KPMG

GCC Listed Bank Results

Year ended 31 December 2015

A new paradigm

April 2016

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Foreword

We are delighted to launch the first edition of KPMG's Gulf Cooperation Council (GCC) listed bank results benchmarking report, which analyses the financial results of 56 leading listed banks across the GCC for the year ended 31 December 2015 compared to the previous year. This report aims to provide banking industry leaders with succinct analysis to help compare banking sector financial results across the GCC, and provide forward-looking views and insights.

2015 has been a challenging year for the banking sector across the GCC. The prolonged period of low oil prices, continued economic volatility and increasing geo-political uncertainty have all resulted in a strain on banks and resulted in what we term to be 'a new paradigm' in the regional banking sector.

Banking in the region has moved a long way from the days of excess capital and liquidity and double-digit growth rates, to a new age where we see margin compression, tightening liquidity, moderate asset and profit growth, limited capital market activity, greater focus on cost reductions, and a widespread need for greater capital and funding. Banks are therefore being forced to compete more aggressively, focus on efficiencies, and seek innovative ways to grow and deliver positive results to manage shareholder expectations.

What becomes very apparent as you read this report is that many of the themes emerging from our analysis are consistent across the GCC. This suggests that solutions and leading practice that work in one country can quickly be applied elsewhere and also makes the comparisons more meaningful.

Despite the current challenges, we firmly believe that some of the fundamental changes we are witnessing in the GCC banking industry, such as increasing regulatory oversight and scrutiny, a flight to quality, and a greater focus on governance and control, will help the financial services industry. This should provide much-needed stability in the long run both for the sector and the wider economy.

Throughout this report KPMG member firm Heads of Financial Services from the six GCC countries provide their thoughts on their respective banking markets, specifically on the results of the leading listed banks. We hope this will provide practical and actionable insights to help drive banking strategies and shape the industry in the future.

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Basis of preparation

In this report we have analysed the results of leading listed 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 Saudi) 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 2015, are summarised and compared with results and KPIs from the year ended 31 December 2014.

The KPIs compared for each bank are as follows:

- Total assets
- Net profit
- 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 has been obtained solely from publicly available sources including company filings (interim reports, investor presentations and annual reports), databases and web searches.

All the figures used in the report are in US Dollar (US$). For conversion, the average of the respective years has been used, i.e. to convert a data point from 2015 (reported in local currency), the average daily exchange rate between 1 January 2015 and 31 December 2015 has been used. The exchange rates used for conversion in this report have been provided in the Appendix II (Sources).

For banks that have reported both in local currency and US$, the figures in local currency have been converted to US$, for consistency purposes. To calculate percentage changes, US$ figures have been used.

GCC countries

KPI definitions and assumptions:

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

- **Total assets** have been taken directly from published financial statements.
- **Net profit** is the net profit for the year attributable to the shareholders of the bank.
- **Share price** is the quoted price at the close of the last day of each quarter, starting 31 December 2014 and ending 31 December 2015.
- **LDR** has been calculated by dividing net loans and advances (or financing receivables) by customer deposits. For Islamic banks, unrestricted investment account (URIA) balances have been included.
- **CAR** is the ratio of total capital (the sum of Tier I and II capital) to total risk weighted assets (RWAs). For Islamic banks, URIA balances are included in total capital, hence the ratios for Islamic and conventional banks are not entirely comparable.
- **ROE** is the ratio of net profit to average equity, where average equity is calculated by halving the sum of total equity attributable to a bank's shareholders (excluding additional tier I (AT1) capital) for the current and previous year. The coupon on the AT1 instrument is excluded from net profit.
- **ROA** is the ratio of net profit to average assets, where average assets are calculated by halving the sum of total assets for the current and previous year.
- **LR** has been calculated as cash and cash balances with central banks (including treasury bills and government bonds), due from banks (with a maturity of less than one year) and listed (or quoted) investment securities, divided by customer deposits (including URIA balances for Islamic banks), due to banks (with a maturity of less than one year) and borrowings (full year's value).
- **NPL** is the ratio of non-performing loans to gross loans and advances.
- **CIR** is the ratio of total operating expenses (excluding impairment charges) to total operating income (where interest income or costs, fee commission income or expenses and URIA costs have all been netted).

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Glossary

In this report, the following 56 listed banks have been analysed

	Bahrain[1]	Short name	Sign-off date
1	Ahli United Bank	AUB	23-02-2016
2	*Al Baraka Banking Group[2]*	*Al Baraka*	*21-02-2016*
3	*Al Salam Bank-Bahrain[2]*	*Al Salam*	*09-02-2016*
4	*Bahrain Islamic Bank[2]*	*BISB*	*21-02-2016*
5	BBK	BBK	08-02-2016
6	*Ithmaar Bank[2]*	*Ithmaar*	*28-02-2016*
7	*Khaleeji Commercial Bank[2]*	*Khaleeji*	*04-02-2016*
8	National Bank of Bahrain	NBB	25-01-2016

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

	Kuwait	Short name	Sign-off date
1	*Ahli United Bank[2]*	*AUBK*	*09-02-2016*
2	Al Ahli Bank of Kuwait	ABK	09-02-2016
3	*Boubyan Bank[2]*	*Boubyan*	*05-01-2016*
4	Burgan Bank	Burgan	14-03-2016
5	Gulf Bank	GBK	12-01-2016
6	*Kuwait Finance House[2]*	*KFH*	*11-01-2016*
7	*Kuwait International Bank[2]*	*KIB*	*27-01-2016*
8	National Bank of Kuwait	NBK	10-01-2016
9	The Commercial Bank of Kuwait	CBK	26-01-2016
10	*Warba Bank[2]*	*Warba*	*10-01-2016*

	Oman	Short name	Sign-off date
1	Ahli Bank	Ahli Bank	28-01-2016
2	*Alizz Islamic Bank[2]*	*Alizz*	*27-01-2016*
3	Bank Dhofar	Bank Dhofar	26-01-2016
4	Bank Muscat	Bank Muscat	15-02-2016
5	*Bank Nizwa[2]*	*Bank Nizwa*	*03-03-2016*
6	Bank Sohar	Bank Sohar	28-01-2016
7	HSBC Bank Oman	HSBC Oman	27-01-2016
8	National Bank of Oman	NBO	25-01-2016

	Qatar	Short name	Sign-off date
1	Ahli Bank	Ahli	14-01-2016
2	Al Khaliji Commercial Bank	Al Khaliji	20-01-2016
3	Doha Bank	Doha	24-01-2016
4	*Masraf Al Rayan[2]*	*MAR*	*18-01-2016*
5	*Qatar International Islamic Bank[2]*	*QIIB*	*27-01-2016*
6	*Qatar Islamic Bank[2]*	*QIB*	*19-01-2016*
7	Qatar National Bank	QNB	13-01-2016
8	The Commercial Bank	CBQ	15-02-2016

	Saudi Arabia	Short name	Sign-off date
1	*Al Rajhi Banking and Investment Corporation[2]*	*Al Rajhi*	*18-02-2016*
2	*Alinma Bank[2]*	*Alinma*	*18-02-2016*
3	Arab National Bank	ANB	17-02-2016
4	*Bank AlBilad[2]*	*BAB*	*22-02-2016*
5	*Bank AlJazira[2]*	*BAJ*	*18-02-2016*
6	Banque Saudi Fransi	BSF	17-02-2016
7	Riyad Bank	Riyad	14-02-2016
8	SAMBA Financial Group	SAMBA	16-02-2016
9	Saudi Hollandi Bank	SHB	18-02-2016
10	The National Commercial Bank	NCB	15-02-2016
11	The Saudi British Bank	SABB	14-02-2016
12	The Saudi Investment Bank	SAIB	22-02-2016

	United Arab Emirates[3]	Short name	Sign-off date
1	Abu Dhabi Commercial Bank	ADCB	31-01-2016
2	*Abu Dhabi Islamic Bank[2]*	*ADIB*	*14-02-2016*
3	Commercial Bank of Dubai	CBD	04-02-2016
4	*Dubai Islamic Bank[2]*	*DIB*	*27-01-2016*
5	Emirates NBD	ENBD	17-01-2016
6	First Gulf Bank	FGB	31-01-2016
7	Mashreqbank	Mashreq	27-01-2016
8	National Bank of Abu Dhabi	NBAD	27-01-2016
9	The National Bank of Ras Al-Khaimah	RAKBANK	02-02-2016
10	Union National Bank	UNB	25-01-2016

[3]The 10 largest banks (by assets and net profit) out of 19 listed banks in the UAE have been considered for the purpose of this report.

Note(s): Banks have been listed alphabetically, by their full names, which is also the order followed throughout the rest of 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.
[2]Represents Islamic Banks (also highlighted in italics)

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Results snapshot

KPI	BAHRAIN			KUWAIT			OMAN		
	2014[2]	2015[2]	Y-o-Y	2014[2]	2015[2]	Y-o-Y	2014[2]	2015[2]	Y-o-Y
TOTAL ASSETS (US$ billion)	90.4	93.1	2.9%	239.4	233.5	2.5%	57.6	68.1	18.3%
NET PROFIT (US$ billion)	1.0	1.0	4.1%	2.3	2.4	2.2%	0.8	0.9	10.4%
CAPITAL ADEQUACY RATIO (%)	18.9%	18.2%	0.7%	19.1%	18.1%	1.0%	29.9%	20.9 %	9.0%
COST-TO-INCOME RATIO[1] (%)	53.7%	46.5%	7.2%	42.3%	40.5%	1.8%	110.9%	74.3%	36.6%
RETURN ON EQUITY/RETURN ON ASSETS (%) ROE	9.1%	8.3%	0.8%	8.2%	8.2%	0.0%	7.8%	7.6%	0.2%
ROA	1.0%	1.0%	0.0%	0.9%	0.9%	0.0%	0.0%	0.5%	0.5%
LIQUIDITY RATIO (%)	33.6%	30.4%	3.2%	33.1%	31.5%	1.6%	48.2%	21.2%	27.0%

2014[2] 2015[2] 2014[2] (For ROA) 2015[2] (For ROA) Y-o-Y increase No change Y-o-Y decrease

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Note: The total assets and net profit numbers represent totals for all the analysed listed banks covered for each country.
Y-o-y 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 has been shown as positive (or negative).
[2]All KPIs have been calculated as of, or for the year ended 31 December.

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Country rankings

		By Y-o-Y growth rate (2014 vs. 2015)			By value/percent as of, or for the y/e, 31 December 2015	
		Country	Δ Y-o-Y		Country	Value/ percent
TOTAL ASSETS (US$ billion)	1	**OMAN**	**18.3%**	1	**SAUDI ARABIA**	**578.2**
	2	Qatar	11.4%	2	UAE	504.3
	3	UAE	10.8%	3	Qatar	297.7
	4	Saudi Arabia	3.3%	4	Kuwait	233.5
	5	Bahrain	2.9%	5	Bahrain	93.1
	6	Kuwait	(2.5)%	6	Oman	68.1
NET PROFIT (US$ billion)	1	**UAE**	**11.3%**	1	**SAUDI ARABIA**	**11.6**
	2	Oman	10.4%	2	UAE	9.7
	3	Saudi Arabia	5.3%	3	Qatar	5.5
	4	Qatar	4.5%	4	Kuwait	2.4
	5	Bahrain	4.1%	5	Bahrain	1.0
	6	Kuwait	2.2%	6	Oman	0.9
CAPITAL ADEQUACY RATIO (%)	1	**SAUDI ARABIA**	**0.0%**	1	**OMAN**	**20.9%**
	2	UAE	(0.3)%	2	Bahrain	18.2%
	3	Bahrain	(0.7)%	3	UAE	18.1%
	4	Kuwait	(1.0)%	4	Kuwait	18.1%
	5	Qatar	(1.3)%	5	Saudi Arabia	17.8%
	6	Oman	(9.0)%	6	Qatar	15.5%
COST-TO-INCOME RATIO (%)	1	**OMAN**	**(36.6)%**	1	**QATAR**	**31.7%**
	2	Bahrain	(7.2)%	2	UAE	34.8%
	3	Kuwait	(1.8)%	3	Saudi Arabia	39.0%
	4	Qatar	0.0%	4	Kuwait	40.5%
	5	Saudi Arabia	0.1%	5	Bahrain	46.5%
	6	UAE	0.6%	6	Oman	74.3%
RETURN ON EQUITY (%)	1	**SAUDI ARABIA**	**0.1%**	1	**UAE**	**17.3%**
	2	Kuwait	0.0%	2	Saudi Arabia	14.5%
	3	UAE	(0.1)%	3	Qatar	14.2%
	4	Oman	(0.2)%	4	Bahrain	8.3%
	5	Qatar	(0.4)%	5	Kuwait	8.2%
	6	Bahrain	(0.8)%	6	Oman	7.6%
RETURN ON ASSETS (%)	1	**OMAN**	**0.5%**	1	**UAE**	**2.2%**
	2	Bahrain	0.0%	2	Saudi Arabia	2.0%
	3	Saudi Arabia	0.0%	3	Qatar	1.8%
	4	Kuwait	0.0%	4	Bahrain	1.0%
	5	UAE	(0.2)%	5	Kuwait	0.9%
	6	Qatar	(0.2)%	6	Oman	0.5%
NON-PERFORMING LOAN RATIO (%)	1	**UAE**	**(0.7)%**	1	**SAUDI ARABIA**	**1.1%**
	2	Oman	(0.3)%	2	Oman	1.6%
	3	Saudi Arabia	0.0%	3	Qatar	1.7%
	4	Kuwait	0.0%	4	Kuwait	2.4%
	5	Qatar	0.1%	5	UAE	4.1%
	6	Bahrain	0.8%	6	Bahrain	8.3%
LIQUIDITY RATIO (%)	1	**UAE**	**1.1%**	1	**KUWAIT**	**31.5%**
	2	Saudi Arabia	(1.3)%	2	Bahrain	30.4%
	3	Kuwait	(1.6)%	3	UAE	30.2%
	4	Bahrain	(3.2)%	4	Qatar	23.1%
	5	Qatar	(4.4)%	5	Saudi Arabia	22.4%
	6	Oman	(27.0)%	6	Oman	21.2%

Note: The rankings are based on the actual, not rounded, numbers.

