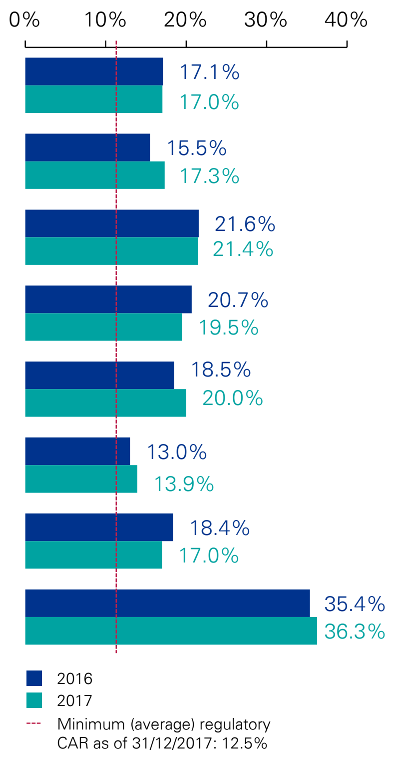
Bahrain is expected to introduce VAT by the end of 2018. The banking sector is expected to spend a substantial amount of time preparing its infrastructure to deal with its own regulatory compliance requirements and that of the markets. VAT also presents cash management and working capital funding opportunities for banks to fund businesses whose procurements are subject to incremental VAT costs and cash flows.

Key performance indicators

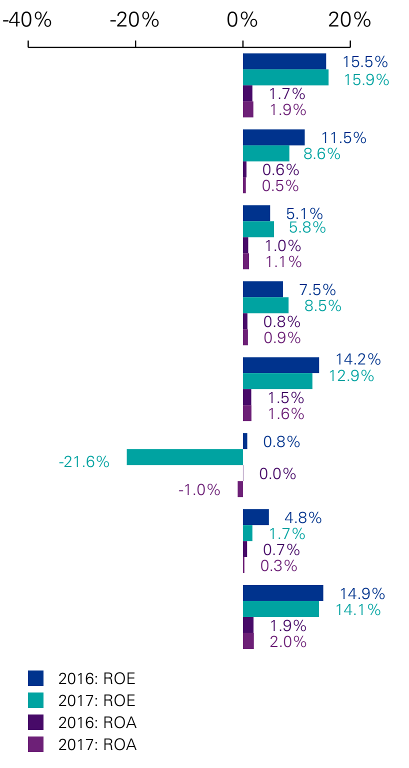
LDR



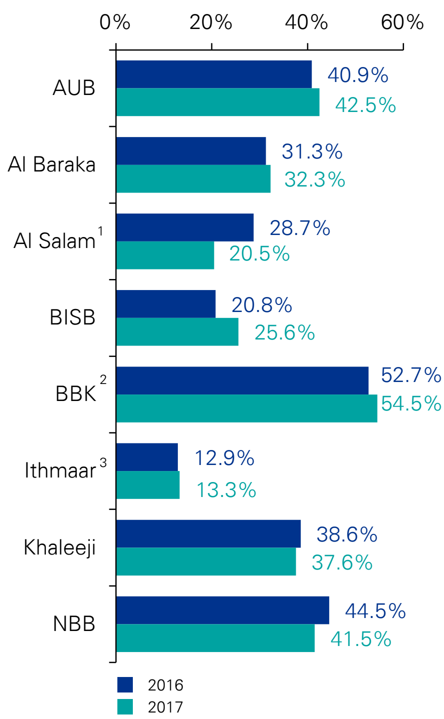
CAR



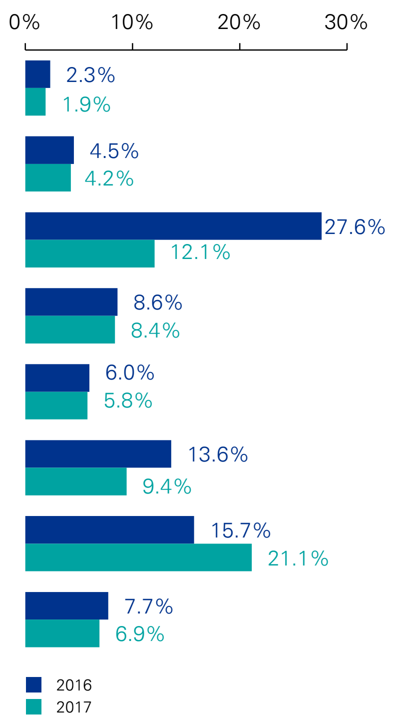
ROE/ROA



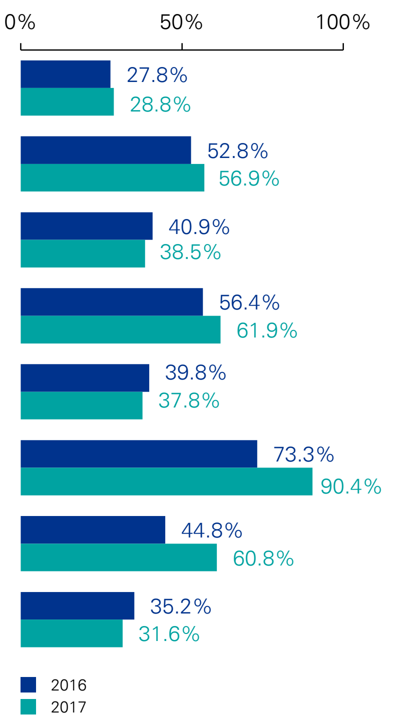
LR



NPL

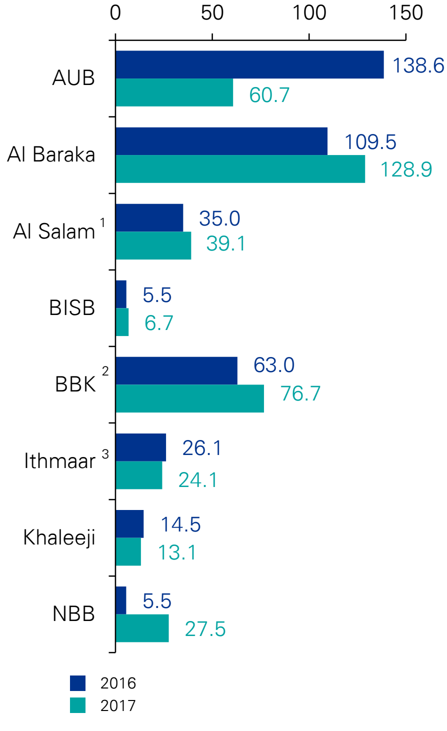


CIR

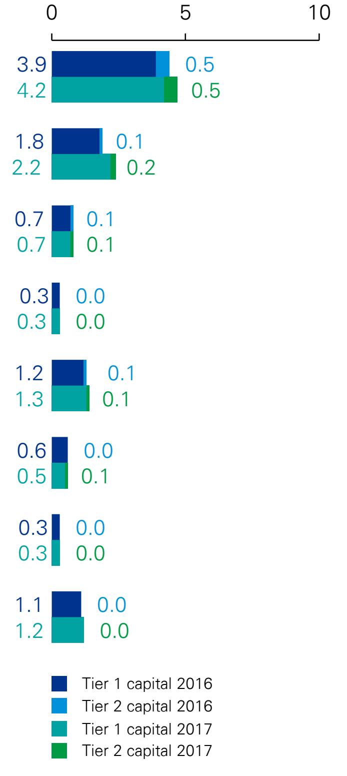


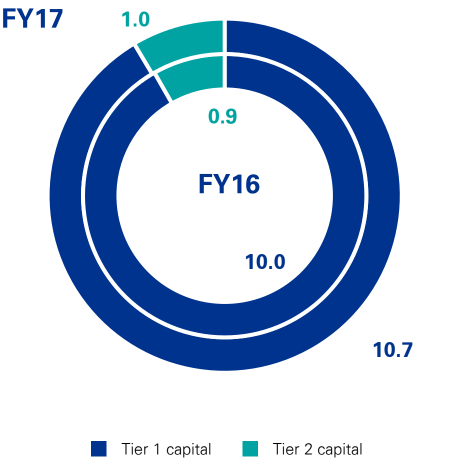
Notes: [1]Al Salam Bank adopted IFRS 9 in 2017, as a result of which certain ratios presented may not be comparable within the peer group and with the previous year results.
[2]BBK was an early adopter of IFRS 9 in 2016 and continued in 2017, as a result certain ratios presented may not be comparable within the peer group.
[3]For calculating CAR, Regulatory Capital and NPL for Ithmaar Holdings, numbers for Ithmaar Bank have been considered as proxy data.
For source data, refer to the data table (page 71–72) in the Appendix section.

Net impairment charge on loans and advances (US$ million)



Regulatory capital (US$ billion)





Credit rating

Bank \ Credit rating agency	S&P		Moody's		Fitch	
	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook
AUB	BBB	Stable	NA	NA	BBB-	Stable
Al Baraka	*BB+*	*Negative*	*NA*	*NA*	*NA*	*NA*
Al Salam[1]	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*
BISB	*NA*	*NA*	*B1*	*Negative*	*NA*	*NA*
BBK[2]	NA	NA	B1	Negative	BB-	Stable
Ithmaar[3]	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*
Khaleeji	*NA*	*NA*	*B1*	*Negative*	*NA*	*NA*
NBB	NA	NA	B1	Negative	BB-	Stable
Overall country rating	**B+**	**Stable**	**B1**	**Negative**	**BB-**	**Stable**

Notes: NA = rating not available on ThompsonOne database, checked on 22 March 2018.
[1]Al Salam Bank adopted IFRS 9 in 2017, as a result of which certain ratios presented may not be comparable within the peer group and with the previous year results.
[2]BBK was an early adopter of IFRS 9 in 2016 and continued in 2017, as a result certain ratios presented may not be comparable within the peer group.
[3]For calculating CAR, Regulatory Capital and NPL for Ithmaar Holdings, numbers for Ithmaar Bank have been considered as proxy data.
Islamic banks have been presented in italics.
For source data refer to the data table (page 71–72) in the Appendix section.

Case studies

The CBB announces regulatory sandbox for fintech startups

In June 2017, CBB announced new regulations to create a regulatory sandbox that will allow startups and fintech firms to test and experiment their banking ideas and solutions. The creation of the regulatory sandbox provides an opportunity for fintech businesses around the world to expand and thrive in the Gulf and strengthens Bahrain's position as a fintech and financial services hub in the GCC. The framework provides a virtual space for companies to test their technology-based innovative solutions, and is open to existing CBB licensees and other local and foreign firms. The testing duration is 9 months, with a maximum extension of 3 months. Bahrain FinTech Bay (BFB), a facility designed to boost fintech companies, was opened in February 2018.

BENEFIT Company launches National E-Wallet

The BENEFIT Company, in collaboration with FOO technologies, has created the National Mobile Electronic Wallet (BenefitPay), e-payment software designed to streamline payment within the kingdom. BenefitPay provides services through which users are able to download an app onto their smartphones and settle payments electronically without the use of cash or a physical card. BenefitPay also allows all type of merchants, including the electronic company registration holders (Sejily), regardless of the size of their enterprise, to receive payments without the use of sophisticated machines.

Three banks in Bahrain launch ALGO Bahrain

Three banks in Bahrain, Al Baraka Banking Group, Kuwait Finance House (KFH) and Bahrain Development Bank (BDB) launched the world's first global fintech consortium, which allows Islamic banks to shift to fintech. ALGO Bahrain, a strategic initiative, is a crowd-funding business platform to support growth of the SME sector. ALGO Bahrain will assist Islamic financial institutions to innovate, research and operationalize fintech solutions in a cost-effective and time-efficient manner, while remaining independent in the strategic, operational and financial decisions.

Kuwait

Population (million)[1]	**4.5**
Nominal GDP (US$ billion)[1]	**115.6**
GDP per head (US$ at PPP)[1]	**67,280.0**
Inflation (%)[2]	**1.1**

Economic data as of 31 December 2017

Source(s):
[1] Economic Intelligence Unit estimates.
[2] Statistical Bulletins: Consumer Price Index Number December 2017, State of Kuwait: Central Statistical Bureau website, 22 March 2017, accessed on 22 March 2018
Source(s): Economist Intelligence Unit, Kuwait— Data by country, 7 March 2018; Main Economic Indicators,

Summary

Sector overview

The banking landscape in Kuwait consists of 11 locally incorporated banks (of which five operate under the principles of Shari'a) and 12 branches of foreign banks. No new banking licenses were granted by the Central Bank of Kuwait (CBK) in 2017.

Regulatory update

In March 2017, the CBK raised the discount rate from 2.50 percent to 2.75 percent on the back of the US Federal Reserve hike. However, it did not follow the US Federal Reserve interest rates hikes in June 2017 and December 2017.

Financial position

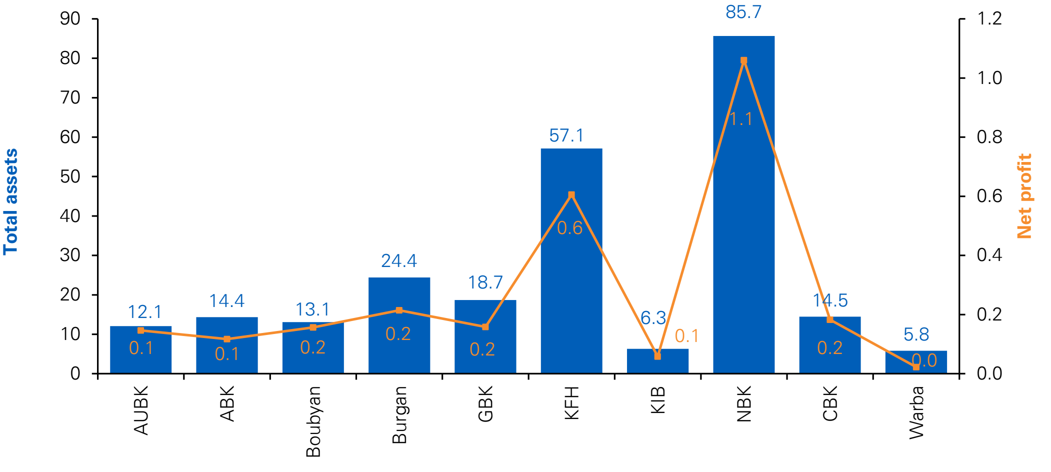
The total listed banking sector assets at the end of 2017 stood at US$251.9 billion, which was 5.9 percent (6.4 percent in local currency terms) higher than that at the end of 2016. The market continues to be dominated by NBK and KFH who, between them, have a 56.7 percent share of total assets. Total assets of Islamic banks stood at US$94.4 billion at the end of 2017, 7.2 percent higher than that at the end of 2016.

Financial performance

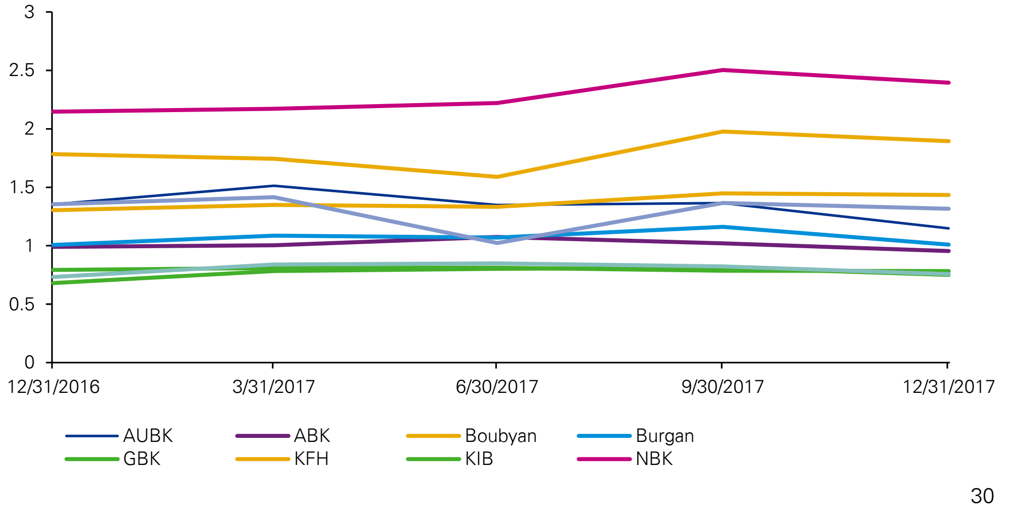
Profits for Kuwait banks grew a healthy 8.9 percent (9.4 percent in local currency terms), compared to 2016. This growth was achieved notwithstanding the increase of 7.7 percent (8.1 percent in local currency terms) in total provisions, booked by Kuwait banks. This has been partially offset by a reduction in the CIRs by 2.1 percent.

Total assets and net profit (US$ billon)

as of, and for the year-ending, 31 December 2017



Share price movement (US$)



Insights

The year gone by (2017)

Solid growth in profitability

- The profitability of Kuwait banks witnessed a solid growth of 8.9 in 2017 with all but 2 banks reporting higher net profits than the previous year.
- 6 Kuwait banks saw a double digit jump in their net profits in local currency terms in 2017.

Decline in CIRs

- CIR at Kuwait banks in 2017 stood at 39.7 percent compared to 41.8 percent in the previous year.
- All but 4 Kuwait banks saw a drop in their CIRs with the average decline of 4.8 percent in local currency terms.

Higher impairment charges

- With the exception of four banks, Kuwait banks saw a significant increase in impairment charge on loans and advances with the overall increase at 7.7 percent compared to the previous year.
- The higher impairment charges is a reflection of the significant challenges in the credit environment faced by Kuwait banks.

Accessing international debt market

- 2017 saw three Kuwait banks – Al Ahli Bank of Kuwait, National Bank of Kuwait and Warba Bank – access the international debt market.
- Each issue was oversubscribed and a total of US$1.5 billion was raised by the three banks demonstrating the confidence of the international community not only in the banks issuing the debt but also the Kuwaiti banking sector in general.

Government spending driving growth

- The Kuwait government is in the process of implementing its current five year National Development Plan. Implementation of projects under this plan is progressing better than the previous plans.
- This spending by the government has provided the Kuwait banks the opportunity to participate in the projects through providing financing to the contractors.

Moody's changes outlook on Government of Kuwait from negative to stable

- In May 2017, change the rating outlook on the Government of Kuwait to stable from negative.
- The decision to change the outlook reflects Moody’s view that there are sufficient signs of the government’s ability to effectively implement its fiscal and economic reform program.

Outlook

The year ahead (2018)

Interest rate hikes?

- The US Federal Reserve has indicated that it will raise interest rates in 2018 on the back of a strong economic outlook.
- The CBK may follow the US Federal Reserve hike to reduce the pressure on the Kuwait Dinar and reduce the negative spread.

Move to digital banking channels to manage costs

- Most Kuwaiti banks have stated the development and deployment of digital banking services as a key initiative.
- Digital banking will continue to grow rapidly as an alternative channel and, although branches will not disappear in the short to medium-term horizon, we believe that digital banking is emerging as a preference for many customers, especially the younger generation customers.

Emerging market status for Boursa Kuwait to attract foreign direct investment

- In the third quarter of 2017, FTSE Russell upgraded Boursa Kuwait to emerging market status.
- Classifying Boursa Kuwait as an emerging market is expected to encourage investors eager to invest in the region's second key stock market, which comprises of large banks with investments and branches in many countries.

Rising oil prices expected to increase liquidity in the banking sector

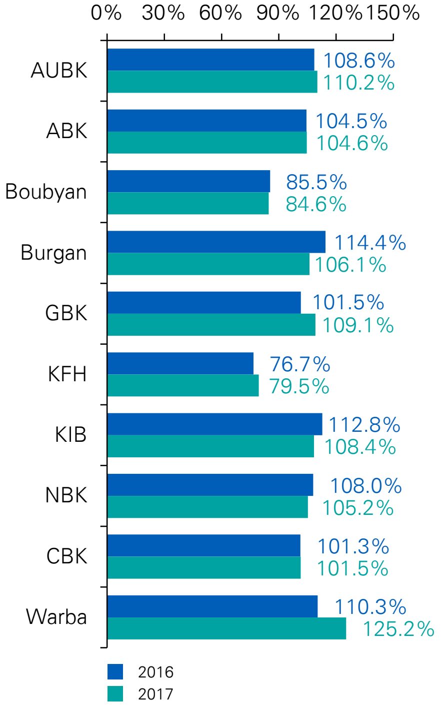
- The price of Kuwait crude oil has increased in 2017 and this is expected to continue in 2018.
- Rising oil prices have, historically, translated into growth for the banking sector, with liquidity in the banking system likely to increase because of higher government deposits.

Minimal impact of IFRS 9 compared to peers in the region

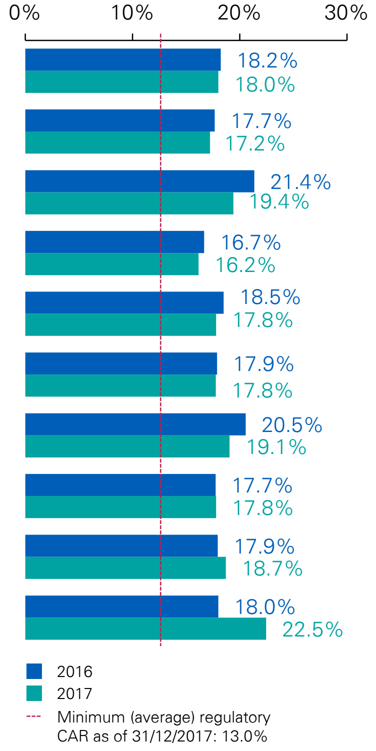
- IFRS 9, which became effective from 1 January 2018, is going to change the way banks should account for impairment provisions in its books. Implementation of IFRS 9 is not expected to have a significant impact on account of the significant CBK mandated precautionary provisions held by the Kuwaiti banks.
- As such, Kuwait banks will not face the same pressures on CAR and profitability compared to peers in the region.