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Bank rankings

By Y-o-Y growth rate (2014 vs. 2015)

Metric	Rank	Bank	Country	Δ Y-o-Y
TOTAL ASSETS (US$ billion)	1	**Alizz Islamic Bank**	**Oman**	**111.3%**
	2	Bank Nizwa	Oman	36.7%
	3	Qatar Islamic Bank	Qatar	32.3%
	4	Bank Muscat	Oman	28.9%
	5	Commercial Bank of Dubai	UAE	23.4%
	6	Warba Bank	Kuwait	23.4%
NET PROFIT (US$ billion)	1	**Warba Bank**	**Kuwait**	**722.4%**
	2	Ithmaar Bank	Bahrain	305.0%
	3	Khaleeji Commercial Bank	Bahrain	126.8%
	4	Bank AlJazira	Saudi	124.7%
	5	Emirates NBD	UAE	38.6%
	6	Dubai Islamic Bank	UAE	33.6%
CAPITAL ADEQUACY RATIO (%)	1	**National Bank of Kuwait**	**Kuwait**	**2.3%**
	2	Bahrain Islamic Bank	Bahrain	2.1%
	3	Burgan Bank	Kuwait	2.1%
	4	Bank AlJazira	Saudi	1.8%
	5	Al Salam Bank-Bahrain	Bahrain	1.4%
	6	Al Rajhi Banking and Investment Corporation	Saudi	1.2%
COST-TO-INCOME RATIO (%)	1	**Alizz Islamic Bank**	**Oman**	**(220.9)%**
	2	Bank Nizwa	Oman	(67.4)%
	3	Khaleeji Commercial Bank	Bahrain	(21.3)%
	4	Ithmaar Bank	Bahrain	(16.3)%
	5	Al Salam Bank-Bahrain	Bahrain	(13.6)%
	6	Kuwait International Bank	Kuwait	(10.4)%
RETURN ON EQUITY (%)	1	**Bank AlJazira**	**Saudi**	**9.3%**
	2	Dubai Islamic Bank	UAE	4.0%
	3	Emirates NBD	UAE	3.6%
	4	Khaleeji Commercial Bank	Bahrain	3.6%
	5	Abu Dhabi Commercial Bank	UAE	2.2%
	6	Qatar Islamic Bank	Qatar	1.9%
RETURN ON ASSETS (%)	1	**Alizz Islamic Bank**	**Oman**	**2.1%**
	2	Bank Nizwa	Oman	1.7%
	3	Bank AlJazira	Saudi	1.1%
	4	Khaleeji Commercial Bank	Bahrain	0.6%
	5	Emirates NBD	UAE	0.4%
	6	Dubai Islamic Bank	UAE	0.4%
NON-PERFORMING LOAN RATIO (%)	1	**Bahrain Islamic Bank**	**Bahrain**	**(4.0)%**
	2	Ithmaar Bank	Bahrain	(3.3)%
	3	Dubai Islamic Bank	UAE	(3.0)%
	4	Commercial Bank of Dubai	UAE	(2.4)%
	5	Kuwait International Bank	Kuwait	(2.2)%
	6	HSBC Bank Oman	Oman	(1.7)%
LIQUIDITY RATIO (%)	1	**Bank Muscat**	**Oman**	**9.5%**
	2	BBK	Bahrain	5.2%
	3	National Bank of Abu Dhabi	UAE	5.2%
	4	The National Bank of Ras Al-Khaimah	UAE	4.9%
	5	Ahli Bank	Oman	4.8%
	6	Alinma Bank	Saudi	3.7%

By value/percent as of, or for the y/e, 31 December 2015

Metric	Rank	Bank	Country	Value/ percent
TOTAL ASSETS (US$ billion)	1	**Qatar National Bank**	**Qatar**	**147.8**
	2	The National Commercial Bank	Saudi	119.7
	3	National Bank of Abu Dhabi	UAE	110.7
	4	Emirates NBD	UAE	110.7
	5	Al Rajhi Banking and Investment Corporation	Saudi	84.1
	6	National Bank of Kuwait	Kuwait	78.3
NET PROFIT (US$ billion)	1	**Qatar National Bank**	**Qatar**	**3.1**
	2	The National Commercial Bank	Saudi	2.4
	3	Emirates NBD	UAE	1.9
	4	Al Rajhi Banking and Investment Corporation	Saudi	1.9
	5	First Gulf Bank	UAE	1.6
	6	National Bank of Abu Dhabi	UAE	1.4
CAPITAL ADEQUACY RATIO (%)	1	**Bank Nizwa**	**Oman**	**35.8%**
	2	Alizz Islamic Bank	Oman	35.2%
	3	National Bank of Bahrain	Bahrain	30.0%
	4	Warba Bank	Kuwait	26.1%
	5	Alinma Bank	Saudi	22.9%
	6	The National Bank of Ras Al-Khaimah	UAE	22.3%
COST-TO-INCOME RATIO (%)	1	**First Gulf Bank**	**UAE**	**20.6%**
	2	Qatar National Bank	Qatar	22.5%
	3	Masraf Al Rayan	Qatar	24.7%
	4	The Commercial Bank of Kuwait	Kuwait	27.2%
	5	Union National Bank	UAE	27.8%
	6	Ahli United Bank	Bahrain	28.3%
RETURN ON EQUITY (%)	1	**Dubai Islamic Bank**	**UAE**	**25.6%**
	2	Abu Dhabi Commercial Bank	UAE	20.3%
	3	The National Commercial Bank	Saudi	19.4%
	4	Qatar National Bank	Qatar	19.1%
	5	Bank AlJazira	Saudi	19.0%
	6	First Gulf Bank	UAE	18.9%
RETURN ON ASSETS (%)	1	**The National Bank of Ras Al-Khaimah**	**UAE**	**3.7%**
	2	First Gulf Bank	UAE	2.7%
	3	Dubai Islamic Bank	UAE	2.6%
	4	Masraf Al Rayan	Qatar	2.5%
	5	The Saudi British Bank	Saudi	2.3%
	6	SAMBA Financial Group	Saudi	2.3%
NON-PERFORMING LOAN RATIO (%)	1	**Alizz Islamic Bank**	**Oman**	**0.0%**
	2	Bank Muscat	Oman	0.0%
	3	Masraf Al Rayan	Qatar	0.1%
	4	Bank Nizwa	Oman	0.1%
	5	Gulf Bank	Kuwait	0.4%
	6	Qatar Islamic Bank	Qatar	0.6%
LIQUIDITY RATIO (%)	1	**BBK**	**Bahrain**	**51.1%**
	2	National Bank of Abu Dhabi	UAE	49.8%
	3	The Commercial Bank of Kuwait	Kuwait	46.2%
	4	National Bank of Bahrain	Bahrain	44.6%
	5	Ahli United Bank	Bahrain	44.4%
	6	Mashreqbank	UAE	41.3%

Note: The rankings are based on the actual, not rounded, numbers.

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Insights

The summary below sets out the broader themes, both positive and negative, emerging from the analysis provided in this report for the year ended 31 December 2015

The GCC banking sector has remained relatively resilient despite political and economic uncertainty in the region and across the globe.

Both profitability and assets have increased by over 6.0 percent, driven by growth in lending and related financing income.

Non-performing loan ratios currently average 3.2 percent and have remained broadly in line with, or declined from, the 2014 figures for each GCC country.

2015 witnessed a general increase in regulatory oversight and supervision with a specific focus from regulators on implementing Basel III regulations and overall bank-wide conduct and culture.

Cost-to-income ratios have declined by an average of 7.4 percent since 2014, reflecting a significant focus on cost reductions and operating efficiency initiatives.

Net impairment charges on financing portfolios have declined year on year by an average of 9.2 percent, reflecting the more cautious approach to lending adopted by banks in prior years.

Although banks have remained resilient, they have not seen the double-digit growth rates experienced in previous years, which is reflected in both fundamentals and market sentiment.

Capital adequacy ratio levels have fallen year on year across almost GCC countries by an average of 2.0 percent. This decline is largely due to the gradual adoption of Basel III, effective in 2015, and an increase in risk-weighted assets without a corresponding increase in capital levels.

2015 has experienced a general downward trend in banks' share prices, reflecting investor concerns around political and economic uncertainty in the region and in the financial performance of banks.

Liquidity pressures were evident across the GCC in 2015, with an average decline in the liquidity ratio in all but one country, predominantly driven by the decline in oil prices and reduction in government spending as a result.

ROA (1.4 percent in 2015 on average) and ROE (11.7 percent in 2015 on average) pressures remain, with a decline in both KPIs year on year on average across the region.

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

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Outlook

The summary below sets out the views and thoughts of KPMG member firm Heads of Financial Services from across the GCC on the outlook for the listed banking sector in the region

Greater competition and possible consolidation

With a general flight to quality across the banking sector, it is likely that competition will increase resulting in a downward impact on pricing. We could also see consolidation in the banking sector, in the form of mergers and/or reorganisations, to help address this challenge, particularly given regulatory and stakeholder preferences for larger and stronger financial institutions.

Evolving regulatory regimes

The increase in regulatory oversight and supervision witnessed in 2015 is expected to continue for the foreseeable future, driven by developments in global markets and as regulators look to ensure that a robust financial environment is maintained amidst challenging conditions. Focus areas are expected to be wider Basel III implementation, cyber security, conduct/culture and IFRS 9.

Profitability to be impacted by economic uncertainty

Given the significant role that governments and related entities play in the regional banking sector, coupled with what some consider to be the 'new norm' oil price, it is unlikely that profit growth rates will return to the double-digit levels experienced in prior years. Rather, investors will start getting accustomed to single-digit growth which is very much the norm in more developed markets.

Proactive capital and fund raising activity

With the gradual build-up of Basel III capital adequacy requirements over the next few years, we expect banks to strengthen their balance sheets through increased capital and fund raising activity. This will help banks with future growth and remain above minimum capital adequacy requirements which could reach 18.0 percent in some GCC countries in a by 2018.

Positive long-term outlook

The overall long-term outlook for the GCC banking sector remains relatively positive. Banks are in a strong position to weather the current economic and political challenges, given the expectation of continued government support and committed infrastructure investment, which will help maintain stability in the industry.

Cost of funds expected to continue to rise

With the decline in low-cost government and related entity deposits as a result of lower oil prices, banks will continue to be forced to raise funds through costlier channels, resulting in additional pressure on margins. With three GCC sovereign rating downgrades already in 2016 and possible bank downgrades expected in the near future, funding costs will increase further.

Likely increase in impairment

Given the typical lag between political/economic uncertainty and the related impact being felt across the wider economy, impairment charges could rise, particularly in the SME sector. Implementation of the new accounting rules for credit losses (IFRS 9) is also likely to lead to an increase in provisioning, albeit in the longer-term, given the effective date of 1 January 2018.

Continued focus on cost efficiencies

In line with the year gone by, we expect banks to further increase their focus on cost efficiencies in 2016 to mitigate profitability pressures. We expect this trend to continue in the long-term with cost reduction, operational efficiency, digitalisation and innovation all likely to be high on Board agendas for the foreseeable future to help ensure that banks manage the cost of doing business.

Heightened focus on risk

With the possibility of an increase in impairment and greater scrutiny from regulators, banks will look to further tighten their credit policies with risk management taking on a more prominent role. Significant projects such as IFRS 9, will be led by risk teams, where the need for accurate risk data will be apparent and present a challenge for banks in the region.

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Country analysis

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Bahrain

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Summary

Sector overview

Under the Central Bank of Bahrain (CBB) regulatory regime, 103 banks operate — 75 conventional and 28 Islamic. Of the commercial banks, 22 are conventional and six are Islamic, of which, three conventional and five Islamic banks are listed on the Bahrain Bourse and have been covered as part of this report.

Regulatory update

New capital adequacy guidelines incorporating the requirements of Basel III were effective from 1 January 2015. CBB is proactively introducing an advanced regulatory regime benchmarked against global requirements to make Bahrain's banking sector robust and transparent. This was demonstrated when CBB, being the first regional regulator, introduced and implemented sound remuneration principles in 2015.