Key performance indicators

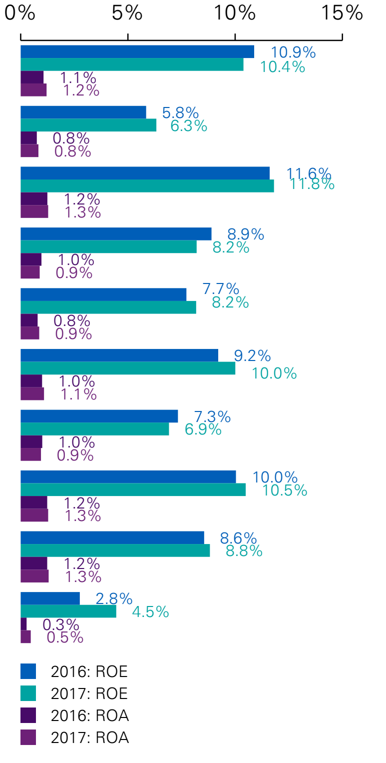
LDR



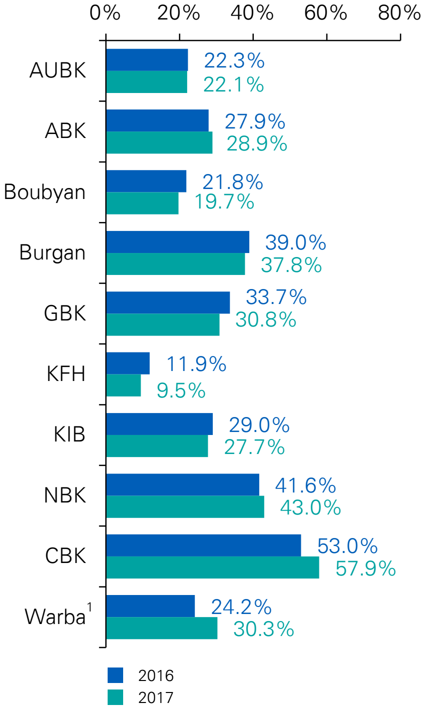
CAR



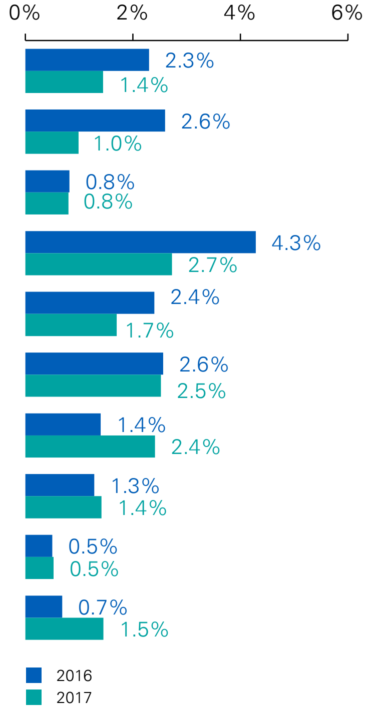
ROE/ROA



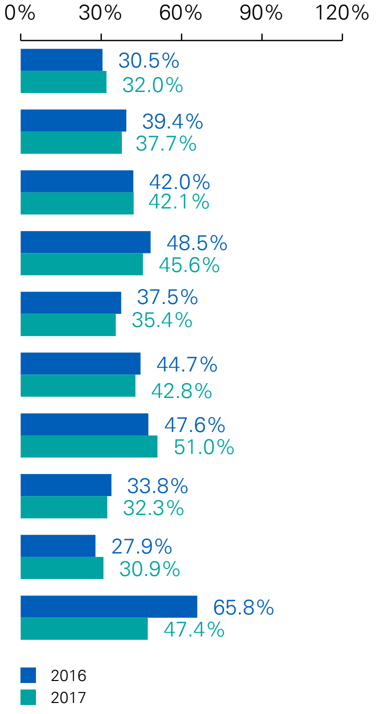
LR



NPL

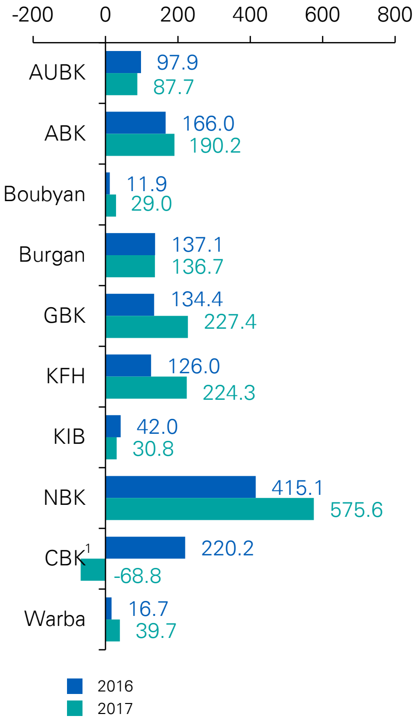


CIR

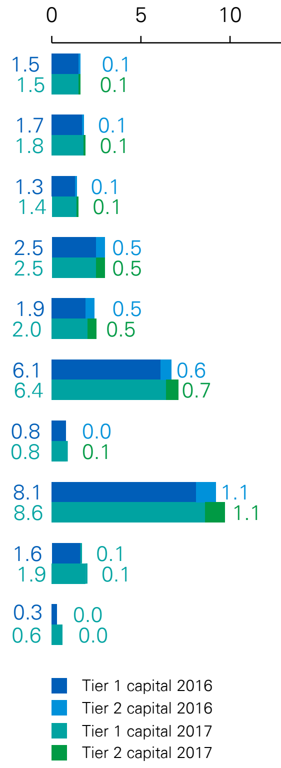


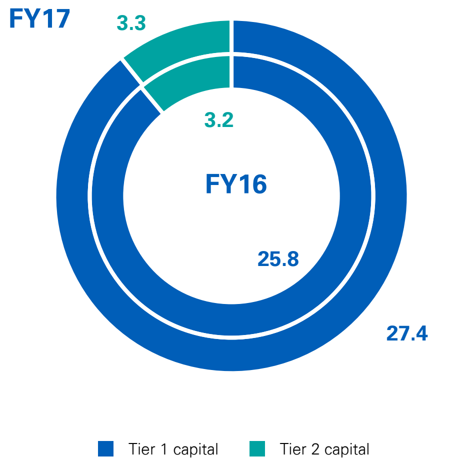
Notes: [1]For calculating NPL ratio for Warba bank, past due or impaired has been taken as proxy data.
For source data refer to the data table (page 73–74) in the Appendix section.

Net impairment charge on loans and advances (US$ million)



Regulatory capital (US$ billion)





Credit rating

Bank / Credit rating agency	S&P		Moody's		Fitch	
	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook
AUBK	*NA*	*NA*	*A2*	*Stable*	*A+*	*Stable*
ABK	NR	Stable	A2	Stable	A+	Stable
Boubyan	*NA*	*NA*	*A3*	*Stable*	*A+*	*Stable*
Burgan[2]	BBB+	Stable	NA	NA	A+	Stable
GBK	A-	Positive	A3	Stable	A+	Stable
KFH	*A-*	*Negative*	*A1*	*Stable*	*A+*	*Stable*
KIB	*NA*	*NA*	*NA*	*NA*	*A+*	*Stable*
NBK	A+	Stable	Aa3	Stable	AA-	Stable
CBK	NR	Stable	A3	Stable	A+	Stable
Warba	*NA*	*NA*	*Baa2*	*Stable*	*A+*	*Stable*
Overall country rating	**AA**	**Stable**	**Aa2**	**Stable**	**AA**	**Stable**

Notes: NA = rating not available on ThompsonOne database, checked on 22 March 2018
[1]Regulatory capital for CBK as on 30 September 2017 has been used as proxy data for regulatory capital numbers as on 31 December 2017 due to non-availability of disclosure document on report release date. Islamic Banks have been presented in Italics.
For source data refer to the data table (page 73–74) in the Appendix section.
[2]On 01 Jun 2017, Moody's withdraws all ratings of Burgan Bank A.S.

Case studies

World's Best Islamic Digital Bank

An Islamic bank in Kuwait has been judged as 'The Global Winner' of the 'World's Best Islamic Digital Bank' Award for the third year in a row in the field of e-banking "digital" services from Global Finance for 2017.

The bank has also set up a digital innovation center in Kuwait to support the implementation of an agile methodology to provide innovative Shari'a compliant technology services to its customers.

Implementation of core banking

A leading conventional bank in Kuwait completed a 22-month project to implement a new core banking system. The new core banking system was implemented in two regions that the bank operates, in the same year.

The new core banking system helps the bank to ensure that its customers receive consistent service, regardless of where their account is held, through greater integration of the bank's systems and increased efficiency in responding to customer needs and requests.

Digital retail services

One of the largest Islamic banking groups in Kuwait has introduced, for the first time in Kuwait, the concept of mini branches where customers can perform banking transactions in a modern way through visual and audio communication options, conference call with the bank staff who are available to answer all customers questions.

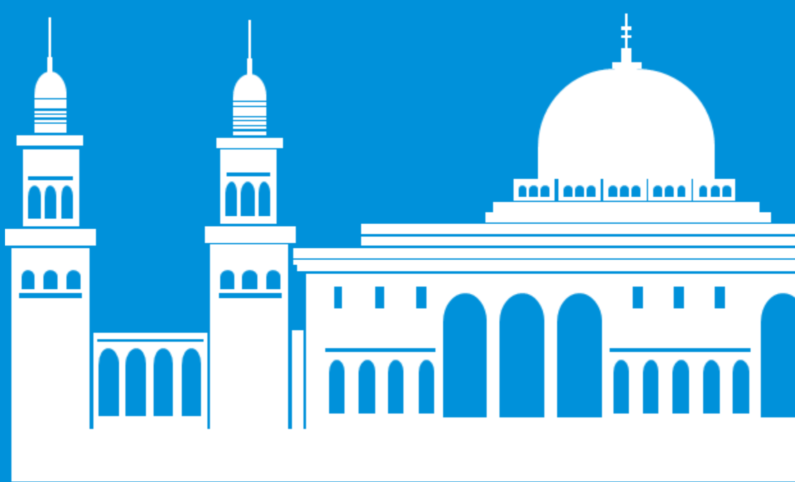
Additionally, during the year, the banking group introduced the smart wallet service in partnership with MasterCard for the first time locally, and in the Middle East and Africa.

Oman

Population (million)[1]	**4.6**
Nominal GDP (US$ billion)[1]	**69.6**
GDP per head (US$ at PPP)[1]	**41,887.0**
Inflation (%)[2]	**1.6**

Economic data as of 31 December 2017

Source(s):
[1] Economic Intelligence Unit estimates.
[2] CPI inflation rate (Sultanate)
Source(s): Economist Intelligence Unit, Oman —Country Report, 21 March 2018; Quarterly Statistical bulletin: December 2017, CBO website, accessed on 28 March 2018



Summary

Sector overview

The Central Bank of Oman (CBO) currently regulates 20 banks:

- seven local commercial banks (six of which are listed on the Muscat Securities Market (MSM))
- nine foreign banks
- two specialized banks
- two Islamic banks (both listed on MSM).

Regulatory update

CBO regulations ensure that the banks in Oman comply with the international legislation and global best practice. During the year, a new anti-money laundering (AML) law was promulgated. Further, guidance on sound compensation practices, correspondent banking relationships and the adoption of IFRS 9 were issued. More recently, CBO has reduced CAR requirements by 1.0 percent effective from 1 April 2018 and permitted deposits with local banks to be included in the calculation of the ratio of loans to deposits and capital, which can not exceed 87.5 percent. Restrictions on risk weightings for claims on sovereigns and central banks have also been eased. In addition, CBO has increased foreign currency maturity mismatch gap limits, as well as the limits for credit exposure to non-residents and foreign placements from 50.0 percent to 75.0 percent of their net worth.

Financial position

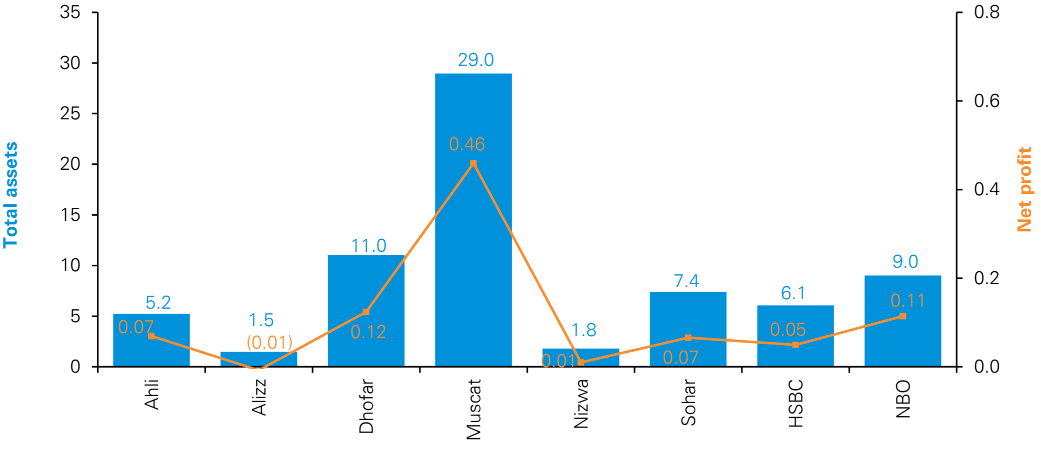
Total assets of the eight listed banks analyzed increased by 5.6 percent, from US$67.2 billion in 2016 to US$71.0 billion in 2017. The increase was noted in seven of the eight listed banks. Bank Muscat represented 40.8 percent of total listed banking assets at the end of 2017. The listed Islamic banks' combined market share was 4.6 percent at the end of 2017.

Financial performance

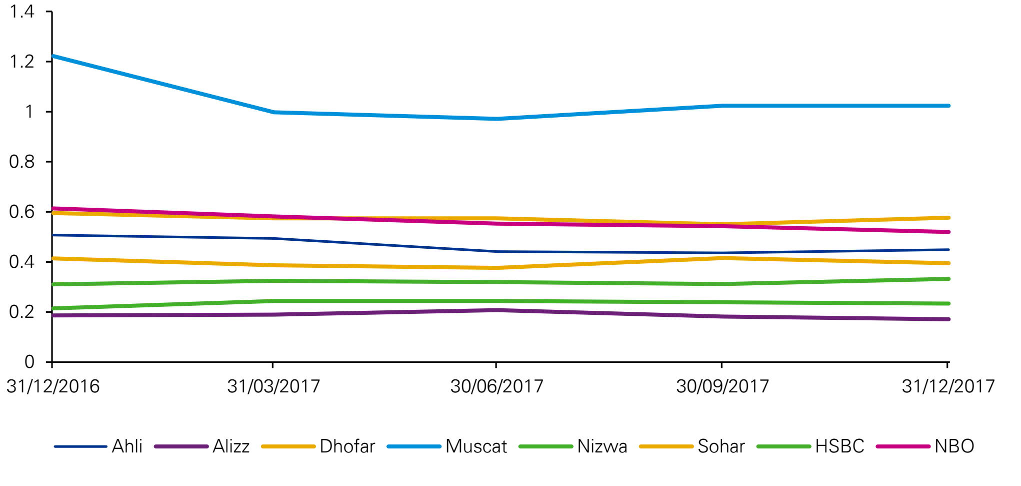
In 2017, profitability for listed banks decreased marginally by 0.2 percent. The total credit extended by 6.4 percent in 2017, though there was pressure on margins due to increase in cost of funds. On average, ROA increased 0.1 percent and ROE declined from 6.7 percent in 2016 to 6.6 percent in 2017 due to challenging market conditions. Islamic banks reported higher returns on both assets and equity, as compared to those in 2016.

Total assets and net profit (US$ billon)

as of, and for the year-ending, 31 December 2017



Share price movement (US$)



Insights

The year gone by (2017)

Improving profitability

— Driven by the decrease in profits in three out of the eight listed banks, the overall profitability of listed Omani commercial banks declined marginally by 0.2 percent.

— The impact on profit due to higher interest rates on loans was partially offset by an increase in the cost of deposits. The banks with declining profits saw higher loan impairment charges.

Banking assets

— The combined assets of the eight listed banks grew by 5.6 percent year-on-year. All but one bank saw an increase in total assets.

— As of 31 December 2017, the total credit extended by banks stood at US$61.0 billion, representing a rise of 6.4 percent over the previous year.

Lower impairment charges but improved CIR

— Net impairment charges against loans and advances decreased by 3.7 percent year-on-year.

— Most Omani banks saw improved CIRs, primarily due to an increase in income which outstripped increase in costs.

Share prices down

— Share prices of a few listed banks declined, while others remained the same as the previous year, reflecting the banks' performance and market sentiment.

Margin pressure continues

— Margins slightly reduced in 2017, as government and related deposits declined and the cost of alternative sources of funding increased.

— The average deposit rate increased from 1.5 percent to 1.7 percent and average lending rates increased from 5.1 percent to 5.2 percent.

Tighter liquidity

— Liquidity continued to tighten across the banking sector with government revenues affected by lower oil price.

— Oman's banks, on average, have LDRs in excess of 100 percent, illustrating tighter liquidity levels and a cause for concern. The ratio, however, has shown an improving trend, declining from 107.8 percent to 104.7 percent in 2017 for the eight listed banks.

Regulatory capital

— Four of the eight listed banks had a decline in CARs, reflecting an increase in risk weighted assets (RWAs).

— Regulatory CARs continue to increase as Basel III regulations are gradually implemented. CBO has however recently issued a circular reducing the CAR requirement by 1.0 percent, which is estimated to increase available credit by over US$5.0 billion.

Outlook

The year ahead (2018)

Sources of growth and focus on economic diversification

- Oman is well placed to deal with the challenges posed by the continuation of economic slowdown in the short-term, and the government has been proactive in undertaking various measures to address the macroeconomic challenges over the medium-term. The progress on macroeconomic reforms, such as introduction of excise and VAT and the approval for legislation on labor and foreign direct investment would be paramount for shaping the medium-term outlook of the Omani economy.
- The continued emphasis on economic diversification under the Ninth Five Year Development Plan and Tanfeedh would pave the way for sustainable growth in the economy, as will the expected new PPP, foreign investment and Commercial Companies Laws. The SME sector will continue to be an important focus area for banks as the government diversifies the economy to move away from dependency on oil and gas.

Capital and fund-raising

- Banks are likely to continue to access capital markets for funding (through EMTN and sukuk bonds). However, Oman's recent rating downgrade will increase the cost of external funds.
- Basel III capital requirements with additional domestic systematically important banks (D-SIB) buffers will be gradually phased in, along with countercyclical buffer requirements, resulting in higher capital adequacy requirements for banks. The CBO have now reduced their earlier set CAR requirements for 31 December 2018 by 1.0 percent.

Liquidity pressure

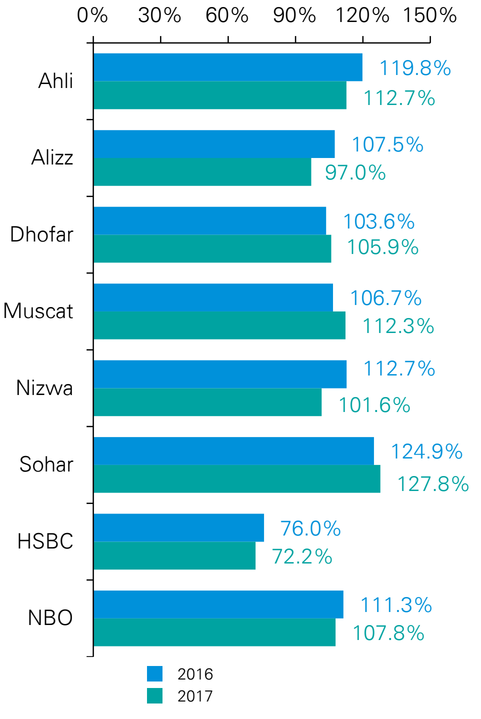
- Oman's liquidity levels are primarily linked to oil prices and interest rates. Oil prices improved in 2017, helping to ease liquidity. However, future interest rate hikes and oil price fluctuations may put further stress on liquidity. Further, government initiatives to diversity revenue and attract FDI are expected to improve liquidity.
- The government has successfully raised funds overseas to meet its budget deficit.