Financial position

The total consolidated assets of the banks covered have increased from US$49.5 billion in 2007 to US$93.1 billion in 2015. Indicators show that the Bahraini banking sector has performed well during 2015. There is steady asset growth driven by an increase in loan portfolios, a trend which is expected to continue in the coming year as banks remain resilient through challenging times.

Financial performance

The profitability of listed commercial banks saw an increase in most cases in 2015. ROA has remained at similar levels for most banks with a marginal change in a few, while ROE has marginally increased for a majority of the listed commercial banks. The liquidity position was volatile during the year due to market challenges and economic conditions.

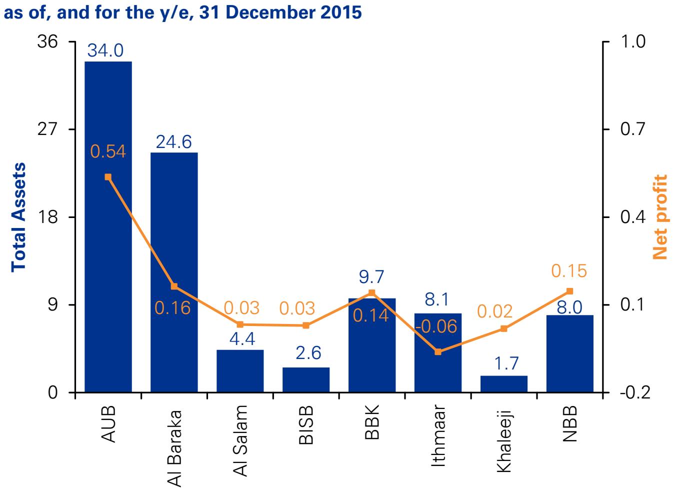
Population (million)[1]	**1.3**
Nominal GDP (US$ billion)[1]	**31.1**
GDP per head (US$ at PPP)[1]	**48,020.0**
Inflation (%)	**0.7**

Economic data as of 31 December 2015

[1]Economist Intelligence Unit estimates
Source(s): Economist Intelligence Unit, Bahrain — Data by country, 16 March 2016; Bahrain Inflation Rate, Trading economics website, 16 March 2016, accessed on 16 March 2016

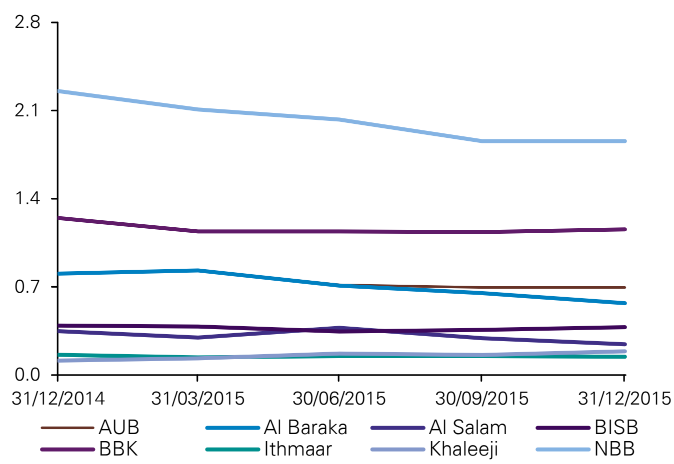
Total assets and net profit (US$ billon)

as of, and for the y/e, 31 December 2015



Note: Refer to the data table (page 52) in the appendix section for source data.

Share price movement — US$



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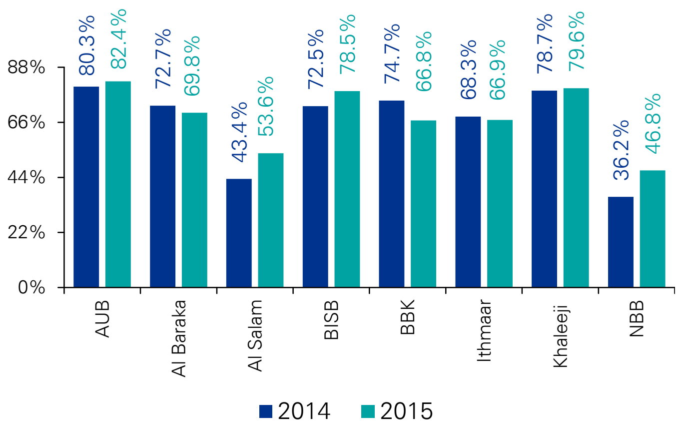
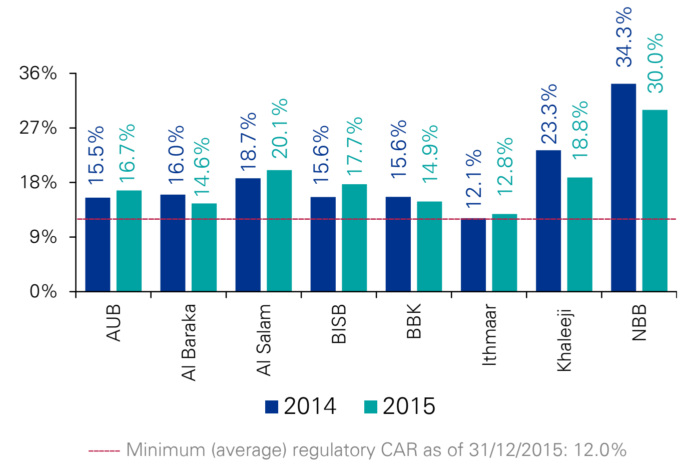
Key performance indicators

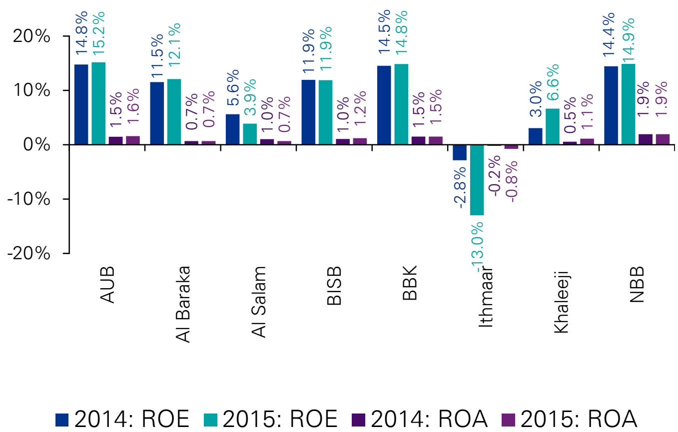
LDR



CAR



ROE/ROA



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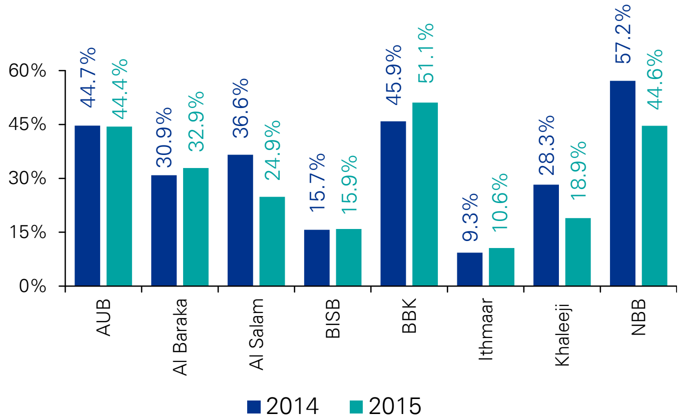
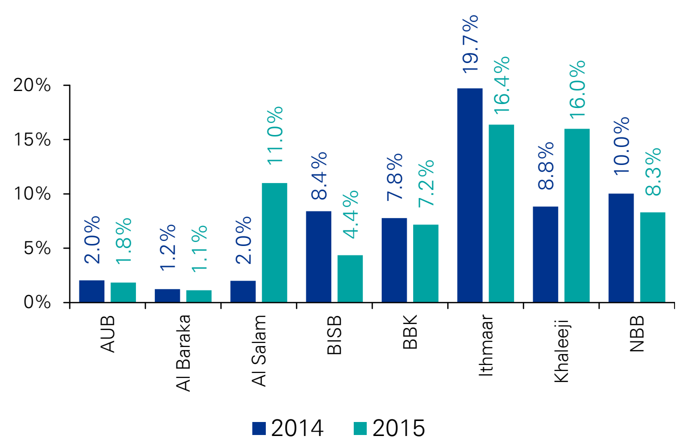
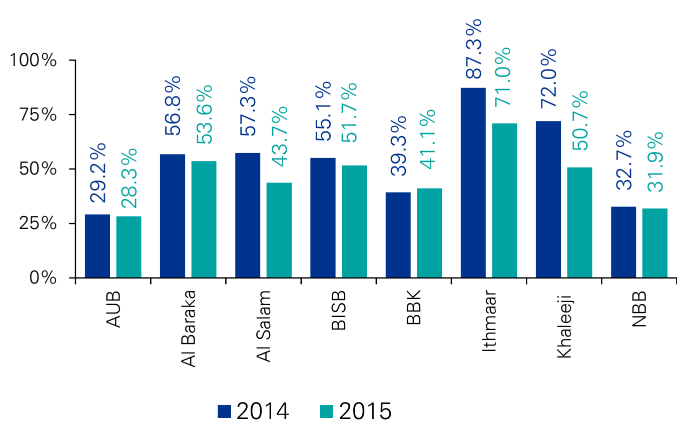


NPL



CIR



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Insights

The year gone by (2015)

Resilient banking sector

— The commercial banking sector witnessed continued asset growth in 2015, despite the global economic slowdown — mainly due to an increase in the household debt ratio. Listed commercial banking sector assets have grown from US$90.4 billion in 2014 to US$93.1 billion in 2015, representing a 2.9 percent increase.

— Modest domestic growth drove an increase in listed commercial banking sector assets, with domestic assets contributing approximately 55 percent of total assets at the end of 2015.

Evolving regulatory regime

— New Basel III capital adequacy regulations were introduced in 2015 and will be phased in until 2018. This has put additional pressure on the banking sector to revisit capital and liquidity requirements. While certain banks have raised additional Tier I capital in 2015 to strengthen their capital base and obtain growth capital, the remaining banks are adequately capitalised.

— 2015 was the first year to see banks effectively implement sound remuneration principles, with an emphasis on proportion of variable remuneration, deferrals, malus and clawback provisions, which are relatively new for the region. Significant changes in recruitment and performance management processes have been put in place as a result.

Liquidity challenges

— Despite a decrease in the liquidity ratio for most listed commercial banks, the sector witnessed an increase in retail deposits, which helped create some liquidity buffers in the market.

— With introduction of liquidity coverage ratio/net stable funding ratio requirements and reducing liquidity due to low oil prices, liquidity management remains a challenge. Furthermore, US$ funding is difficult to access with tightening liquidity in the region and global markets.

High concentration

— Bahrain's banking sector is exposed to high concentration in the real estate and energy sectors, which have come under increased stress due to current economic conditions.

— Concerns around these sectors have increased in 2015 given the decline in oil prices and depressed real estate valuations.

Continued focus on cost

— Bahrain, due to a smaller operating market size, continues to have a high operating cost-to-income ratio, 46.5 percent at the end of 2015, as compared to its peers in the GCC.

— There was continued focus on cost optimisation and reduction strategies in 2015, given the significant impact such measures have on profitability.

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Outlook

The year ahead (2016 and beyond)

Ongoing challenges to growth

— The impact of declining oil prices on Bahrain's economic outlook has been reflected in the country's recent credit rating downgrade. Current oil price levels will clearly have an impact on Bahrain given its overall economic dynamics and reliance on the energy sector as a significant component of its GDP.

— Asset management opportunities will be challenging given the uncertain outlook of the global economy and investor caution. This is likely to lead to somewhat muted growth in Bahrain's banking sector.

Expected increase in mergers and reorganisations

— Mergers and acquisitions will continue to be explored and small/medium-sized banks are expected to synergise to improve the chances of survival through effective human capital utilisation, liquidity management and capital utilisation.

— We expect banks to explore various forms of financial and corporate reorganisation to optimise capital structure and also improve risk profile.

Greater focus on liquidity and capital management

— Investing in high-quality liquid assets to comply with Basel III requirements will impact the banking sector's ability to deploy capital for business growth. The second half of 2015 witnessed a liquidity crunch in the region with a substantial portion of liquidity being invested in sovereign issues in addition to declining government and related entity deposits. We expect the CBB to intervene by closely monitoring reserve requirements in 2016.

— Requirements for Domestic Systemically Important Banks, Supervisory Review and Evaluation Process, and Counter Cyclical Buffer charges will be introduced/clarified (as the phase-in benefits will become clear by 2018) by the regulator. Capital planning will factor in all of these points, in addition to the impact expected from IFRS 9 implementation, which is likely to lead to cautious business plans and a change in business models.

Competitive environment expected to remain

— Given the demographics and size of Bahrain, competition within the banking sector will remain high, making it difficult for banks to expand locally, therefore forcing them to look externally.