Continued focus on innovation and efficiency

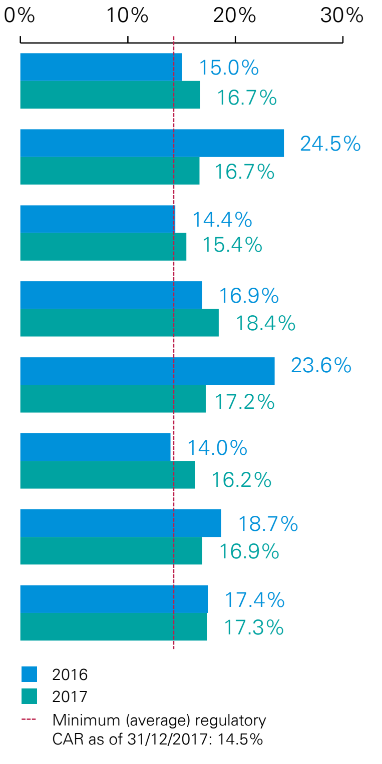
- Banks will look to differentiate themselves, given current income pressures, increasing regulatory requirements and the possibility of higher impairments.
- Increasing innovation should help drive further efficiency in 2018 and beyond.

Key performance indicators

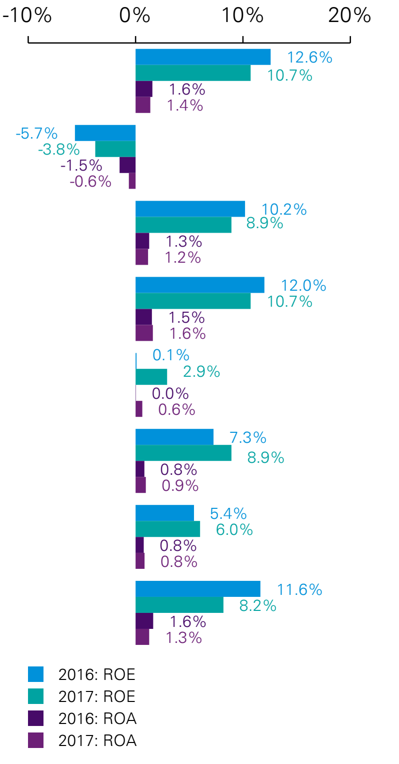
LDR



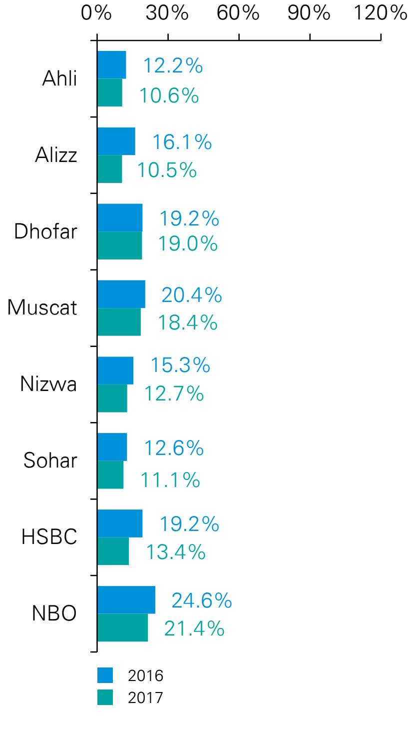
CAR



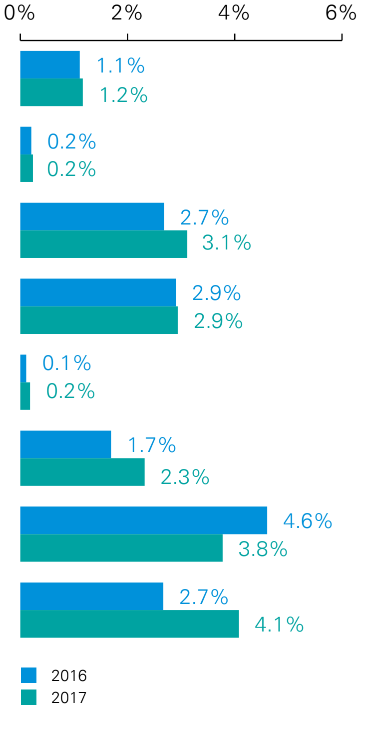
ROE/ROA



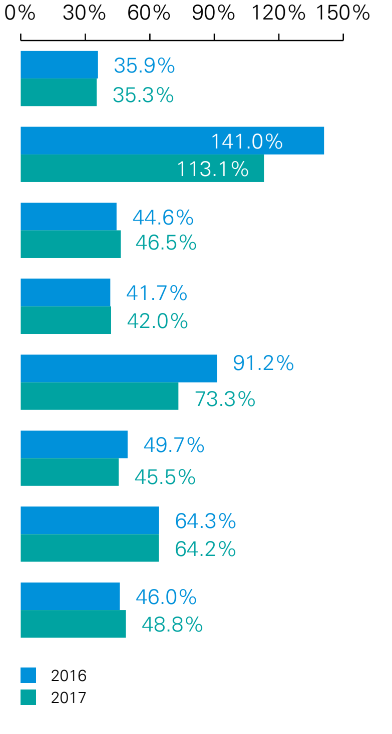
LR



NPL

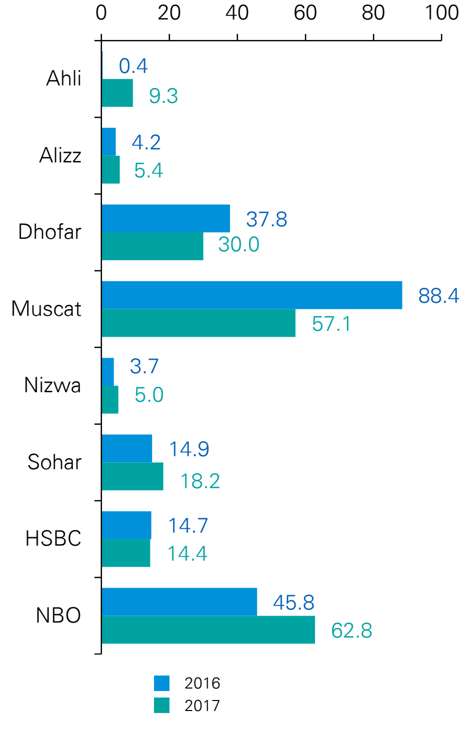


CIR

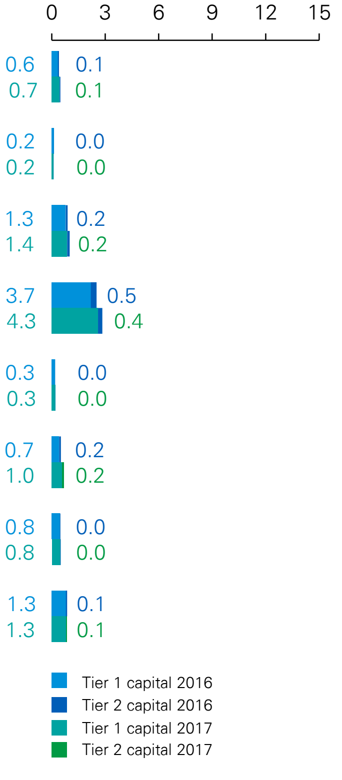


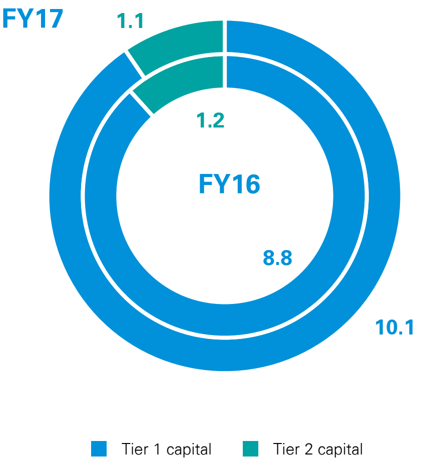
Notes: For source data refer to the data table (page 75–76) in the Appendix section.

Net impairment charge on loans and advances (US$ million)



Regulatory capital (US$ billion)





Credit rating

Credit rating agency / Bank	S&P		Moody's		Fitch	
	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook
Ahli	NA	NA	NA	NA	BB+	Negative
Alizz	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*
Dhofar	NA	NA	Baa3	Negative	BB+	Negative
Muscat	BB	Stable	Baa3	Negative	BBB-	Negative
Nizwa	*NA*	*NA*	*Ba2*	*Negative*	*NA*	*NA*
Sohar	NA	NA	Ba1	Negative	BB+	Negative
HSBC	NA	NA	Baa3	Negative	BBB	Negative
NBO	NA	NA	Baa3	Negative	BBB-	Negative
Overall country rating	**BB**	**Stable**	**Baa3**	**Negative**	**BBB-**	**Negative**

Note: NA = Rating not available on ThompsonOne database, checked on 22 March 2018.
Islamic banks have been presented in italics.
For source data refer to the data table (page 75–76) in the Appendix section.

Case studies

Self-service ATMs

One of the leading listed banks have introduced NCR SelfServ 80-Series ATMs, which will enable the bank to deliver the next generation of self-service banking. With the introduction of the innovative NCR SelfServ 80-Series ATMs, the bank has developed a robust platform to spur future growth strategies and offer next generation customer experience. The bank is the first in the country to offer this revolutionary technology that delivers intuitive and striking interfaces to access banking transactions and services on-the-go.

Mobile payment Clearing and Switching System and Mobile wallet

— One of the listed banks implemented the mobile payment clearing and switching system (MpClear), where customers will be able to conduct funds transfers on the mobile banking app, using their phone numbers instead of their account numbers, which allows transfers 24/7.

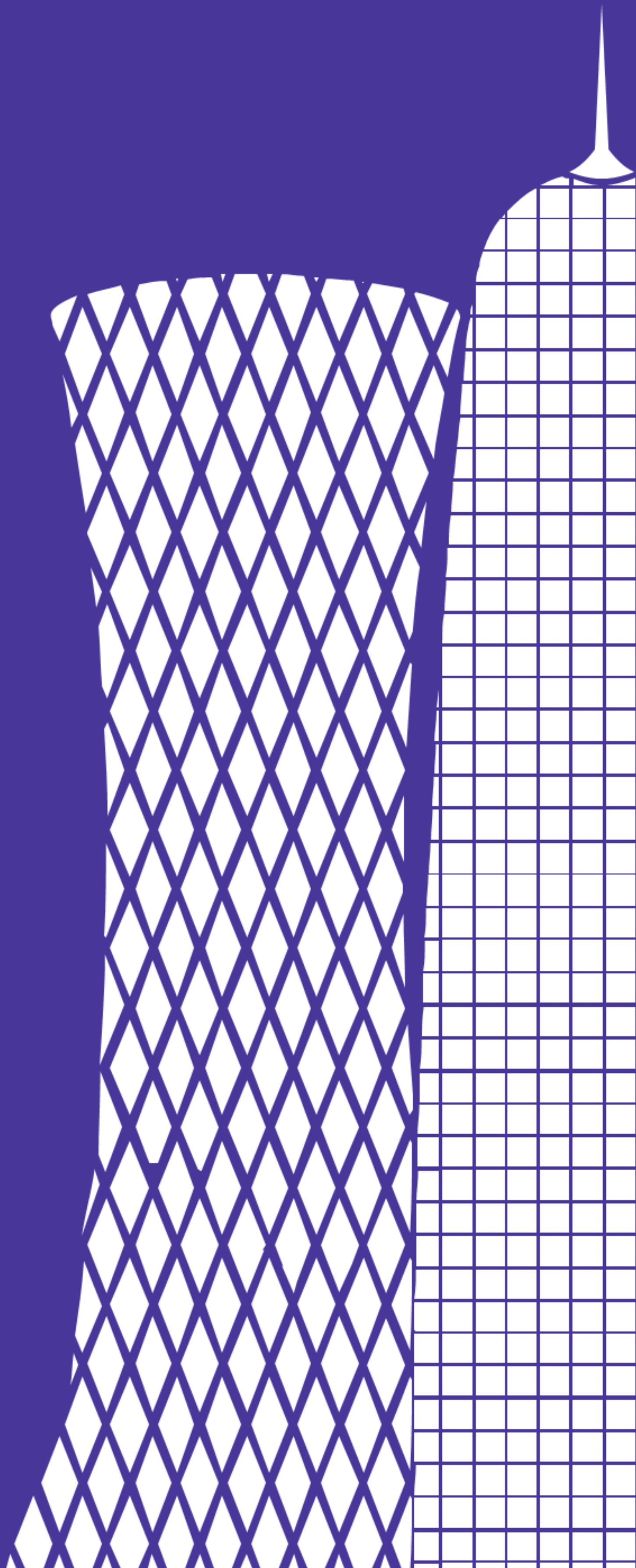
— One of the leading listed banks launched Oman's first mobile wallet, reiterating the strong lead in rolling out electronic payment facilities as part of the country's e-Government initiative.

Blockchain technology and robotic process automation

— One of the leading listed banks was the first in Oman to have successfully completed the international remittances pilot project using blockchain technology. The bank also launched wearable banking, cards marketplace and a Twitter enquiry service.

— One of the leading banks continued digital transformation strategy and completed several critical phases last year following its success in launching its smartphone application, online banking platform, smart bank cards, e-payment gateway, e-commerce platform, an electronic systems for both cash management and check processing, as well as the robotic process automation system, the first of its kind in the Oman banking sector.

Qatar



Population (million)[1]	**2.6**
Nominal GDP (US$ billion)[1]	**168.3**
GDP per head (US$ at PPP)[1]	**128,640**
Inflation (%)[2]	**0.3**

Economic data as of 31 December 2017

Source(s):
[1]Economist Intelligence Unit, Qatar — Data by country, 15 February 2018;
[2]QCB website, Main Economic Indicators, accessed on 15 February 2018.

Summary

Sector overview

Currently, 18 banks operate under the Qatar Central Bank (QCB) regulatory regime, of which 11 are national banks (four of which are Islamic) and seven foreign branches. Nine national banks are listed on the Qatar Stock Exchange (QSE) (four being Islamic), including one Islamic investment bank, which has been excluded for the purposes of this report. No new banking licenses were granted by the QCB in 2017.

Regulatory update

The QCB takes a proactive approach to regulating banks in Qatar. It has issued Basel III regulations for all banks, which have been applied in a phased manner, and has implemented numerous regulatory requirements that have been applied in more developed financial markets, covering areas such as stress testing, capital planning, liquidity management, and recovery and resolution planning.

Financial position

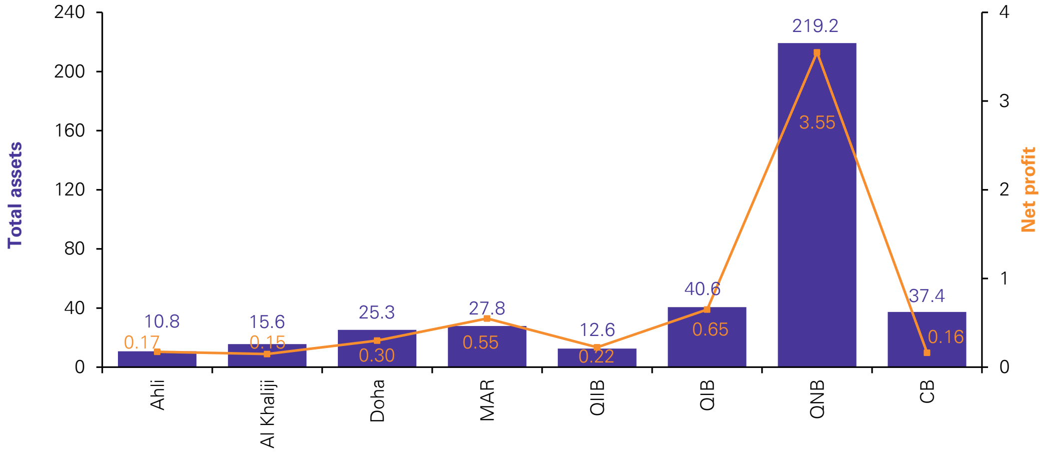
Total listed banking sector assets increased by 8.1 percent, from US$360.2 billion in 2016 to US$389.4 billion in 2017, driven by growth in corporate lending, cash and equivalents, and investment securities. The market is dominated by QNB, which had a market share of 56.3 percent of total listed banking assets at the end of 2017, up from 2016, while Islamic banks had a combined market share of 20.8 percent.

Financial performance

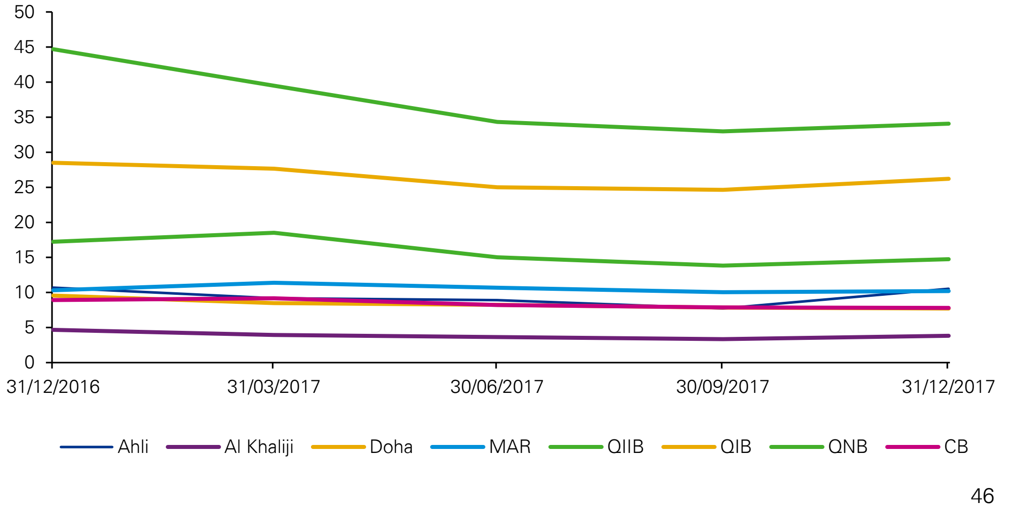
In 2017, profitability for listed banks increased by 5.0 percent on average from the previous year. This was mainly a result of higher net interest income, which increased by 3.8 percent, and a further reduction in costs, despite a higher impairment charge on loans. Listed banks in Qatar continue to have some of the lowest CIRs in the region.

Total assets and net profit (US$ billon)

as of, and for the year-ending, 31 December 2017



Share price movement (US$)



Insights

The year gone by (2017)

Improved profitability

- Overall profitability for listed Qatari commercial banks has increased year-on-year by 5.0 percent. All banks, except for two, reported an increase in net profit from 2016, with conventional banks outperforming their Islamic counterparts.
- This increase can be primarily attributed to higher net interest income and a decrease in costs, which banks continue to focus on and maintain at low levels.

Highest asset growth rate in the region

- Qatar-listed commercial banks posted an 8.1 percent growth in total assets from the previous year, which was the highest asset growth rate among all GCC countries, once again. This growth can be predominantly attributed to the increase in financing asset balances (70.0 percent) and higher investment securities (15.0 percent).
- The significant increase in financing asset balances was primarily driven by QNB, which contributed 70.0 percent of the growth, mainly as a result of increased government and related lending.

Higher financing impairment

- 2017 has witnessed an overall increase of 5.6 percent in impairment charges against financing assets, driven by the corporate sector, reflecting potential challenges in the credit environment.
- Although non-performing loan ratios remain relatively low when compared to international norms, 2017 saw higher ratios compared to the previous year, a reflection of the increase in impairment charges.

CIRs falling

- At 29.5 percent, Qatar's listed banks have the lowest CIR, on average, across the GCC, reflecting cost consciousness across the sector and the country as a whole.
- All except two banks, both in the Islamic sector, reported a decline in their CIRs, which helped the overall average dip below 30.0 percent for the first time in a number of years. Banks have continued to invest in short and long-term cost-saving initiatives.

Market sentiment not reflecting fundamentals

- The share prices for all listed Qatari banks declined from the previous year, which did not reflect the improved results from 2016 but, rather, reflected the sentiment as a result of the geo-political uncertainty.
- Listed Islamic banking share prices declined by a lower percentage (8.7 percent) when compared to their conventional counterparts (18.6 percent), despite all except one bank reporting an increase in profitability.

Stronger CARs

- CARs, for all except two banks are at higher levels when compared with 2016, reflecting the conservative approach to business during the year, coupled with the specific capital-raising activities undertaken.
- In addition, the regulatory capital adequacy requirements have been, and continue to, increase with the gradual phasing in of Basel III regulations, with the minimum capital adequacy regulatory requirement expected to reach 17.0 percent for some banks by 2018.

Outlook

The year ahead (2018)

Continued focus on innovation and efficiency

- The focus on innovation and efficiency will continue as banks look to differentiate themselves in a competitive market given the income pressures being faced and increasing regulatory requirements (such as Basel III and IFRS 9).
- We expect there to be continued control around the cost side of the business to ensure profitable growth remains and CIRs are maintained at low levels.

More of a risk adverse approach

- As the 2022 FIFA World Cup approaches, Qatari banks will keep primary focus on the local market, as opposed to looking overseas for growth.
- Given the implementation of IFRS 9, banks will look to higher credit quality assets for financing and investment opportunities.

Capital and fundraising on the rise

- Banks will continue to look to access the capital markets for funding (through EMTN and sukuk issuances) and local capital issuances, to help support growth.
- The regulator will continue to implement the Basel III capital requirements, with additional D-SIB and counter cyclical buffer (CCB) requirements to be gradually phased in, resulting in higher capital adequacy requirements for banks to meet.