— The financial hub status of Bahrain and related differentiation is constantly being challenged, with neighboring countries such as United Arab Emirates and Qatar developing financial centers, providing an alternative option to the regional and international financial services industry.

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Kuwait

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Summary

Sector overview

The banking sector in Kuwait consists of 11 locally incorporated banks, of which 10 are listed on the stock exchange. Of these 10 listed banks, five operate as Islamic banks. In addition, there are 12 branches of foreign banks operating in Kuwait.

Regulatory update

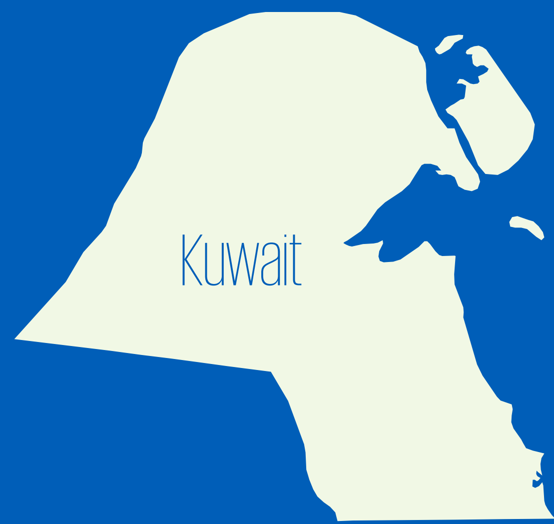
Both 2014 and 2015 were relatively busy for the Kuwait banking industry in terms of new and amended regulations. The CBK implemented the liquidity coverage ratio, leverage ratio and other Basel III guidelines in 2014. In 2015, it issued guidelines for the Net Stable Funding Ratio and amended rules for consumer and instalment lending. Furthermore, in 2015, on the back of the US Federal Reserve increasing interest rates, the CBK raised the discount rate at which CBK lends to banks and other financial intermediaries from 2.00 to 2.25 percent.

Financial position

The total listed banking sector assets at the end of 2015 stood at US$233.5 billion, 2.5 percent lower than at the end of 2014. However, in local currency terms, total assets have grown by 3.1 percent. The market is dominated by NBK and KFH who collectively own 57.0 percent of the total assets. Total assets of Islamic banks stood at US$86.7 billion at the end of 2015, 3.8 percent lower than in 2014, however, in local currency terms, these were up 1.7 percent.

Financial performance

In general, 2015 has been a good year for the banks in Kuwait with net profits up an average of 8.1 percent year on year in local currency terms (2.2 percent in US$ terms). Total provisions booked by banks in Kuwait in 2015 were lower as compared to 2014 reflecting improvement in asset quality. Both ROA and ROE have been flat as compared to 2014.



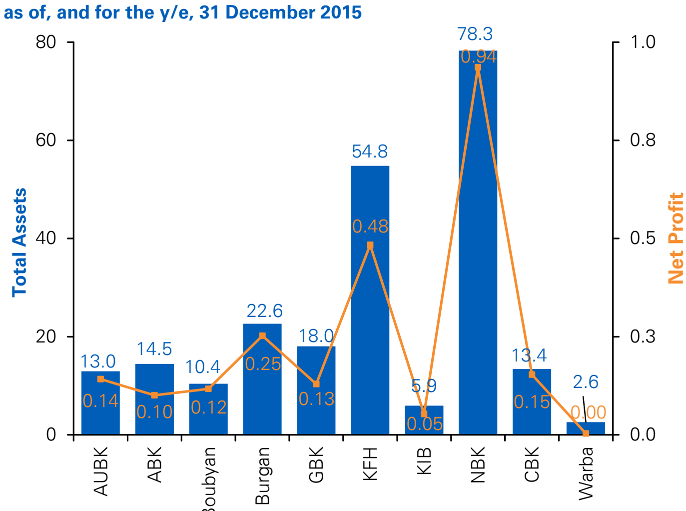
Population (million)[1]	**4.2**
Nominal GDP (US$ billion)[1]	**116.7**
GDP per head (US$ at PPP)[1]	**65,040.0**
Inflation (%)	**3.0**

Economic data as of 31 December 2015

[1]*Economist Intelligence Unit estimates*
Source(s): Economist Intelligence Unit, Kuwait — Data by country, 31 March 2016; Statistical Bulletins: Consumer Price Index Number December 2015, State of Kuwait: Central Statistical Bureau website, 31 March 2016, accessed on 31 March 2016

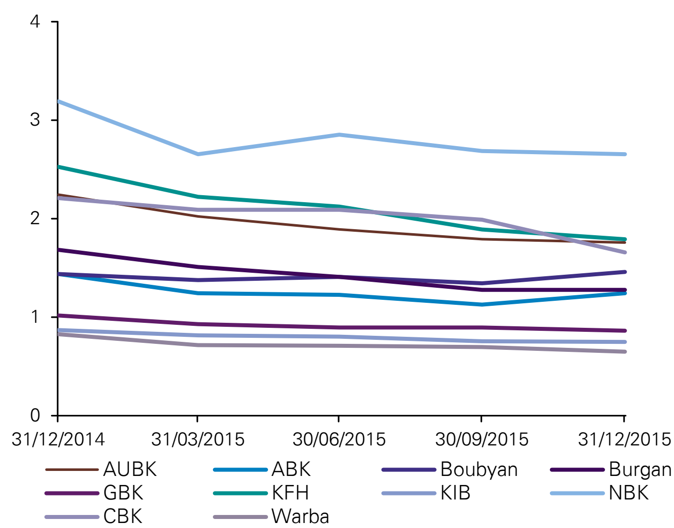
Total assets and net profit (US$ billon)

as of, and for the y/e, 31 December 2015



Note: Refer to the data table (page 53) in the appendix section for source data.

Share price movement — US$



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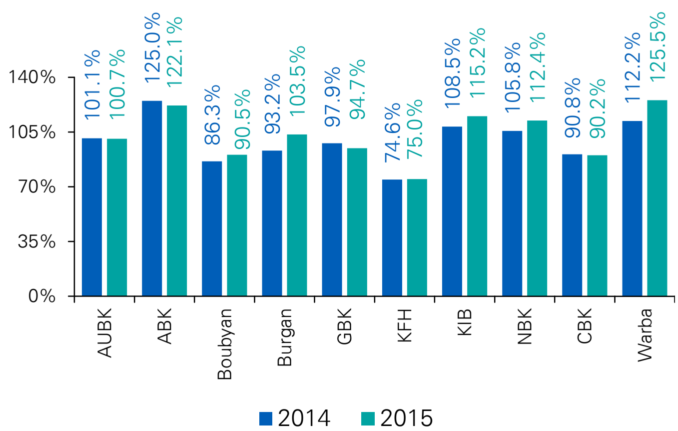
Key performance indicators

LDR



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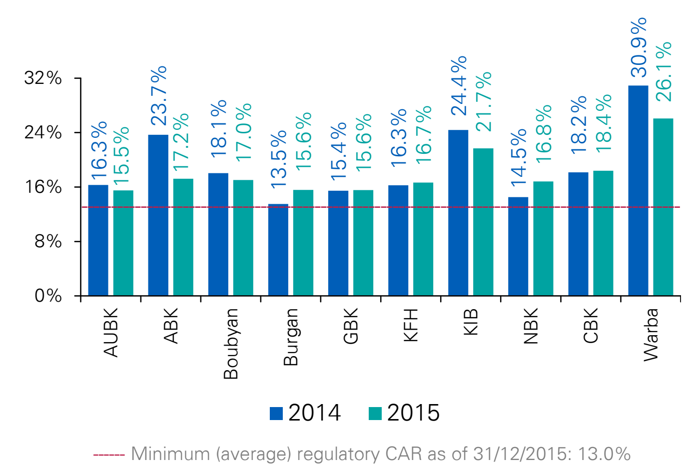
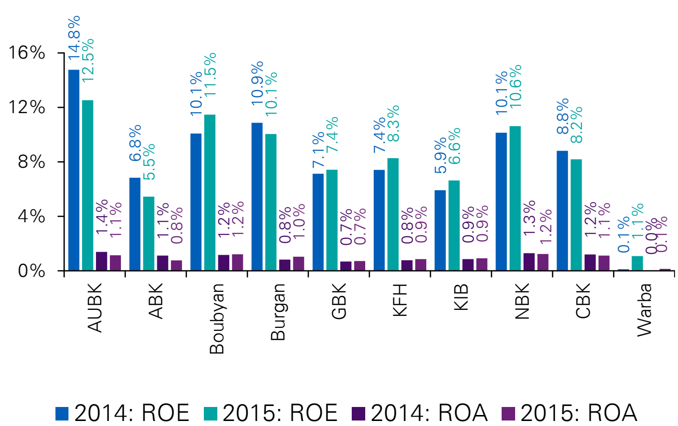


ROE/ROA



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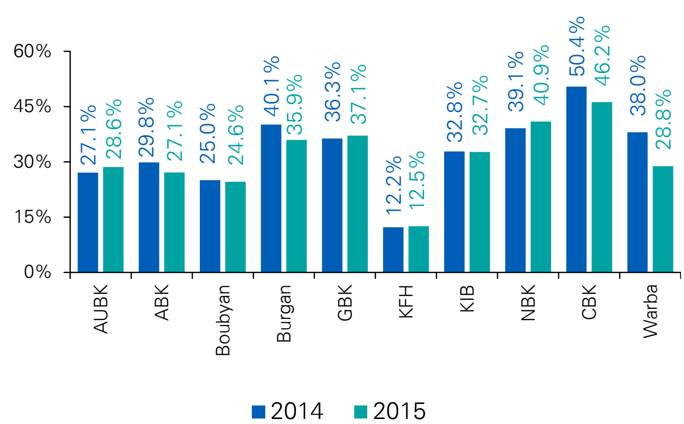

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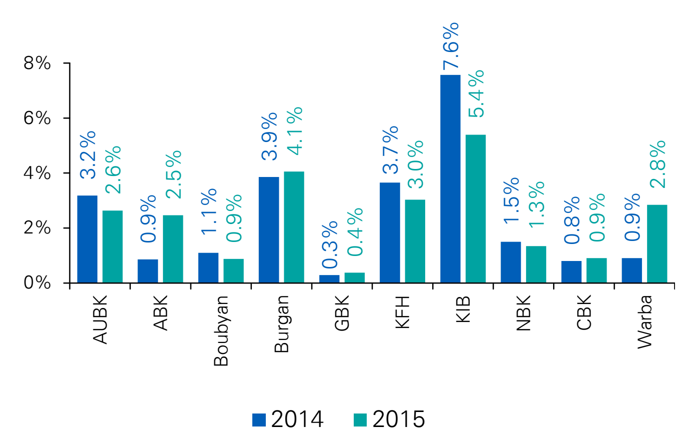

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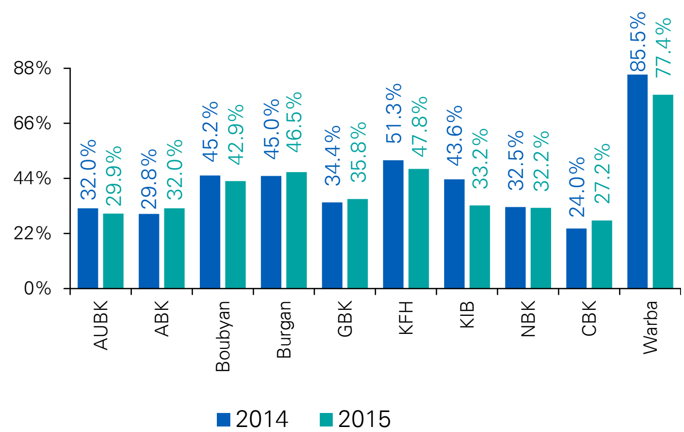

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Insights

The year gone by (2015)

Strong local currency growth

— Banks in Kuwait have posted strong growth in local currency terms. This growth, however has been offset by the depreciation of the Kuwaiti Dinar against the US$ in 2015.

— The Kuwaiti Dinar, unlike other GCC currencies, is not pegged to the US$ but to a basket of major currencies. In 2015, the Kuwaiti Dinar has depreciated by approximately 3.7 percent against the US$.

Capital adequacy pressures

— With the introduction of Basel III guidelines in 2014, banks continue to feel the pressure of increased capital adequacy requirements. As a result, capital adequacy ratios have, on average, declined for the listed banking sector year on year.

— Given the impact of both increasing regulatory requirements and declining ratios, banks are issuing, or planning to issue, Basel III compliant instruments to help strengthen capital adequacy and fuel future growth.

Continued focus on costs

— Cost-to-income ratios for listed banks have been a key area of focus in 2015, given the pressures on the revenue side of the business. This will continue to be the case for the foreseeable future.

— While the overall listed banking sector average cost-to-income ratio has declined year on year by almost 2 percent, four out of the 10 listed banks covered as part of this report have experienced an increase in their cost-to-income ratios.

Decline in impairment provisions

— 2015 saw listed banks recording lower impairment provisions on their financing portfolios, compared to 2014. However, with the continued period of low oil prices, sectors such as construction and energy will face increasing constraints.

— The listed banking sector average NPL ratio has remained at the same level as 2014 with banks continuing to follow a cautious approach to lending given economic uncertainties.

Tightening liquidity

— With continued low oil prices, there has been a decline in the flow of funds to banks from government and related entities, which has tightened liquidity across the banking sector.

— As a result of the pressures described above, banks are having to compete for liquidity more aggressively, which has in turn pushed up the cost of funds.

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Outlook

The year ahead (2016 and beyond)

Positive outlook

— The outlook for the banking sector remains relatively positive. Kuwaiti banks are in a strong position to weather the challenges of low oil prices and expected slower growth.

— While the Kuwaiti economy is expected to see only modest growth in 2016, we believe that the government will keep up infrastructure spending to bolster the economy which in turn will help banks.

Profitable growth pressures

— With the region witnessing continuing low oil prices, banks will be faced with increased cost of funds and may find it difficult to pass this on to clients. This will have an adverse impact on profitability and in turn, overall return on equity.

— As a result of this strain on profitability, banks will continue to manage the cost side of their business through cost reduction and efficiency initiatives.

Continued focus on capital

— Capital management will continue to be a key area of focus for banks in Kuwait, given increased regulatory capital requirements.

— We expect more banks to issue Basel III compliant instruments to meet minimum capital adequacy requirements and to support future business growth.

Fund raising activity expected

— It is expected that Kuwait's government will issue Islamic and conventional bonds in 2016 to cover the budget deficit created by the low oil prices.

— With local banks participating in the issue, it will help deploy the excess liquidity that currently earns low yields.

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Oman

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Summary

Sector overview

In Oman there are eight listed banks, several foreign branches, and unlisted local banks. No new banking licences were granted in 2015 and of the listed banks, two (Alizz and Bank Nizwa) are Islamic banks. Other than HSBC Oman, listed conventional banks also operate Islamic windows, with Islamic banks operating under the Islamic Banking Regulatory Framework issued by Central Bank of Oman (CBO) in 2012.

Regulatory update

CBO has a proactive approach to regulation, carrying out examinations at all banks each year. Basel III regulations have been issued, together with regulations relating to stress testing and other requirements common to more mature financial markets.

In December 2015, CBO issued a regulation requiring banks in Oman to maintain a 10.0 percent provision against restructured facilities, until they have performed in line with the restructured arrangements for 12 months. This will increase to 15.0 percent in 2016.

Financial position

The total listed bank assets in Oman grew 18.3 percent over 2015 from US$57.6 billion to US$68.1 billion, driven largely by growth in financing portfolios. The assets of the two listed Islamic banks grew by 60.6 percent, from US$1.0 billion to US$1.6 billion; however, they still represent only 2.2 percent of the total listed bank assets (up from 1.7 percent a year ago). Bank Muscat continues to be, by far, the largest bank in Oman with total assets of US$32.5 billion (up 28.9 percent from 2014) accounting for 47.7 percent of listed banking assets.

Financial performance

Listed bank profitability grew 10.4 percent in 2015, driven by strong asset growth of 18.3 percent, but partially offset by pressure on yields. ROE declined for four out of eight listed banks, with the average dropping to 7.6 percent from 7.8 percent. Alizz and Bank Nizwa remain the anomalies across most KPIs given the fact they are relatively new/small players who are both loss making and operate in a country where Islamic banking is in its embryo stage.

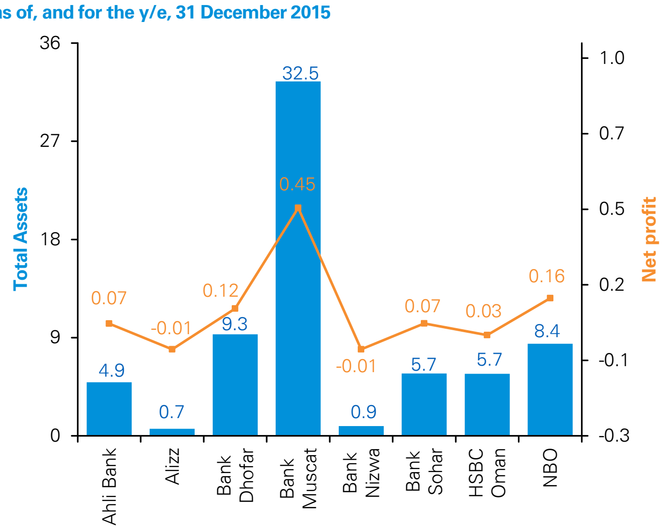
Population (million)[1]	**4.3**
Nominal GDP (US$ billion)[1]	**69.3**
GDP per head (US$ at PPP)[1]	**40,310.0**
Inflation (%)[2]	**-0.1**

Economic data as of 31 December 2015

[1]Economist Intelligence Unit estimates; [2]CPI inflation rate (Sultanate)
Source(s): *Economist Intelligence Unit, Oman — Country Report, 29 February 2016; Quarterly Statistical bulletin: December 2015, CBO website, 18 February 2016, accessed on 31 March 2016*

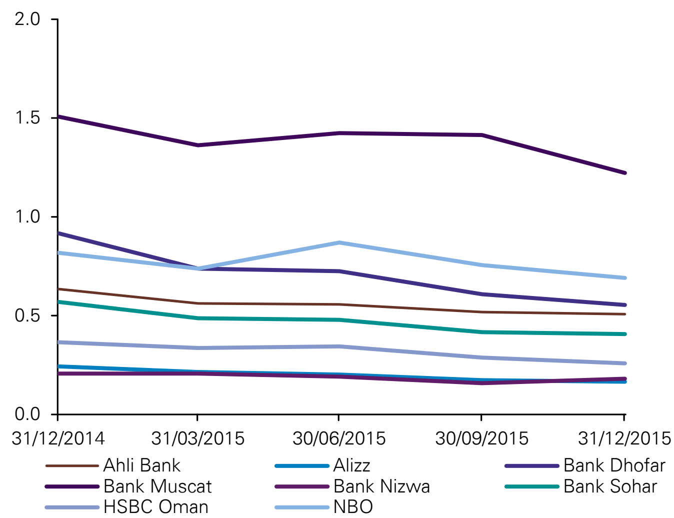
Total assets and net profit (US$ billon)

as of, and for the y/e, 31 December 2015



Note: Refer to the data table (page 54) in the appendix section for source data.

Share price movement — US$



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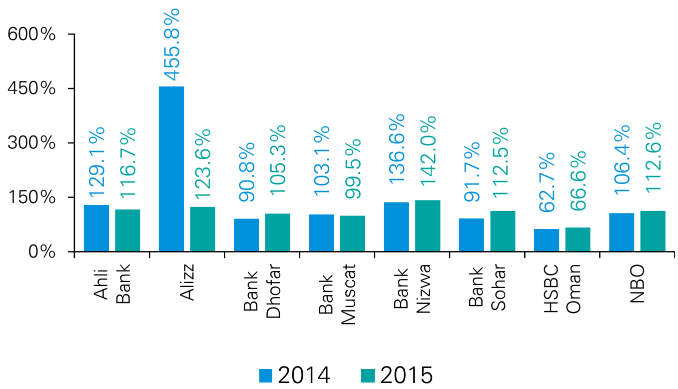
Key performance indicators

LDR



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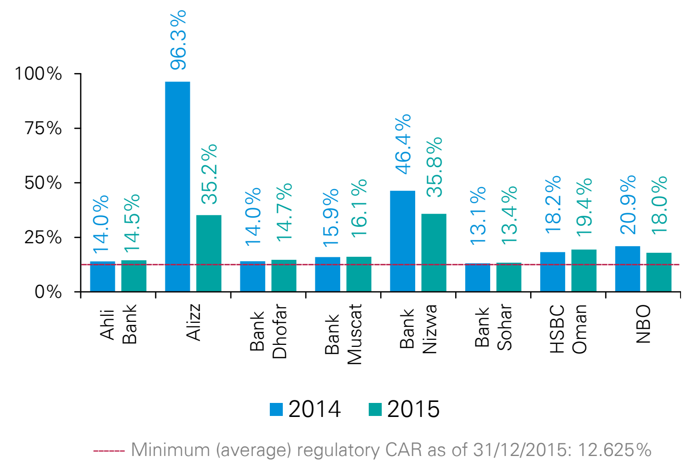
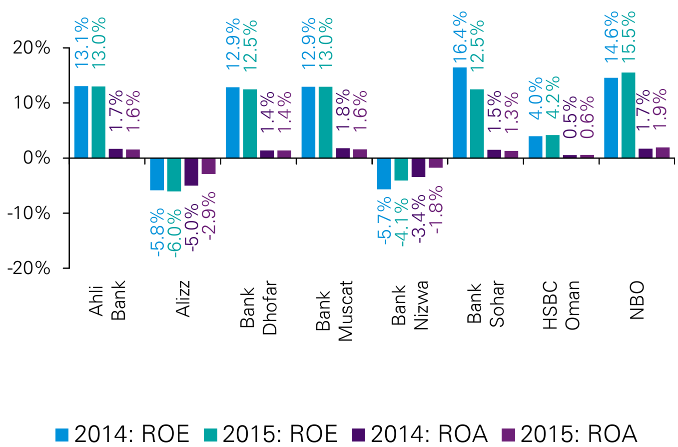


ROE/ROA



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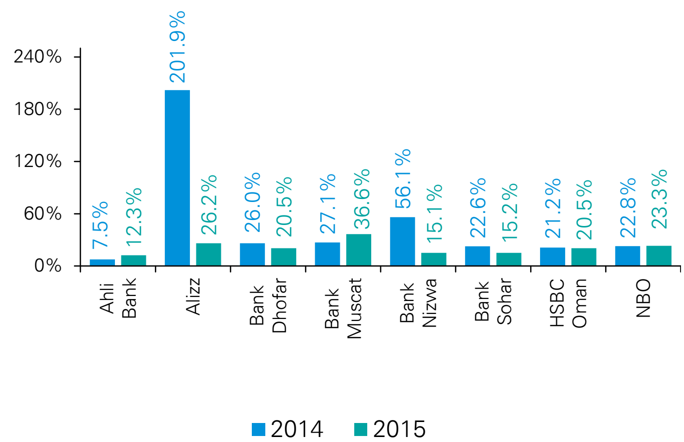
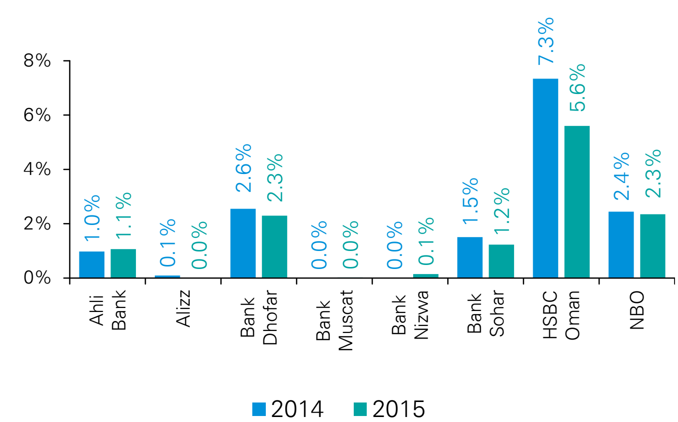


NPL



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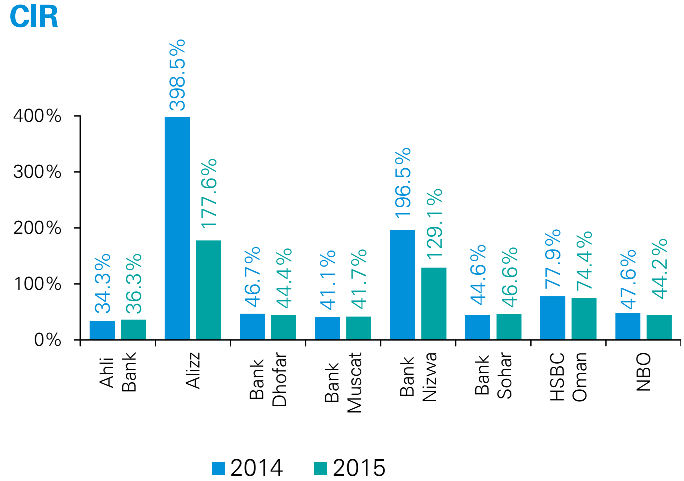

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Insights

The year gone by (2015)

Asset growth outstripping growth in profits

— Total assets for the listed banking sector grew by 18.3 percent as compared with a 10.4 percent increase in profitability year on year, resulting in the highest growth rates for both measures across the GCC.

— Despite having the highest growth rates for assets and profitability in the GCC, banking profitability remains a concern, with increased competition from within Oman and the wider region.

Capital and funding pressures

— Given the economic conditions banks have been raising, and continue to look to raise, additional capital. However, capital adequacy ratios for all listed banks at the end of 2015 remained above the CBO minimum of 12.625 percent.

— The cost of international debt has risen significantly in line with the weakening of credit ratings for Oman and listed banks, given current economic conditions. This continues to adversely impact the cost of funds.

Cost-to-income ratio strains

— Most listed banks witnessed falling cost-to-income ratios, predominantly driven by income growth as opposed to cost efficiencies.