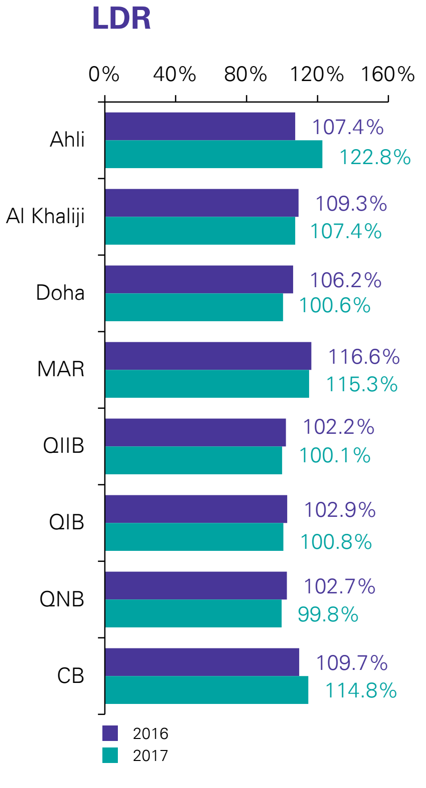
Consolidation drive

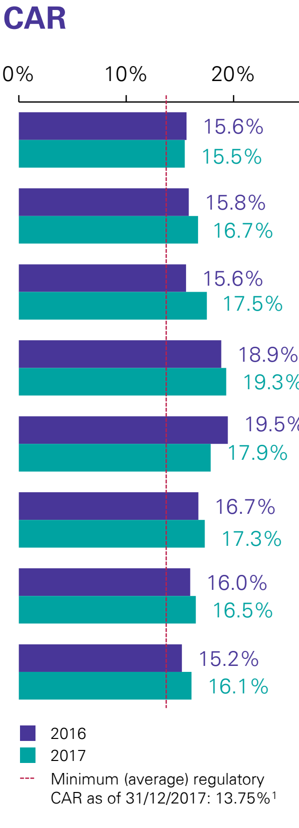
- In 2018, we expect the outcome of the previously announced three-way bank merger between one listed and two unlisted banks, two of which are Islamic, to be finalised either way.
- This merger announcement, which is expected to create Qatar's second-largest lender by asset size, if approved, is expected to trigger further consolidation initiatives.

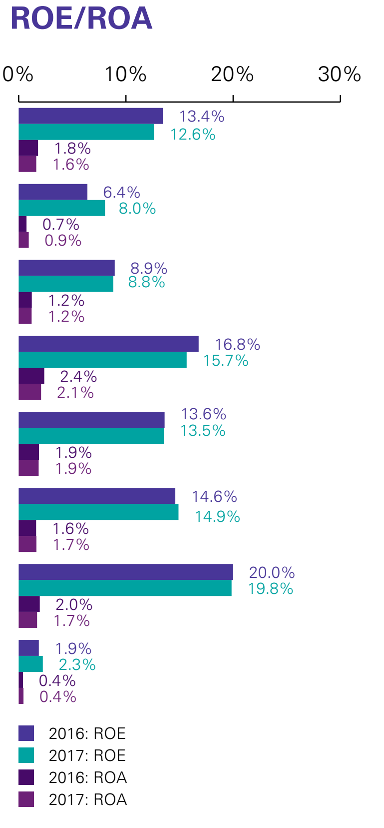
Expected credit losses kick in

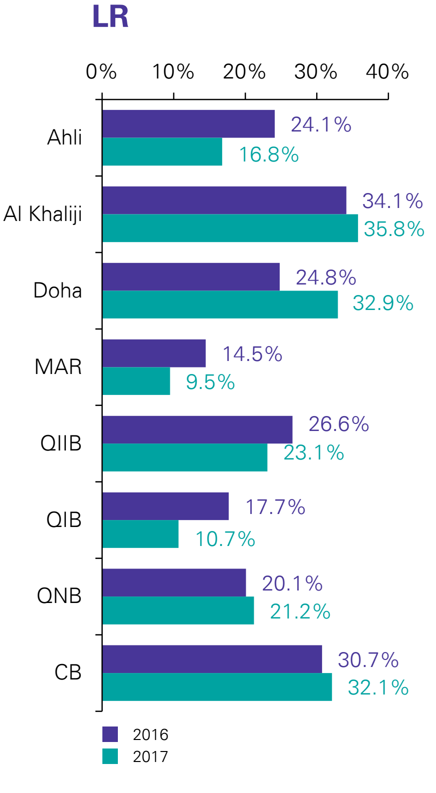
- Listed banks disclosed an expected ECL charge of US$2.3 billion on the adoption of IFRS 9 on 1 January 2018. This is an increase of approximately 40.0 percent in provisions from the 31 December 2017 reported numbers.
- This will have a wide ranging impact on banks from capital adequacy, profitability, and dividend payouts, to pricing, risk management and the type of business that banks focus on.

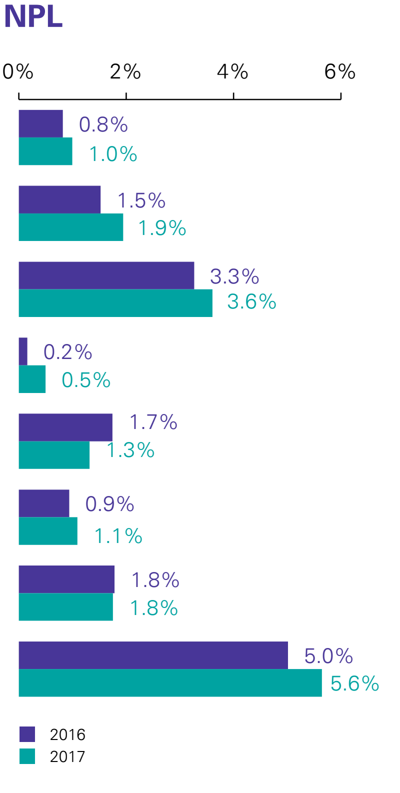
Key performance indicators

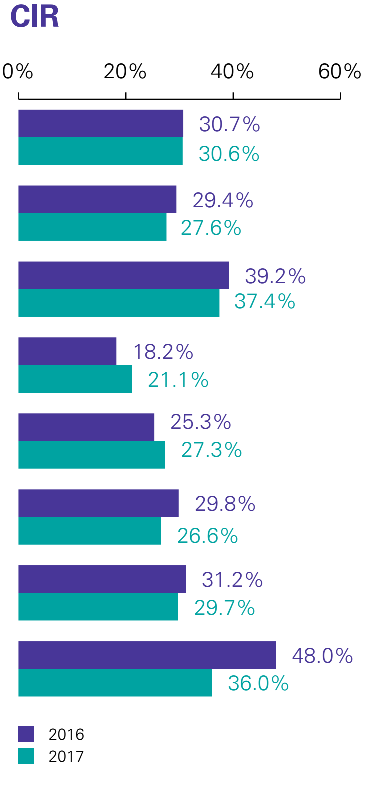






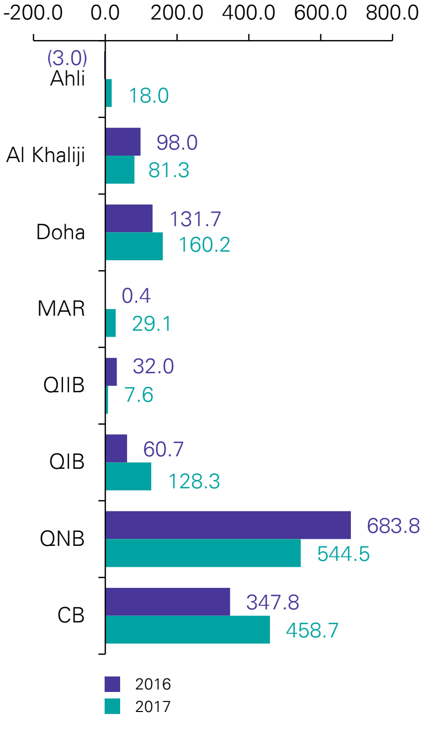




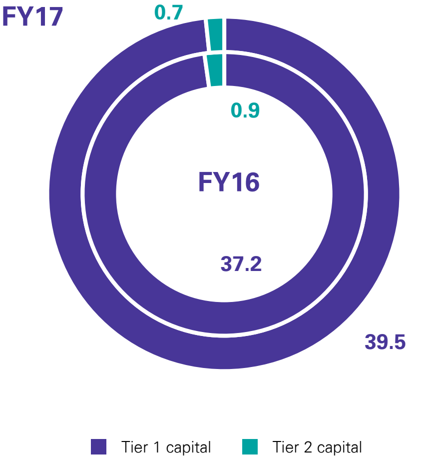


Note: [1]Minimum (average) regulatory CAR (13.75%) = Minimum total capital plus capital conservation buffer (12.50%) + DSIB buffer (average) (0.25%) + ICAAP capital charge (1%).
For source data refer to the data table (page 77–78) in the Appendix section.

Net impairment charge on loans and advances (US$ million)



Regulatory capital (US$ billion)



Credit rating

Credit rating agency / Bank	S&P		Moody's		Fitch	
	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook
Ahli	NA	NA	A2	Negative	A	Negative
Al Khaliji	NA	NA	A3	Negative	A	Negative
Doha	A-	Negative	A2	Negative	A	Negative
MAR	*NA*	*NA*	*A1*	*Negative*	*NA*	*NA*
QIIB	*NA*	*NA*	*A2*	*Negative*	*A*	*Negative*
QIB	*A-*	*Negative*	*A1*	*Negative*	*A*	*Negative*
QNB	A	Negative	Aa3	Negative	A+	Negative
CB	BBB+	Negative	A2	Negative	A	Negative
Overall country rating	**AA-**	**Negative**	**Aa3**	**Negative**	**AA-**	**Negative**

Note: NA = Rating not available on ThompsonOne, checked on 22 March 2018.
Islamic banks have been presented in italics.
For source data refer to the data table (page 77–78) in the Appendix section.

Case studies

Instant card issuance facility launched

One of the largest private commercial banks in Qatar has introduced the instant card issuance facility with the aim of making its account opening process simpler, faster and more convenient. With this facility, the customers can now open accounts and instantly get personalized debit cards. By offering instant issuance, customers can receive high-quality, personalized, ready-to-use permanent debit cards while opening an account, avoiding any waiting time for the cards to be produced and couriered, and allowing customers to make immediate purchases simple and convenient.

Blockchain technology used in international transfers

A leading commercial bank has completed the implementation of using blockchain technology for processing international transfers. The bank created a blockchain network with its regional alliance banks using a cloud-based ledger technology. This network enhances automation among the banks, with increased transactional security, accuracy and speed. The blockchain network also eliminates the need for intermediaries, enabling the bank to offer its customers near to real-time bank-to-bank transfers at a low cost.

Facial recognition capabilities introduced in mobile banking

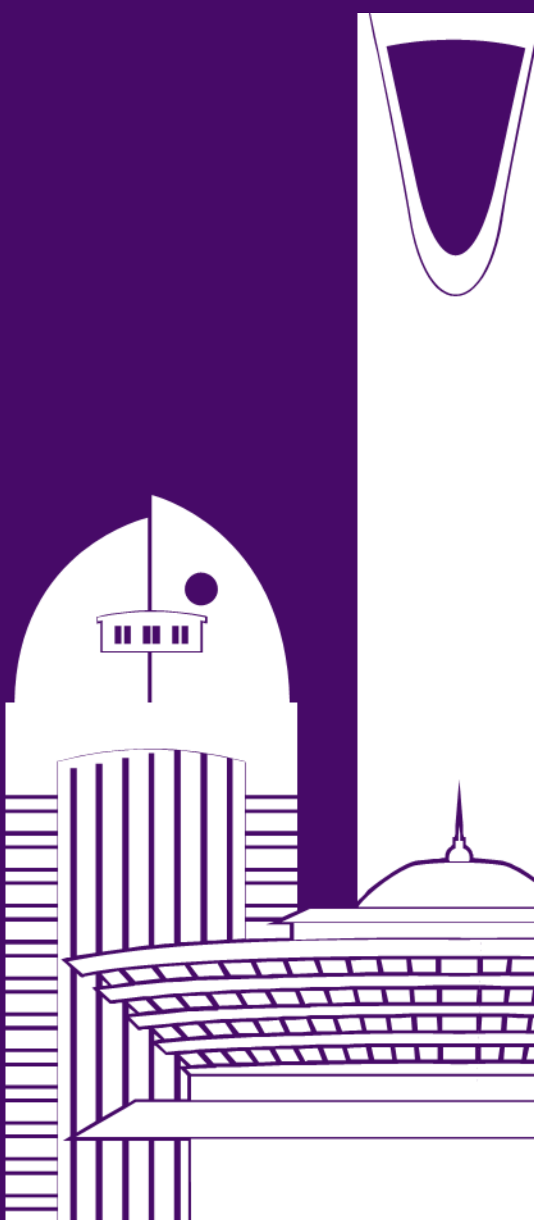
One of the largest Islamic banks in Qatar has introduced facial recognition capabilities in its iOS and Android mobile applications, making it the first bank in Qatar to do this. Instead of customers logging into their accounts with their username and password each time they open the mobile application, they can now use their Face ID to login in a simple and secured manner. The new facial recognition technology, which is the latest authentication standards to login to smartphone devices and subsequently the applications, will add further security and convenience for the increasing number of mobile application-registered customers.

Saudi Arabia

Population (million)[1]	**32.7**
Nominal GDP (US$ billion)[1]	**683.8**
GDP per head (US$ at PPP)[1]	**54,240.0**
Inflation (%)[2]	**0.4**

Economic data as of 31 December 2017

Source(s):
[1]Economist Intelligence Unit, Saudi Arabia — Data by country, 9 March 2018; Main Economic Indicators,
[2]Inflation Rate, SAMA Website, accessed on 9 March 2018



Summary

Sector overview

Of the total 26 commercial banks that currently operate in Saudi Arabia under the Saudi Arabian Monetary Authority (SAMA) regulatory regime, 12 are national banks, and the remaining 14 are licensed branches of foreign banking institutions. The 12 national banks are all listed on the Saudi Stock Exchange (Tadawul) and have been analyzed in this report.

Regulatory update

SAMA is the sole authority empowered in Saudi Arabia to regulate the commercial banks, exchange dealers, cooperative insurance companies, financing companies and credit information companies. SAMA issued new rules and regulations in 2017 around cybersecurity, AML and the establishment of national and foreign bank branches in Saudi Arabia.

Financial position

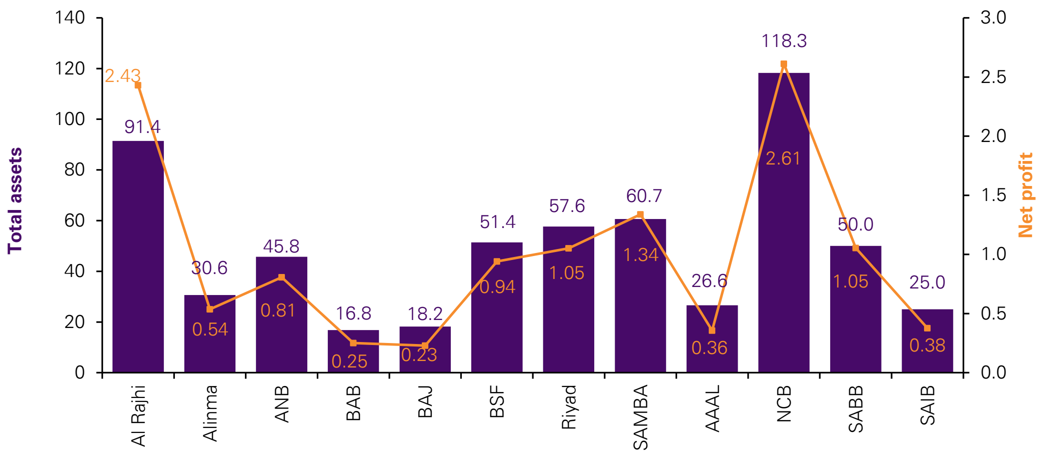
Total listed banking sector assets have remained relatively stable year-on-year with a slight increase of 0.4 percent to US$592.5 billion in 2017. The majority of the banks observed either consistency or a slight decline in their asset base compared to the previous year due to the fiscal and monetary stability in the market, coupled with the banks looking to consolidate in 2017, both in terms of risk appetite and in terms of focusing their efforts on core businesses. An interesting highlight in 2017 was the growth of Islamic banking assets, which collectively grew US$6.7 billion in 2017.

Financial performance

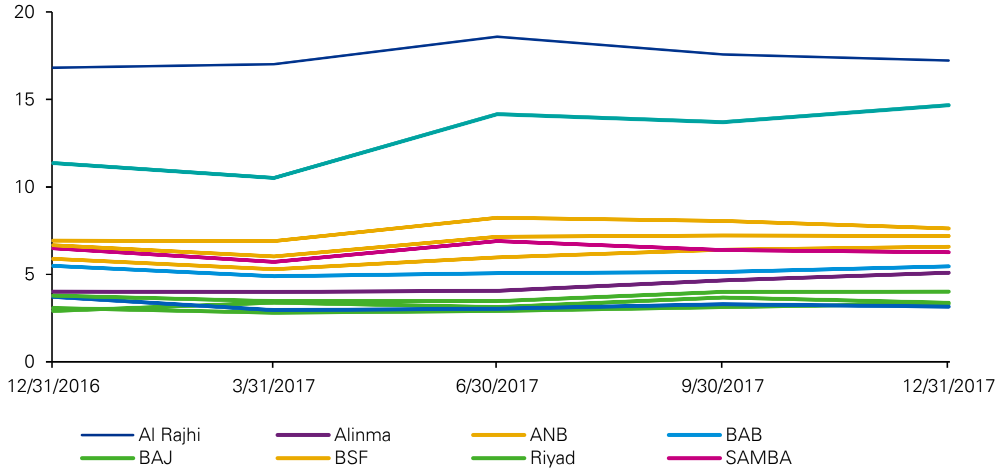
Profitability for the listed banks in 2017 increased by 8.7 percent, driven by a slight increase in the total asset base, an increase in the SIBOR rate during 2017 which improved margins, and a slight reduction in operating expenses. CIR, on average, improved by 2.0 percent industry-wide as a result of the increased margins. Net impairment charges increased by 3.5 percent reflecting an improving market conditions, whilst bearing in mind certain legacy exposure issues which may still exist in the banks' books.

Total assets and net profit (US$ billon)

as of, and for the year-ending, 31 December 2017



Share price movement (US$)



Insights

The year gone by (2017)

Modest asset growth

— In 2017, total assets for Saudi Arabian banks grew by 0.4 percent (US$2.4 billion) which happens to be one of the lowest asset growth rates for the country in recent years. The majority of the growth can be attributed to the growth in the Islamic banking assets, where both corporate and retail segments grew.

— Notwithstanding the growth in Islamic banking assets, overall the assets of Saudi Arabian banks either stayed stable or slightly contracted in 2017. This was reflective of the overall economy, where Saudi Arabia's GDP actually contracted by 0.74 percent in 2017.

Improvement in liquidity

— Saudi Arabia accessed the international debt markets in 2017 to support its funding requirements and to bridge its budget deficit. International bond and sukuk issuances amounted to US$21.5 billion during 2017.

— The liquidity situation, on average, improved by 1.7 percent for the KSA banks in 2017, primarily due to an increase in deposits with relatively stable lending undertaken by the banks in 2017. We noted that the corporate segment, due to being cautious, generally preferred to keep cash at banks as opposed to deploying it in the market.

Stable performance

— SAMA raised the SIBOR rates during 2017 in-line with the increase in the rates by the US Federal Reserve, positively impacting margins for the banks in Saudi Arabia.

— Both ROA and ROE marginally increased year-on-year owing largely to increased profitability in 2017.

Cost pressures

— Banks in Saudi Arabia continued to face cost pressures as the general cost of doing business increased in 2017, despite the CIR across the banking industry slightly improving by 2.0 percent compared to the previous year. The introduction of expat levies, dependent visa fees and other government fees on employment have increased the cost of employment for banks.

— During 2017, Saudi Arabian banks have invested in improving cost efficiencies through initiatives such as rationalizing their branches, optimizing system capabilities and refocusing on core products.

Increasing impairment

— Net impairment charges on loans and advances increased by 3.5 percent year-on-year, which was in-line with the general increase in the asset base in 2017 compared to the previous year.

— Furthermore, whilst 2017 was a year of recovery, certain key sectors remained stressed, such as building and construction.

Stronger CAR

— Regulatory CAR remained between 17.6 percent to 23.3 percent for Saudi Arabian banks in 2017, compared with the minimum requirement of 8.0 percent. Banks continued to invest in less risky assets in 2017, in particular within their investment portfolio, to strengthen their CAR positions.

— Cautious asset growth and refocusing efforts on products and markets that provide greater margins using minimal capital contributed to an overall average increase in CAR by 0.8 percent in 2017 compared to the previous year.

Outlook

The year ahead (2018)

Increased opportunities and asset growth owing to government reforms

— Allowing women to drive from June 2018 will significantly widen the consumer base for auto leasing, and public-private partnerships (PPPs) are expected to drive projects in 2018 within various sectors where private sector financing will be required.

— The Aramco IPO is expected to take place by the end of 2018. This capital amount is expected to be deployed in infrastructure, energy, real estate and education sectors to complete existing projects, but also to drive new ones which would boost balance sheet growth for the banks.

Introduction of VAT

— Introduction of VAT from 1 January 2018 will require banks to significantly invest and reconfigure their systems and infrastructure to ensure regulatory compliance.

— Implementation of VAT will impact consumer spending actions due to an increase in the cost of living which, in turn, will impact the banks' retail portfolios. However, it also presents the banks with an opportunity to develop new cash management products for the market to support SMEs in managing their cash flows.

Managing emerging topical risks

— With SAMA finalising the Cyber Security Framework for Saudi Arabian banks in 2017, we expect banks to significantly invest in implementing pre and post attack controls to mitigate cyber security risks.

— Owing to the new AML rules and regulations coming into force in 2018, there will be ever more scrutiny placed on the bank's anti-AML measures going forward.

Improving cost and efficiencies through innovation

— Most banks in Saudi Arabia are recognising the need to embrace fintech and explore solutions such as blockchain for KYC, trade finance and general ledger purposes. Whilst no banks in Saudi Arabia have fully implemented such solutions as yet, we expect the banks to begin bucking this trend in 2018.

Implementation of IFRS 9

— The banks will take a hit to their capital due to the adoption of IFRS 9 from 1 January 2018. SAMA has allowed the Saudi banks to spread the 'Day 1' impact over a period of 5 years for CAR reporting purposes. Accounting for IFRS 9 expected credit losses (ECL) is expected to increase credit loss provisions in the industry on average by 10–45.0 percent.

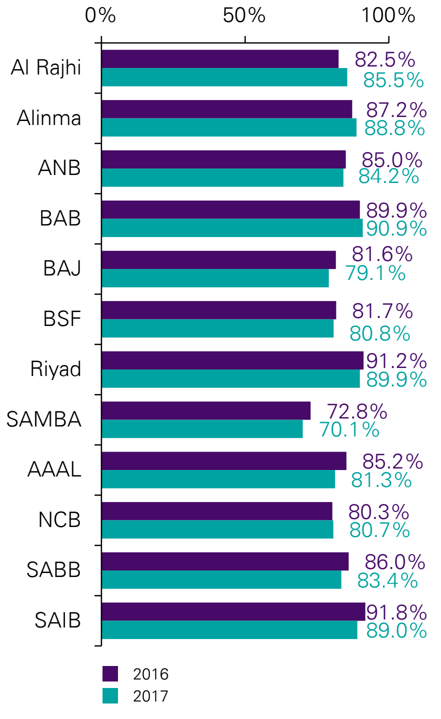
— IFRS 9 will also strategically impact the banks in terms of how they assess risk appetite, pricing, credit sanctioning and credit stewardship of their businesses.

New entrants expected, existing players to expand presence

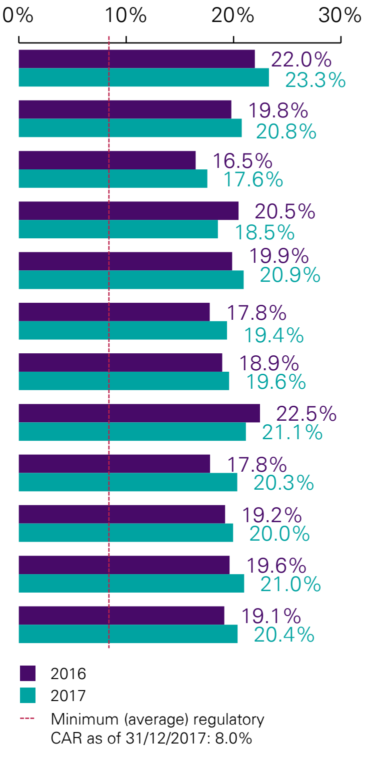
— New banking licenses are expected to be issued in 2018, to foreign financial institutions looking to establish and or expand their presence in Saudi Arabia. SAMA has issued new rules and regulations around banking licensing to support aspiring new entrants. International capital is expected to play a vital role in achieving Vision 2030.

Key performance indicators

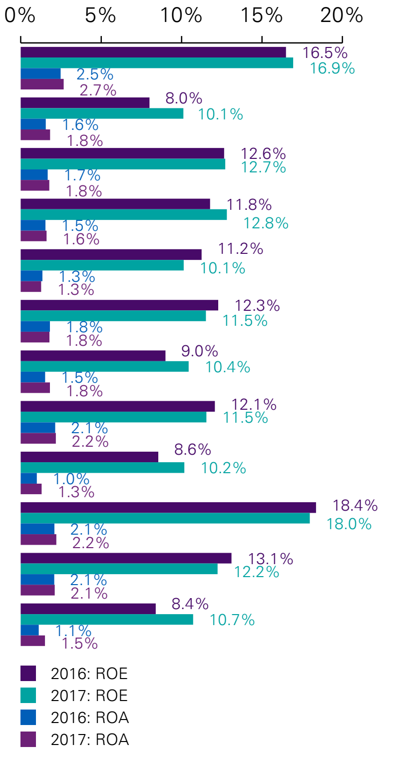
LDR



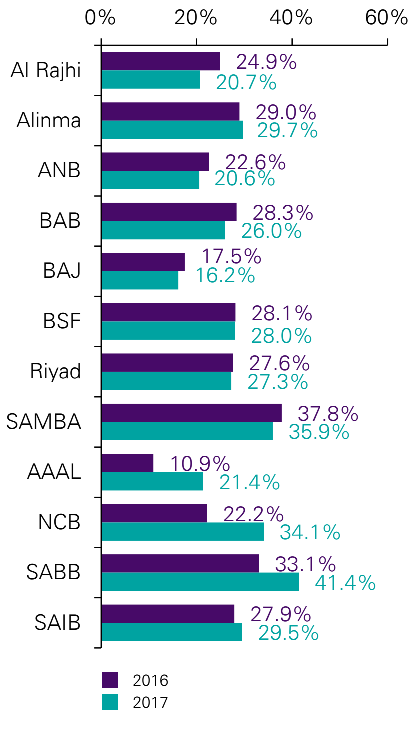
CAR



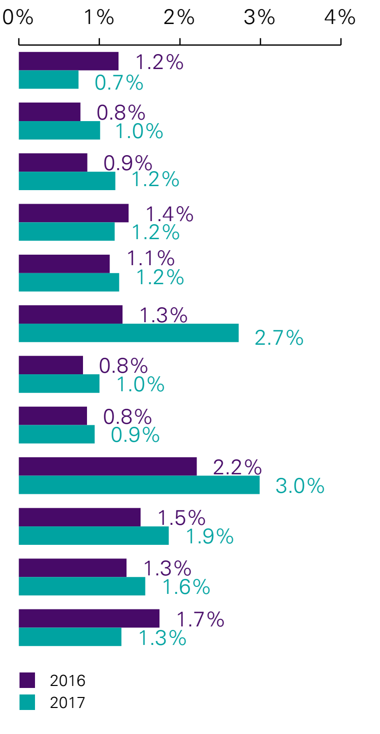
ROE/ROA



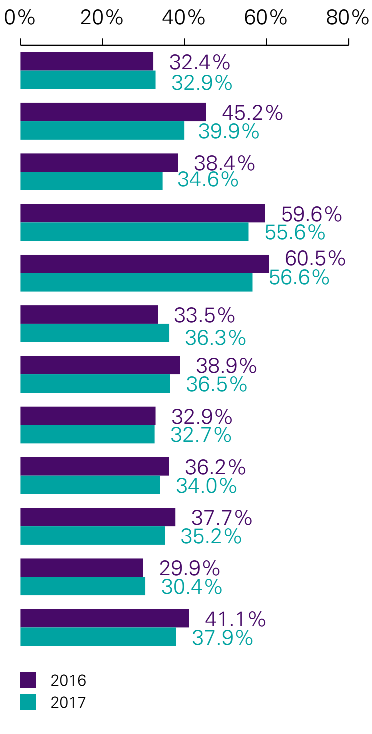
LR



NPL

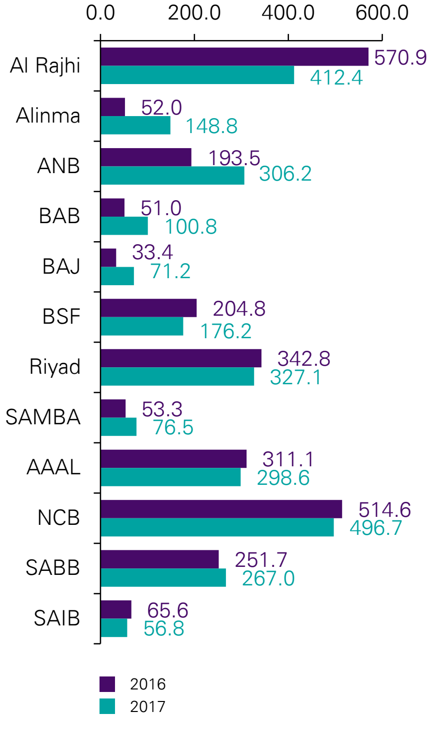


CIR

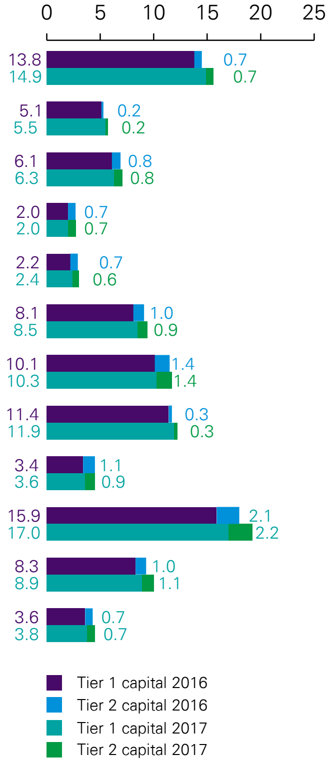


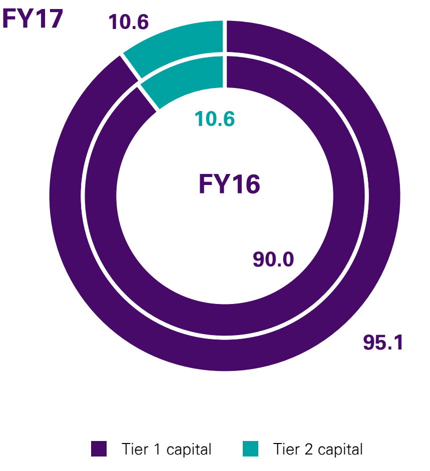
Note: For source data refer to the data table (page 79–80) in the Appendix section.

Net impairment charge on loans and advances (US$ million)



Regulatory capital (US$ billion)





Credit rating

Bank \ Credit rating agency	S&P		Moody's		Fitch	
	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook
Al Rajhi	*BBB+*	*Stable*	*A1*	*Stable*	*A-*	*Stable*
Alinma	*NA*	*NA*	*NA*	*NA*	*BBB+*	*Stable*
ANB	BBB+	Stable	A1	Stable	BBB+	Negative
BAB	*NA*	*NA*	A2	Stable	*NA*	*NA*
BAJ	*NA*	*NA*	A3	Stable	*BBB+*	*Stable*
BSF	BBB+	Stable	A1	Stable	A-	Stable
Riyad	BBB+	Stable	A2	Stable	BBB+	Negative
SAMBA	BBB+	Stable	A1	Stable	A-	Stable
AAAL	NA	NA	A3	Stable	BBB+	Stable
NCB	BBB+	Stable	A1	Stable	A-	Stable
SABB	BBB+	Stable	A1	Stable	A-	Stable
SAIB	BBB/A-2	Stable	A3	Stable	BBB+	Stable
Overall country rating	**A-**	**Stable**	**A1**	**Stable**	**A+**	**Stable**

Note: NA = Rating not available on ThompsonOne, checked on 22 March 2018.
Islamic banks have been presented in italics.
For source data refer to the data table (page 79–80) in the Appendix section.

Case studies

'Best Mobile Banking App'

The International Finance Magazine (IFM) announced a locally-listed bank as the winner of the 'Best Mobile Banking App' award for Saudi Arabia in 2017. As the world steers towards digital and branchless banking, Saudi Arabian banks are well-placed to invest in digitization given the fact that the country's population is young and is very 'tech savvy'. Banks can seek immediate returns from enhancing the customer experience through means of digital innovation.

Digital currency entering the market

SAMA along with the banking industry is keen to strengthen and modernise the payment mechanism to drive efficiencies, in particular around cross border transactions. SAMA signed an agreement with Ripple on 14 February 2018 to launch a pilot program for deploying digital currency, xCurrent, for local banks to facilitate cross border payments. This is expected to significantly modernise the payments system and broaden the access network of Saudi Arabian banks to global financial institutions.

'A digital bank in a coffee shop!'

A locally-listed bank in 2017, unveiled a new digital branch in the form of a coffee shop. The bank built a customer centric, state of the art café facility which provides banking services as the customer enjoys a cup of coffee. This branch caters to the millennial generation looking for digitally-enabled and interactive experiences.

United Arab Emirates

Population (million)[1]	**9.4**
Nominal GDP (US$ billion)[1]	**384.5**
GDP per head (US$ at PPP)[1]	**74,280**
Inflation (%)[2]	**2.7**

Economic data as of 31 December 2017

Source(s):
[1]Economist Intelligence Unit, UAE — Data by country,19 March 2018; Main Economic Indicators,
[2]Trading Economics website, accessed on 9 March 2018.

Summary

Sector overview

There are 48 banks under the auspices of the Central Bank of the United Arab Emirates' (CBUAE), of which 26 are foreign banks, 20 national banks and seven local banks that follow Shari'a principles. This report analyzes the top 10 listed local banks.

Regulatory update

The CBUAE has recently issued a number of regulations, in some cases draft, around governance, capital adequacy, IFRS 9 and liquidity. There is an increasing expectation of a number of circulars/regulations to be issued by CB UAE in upcoming years.

Financial position

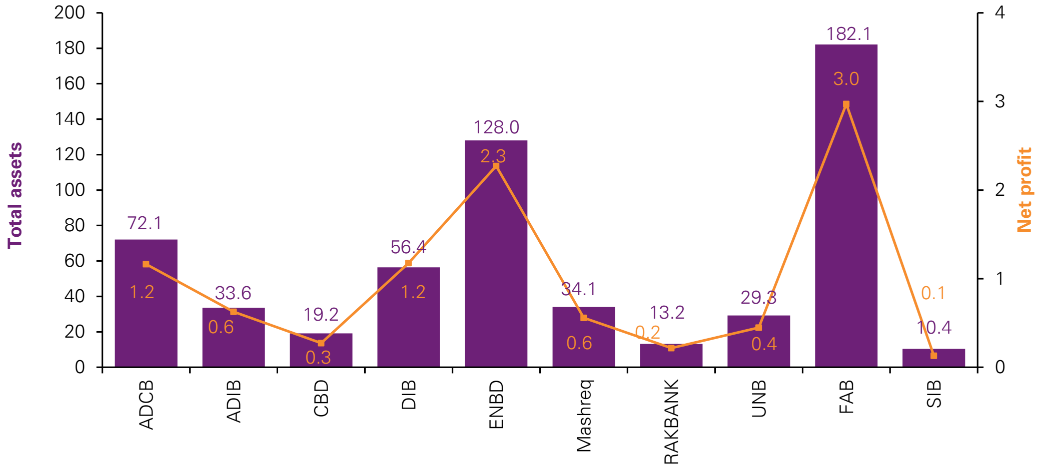
For the top 10 listed local banks, gross assets increased by 5.2 percent year-on-year to US$578.4 billion in 2017. The CAR slightly improved from 18.6 percent to 18.7 percent. For a number of banks, the LDR has reduced, showing signs of improvement in liquidity in the market. Cautious lending also helped the banks' to manage NPL ratios as it slightly reduced to 4.3 percent.

Financial performance

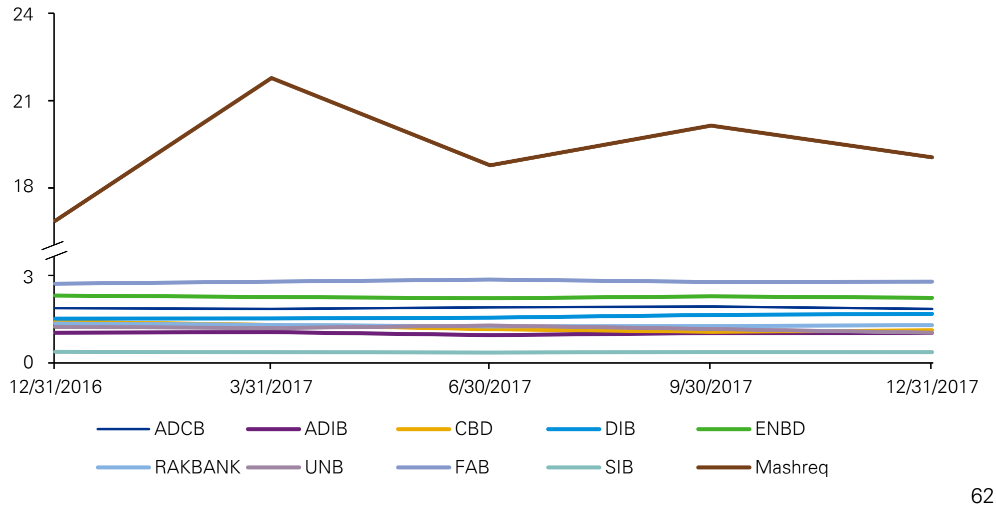
Results are mixed for the 10 national banks analyzed in this report. It was a stable year for most of them. The results of eight banks improved compared to last year, mainly due to a decrease in impairment charges. Average ROE for these 10 banks increased compared to that in 2016. CIR has slightly increased.

Total assets and net profit (US$ billon)

as of, and for the year-ending, 31 December 2017



Share price movement (US$)



Insights

The year gone by (2017)

Economic growth

— Despite muted economic growth, the UAE has continued to benefit from its status of a safe haven, with political stability and a comparatively diversified economy. However, the challenges around growth in the private sector, real estate property, inflationary impact of VAT on customers' sentiments within 2017 will continue into 2018. 2017 was a stable year with GDP growth rate of 1.7 percent and a focus on the non-oil sector and innovation-driven economy.

— With 2 years to Expo 2020 Dubai, the economic growth momentum is expected to pick up and larger investments can be expected within the next 12 months. This targeted higher spending will help the economy to grow.

KPIs

— Return on equity marginally increased year-on-year. Profitability increased by 6.6 percent. Reduction in impairment of 7.6 percent, and an effort to manage operating cost are the key contributors in increasing the overall banking sector profitability.

Largest bank in the UAE

— UAE saw the merger of two large banks in the market (NBAD and FGB) to form the largest bank in the UAE — First AbuDhabi Bank. The UAE remains an over-banked market with 48 banks for a population of approximately 9.4 million.

— Considering the moderate economic growth, the higher cost of doing business in the UAE and threat of new entrants disrupting the market, there is expectations of further consolidation in the medium term, which is expected to positively impact the UAE banking sector through revenue and cost synergies.

Accounting and regulatory changes

— 2017 can be termed as a year of change for the banking sector as they geared-up for the number of accounting and regulatory changes such as Basel III, IFRS 9 and VAT. All these accounting and regulatory changes put pressure on the banks in terms of resources and technology and, in turn, negatively impacted the bottom line. Cyber security remains one of the top agenda items within the board room. Leading banks have now formalized their cyber security strategy and governance to respond to this threat, and proactively adapt to new regulations to succeed and outpace competitors.

Being relevant

— A number of significant initiatives were taken by the banking sector, with significant focus in pushing the digitization agenda, particularly technological advancement that come with their set of opportunities and threats.

Outlook

The year ahead (2018)

What lies ahead?

— Emerging regulations on the national, regional and international level will continue to drive the strategic agenda.

— Banks are likely to continue to access capital markets for funding (bonds and sukuk issuance). Although well capitalized, Basel III capital requirements with additional D-SIB buffers will result in higher capital adequacy requirements for banks.

Rightsizing the sector

— Considering the moderate economic growth, higher cost of doing business in the UAE and threat of new entrants disrupting the market, there are expectations of further consolidation in the medium term, which is expected to bring a positive impact in the UAE banking sector through revenue and cost synergies.

Cost of doing business remains challenged

— Due to the implementation of IFRS 9, VAT, Basel III and stringent AML compliance, the cost of doing business is expected to increase.

— VAT will have far reaching implications for banks' profit margins, as they can only recover a small fraction of the total VAT incurred, because most of the services offered are tax exempt. It may have an impact on the pricing strategy in the future. Therefore, the focus remains on identifying innovative ways of doing business to maintain the CIR.

Accounting and regulatory changes: embedding into business as usual

— Although most banks have technically been able to meet the date of initial implementation, the process requires much more refinement before IFRS 9 becomes business as usual. The interdependency between the risk, finance and IT functions also highlights the need for a revised governance framework.

— The Basel III amendments to credit and operational risk are likely to be implemented in the UAE. This is expected to result in a reduction in the CAR for most banks and requires changes to the existing systems and requirement of additional data.

Digitization picking up the pace

— Banks in the UAE are fast realizing the challenges and opportunities of the fintech revolution. A number of banks have already announced a number of digital banking initiatives to rationalize the branch networks and refocus staff on value added services rather than administrative tasks. This includes the development of separate digital-only banking platforms or strengthening of existing mobile banking services.