— Significant cost reductions due to innovation, automation and increased efficiency are yet to be seen, with the larger listed banks having extensive high-cost branch networks.

Margin compression

— Given liquidity pressures due to low oil prices, the cost of funds has risen due to increased competition for the limited sources of funding, which has had an adverse impact on margins.

— Competition for better quality financing assets also remains high with signs of lending rates rising in 2016.

Increasing impairment charges

— Listed bank impairment charges rose overall by 7.5 percent over 2015, driven not only by asset growth, but also as a result of the new CBO requirement for a 10.0 percent provision on restructured loans.

— Despite this increase in impairment charges, NPL ratios across the listed banking sector have remained flat or marginally declined year on year.

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Outlook

The year ahead (2016 and beyond)

Increased capital and fund raising activity

- CBO will continue to implement Basel III capital requirements, including additional buffers for Domestic Systemically Important Banks and Counter Cyclical risks, resulting in higher capital adequacy requirements, which will put banks under pressure to look at various options to increase capital.
- Given the current high-cost of international debt, local banks are likely to avoid seeking additional international funds.

Liquidity pressures

- The ongoing impact of low oil prices is likely to continue to put pressure on banking sector liquidity.
- Contractual asset-liability maturity mismatches at many listed banks indicate that liquidity challenges remain and banks will have an increased focus on asset-liability management.

Funding cost increases

- Liquidity pressures and heightened competition for local funding are likely to continue to further drive up the cost of funds with an adverse impact on profitability.
- Aggressive competition may reduce the ability of some banks to increase asset yields to compensate for this increase in funding costs.

Potential for higher impairment

- The continued low oil prices and wider economic uncertainty will continue to put pressure on the banking sector and adversely affect many businesses. This in turn, is likely to lead to higher impairment charges across banks.
- With the implementation of IFRS 9 in 2018, it is likely that the change to the expected credit loss model from an incurred credit loss model will also result in an increase in credit impairment from 2018.

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Qatar

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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. Eight national banks are listed on the Qatar Exchange (three being Islamic), and are the banks covered in this report. No new banking licenses were granted by the QCB in 2014 or 2015.

Regulatory update

The QCB takes a proactive approach to regulating banks in Qatar. It has issued Basel III regulations for all banks, which are 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 11.4 percent, from US$267.2 billion in 2014 to US$297.7 billion in 2015, driven by a growth in corporate lending and an increase in investments, predominantly in government debt securities. The market is dominated by QNB, which had a market share of 49.6 percent of total listed banking assets at the end of 2015, while Islamic banks have a combined market share of 23.1 percent.

Financial performance

In 2015, profitability for listed banks improved 4.5 percent on average from the previous year. This was mainly a result of higher net interest income, despite margin compression, and lower impairment charges on loans and advances, which declined 20.3 percent from the previous year. ROA and ROE levels declined across most banks given the challenging market conditions as asset/equity growth outpaced growth in profitability.

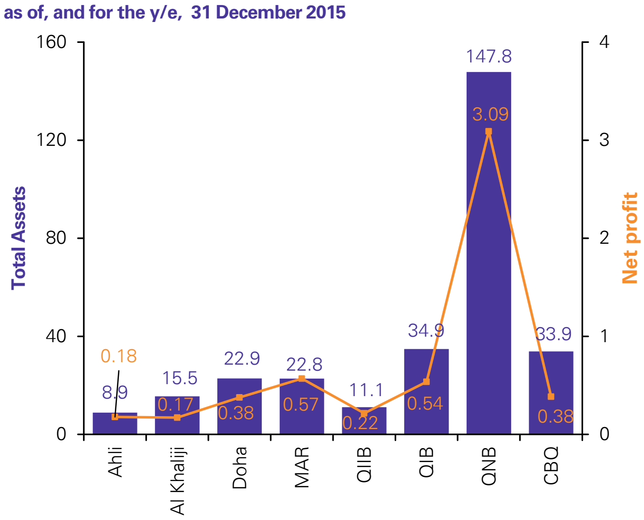
Population (million)[1]	**2.2**
Nominal GDP (US$ billion)[1]	**164.6**
GDP per head (US$ at PPP)[1]	**143,860.0**
Inflation (%)	**2.7**

Economic data as of 31 December 2015

[1]Economist Intelligence Unit estimates
Source(s): Economist Intelligence Unit, Qatar — Data by country, 31 March 2016; Main Economic Indicators, QCB website, 18 February 2016, accessed on 31 March 2016

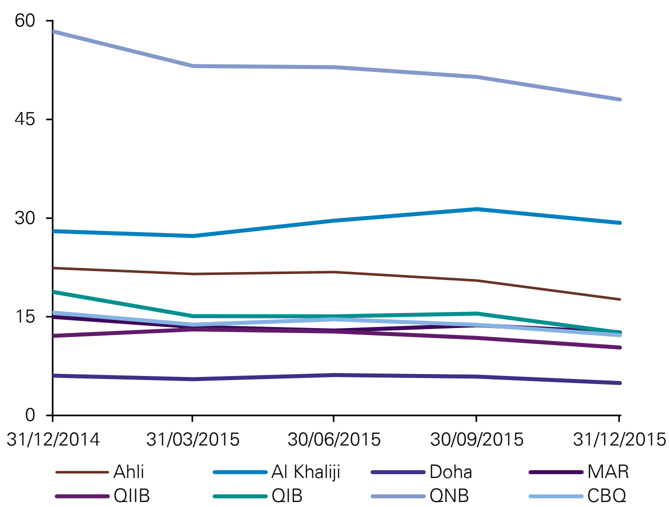
Total assets and net profit (US$ billon)

as of, and for the y/e, 31 December 2015



Note: Refer to the data table (page 55) in the appendix section for source data.

Share price movement — US$



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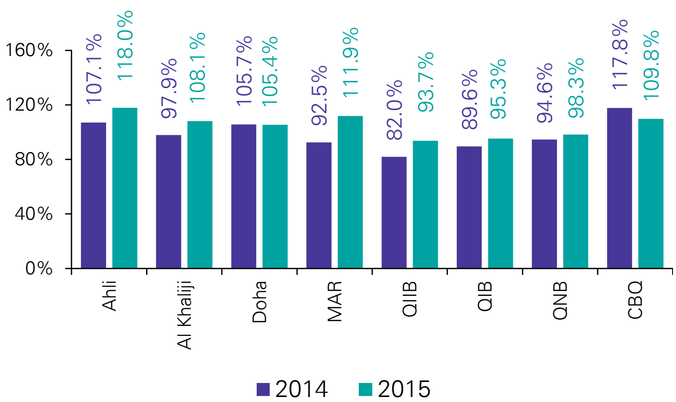
Key performance indicators

LDR



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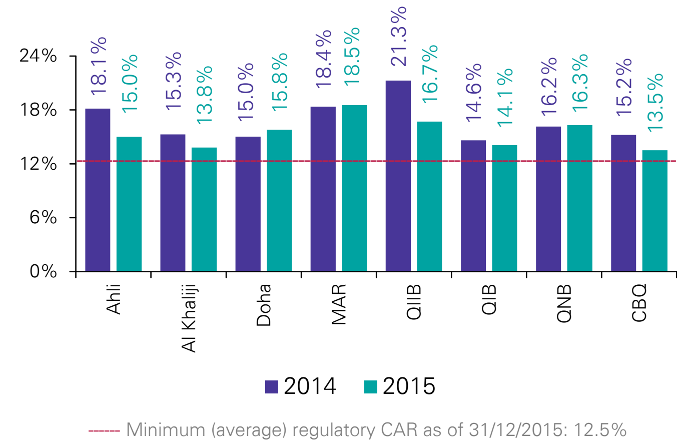
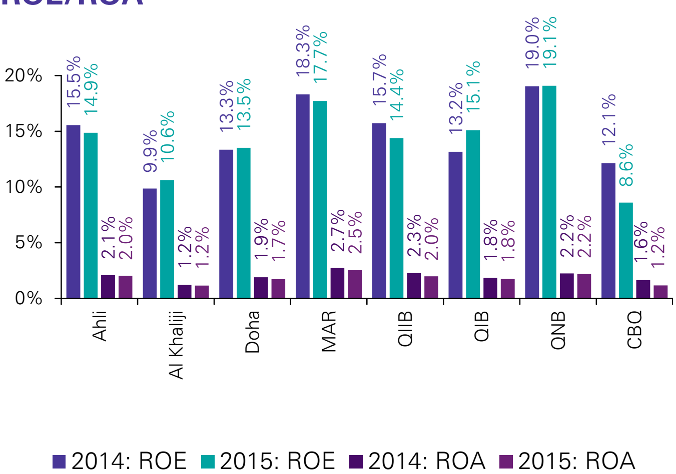


ROE/ROA



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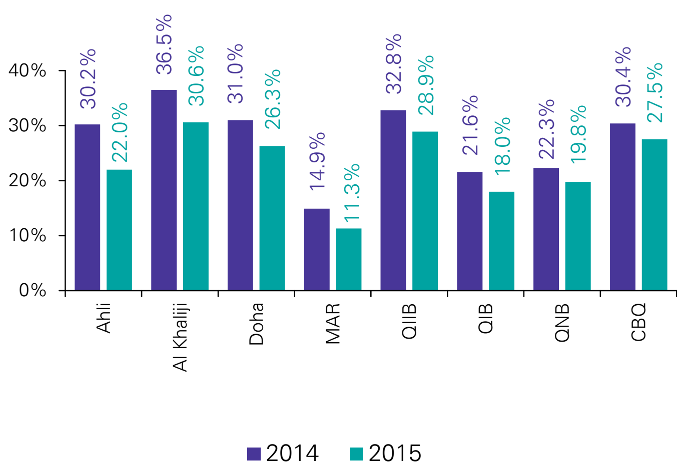
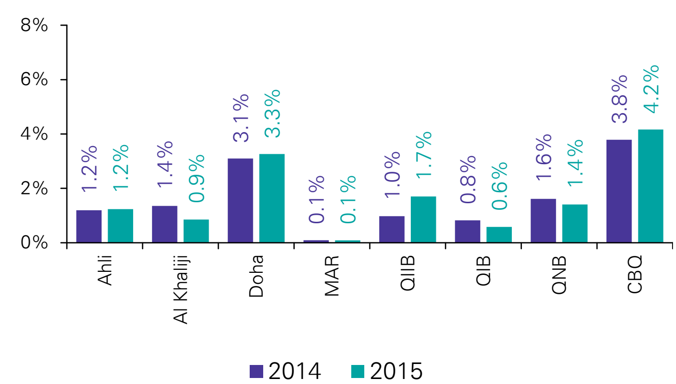


NPL



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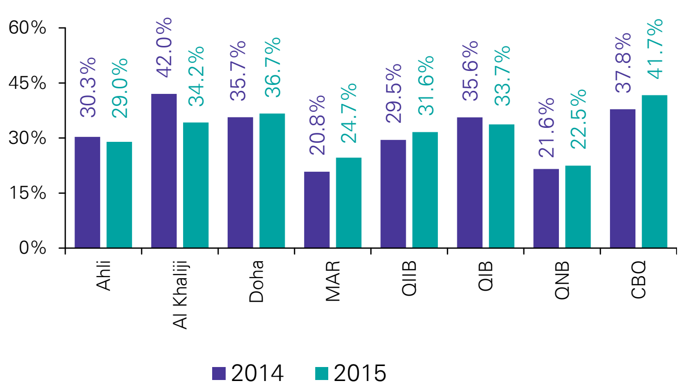

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Insights

The year gone by (2015)

Strong asset growth

— Qatar has the second-fastest asset growth rate for listed banks in the GCC, with double-digit growth of 11.4 percent in 2015. This growth can be predominantly attributed to the increase in corporate lending, as a result of the country's infrastructure boom, and higher investments in government debt securities.

— Government and related entities still account for a significant portion of the loan books of listed banks, with growth fuelled by infrastructure spending in the build up to the FIFA 2022 World Cup and the Qatar National Vision 2030.

Declining impairment

— 2015 has seen a decline in impairment charges against loans and advances, however, concerns around the real estate and construction sector exposures still remain.

— Non-performing loan ratios have remained low and broadly in line with the previous year, a reflection of banks taking a more stringent approach to underwriting and tighter regulatory control from the QCB.

Lowest cost-to-income ratios in the region

— At 31.7 percent, Qatar's listed banks on have the lowest cost-to-income ratio on average across the GCC, reflecting cost control across the sector and country as a whole.

— Despite a specific focus on cost control during the year, five out of the eight listed banks still reported a slight increase in their cost-to-income ratios during 2015. As a result, banks have continued to invest in long-term cost-saving initiatives given the fact that the cost of doing business has also risen during the year.

Margin compression

— Margins have been squeezed in 2015, mainly due to the rise in the cost of funds as banks have been forced to look at alternative/costlier sources of funding as a result of the decline in government and related entity deposits as a result of the fall in oil prices.

— Financing income has also come under pressure as asset growth has been limited, competition has increased, there is a gradual flight to quality and interest rates have remained low.