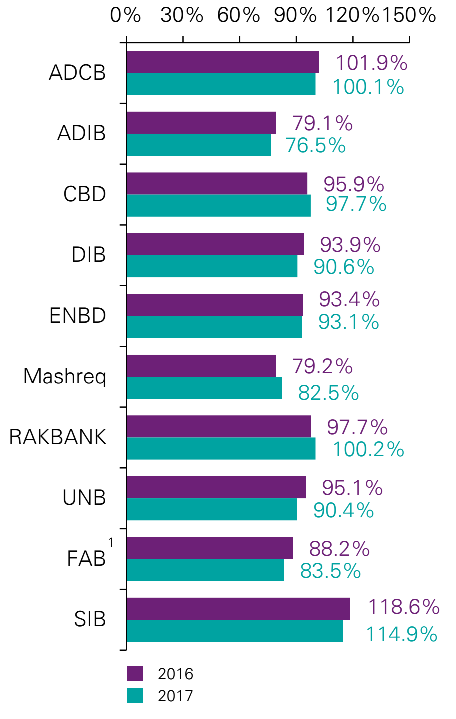
— 90.0 percent of UAE CEOs are considering how to integrate basic automation with AI. We are expecting an increasing trend where AI is applied in customer engagement, to drive greater loyalty, provide pervasive security protection and reduce operational cost.

Incorporating the right governance and corporate culture

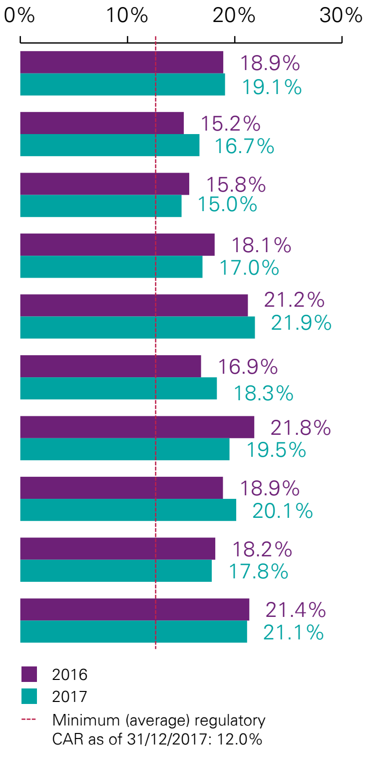
— A strong corporate governance culture is regarded as one of the main pillars of maintaining and growing a sustainable economy. The new draft regulations highlight some elements of this. It is important to have the right tone at the top. The banking leaders of today have a unique opportunity to create a cultural framework that will last a lifetime.

Key performance indicators

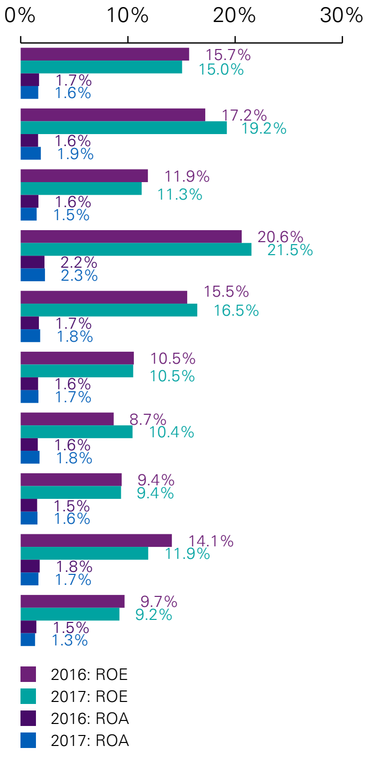
LDR



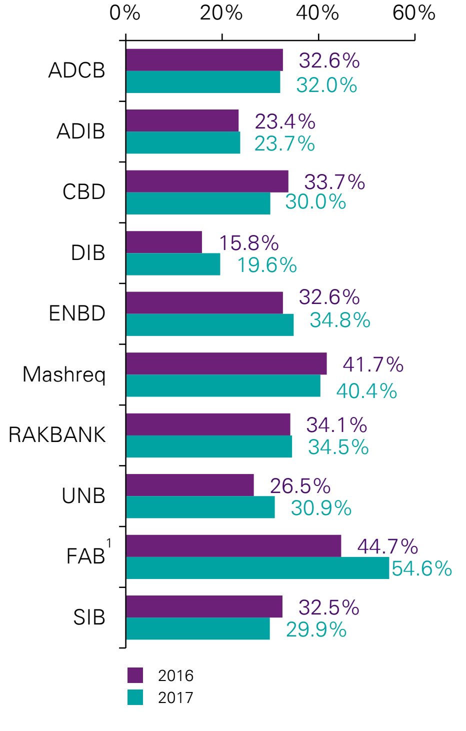
CAR



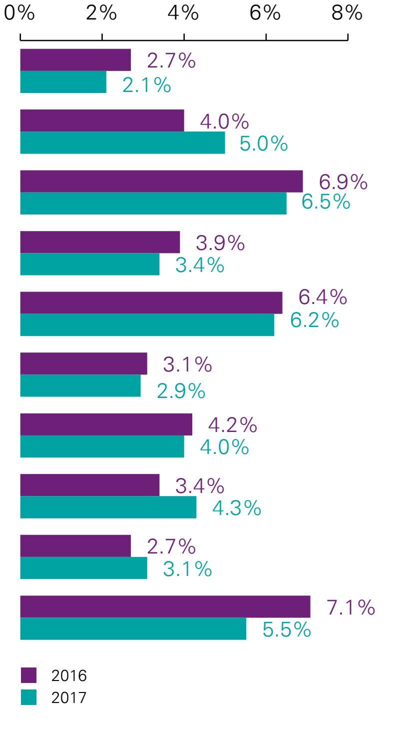
ROE/ROA



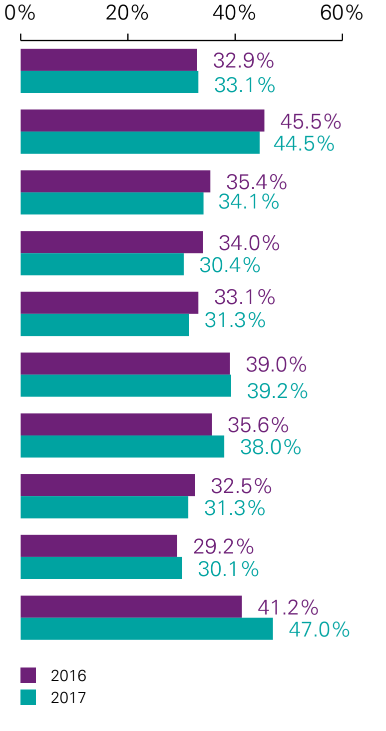
LR



NPL

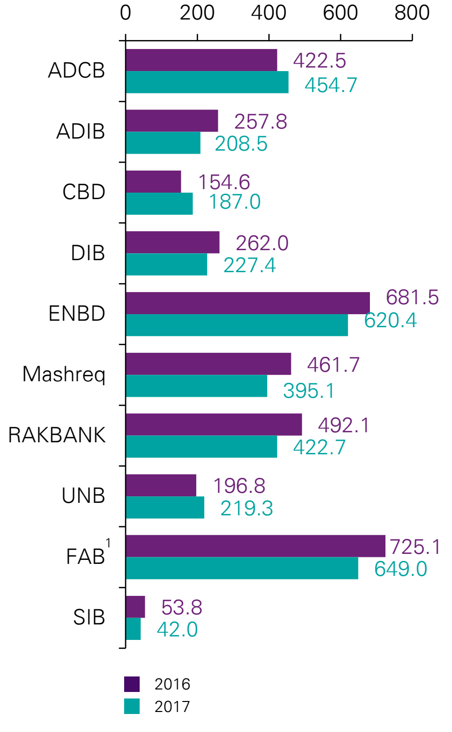


CIR

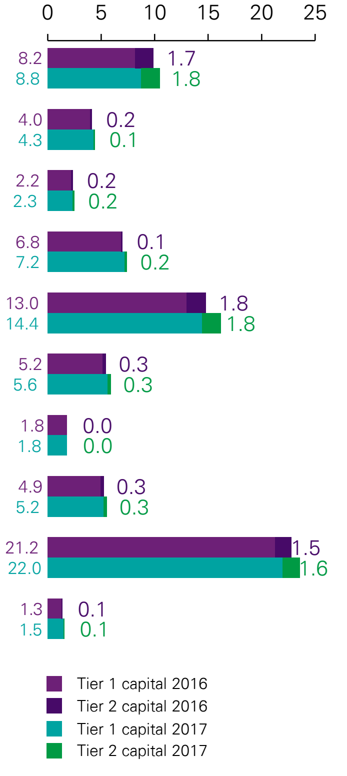


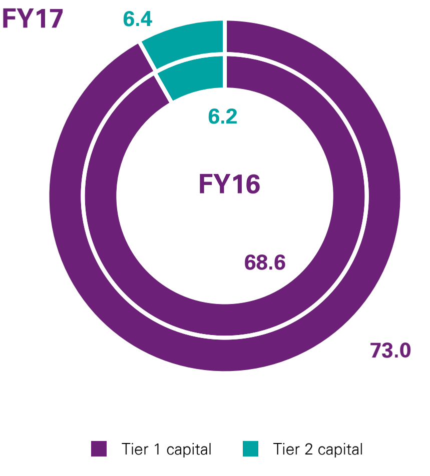
Note: [1]For FAB, pro-forma financial statement are used for FY16 and FY17, prepared as if the merger had taken place on 1 January 2016. However, for FY16, financial numbers were sourced from FY16 Annual Reports of NBAD and FGB for unavailable data.
For source data refer to the data table (page 81–82) in the Appendix section.

Net impairment charge on loans and advances (US$ million)



Regulatory capital (US$ billion)





Credit rating

Bank \ Credit rating agency	S&P		Moody's		Fitch	
	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook
ADCB	A	Stable	Aa2	Stable	A+	Stable
ADIB	*NA*	*NA*	*A2*	*Stable*	*A+*	*Stable*
CBD	NA	NA	Baa1	Stable	A-	Stable
DIB	*NR*	*Negative*	*A3*	*Stable*	*A*	*Stable*
ENBD	NA	NA	A3	Stable	A+	Stable
Mashreq	NA	NA	Baa1	Stable	A	Stable
RAK	A/A-1	Stable	Baa1	Stable	BBB+	Stable
UNB	NA	NA	A1	Stable	A+	Stable
FAB[1]	AA-	Stable	Aa3	Stable	AA-	Stable
SIB	*BBB+*	*Stable*	*A3*	*Stable*	*BBB+*	*Stable*
Overall country rating	**AA**	**Stable**	**Aa2**	**Stable**	**AA**	**Stable**

Note: NA = Rating not available on ThompsonOne, checked on 22 March 2018.
[1]For FAB, pro-forma financial statement are used for FY16 and FY17, prepared as if the merger had taken place on 1 January 2016. However, for FY16, financial numbers were sourced from FY16 Annual Reports of NBAD and FGB for unavailable data.
Islamic banks have been presented in italics.
For source data refer to the data table (page 81–82) in the Appendix section.

Case studies

UAE bank offers blockchain payments

A large listed local bank was the first in the Middle East and North Africa to introduce real-time, cross-border payments using blockchain, enabled by a strategic partnership with a US start-up specializing in the technology. Blockchain is an electronic transaction-processing and record-keeping system that allows all parties to track information through a secure network, with no need for third-party verification. World Bank data suggests that the UAE is ranked fourth globally in annual remittances — underlying the diverse nature of the population. Blockchain could have a significant impact, as it is likely to cut the cost and increase the speed of payments.

Digital bank for millennials

Banks in the country have upped their game by entering the world of digitalized banking. One of the largest banks in the UAE launched the first digital bank targeted at millennials. It's aimed at providing a digital experience for a new generation of customers, providing a banking platform that is, "intuitive and simple to use". From opening an account online by scanning your Emirates ID to instant approval, the bank has come a long way in improving customer experience. This is the first step in their plan toward digital innovation and multichannel transformation over the next three years. With nearly 2.5 million millennials in the UAE and the UAE Vision 2021 of establishing a smart economy driven by innovation, this is a direction that the banking sector has to head in.

A year of mobile wallet Launch

The launch of mobile wallets has been welcomed as a much-needed next step to jump-start the Arabian Gulf's e-payments industry, even as experts warn the service could face barriers in a society where cash remains king, with over 80.0 percent of all transactions. However, that is changing. At least six UAE banks have either signed up to existing digital wallets such as Apple Pay and Samsung Pay or implemented their own contactless and e-payments services.

Removing cash from the economy is viewed as a key goal for emerging markets as the cash-carrying process is costly and time-consuming, and digital payments can be safer and more transparent.

Appendices

Appendix I: Data tables — Bahrain

	Total assets (US$ million)			Net profit (US$ million)		
Bank	**2016**	**2017**	**Δ y-o-y**	**2016**	**2017**	**Δ y-o-y**
AUB	31,322.5	33,241.9	6.1%	570.6	618.7	8.4%
Al Baraka	23,425.3	25,453.2	8.7%	151.5	129.0	(14.9)%
Al Salam	4,459.6	4,215.5	(5.5)%	43.0	48.0	11.6%
BISB	2,764.4	3,259.0	17.9%	22.3	26.9	20.4%
BBK	9,821.0	9,981.6	1.6%	149.6	155.7	4.0%
Ithmaar	8,341.3	8,611.4	3.2%	3.3	(84.7)	(2683.4)%
Khaleeji	2,029.2	2,082.8	2.6%	14.1	5.2	(62.9)%
NBB	7,896.8	8,226.8	4.2%	154.5	161.8	4.8%
Total	**90,060.0**	**95,072.2**	**5.6%**	**1,109.0**	**1,060.7**	**(4.4)%**

	Net impairment charge on loans and advances (US$ million)			Loan-to-deposit ratio		
Bank	**2016**	**2017**	**Δ y-o-y**	**2016**	**2017**	**Δ y-o-y**
AUB	138.6	60.7	(56.2)%	85.7%	88.6%	2.9%
Al Baraka	109.5	128.9	17.8%	81.2%	83.9%	2.7%
Al Salam	35.0	39.1	11.8%	65.9%	73.9%	8.0%
BISB	5.5	6.7	21.3%	85.1%	80.0%	(5.1)%
BBK	63.0	76.7	21.7%	70.9%	66.3%	(4.5)%
Ithmaar	26.1	24.1	(7.8)%	90.7%	93.3%	2.6%
Khaleeji	14.5	13.1	(10.0)%	77.6%	92.8%	15.2%
NBB	5.5	27.5	396.9%	49.4%	56.7%	7.2%
Total/average	**397.8**	**376.8**	**(5.3)%**	**75.8%**	**79.4%**	**3.6%**

	Share price (US$)				
Bank	**12/31/2016**	**3/31/2017**	**6/30/2017**	**9/30/2017**	**12/31/2017**
AUB	1.7	1.9	1.8	1.9	1.9
Al Baraka	1.3	1.2	1.1	1.0	1.0
Al Salam	0.3	0.3	0.3	0.2	0.3
BISB	0.3	0.4	0.4	0.4	0.4
BBK	1.1	1.0	1.0	1.1	1.1
Ithmaar	0.3	0.4	0.4	0.3	0.4
Khaleeji	0.2	0.3	0.2	0.3	0.3
NBB	1.9	1.8	1.8	1.7	1.7
Average	**0.9**	**0.9**	**0.9**	**0.9**	**0.9**

Note: For detailed sources, refer to Appendix II: Sources.

	Regulatory capital (US$ million)					
	2016		2017		Δ y-o-y	
Bank	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
AUB	3,923.1	543.1	4,215.4	514.0	7.5%	(5.4)%
Al Baraka	1,761.0	140.2	2,197.1	165.6	24.8%	18.1%
Al Salam	725.7	79.2	672.4	105.7	(7.3)%	33.4%
BISB	294.7	31.3	308.0	35.2	4.5%	12.2%
BBK	1,245.7	81.7	1,312.7	78.5	5.4%	(4.0)%
Ithmaar[1]	641.5	0.0	507.5	56.0	(20.9)%	100.0%
Khaleeji	294.6	11.6	296.6	11.7	0.7%	1.3%
NBB	1,066.5	32.8	1,151.4	33.1	8.0%	0.7%
Total	**9,952.8**	**920.0**	**10,661.1**	**999.7**	**7.1%**	**8.7%**

	Capital adequacy ratio			Return on equity			Return on assets		
Bank	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y
AUB	17.1%	17.0%	(0.1)%	15.5%	15.9%	0.5%	1.7%	1.9%	0.2%
Al Baraka	15.5%	17.3%	1.8%	11.5%	8.6%	(2.8)%	0.6%	0.5%	(0.1)%
Al Salam	21.6%	21.4%	(0.1)%	5.1%	5.8%	0.7%	1.0%	1.1%	0.1%
BISB	20.7%	19.5%	(1.2)%	7.5%	8.5%	1.0%	0.8%	0.9%	0.1%
BBK	18.5%	20.0%	1.5%	14.2%	12.9%	(1.3)%	1.5%	1.6%	0.0%
Ithmaar[1]	13.0%	13.9%	0.9%	0.8%	(21.6)%	(22.4)%	0.0%	(1.0)%	(1.0)%
Khaleeji	18.4%	17.0%	(1.4)%	4.8%	1.7%	(3.1)%	0.7%	0.3%	(0.5)%
NBB	35.4%	36.3%	0.9%	14.9%	14.1%	(0.8)%	1.9%	2.0%	0.1%
Average	**20.0%**	**20.3%**	**0.3%**	**9.3%**	**5.8%**	**(3.5)%**	**1.1%**	**0.9%**	**(0.1)%**

	Liquidity ratio			Non-performing loan ratio			Cost-to-income ratio		
Bank	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y
AUB	40.9%	42.5%	1.6%	2.3%	1.9%	(0.4)%	27.8%	28.8%	1.0%
Al Baraka	31.3%	32.3%	0.9%	4.5%	4.2%	(0.3)%	52.8%	56.9%	4.1%
Al Salam	28.7%	20.5%	(8.2)%	27.6%	12.1%	(15.6)%	40.9%	38.5%	(2.4)%
BISB	20.8%	25.6%	4.8%	8.6%	8.4%	(0.2)%	56.4%	61.9%	5.5%
BBK	52.7%	54.5%	1.8%	6.0%	5.8%	(0.2)%	39.8%	37.8%	(2.0)%
Ithmaar[1]	12.9%	13.3%	0.4%	13.6%	9.4%	(4.2)%	73.3%	90.4%	17.2%
Khaleeji	38.6%	37.6%	(1.0)%	15.7%	21.1%	5.4%	44.8%	60.8%	16.0%
NBB	44.5%	41.5%	(3.0)%	7.7%	6.9%	(0.8)%	35.2%	31.6%	(3.6)%
Average	**33.8%**	**33.5%**	**(0.3)%**	**10.8%**	**8.7%**	**(2.0)%**	**46.4%**	**50.8%**	**4.5%**

Note: [1]For calculating CAR, Regulatory Capital and NPL for Ithmaar Holdings, numbers for Ithmaar Bank have been considered as proxy data.
For detailed sources, refer to Appendix II: Sources.

Appendix I: Data tables — Kuwait

Bank	Total assets (US$ million) 2016	2017	Δ y-o-y	Net profit (US$ million) 2016	2017	Δ y-o-y
AUBK	12,195.2	12,059.8	(1.1)%	133.3	146.3	9.8%
ABK	14,152.7	14,350.1	1.4%	107.3	117.3	9.4%
Boubyan	11,500.4	13,062.6	13.6%	135.7	156.6	15.5%
Burgan	24,009.1	24,396.0	1.6%	225.2	214.6	(4.7)%
GBK	18,057.9	18,698.4	3.5%	141.8	158.0	11.4%
KFH	54,497.4	57,107.8	4.8%	545.7	605.9	11.0%
KIB	6,097.4	6,303.8	3.4%	60.1	58.2	(3.1)%
NBK	79,946.0	85,653.8	7.1%	975.0	1,060.6	8.8%
CBK	13,625.8	14,458.2	6.1%	166.5	182.4	9.5%
Warba	3,722.4	5,833.3	56.7%	8.5	22.3	161.8%
Total	**237,804.4**	**251,923.7**	**5.9%**	**2,499.0**	**2,722.1**	**8.9%**

Bank	Net impairment charge on loans and advances (US$ million) 2016	2017	Δ y-o-y	Loan-to-deposit ratio 2016	2017	Δ y-o-y
AUBK	97.9	87.7	(10.4)%	108.6%	110.2%	1.6%
ABK	166.0	190.2	14.6%	104.5%	104.6%	0.2%
Boubyan	11.9	29.0	144.1%	85.5%	84.6%	(0.8)%
Burgan	137.1	136.7	(0.3)%	114.4%	106.1%	(8.3)%
GBK	134.4	227.4	69.3%	101.5%	109.1%	7.6%
KFH	126.0	224.3	78.0%	76.7%	79.5%	2.8%
KIB	42.0	30.8	(26.6)%	112.8%	108.4%	(4.4)%
NBK	415.1	575.6	38.7%	108.0%	105.2%	(2.7)%
CBK	220.2	(68.8)	(131.3)%	101.3%	101.5%	0.2%
Warba	16.7	39.7	137.6%	110.3%	125.2%	14.9%
Total/average	**1,367.4**	**1,472.1**	**7.7%**	**102.3%**	**103.4%**	**1.1%**

Bank	Share price (US$) 12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017
AUBK	1.4	1.5	1.3	1.4	1.1
ABK	1.0	1.0	1.1	1.0	1.0
Boubyan	1.3	1.3	1.3	1.4	1.4
Burgan	1.0	1.1	1.1	1.2	1.0
GBK	0.8	0.8	0.8	0.8	0.8
KFH	1.8	1.7	1.6	2.0	1.9
KIB	0.7	0.8	0.8	0.8	0.8
NBK	2.1	2.2	2.2	2.5	2.4
CBK	1.4	1.4	1.0	1.4	1.3
Warba	0.7	0.8	0.8	0.8	0.8
Average	**1.2**	**1.3**	**1.2**	**1.3**	**1.2**

Note: For detailed sources, refer to Appendix II: Sources.