Tightening liquidity

— 2015 has seen a tightening of liquidity across the banking sector mainly as a result of the decline in oil prices, which has resulted in a reduced flow of funds into the banks.

— Both local currency and US$ liquidity have been more difficult to access in 2015 when compared with the previous year, resulting in banks looking externally for diversified sources of funding.

Falling capital adequacy ratios

— Capital adequacy ratios for most listed banks are at lower levels when compared with 2014 and when compared to other GCC banks, mainly as a result of asset growth outpacing the growth in profitability and capital.

— 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 average capital adequacy regulatory requirement expected to reach 16.0 percent by 2018.

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Outlook

The year ahead (2016 and beyond)

Focus on innovation and efficiency

— The focus on innovation and efficiency will increase 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 cost-to-income ratios are maintained at low levels.

Local and international asset growth

— As the FIFA 2022 World Cup draws near, we expect a pick up in government spending on committed projects, which will fuel balance sheet growth for banks in Qatar.

— Banks will also look externally for higher returns through acquisitions and possible investment opportunities given the domestic pressures currently being faced.

Capital and fund raising

— In our view, banks will continue to look to access the capital markets for funding (through EMTN and sukuk issuances) and local capital issuances.

— The regulator will continue to implement the Basel III capital requirements, with additional Domestic Systemically Important Banks and Counter Cyclical Buffer requirements to be gradually phased in, resulting in higher capital adequacy requirements for banks to meet.

New entrants expected

— In 2016, we expect there to be additional entrants to the listed banking sector, with at least one of the three financial institutions currently waiting to be listed, likely to be approved by the regulator.

— QCB may also issue branch licenses for other GCC national banks to set up in Qatar.

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Saudi Arabia

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Summary

Sector overview

In Saudi Arabia, there are 24 licensed commercial banks, which are regulated by the Saudi Arabian Monetary Agency (SAMA). Of these, 12 operate as licensed commercial banks listed on the Saudi Stock Exchange (Tadawul), while the remaining 12 represent branch operations of foreign banks (one branch is recently licensed and is not operational). Four of the listed banks operate as Islamic banks, while the others provide a mix of Islamic and conventional banking products and services.

Regulatory update

SAMA is the sole regulating body for banks in Saudi Arabia. Its proactive approach helps ensure compliance of Saudi Arabian banks with a risk-based capital framework and Basel III requirements. SAMA has recently issued a number of regulations addressing various operational areas, including credit card operations, consumer lending and mortgage financing.

Financial position

The banking sector continues to grow, with the total listed bank assets increasing 3.3 percent, from US$559.5 billion in 2014 to US$578.2 billion in 2015. This growth was driven mainly by an increase in loans and advances (predominantly in the corporate sector), representing about 61.6 percent of the total assets. NCB has the largest market share (20.7 percent) of the total listed bank assets, while the top five banks cover 65.0 percent of the total listed bank assets.

Financial performance

The combined profits of listed banks in 2015 were 5.3 percent higher compared to 2014, mainly driven by higher net interest income, despite margin compression. ROA and ROE slightly decreased across almost all banks as assets/equity grew at a faster pace than profits due to challenging market conditions.

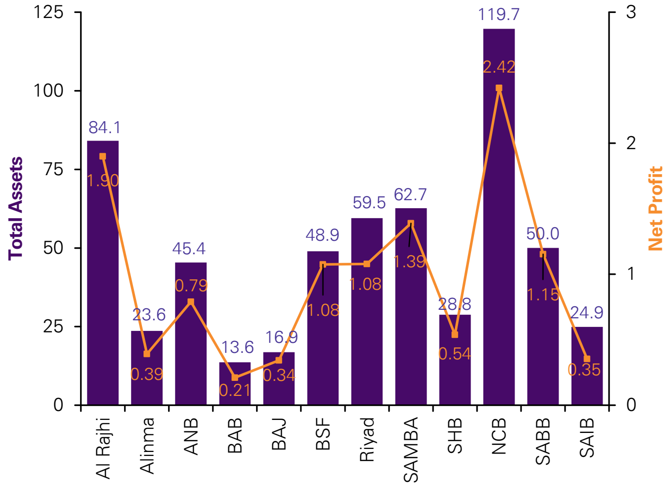
Population (million)[1]	**30.4**
Nominal GDP (US$ billion)[1]	**681.2**
GDP per head (US$ at PPP)[1]	**55,390.0**
Inflation (%)	**2.3**

Economic data as of 31 December 2015

[1]Economist Intelligence Unit estimates
Source(s): Economist Intelligence Unit, Saudi Arabia — Data by country, 31 March 2016; Inflation Rate, SAMA website, 22 March 2016, accessed on 31 March 2016

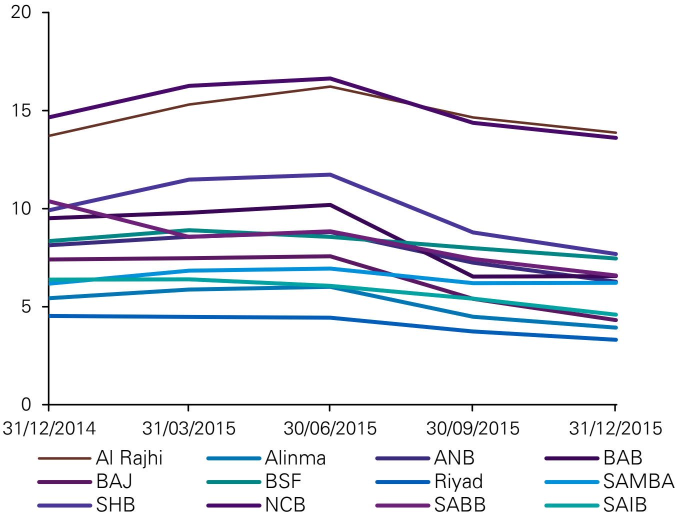
Total assets and net profit (US$ billon)

as of, and for the y/e, 31 December 2015



Note: Refer to the data table (page 56) in the appendix section for source data.

Share price movement — US$



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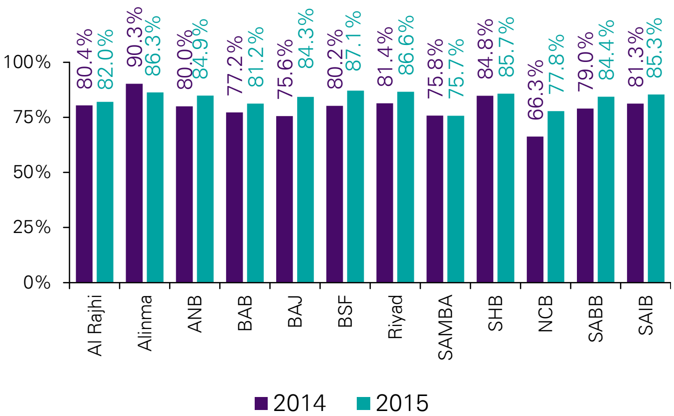
Key performance indicators

LDR



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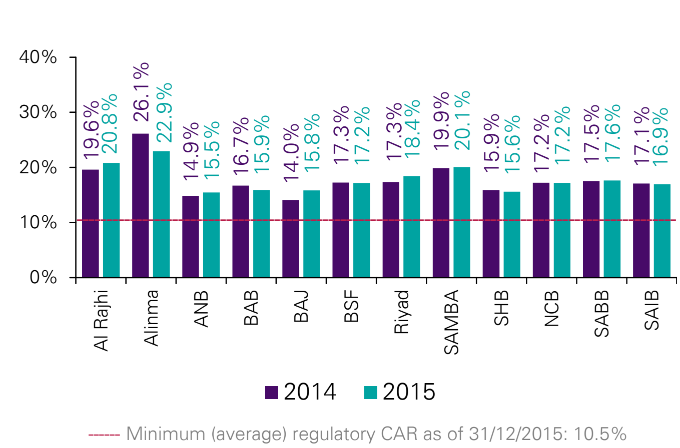
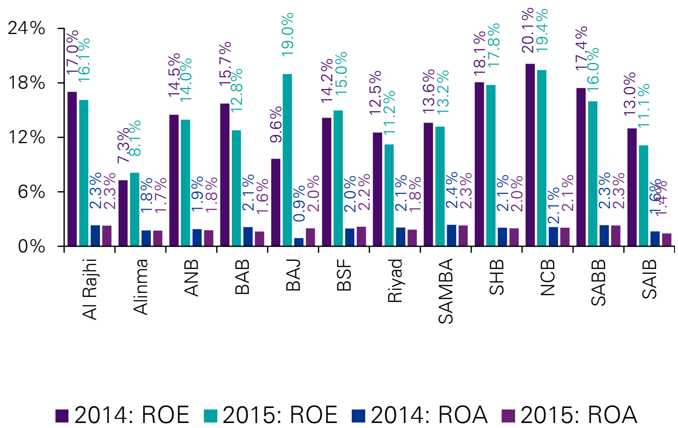


ROE/ROA



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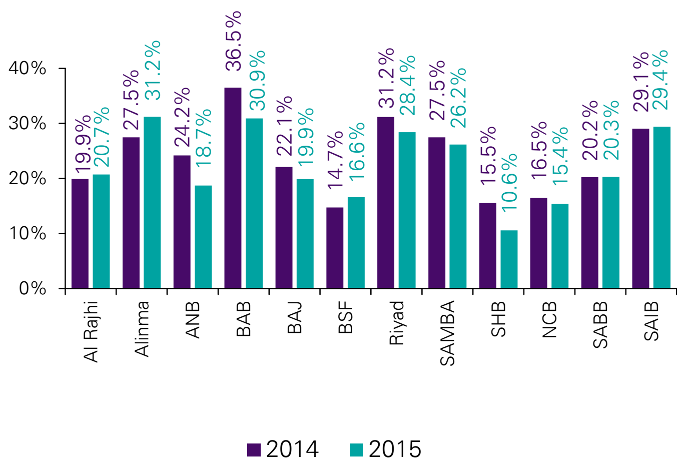

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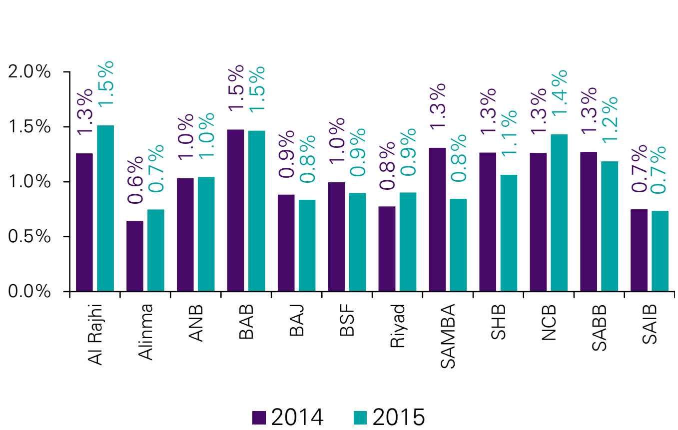

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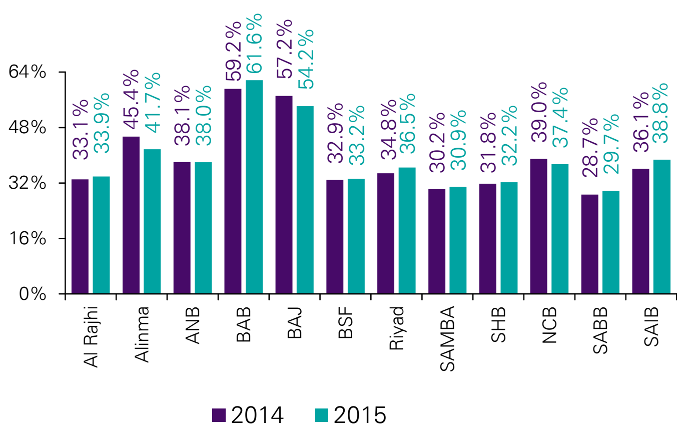

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Insights

The year gone by (2015)

Leading position maintained

— Saudi Arabia has retained its position as the largest banking market in the GCC by asset size and profitability; however, asset growth for Saudi listed banks in 2015 was 3.3 percent, lower than the double-digit growth witnessed in recent years.

— The slower asset growth rates are a consequence of decreased lending activity caused by lower oil prices and reduced government spending. Another contributory factor to this lower asset growth rate was the 30.0 percent deposit requirement imposed by SAMA for mortgage financing.

Tightening liquidity

— The liquidity position at banks has tightened during the year. This has impacted the overall economy as infrastructure and other projects are delayed and/or deferred.

— At the end of 2015, liquid assets represented just 15.6 percent of the total listed banking assets, down from 22.3 percent at the end of 2014. On the funding side, deposit growth rates also slowed in 2015, mainly due to a decline in public sector deposits.

Margin compression

— Margins came under pressure across the listed banks, mainly due to the tightening liquidity that led to a rise in funding costs. Lower cost government deposits declined as a result of the fall in oil revenue, which compelled government agencies to access cash reserves to settle immediate overheads.

— An increase in the Saudi inter-bank rate offer has further pushed up the cost of funds, which coupled with stiff competition and tightening liquidity, put additional pressure on margins.