Bank	Regulatory capital (US$ million) 2016 Tier 1	2016 Tier 2	2017 Tier 1	2017 Tier 2	Δ y-o-y Tier 1	Δ y-o-y Tier 2
AUBK	1,470.0	103.8	1,536.3	109.2	4.5%	5.2%
ABK	1,730.7	127.1	1,761.6	133.0	1.8%	4.6%
Boubyan	1,254.3	68.5	1,378.3	84.0	9.9%	22.5%
Burgan	2,495.6	498.6	2,531.7	507.3	1.4%	1.7%
GBK	1,894.2	486.2	1,978.2	496.3	4.4%	2.1%
KFH	6,122.4	617.0	6,357.5	698.6	3.8%	13.2%
KIB	802.0	47.9	827.8	53.6	3.2%	11.9%
NBK	8,092.6	1,068.4	8,604.1	1,108.9	6.3%	3.8%
CBK[1]	1,646.6	125.9	1,863.1	127.2	13.1%	1.0%
Warba	313.0	21.8	577.3	31.8	84.4%	46.2%
Total	**25,821.5**	**3,165.2**	**27,415.8**	**3,349.9**	**6.2%**	**5.8%**

Bank	Capital adequacy ratio 2016	2017	Δ y-o-y	Return on equity 2016	2017	Δ y-o-y	Return on assets 2016	2017	Δ y-o-y
AUBK	18.2%	18.0%	(0.2)%	10.9%	10.4%	(0.5)%	1.1%	1.2%	0.1%
ABK	17.7%	17.2%	(0.4)%	5.8%	6.3%	0.5%	0.8%	0.8%	0.1%
Boubyan	21.4%	19.4%	(1.9)%	11.6%	11.8%	0.2%	1.2%	1.3%	0.0%
Burgan	16.7%	16.2%	(0.5)%	8.9%	8.2%	(0.7)%	1.0%	0.9%	(0.1)%
GBK	18.5%	17.8%	(0.7)%	7.7%	8.2%	0.5%	0.8%	0.9%	0.1%
KFH	17.9%	17.8%	(0.1)%	9.2%	10.0%	0.8%	1.0%	1.1%	0.1%
KIB	20.5%	19.1%	(1.5)%	7.3%	6.9%	(0.4)%	1.0%	0.9%	(0.1)%
NBK	17.7%	17.8%	0.1%	10.0%	10.5%	(0.5)%	1.2%	1.3%	0.0%
CBK	17.9%	18.7%	0.8%	8.6%	8.8%	0.3%	1.2%	1.3%	0.1%
Warba	18.0%	22.5%	4.5%	2.8%	4.5%	1.7%	0.3%	0.5%	0.2%
Average	**18.5%**	**18.4%**	**0.0%**	**8.3%**	**8.6%**	**0.3%**	**1.0%**	**1.0%**	**0.1%**

Bank	Liquidity ratio 2016	2017	Δ y-o-y	Non-performing loan ratio 2016	2017	Δ y-o-y	Cost-to-income ratio 2016	2017	Δ y-o-y
AUBK	22.3%	22.1%	(0.2)%	2.3%	1.4%	(0.9)%	30.5%	32.0%	1.5%
ABK	27.9%	28.9%	1.0%	2.6%	1.0%	(1.6)%	39.4%	37.7%	(1.7)%
Boubyan	21.8%	19.7%	(2.1)%	0.8%	0.8%	0.0%	42.0%	42.1%	0.1%
Burgan	39.0%	37.8%	(1.2)%	4.3%	2.7%	(1.6)%	48.5%	45.6%	(2.9)%
GBK	33.7%	30.8%	(2.8)%	2.4%	1.7%	(0.7)%	37.5%	35.4%	(2.0)%
KFH	11.9%	9.5%	(2.4)%	2.6%	2.5%	0.0%	44.7%	42.8%	(2.0)%
KIB	29.0%	27.7%	(1.3)%	1.4%	2.4%	1.0%	47.6%	51.0%	3.4%
NBK	41.6%	43.0%	1.3%	1.3%	1.4%	0.1%	33.8%	32.3%	(1.5)%
CBK	53.0%	57.9%	4.9%	0.5%	0.5%	0.0%	27.9%	30.9%	3.0%
Warba[2]	24.2%	30.3%	6.1%	0.7%	1.5%	0.8%	65.8%	47.4%	(18.5)%
Average	**30.4%**	**30.8%**	**0.3%**	**1.9%**	**1.6%**	**(0.3)%**	**41.8%**	**39.7%**	**(2.1)%**

Notes: [1]Regulatory capital for CBK as on 30 September 2017 has been used as proxy data for regulatory capital numbers as on 31 December 2018 due to non-availability of disclosure document on report release date.
[2]For calculating NPL ratio for Warba bank, past due or impaired has been taken as proxy data
For source data refer to the data table (page 81–82) in the Appendix section.

Appendix I: Data tables — Oman

	Total assets (US$ million)			Net profit (US$ million)		
Bank	**2016**	**2017**	**Δ y-o-y**	**2016**	**2017**	**Δ y-o-y**
Ahli	4,934.2	5,232.7	6.0%	76.8	69.3	(9.8)%
Alizz	991.3	1,477.8	49.1%	(12.3)	(7.8)	(36.6)%
Dhofar	10,265.0	11,030.4	7.5%	123.7	123.7	0.0%
Muscat	28,104.1	28,959.0	3.0%	458.6	459.3	0.1%
Nizwa	1,340.2	1,809.4	35.0%	0.3	9.8	3351.0%
Sohar	6,545.7	7,383.9	12.8%	49.6	65.8	32.5%
HSBC	5,854.3	6,061.8	3.5%	43.9	49.7	13.1%
NBO	9,175.8	9,013.9	(1.8)%	144.9	114.4	(21.1)%
Total	**67,210.6**	**70,969.0**	**5.6%**	**885.5**	**884.1**	**(0.2)%**

	Net impairment charge on loans and advances (US$ million)			Loan-to-deposit ratio		
Bank	**2016**	**2017**	**Δ y-o-y**	**2016**	**2017**	**Δ y-o-y**
Ahli	0.4	9.3	2249.3%	119.8%	112.7%	(7.1)%
Alizz	4.2	5.4	27.5%	107.5%	97.0%	(10.5)%
Dhofar	37.8	30.0	(20.7)%	103.6%	105.9%	2.3%
Muscat	88.4	57.1	(35.5)%	106.7%	112.3%	5.6%
Nizwa	3.7	5.0	36.1%	112.7%	101.6%	(11.1)%
Sohar	14.9	18.2	22.3%	124.9%	127.8%	(2.8)%
HSBC	14.7	14.4	(2.0)%	76.0%	72.2%	(3.8)%
NBO	45.8	62.8	37.2%	111.3%	107.8%	(3.5)%
Total/average	**209.9**	**202.1**	**(3.7)%**	**107.8%**	**104.7%**	**(3.2)%**

	Share price (US$)				
Bank	**12/31/2016**	**3/31/2017**	**6/30/2017**	**9/30/2017**	**12/31/2017**
Ahli	0.5	0.5	0.4	0.4	0.4
Alizz	0.2	0.2	0.2	0.2	0.2
Dhofar	0.6	0.6	0.6	0.6	0.6
Muscat	1.2	1.0	1.0	1.0	1.0
Nizwa	0.2	0.2	0.2	0.2	0.2
Sohar	0.4	0.4	0.4	0.4	0.4
HSBC	0.3	0.3	0.3	0.3	0.3
NBO	0.6	0.6	0.6	0.5	0.5
Average	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**

Note: For detailed sources, refer to Appendix II: Sources.

Bank	Regulatory capital (US$ million)					
	2016		2017		Δ y-o-y	
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
Ahli	575.1	104.4	729.4	82.7	26.8%	(20.8)%
Alizz	198.5	9.9	189.1	13.6	(4.7)%	37.6%
Dhofar	1,311.8	169.1	1,445.8	234.9	10.2%	38.9%
Muscat	3,659.1	534.2	4,322.7	405.6	18.1%	(24.1)%
Nizwa	316.1	14.2	326.5	18.8	3.3%	32.5%
Sohar	689.0	164.7	990.8	162.7	43.8%	(1.2)%
HSBC	766.4	48.4	794.6	47.6	3.7%	(1.8)%
NBO	1,321.1	122.9	1,343.1	101.9	1.7%	(17.1)%
Total	**8,837.0**	**1,167.8**	**10,141.9**	**1,067.7**	**14.8%**	**(8.6)%**

Bank	Capital adequacy ratio			Return on equity			Return on assets		
	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y
Ahli	15.0%	16.7%	1.7%	12.6%	10.7%	(1.9)%	1.6%	1.4%	(0.2)%
Alizz	24.5%	16.7%	(7.8)%	(5.7)%	(3.8)%	1.9%	(1.5)%	(0.6)%	0.9%
Dhofar	14.4%	15.4%	1.0%	10.2%	8.9%	(1.3)%	1.3%	1.2%	(0.1)%
Muscat	16.9%	18.4%	1.6%	12.0%	10.7%	(1.3)%	1.5%	1.6%	0.1%
Nizwa	23.6%	17.2%	(6.4)%	0.1%	2.9%	2.9%	0.0%	0.6%	0.6%
Sohar	14.0%	16.2%	2.3%	7.3%	8.9%	1.7%	0.8%	0.9%	0.1%
HSBC	18.7%	16.9%	(1.8)%	5.4%	6.0%	0.6%	0.8%	0.8%	0.1%
NBO	17.4%	17.3%	(0.1)%	11.6%	8.2%	(3.4)%	1.6%	1.3%	(0.4)%
Average	**18.1%**	**16.9%**	**(1.2)%**	**6.7%**	**6.6%**	**(0.1)%**	**0.8%**	**0.9%**	**0.1%**

Bank	Liquidity ratio			Non-performing loan ratio			Cost-to-income ratio		
	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y
Ahli	12.2%	10.6%	(1.7)%	1.1%	1.2%	0.1%	35.9%	35.3%	(0.5)%
Alizz	16.1%	10.5%	(5.6)%	0.2%	0.2%	0.0%	141.0%	113.1%	(27.9)%
Dhofar	19.2%	19.0%	(0.2)%	2.7%	3.1%	0.4%	44.6%	46.5%	1.9%
Muscat	20.4%	18.4%	(1.9)%	2.9%	2.9%	0.0%	41.7%	42.0%	0.3%
Nizwa	15.3%	12.7%	(2.7)%	0.1%	0.2%	0.1%	91.2%	73.3%	(17.9)%
Sohar	12.6%	11.1%	(1.5)%	1.7%	2.3%	0.6%	49.7%	45.5%	(4.1)%
HSBC	19.2%	13.4%	(5.8)%	4.6%	3.8%	(0.8)%	64.3%	64.2%	(0.1)%
NBO	24.6%	21.4%	(3.1)%	2.7%	4.1%	1.4%	46.0%	48.8%	2.8%
Average	**17.5%**	**14.6%**	**(2.8)%**	**2.0%**	**2.2%**	**0.2%**	**64.3%**	**58.6%**	**(5.7)%**

Note: For detailed sources, refer to Appendix II: Sources.

Appendix I: Data tables — Qatar

Bank	Total assets (US$ million) 2016	2017	Δ y-o-y	Net profit (US$ million) 2016	2017	Δ y-o-y
Ahli	10,468.7	10,780.5	3.0%	173.3	172.9	(0.2)%
Al Khaliji	16,621.8	15,646.3	(5.9)%	117.0	148.8	27.2%
Doha	24,787.1	25,271.8	2.0%	289.1	300.1	3.8%
MAR	25,106.9	27,827.1	10.8%	569.3	548.2	(3.7)%
QIIB	11,671.7	12,601.1	8.0%	215.3	224.9	4.5%
QIB	38,356.5	40,646.3	6.0%	591.1	650.2	10.0%
QNB	197,412.2	219,234.4	11.1%	3,391.6	3,548.5	4.6%
CB	35,763.3	37,422.8	4.6%	137.4	163.2	18.8%
Total	**360,188.3**	**389,430.2**	**8.1%**	**5,484.0**	**5,756.8**	**5.0%**

Bank	Net impairment charge on loans and advances (US$ million) 2016	2017	Δ y-o-y	Loan-to-deposit ratio 2016	2017	Δ y-o-y
Ahli	(3.0)	18.0	(707.3)%	107.4%	122.8%	15.4%
Al Khaliji	98.0	81.3	(17.1)%	109.3%	107.4%	(1.9)%
Doha	131.7	160.2	21.6%	106.2%	100.6%	(5.6)%
MAR	0.4	29.1	6750.1%	116.6%	115.3%	(1.3)%
QIIB	32.0	7.6	(76.4)%	102.2%	100.1%	(2.2)%
QIB	60.7	128.3	111.3%	102.9%	100.8%	(2.1)%
QNB	683.8	544.5	(20.4)%	102.7%	99.8%	(2.9)%
CB	347.8	458.7	31.9%	109.7%	114.8%	5.1%
Total/average	**1,351.6**	**1,427.6**	**5.6%**	**107.1%**	**107.7%**	**0.6%**

Bank	Share price (US$) 31/12/2016	31/03/2017	30/06/2017	30/09/2017	31/12/2017
Ahli	10.7	9.2	8.9	7.7	10.5
Al Khaliji	4.7	3.9	3.6	3.3	3.8
Doha	9.6	8.5	8.2	7.8	7.7
MAR	10.3	11.4	10.7	10.0	10.2
QIIB	17.2	18.5	15.0	13.8	14.8
QIB	28.5	27.7	25.0	24.6	26.2
QNB	44.7	39.5	34.3	33.0	34.1
CB	8.9	9.2	8.2	7.9	7.8
Average	**16.8**	**16.0**	**14.3**	**13.5**	**14.4**

Note: For detailed sources, refer to Appendix II: Sources.

	Regulatory capital (US$ million)					
	2016		2017		Δ y-o-y	
Bank	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
Ahli	1,280.8	13.4	1,262.3	13.6	(1.4)%	1.8%
Al Khaliji	1,785.2	-	1,798.5	-	0.7%	-
Doha	3,359.6	34.7	3,703.3	30.2	10.2%	(13.1)%
MAR	3,111.7	7.2	3,214.8	10.4	3.3%	44.0%
QIIB	1,622.9	-	1,633.0	-	0.6%	-
QIB	4,679.8	141.1	5,031.2	119.2	7.5%	(15.5)%
QNB	17,221.1	18.8	18,286.2	18.6	6.2%	(0.9)%
CB	4,104.8	640.0	4,596.7	486.3	12.0%	(24.0)%
Total	**37,166.0**	**855.3**	**39,526.0**	**678.3**	**6.4%**	**(20.7)%**

	Capital adequacy ratio			Return on equity			Return on assets		
Bank	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y
Ahli	15.6%	15.5%	(0.2)%	13.4%	12.6%	(0.8)%	1.8%	1.6%	(0.2)%
Al Khaliji	15.8%	16.7%	0.9%	6.4%	8.0%	1.6%	0.7%	0.9%	0.2%
Doha	15.6%	17.5%	1.9%	8.9%	8.8%	(0.1)%	1.2%	1.2%	0.0%
MAR	18.9%	19.3%	0.5%	16.8%	15.7%	(1.1)%	2.4%	2.1%	(0.3)%
QIIB	19.5%	17.9%	(1.6)%	13.6%	13.5%	(0.1)%	1.9%	1.9%	0.0%
QIB	16.7%	17.3%	0.6%	14.6%	14.9%	0.3%	1.6%	1.7%	0.0%
QNB	16.0%	16.5%	0.5%	20.0%	19.8%	(0.2)%	2.0%	1.7%	(0.3)%
CB	15.2%	16.1%	0.9%	1.9%	2.3%	0.4%	0.4%	0.4%	0.1%
Average	**16.6%**	**17.1%**	**0.4%**	**12.0%**	**12.0%**	**0.0%**	**1.5%**	**1.4%**	**(0.1)%**

	Liquidity ratio			Non-performing loan ratio			Cost-to-income ratio		
Bank	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y
Ahli	24.1%	16.8%	(7.4)%	0.8%	1.0%	0.2%	30.7%	30.6%	(0.1)%
Al Khaliji	34.1%	35.8%	1.6%	1.5%	1.9%	0.4%	29.4%	27.6%	(1.9)%
Doha	24.8%	32.9%	8.1%	3.3%	3.6%	0.3%	39.2%	37.4%	(1.8)%
MAR	14.5%	9.5%	(5.0)%	0.2%	0.5%	0.3%	18.2%	21.1%	2.9%
QIIB	26.6%	23.1%	(3.5)%	1.7%	1.3%	(0.4)%	25.3%	27.3%	2.0%
QIB	17.7%	10.7%	(7.0)%	0.9%	1.1%	0.2%	29.8%	26.6%	(3.3)%
QNB	20.1%	21.2%	1.1%	1.8%	1.8%	0.0%	31.2%	29.7%	(1.5)%
CB	30.7%	32.1%	1.4%	5.0%	5.6%	0.6%	48.0%	36.0%	(11.9)%
Average	**24.1%**	**22.8%**	**(1.3)%**	**1.9%**	**2.1 %**	**0.2 %**	**31.5%**	**29.5%**	**(1.9)%**

Note: For detailed sources, refer to Appendix II: Sources.

Appendix I: Data tables — KSA

Bank	Total assets (US$ million) 2016	2017	Δ y-o-y	Net profit (US$ million) 2016	2017	Δ y-o-y
Al Rajhi	90,533.2	91,440.6	1.0%	2,165.6	2,430.7	12.2%
Alinma	27,910.5	30,648.9	9.8%	400.4	536.0	33.9%
ANB	45,307.3	45,758.5	1.0%	760.6	806.7	6.1%
BAB	14,362.4	16,844.8	17.3%	215.3	251.1	16.6%
BAJ	17,674.1	18,198.6	3.0%	232.4	228.5	(1.7)%
BSF	54,213.8	51,415.5	(5.2)%	935.5	941.2	0.6%
Riyad	57,995.5	57,639.2	(0.6)%	890.8	1,051.6	18.1%
SAMBA	61,691.7	60,658.4	(1.7)%	1,333.3	1,338.1	0.4%
AAAL	28,001.3	26,615.3	(4.9)%	283.7	355.9	25.4%
NCB	117,657.4	118,290.3	0.5%	2,482.9	2,612.2	5.2%
SABB	49,583.9	49,999.5	0.8%	1,037.9	1,053.9	1.5%
SAIB	25,147.3	24,996.7	(0.6)%	280.6	376.0	34.0%
Total	**590,078.4**	**592,506.2**	**0.4%**	**11,018.9**	**11,982.0**	**8.7%**

Bank	Net impairment charge on loans and advances (US$ million) 2016	2017	Δ y-o-y	Loan-to-deposit ratio 2016	2017	Δ y-o-y
Al Rajhi	570.9	412.4	(27.8)%	82.5%	85.5%	3.0%
Alinma	52.0	148.8	186.2%	87.2%	88.8%	1.5%
ANB	193.5	306.2	58.2%	85.0%	84.2%	(0.8)%
BAB	51.0	100.8	97.9%	89.9%	90.9%	1.0%
BAJ	33.4	71.2	113.4%	81.6%	79.1%	(2.4)%
BSF	204.8	176.2	(14.0)%	81.7%	80.8%	(0.9)%
Riyad	342.8	327.1	(4.6)%	91.2%	89.9%	(1.3)%
SAMBA	53.3	76.5	43.5%	72.8%	70.1%	(2.7)%
AAAL	311.1	298.6	(4.0)%	85.2%	81.3%	(3.9)%
NCB	514.6	496.7	(3.5)%	80.3%	80.7%	0.3%
SABB	251.7	267.0	6.1%	86.0%	83.4%	(2.6)%
SAIB	65.6	56.8	(13.4)%	91.8%	89.0%	(2.8)%
Total/average	**2,644.7**	**2,738.3**	**3.5%**	**84.6%**	**83.6%**	**(1.0)%**

Bank	Share price (US$) 31/12/2016	31/03/2017	30/06/2017	30/09/2017	31/12/2017
Al Rajhi	16.8	17.0	18.6	17.6	17.2
Alinma	4.0	4.0	4.1	4.7	5.1
ANB	5.9	5.3	6.0	6.4	6.6
BAB	5.5	4.9	5.1	5.1	5.5
BAJ	2.9	3.4	3.1	3.7	3.4
BSF	6.9	6.9	8.2	8.1	7.6
Riyad	3.1	2.8	2.9	3.1	3.3
SAMBA	6.5	5.7	6.9	6.4	6.3
AAAL	3.7	3.0	3.0	3.3	3.2
NCB	11.4	10.5	14.2	13.7	14.7
SABB	6.7	6.0	7.1	7.2	7.2
SAIB	3.8	3.5	3.5	4.0	4.0
Average	**6.4**	**6.1**	**6.9**	**6.9**	**7.0**

Note: For detailed sources, refer to Appendix II: Sources.

Bank	Regulatory capital (US$ million) 2016 Tier 1	2016 Tier 2	2017 Tier 1	2017 Tier 2	Δ y-o-y Tier 1	Δ y-o-y Tier 2
Al Rajhi	13,843.8	738.9	14,857.6	731.8	7.3%	(1.0)%
Alinma	5,111.1	152.9	5,489.1	235.6	7.4%	54.1%
ANB	6,072.3	767.9	6,321.3	806.6	4.1%	5.0%
BAB	1,951.0	674.9	2,022.4	717.8	3.7%	6.4%
BAJ	2,213.1	658.3	2,383.0	638.7	7.7%	(3.0)%
BSF	8,057.9	1,031.2	8,500.7	910.9	5.5%	(11.7)%
Riyad	10,066.5	1,351.8	10,293.0	1,351.8	2.3%	0.0%
SAMBA	11,409.0	326.1	11,891.9	300.3	4.2%	(7.9)%
AAAL	3,427.9	1,124.9	3,624.3	924.1	5.7%	(17.8)%
NCB	15,902.1	2,138.7	17,009.4	2,193.9	7.0%	2.6%
SABB	8,335.8	959.5	8,886.3	1,101.3	6.6%	14.8%
SAIB	3,604.4	679.4	3,800.5	673.4	5.4%	(0.9)%
Total	**89,994.9**	**10,604.5**	**95,079.8**	**10,586.3**	**5.7%**	**(0.2)%**

Bank	Capital adequacy ratio 2016	2017	Δ y-o-y	Return on equity 2016	2017	Δ y-o-y	Return on assets 2016	2017	Δ y-o-y
Al Rajhi	22.0%	23.3%	1.3%	16.5%	16.9%	0.5%	2.5%	2.7%	0.2%
Alinma	19.8%	20.8%	1.0%	8.0%	10.1%	2.1%	1.6%	1.8%	0.3%
ANB	16.5%	17.6%	1.1%	12.6%	12.7%	0.1%	1.7%	1.8%	0.1%
BAB	20.5%	18.5%	(1.9)%	11.8%	12.8%	1.0%	1.5%	1.6%	0.1%
BAJ	19.9%	20.9%	1.1%	11.2%	10.1%	(1.1)%	1.3%	1.3%	(0.1)%
BSF	17.8%	19.4%	1.6%	12.3%	11.5%	(0.8)%	1.8%	1.8%	0.0%
Riyad	18.9%	19.6%	0.6%	9.0%	10.4%	1.4%	1.5%	1.8%	0.3%
SAMBA	22.5%	21.1%	(1.3)%	12.1%	11.5%	(0.5)%	2.1%	2.2%	0.0%
AAAL	17.8%	20.3%	2.5%	8.6%	10.2%	1.6%	1.0%	1.3%	0.3%
NCB	19.2%	20.0%	0.8%	18.4%	18.0%	(0.4)%	2.1%	2.2%	0.1%
SABB	19.6%	21.0%	1.4%	13.1%	12.2%	(0.9)%	2.1%	2.1%	0.0%
SAIB	19.1%	20.4%	1.2%	8.4%	10.7%	2.3%	1.1%	1.5%	0.4%
Average	**19.5%**	**20.2%**	**0.8%**	**11.8%**	**12.3%**	**0.5%**	**1.7%**	**1.8%**	**0.1%**

Bank	Liquidity ratio 2016	2017	Δ y-o-y	Non-performing loan ratio 2016	2017	Δ y-o-y	Cost-to-income ratio 2016	2017	Δ y-o-y
Al Rajhi	24.9%	20.7%	(4.2)%	1.2%	0.7%	(0.5)%	32.4%	32.9%	0.5%
Alinma	29.0%	29.7%	0.7%	0.8%	1.0%	0.2%	45.2%	39.9%	(5.3)%
ANB	22.6%	20.6%	(2.0)%	0.9%	1.2%	0.3%	38.4%	34.6%	(3.8)%
BAB	28.3%	26.0%	(2.4)%	1.4%	1.2%	(0.2)%	59.6%	55.6%	(4.0)%
BAJ	17.5%	16.2%	(1.3)%	1.1%	1.2%	0.1%	60.5%	56.6%	(4.0)%
BSF	28.1%	28.0%	(0.1)%	1.3%	2.7%	1.4%	33.5%	36.3%	2.7%
Riyad	27.6%	27.3%	(0.4)%	0.8%	1.0%	0.2%	38.9%	36.5%	(2.4)%
SAMBA	37.8%	35.9%	(1.9)%	0.8%	0.9%	0.1%	32.9%	32.7%	(0.2)%
AAAL	10.9%	21.4%	10.4%	2.2%	3.0%	0.8%	36.2%	34.0%	(2.2)%
NCB	22.2%	34.1%	11.9%	1.5%	1.9%	0.4%	37.7%	35.2%	(2.6)%
SABB	33.1%	41.4%	8.3%	1.3%	1.6%	0.2%	29.9%	30.4%	0.6%
SAIB	27.9%	29.5%	1.6%	1.7%	1.3%	(0.5)%	41.1%	37.9%	(3.1)%
Average	**25.8%**	**27.6%**	**1.7%**	**1.3%**	**1.5%**	**0.2%**	**40.5%**	**38.6%**	**(2.0)%**

Note: For detailed sources, refer to Appendix II: Sources.

Appendix I: Data tables — UAE

Bank	Total assets (US$ million) 2016	2017	Δ y-o-y	Net profit (US$ million) 2016	2017	Δ y-o-y
ADCB	70,306.3	72,133.9	2.6%	1,129.3	1,164.4	3.1%
ADIB	33,287.3	33,556.2	0.8%	531.4	625.7	17.7%
CBD	17,442.5	19,166.7	9.9%	273.0	272.7	(0.1)%
DIB	47,627.0	56,437.1	18.5%	979.0	1,176.5	20.2%
ENBD	121,946.7	128,035.3	5.0%	1,970.5	2,271.5	15.3%
Mashreq	33,429.8	34,076.2	1.9%	524.4	558.6	6.5%
RAK	11,571.3	13,211.8	14.2%	179.5	217.9	21.4%
UNB	28,285.8	29,266.4	3.5%	428.0	447.7	4.6%
FAB[1]	176,690.6	182,093.2	3.1%	3,081.9	2,971.1	(3.6)%
SIB	9,129.4	10,422.1	14.2%	126.0	130.0	3.2%
Total	**549,716.7**	**578,399.0**	**5.2%**	**9,223.0**	**9,836.2**	**6.6%**

Bank	Net impairment charge on loans and advances (US$ million) 2016	2017	Δ y-o-y	Loan-to-deposit ratio 2016	2017	Δ y-o-y
ADCB	422.5	454.7	7.6%	101.9%	100.1%	(1.8)%
ADIB	257.8	208.5	(19.1)%	79.1%	76.5%	(2.6)%
CBD	154.6	187.0	20.9%	95.9%	97.7%	1.8%
DIB	262.0	227.4	(13.2)%	93.9%	90.6%	(3.4)%
ENBD	681.5	620.4	(9.0)%	93.4%	93.1%	(0.3)%
Mashreq	461.7	395.1	(14.4)%	79.2%	82.5%	3.3%
RAK	492.1	422.7	(14.1)%	97.7%	100.2%	2.5%
UNB	196.8	219.3	11.4%	95.1%	90.4%	(4.7)%
FAB[1]	725.1	649.0	(10.5)%	88.2%	83.5%	(4.7)%
SIB	53.8	42.0	(21.9%)	118.6%	114.9%	(3.7)%
Total/average	**3,707.9**	**3,426.1**	**(7.6)%**	**94.3%**	**92.9%**	**(1.4)%**

Bank	Share price (US$) 31/12/2016	31/03/2017	30/06/2017	30/09/2017	31/12/2017
ADCB	1.9	1.9	1.9	1.9	1.9
ADIB	1.0	1.1	0.9	1.0	1.0
CBD	1.4	1.3	1.2	1.1	1.1
DIB	1.5	1.5	1.6	1.6	1.7
ENBD	2.3	2.3	2.2	2.3	2.2
Mashreq	16.9	21.8	18.8	20.1	19.1
RAK	1.3	1.3	1.2	1.3	1.3
UNB	1.2	1.2	1.3	1.2	1.0
FAB[1]	2.7	2.8	2.9	2.8	2.8
SIB	0.4	0.4	0.4	0.4	0.4
Average	**3.1**	**3.5**	**3.2**	**3.4**	**3.2**

Note: [1]For FAB, pro-forma financial statement are used for FY16 and FY17, prepared as if the merger had taken place on 1 January 2016. However, for FY16, financial numbers were sourced from FY16 Annual Reports of NBAD and FGB for unavailable data.
For detailed sources, refer to Appendix II: Sources.

	Regulatory capital (US$ million)					
	2016		2017		Δ y-o-y	
Bank	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
ADCB	8,158.6	1,697.6	8,751.1	1,762.0	7.3%	3.8%
ADIB	3,968.1	172.5	4,268.0	139.7	7.6%	(19.0)%
CBD	2,191.6	174.6	2,300.7	184.7	5.0%	5.8%
DIB	6,838.6	133.5	7,178.9	227.4	5.0%	70.3%
ENBD	13,021.0	1,778.2	14,435.6	1,759.3	10.9%	(1.1)%
Mashreq	5,162.2	293.2	5,584.0	302.9	8.2%	3.3%
RAK	1,782.8	-	1,817.8	-	2.0%	-
UNB	4,940.6	317.4	5,223.1	319.8	5.7%	0.8%
FAB[1]	21,245.8	1,529.5	21,954.4	1,619.9	3.3%	5.9%
SIB	1,324.2	65.5	1,506.9	74.2	13.8%	13.4%
Total	**68,633.5**	**6,162.0**	**73,020.4**	**6,389.9**	**6.4%**	**3.7%**

	Capital adequacy ratio			Return on equity			Return on assets		
Bank	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y
ADCB	18.9%	19.1%	0.2%	15.7%	15.0%	(0.7)%	1.7%	1.6%	(0.1)%
ADIB	15.2%	16.7%	1.5%	17.2%	19.2%	2.0%	1.6%	1.9%	0.2%
CBD	15.8%	15.0%	(0.7)%	11.9%	11.3%	(0.6)%	1.6%	1.5%	(0.2)%
DIB	18.1%	17.0%	(1.1)%	20.6%	21.5%	0.9%	2.2%	2.3%	0.0%
ENBD	21.2%	21.9%	0.7%	15.5%	16.5%	0.9%	1.7%	1.8%	0.1%
Mashreq	16.9%	18.3%	1.5%	10.5%	10.5%	(0.1)%	1.6%	1.7%	0.0%
RAK	21.8%	19.5%	(2.3)%	8.7%	10.4%	1.8%	1.6%	1.8%	0.2%
UNB	18.9%	20.1%	1.2%	9.4%	9.4%	(0.1)%	1.5%	1.6%	0.0%
FAB[1]	18.2%	17.8%	(0.3)%	14.1%	11.9%	(2.2)%	1.8%	1.7%	(0.1)%
SIB	21.4%	21.1%	(0.2)%	9.7%	9.2%	(0.5)%	1.5%	1.3%	(0.1)%
Average	**18.6%**	**18.7%**	**0.0%**	**13.3%**	**13.5%**	**0.2%**	**1.7%**	**1.7%**	**0.0%**

	Liquidity ratio			Non-performing loan ratio			Cost-to-income ratio		
Bank	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y	2016	2017	Δ y-o-y
ADCB	32.6%	32.0%	(0.6)%	2.7%	2.1%	(0.6)%	32.9%	33.1%	0.2%
ADIB	23.4%	23.7%	0.3%	4.0%	5.0%	1.0%	45.5%	44.5%	(0.9)%
CBD	33.7%	30.0%	(3.7)%	6.9%	6.5%	(0.4)%	35.4%	34.1%	(1.3)%
DIB	15.8%	19.6%	3.8%	3.9%	3.4%	(0.5)%	34.0%	30.4%	(3.6)%
ENBD	32.6%	34.8%	2.2%	6.4%	6.2%	(0.2)%	33.1%	31.3%	(1.8)%
Mashreq	41.7%	40.4%	(1.3)%	3.1%	2.9%	(0.2)%	39.0%	39.2%	0.2%
RAK	34.1%	34.5%	0.4%	4.2%	4.0%	(0.2)%	35.6%	38.0%	2.3%
UNB	26.5%	30.9%	4.4%	3.4%	4.3%	0.9%	32.5%	31.3%	(1.2)%
FAB[1]	44.7%	54.6%	9.9%	2.7%	3.1%	0.4%	29.2%	30.1%	0.9%
SIB	32.5%	29.9%	(2.6)%	7.1%	5.5%	(1.6)%	41.2%	47.0%	5.8%
Average	**31.8%**	**33.0%**	**1.3%**	**4.4%**	**4.3%**	**(0.1)%**	**35.8%**	**35.9%**	**(0.1)%**

Note: [1]For FAB, pro-forma financial statement are used for FY16 and FY17, prepared as if the merger had taken place on 1 January 2016. However, for FY16, financial numbers were sourced from FY16 Annual Reports of NBAD and FGB for unavailable data.
For detailed sources, refer to Appendix II: Sources.

Appendix II: Sources

Bahrain

1. AUB: Financial Statement FY17, Financial Statement FY16, FY17 Pillar III Disclosures – Basel III, FY16 Pillar III Disclosures – Basel III; AUB Website
2. Al Baraka: Annual Report 2017, Annual Report 2016, Financial Statement FY17, Financial Statement FY16; Al Baraka website
3. Al Salam: Financial Statement FY17, Financial Statement FY16; Al Salam Website
4. BISB: Financial Statement FY17, Financial Statement FY16; BISB Website
5. BBK: Financial Statement FY17, Financial Statement FY16; Bahrain Stock Exchange
6. Ithmaar: Annual Report 2017, FY17 PD2 and PD 3 Disclosures, Ithmaar Bank website, Financial Statement FY17, Bahrain Stock Exchange; Financial Statement FY16; Ithmaar website
7. Khaleeji: Financial Statement FY17, Financial Statement FY16; Bahrain Stock Exchange
8. NBB: Financial Statement FY17, Financial Statement FY16; Bahrain Stock Exchange

Kuwait

1. AUBK: Financial Statement FY17, Financial Statement FY16; Kuwait Stock Exchange
2. ABK: Financial Statement FY17, Financial Statement FY16; Kuwait Stock Exchange
3. Boubyan: Financial Statement FY17, Financial Statement FY16; Kuwait Stock Exchange
4. Burgan: Financial Statement FY17, Financial Statement FY16; Kuwait Stock Exchange
5. GBK: Financial Statement FY17, Financial Statement FY16; Kuwait Stock Exchange
6. KFH: Financial Statement FY17, Financial Statement FY16; Kuwait Stock Exchange
7. KIB: Financial Statement FY17, Financial Statement FY16; Kuwait Stock Exchange
8. NBK: Financial Statement FY17; Financial Statement FY16, Kuwait Stock Exchange
9. CBK: Financial Statement FY17; Financial Statement FY16, Kuwait Stock Exchange; Consolidated Public Disclosures on Capital Adequacy Standard Q3, CBK Website
10. Warba: Financial Statement FY17, Financial Statement FY16; Kuwait Stock Exchange

Oman

1. Ahli: Financial Statement FY17, Financial Statement FY16; Muscat Stock Exchange
2. Alizz: Financial Statement FY17, Financial Statement FY16; Muscat Stock Exchange
3. Dhofar: Financial Statement FY17, Financial Statement FY16; Muscat Stock Exchange
4. Muscat: Financial Statement FY17, Financial Statement FY16; Muscat Stock Exchange
5. Nizwa: Financial Statement FY17, Financial Statement FY16; Muscat Stock Exchange
6. Sohar: Financial Statement FY17, Financial Statement FY16; Muscat Stock Exchange
7. HSBC: Financial Statement FY17, Financial Statement FY16; Muscat Stock Exchange
8. NBO: Financial Statement FY17, Financial Statement FY16; Muscat Stock Exchange

Qatar

1. Ahli: Financial Statement FY17, Financial Statement FY16; Qatar Exchange
2. Al Khaliji: Financial Statement FY17, Financial Statement FY16; Qatar Exchange
3. Doha: Financial Statement FY17, Financial Statement FY16; Qatar Exchange
4. MAR: Financial Statement FY17, Financial Statement FY16; Qatar Exchange
5. QIIB: Financial Statement FY17, Financial Statement FY16; Qatar Exchange
6. QIB: Financial Statement FY17, Financial Statement FY16; Qatar Exchange
7. QNB: Financial Statement FY17, Financial Statement FY16; Qatar Exchange
8. CBQ: Financial Statement FY17, Financial Statement FY16, Qatar Exchange

Saudi Arabia

1. Al Rajhi: Financial Statement FY17, Financial Statement FY16; Saudi Stock Exchange
2. Alinma: Financial Statement FY17, Financial Statement FY16; Alinma Bank website
3. ANB: Financial Statement FY17, Financial Statement FY16; Saudi Stock Exchange
4. BAB: Financial Statement FY17, Financial Statement FY16; Saudi Stock Exchange
5. BAJ: Financial Statement FY16, Financial Statement FY16; Saudi Stock Exchange
6. BSF: Financial Statement FY17, Financial Statement FY16; Saudi Stock Exchange
7. Riyad: Financial Statement FY17, Saudi Stock Exchange; Financial Statement FY16; Riyad Bank Website
8. SAMBA: Financial Statement FY17, Financial Statement FY16; SAMBA Bank website
9. AAAL: Financial Statement FY17, Financial Statement FY16; Saudi Stock Exchange
10. NCB: Financial Statement FY17, Financial Statement FY16; Saudi Stock Exchange
11. SABB: Financial Statement FY17, Financial Statement FY16; Saudi Stock Exchange
12. SAIB: Financial Statement FY17, Financial Statement FY16; Saudi Investment Bank website

United Arab Emirates

1. ADCB: Financial Statement FY17, Financial Statement FY16; Abu Dhabi Commercial Bank website
2. ADIB: Financial Statement FY16, Financial Statement FY16; Abu Dhabi Islamic Bank website
3. CBD: Financial Statement FY17, Financial Statement FY16; Commercial Bank of Dubai website
4. DIB: Financial Statement FY17, Financial Statement FY16; Dubai Islamic Bank website
5. ENBD: Financial Statement FY17, Financial Statement FY16; Emirates NBD website
6. Mashreq: Annual Report FY17, Annual Report FY16; Mashreq Bank website
7. RAK: Financial Statement FY17, Financial Statement FY16; RAK Website
8. UNB: Financial Statement FY17, Annual Report FY16; UNB Website
9. FAB: Pro Forma Financial Statement FY17; NBAD website (merged with FGB to form FAB)
10. SIB: Financial Statement FY17, Financial Statement FY16; Sharjah Islamic Bank website

Other sources

1. Quarterly Statistical Bulletin: December 2016, 22 February 2017, Central Bank of Oman website
2. Composition of Capital Disclosure Requirements, Central Bank of Bahrain website
3. Quantifying the Impact of Basel III Capital Standards on Kuwaiti Banks, May 2016, Central bank of Kuwait website
4. Guidelines on Regulatory Capital under Basel3, Central Bank of Omar
5. Qatar – Minimum (average) regulatory CAR (13.75%) = Minimum Total Capital plus Capital Conservation Buffer (12.50%) + DSIB Buffer (Average) (0.25%) + ICAAP Capital Charge (1%)
6. Saudi banks' capital adequacy ratio jumps to 18% in Q1, May 2016, Argaam Website
7. Most UAE banks are prepared to meet new Central Bank regulations: Analysts, March 2017, Thompson Reuters Zawya
8. Share prices as available on the respective stock exchange websites (Bahrain Bourse website, Kuwait Stock exchange, Muscat Securities market, Qatar Exchange, Saudi Stock Exchanges (Tadawul), Abu Dhabi Stock Exchange and Dubai Financial Market PJSC). Additionally, ThomsonOne has been used for missing data points.
9. Overall country credit ratings checked from Trading Economics Website, 21 May 2017; Oman Fitch Ratings, December 2017; Oman Moody's Ratings, July 2017; Oman S&P Ratings, November 2017
10. The below currency conversion rates from Oanda.com have been used:
    a. Bahraini Dinar[1] (BD)/US$ [2017: 2.6525, 2016: 2.6525]
    b. Kuwaiti Dinar (KD)/US$ [2017: 3.2900, 2016: 3.3030]
    c. Omani Rial[2] (RO)/US$ [2017: 2.5974, 2016: 2.5974]
    d. Qatari Rial (QAR)/US$ [2017: 0.2703, 2016: 0.2743]
    e. Saudi Riyal (SAR)/US$ [2017: 0.2665, 2016: 0.2665]
    f. UAE Dirham (AED)/US$ [2017: 0.2722, 2017: 0.2722]

Note: [1]The Bahraini Dinar is pegged to a basket of currencies as compared to the other GCC currencies, which are pegged to the US$; [2]Omani Rial is converted using pegged rate of 1US$ = RO0.385 for 2016 and 2017

Notes

Notes

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