Capital adequacy stability

— The capital adequacy ratios across Saudi listed banks have remained stable year on year, with numerous banks actually showing improvement, albeit marginally.

— However, despite this stability, Saudi listed banks have, on average, the second-lowest capital adequacy ratios in the GCC as of the end of 2015.

Consistent impairment

— The net impairment charge for listed banks in 2015 has remained broadly in line with that of 2014. Liquidity tightening has not taken a complete toll yet, however loans have started showing signs of deterioration, calling for increased supervision and debt monitoring across affected sectors.

— Non-performing loan ratios have also remained consistent with 2014, resulting from stringent underwriting standards adopted by banks and close supervision by SAMA.

Cost-to-income ratio pressures

— The cost-to-income ratios for a majority of listed banks have shown a slight deterioration year on year although the average ratio for the overall sector remains one of the lowest in the GCC.

— Despite numerous cost-saving/efficiency initiatives undertaken by listed banks, challenges such as the retention of talent, inflation and other costs, have negatively affected their cost-to-income ratios.

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Outlook

The year ahead (2016 and beyond)

Focus on cost curtailment and asset quality

— With increased pressures on liquidity and funding costs, there is likely to be increased focus on the curtailment of costs and improvement in cost-to-income ratios.

— The strong correlation between oil prices, government spending and credit growth, will result in banks increasing focus on the quality of their credit.

Limited avenues of asset growth

— Considering the economic conditions, Saudi banks will have limited avenues for growth in 2016, indicating a challenging year ahead. Government reforms to reduce subsidies and drive revenue through taxes and privatisation may help to improve the situation for the economy and banks.

— The retail sector will remain the area of focus and any significant reforms in consumer financing and mortgage financing will give banks the opportunity to grow their assets.

Increased capital and fund raising activity

— Relaxation of the maximum loan-to-deposit ratio from 85.0 percent to 90.0 percent will free up liquidity, allowing banks to grow their lending portfolios and invest in additional government bonds.

— The government plans to boost the issuance of securities in the local market in 2016 to fund a growing public sector deficit.

New entrants expected

— In 2016, we expect one of the largest banks in the world that was recently licensed as a foreign bank, to be operational.

— The GCC's largest bank was granted approval to open a branch in Saudi Arabia in September 2015, which could pave the way for other GCC banks to explore opportunities in Saudi.

Bank rating downgrades expected

— With the economic volatility we have seen in recent times and resulting sovereign downgrade for Saudi Arabia, it is likely that banks could also see their credit ratings downgraded in 2016. The prolonged oil price decline will be the significant contributor to this.

— As a result of these bank rating downgrades, the cost of funds may rise.

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United Arab Emirates

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Summary

Sector overview

There are 49 banks under the auspices of the Central Bank of the United Arab Emirates (CB UAE). Of these, 26 are foreign and 23 national — out of which eight are Islamic banks. This report analyses the 10 largest listed local banks (by both assets and net profit), of which two are Islamic banks.

Regulatory update

The CB UAE, the key regulatory body for UAE banks, centrally monitors and directs banking operations. It has continued its efforts to strengthen the UAE's regulatory landscape and has either issued, or is in the process of issuing, regulations around areas such as a credit bureau for the retail sector, a governance and control framework for inter-bank offer rate submissions, IFRS 9 implementation, Basel III capital reform, and the leverage ratio, among others. These will help further develop the UAE's banking environment.

Financial position

The assets of the UAE's top 10 listed banks increased by 10.8 percent to US$504.3 billion in 2015, primarily due to the growth in loans and advances in the corporate sector. Overall capital adequacy ratios at the end of 2015 reflect the strong capital base with most banks comfortably above the minimum regulatory capital requirement. The average loan-to-deposit ratio increased slightly year on year, reflecting tighter liquidity in the market, which may affect UAE banks in the short to medium term.

Financial performance

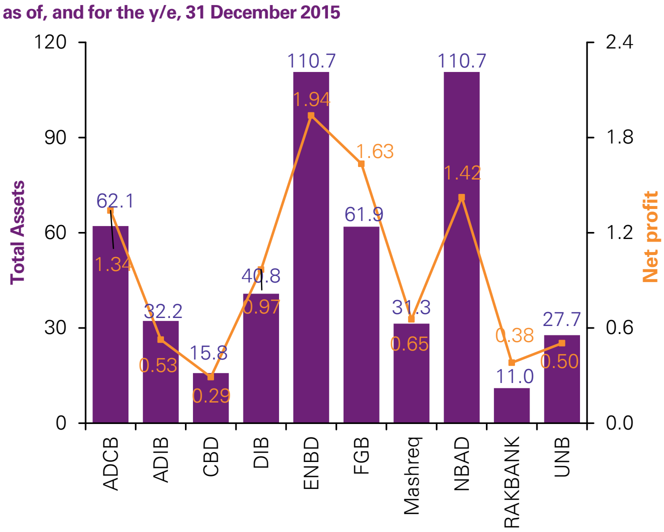
In 2015, results were mixed for UAE banks. For some banks, profitability improved, predominantly due to higher net interest income and lower impairment charges on financing assets. Whereas for other banks, profitability and related ROA and ROE levels were negatively impacted due to 2015's challenging market conditions.

Population (million)[1]	**8.7**
Nominal GDP (US$ billion)[1]	**298.6**
GDP per head (US$ at PPP)[1]	**73,550.0**
Inflation (%)[2]	**1.4**

Economic data as of 31 December 2015

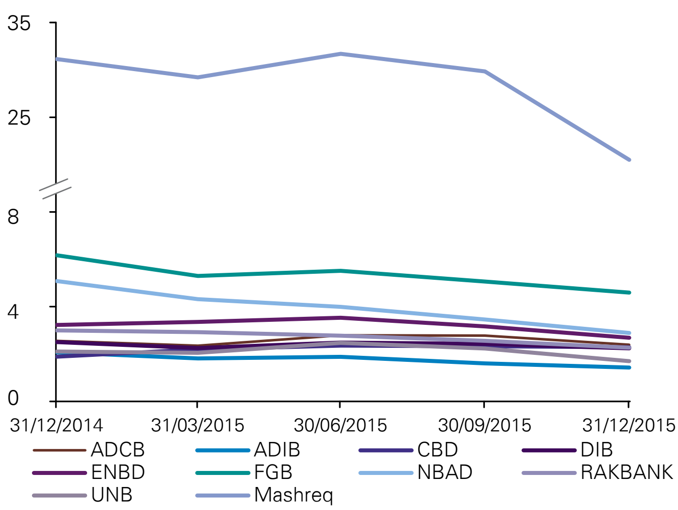
[1]*Economist Intelligence Unit estimates* [2]*Estimated inflation rate*
Source(s): *Economist Intelligence Unit, UAE — Data by country, 31 March 2016; Expected CPI and inflation rate 2013 - 2017, FCSA website, 14 March 2016, accessed on 31 March 2016*

Total assets and net profit (US$ billon)
as of, and for the y/e, 31 December 2015



Note: Refer to the data table (page 57) in the appendix section for source data.

Share price movement — US$



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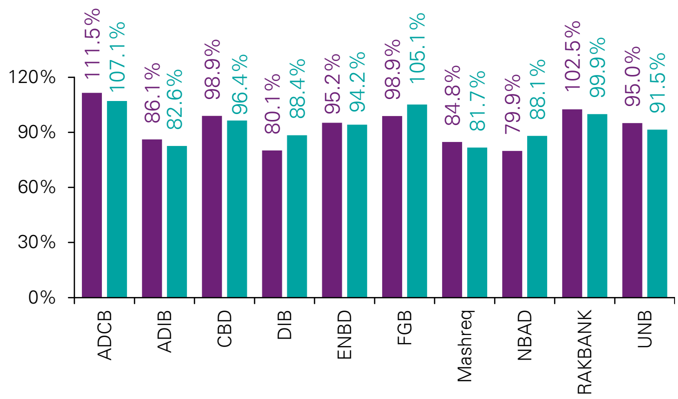
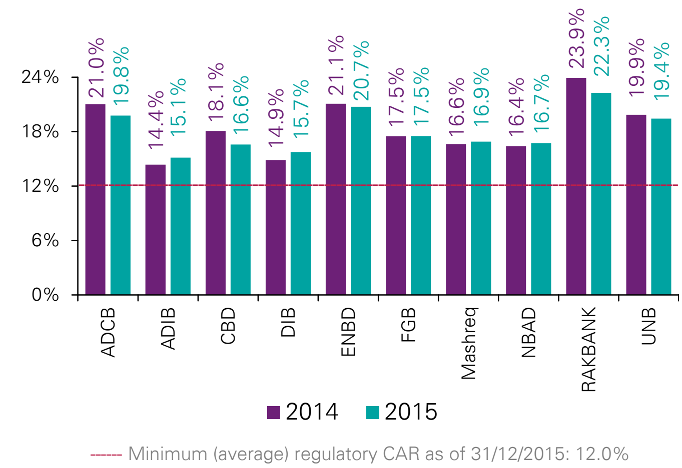
Key performance indicators

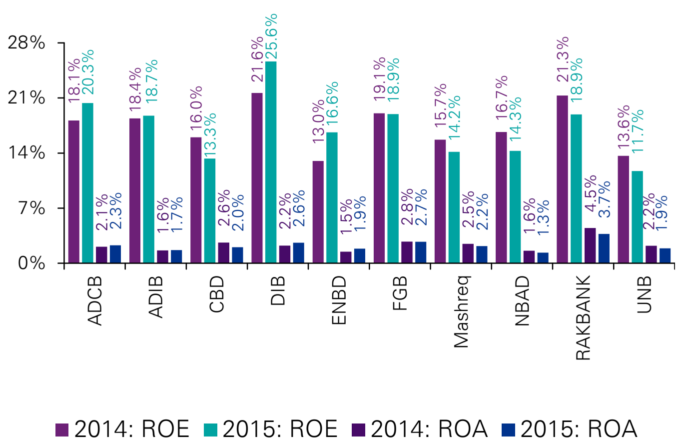
LDR



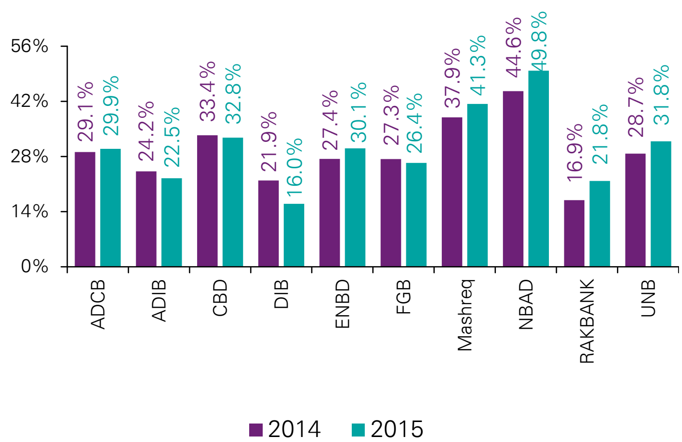
CAR



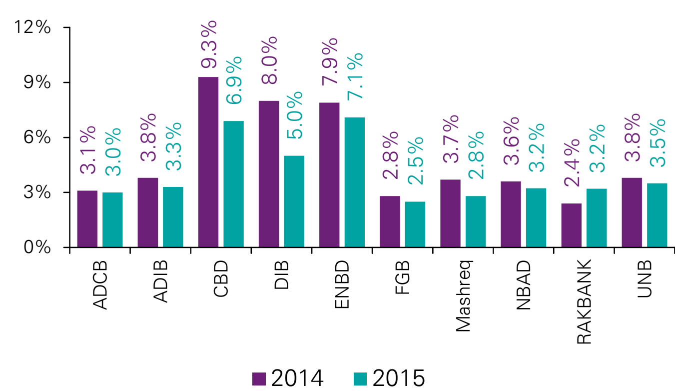
ROE/ROA



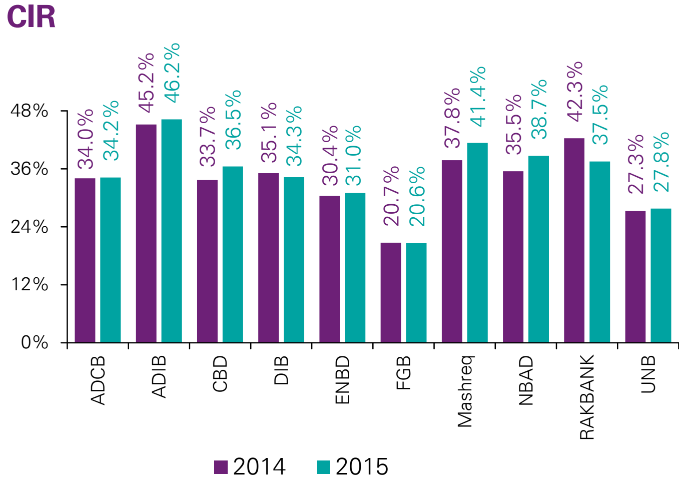
LR



NPL



CIR



Note: Refer to the data table (page 57) in the appendix section for source data.

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Insights

The year gone by (2015)

Fastest growing profits in the GCC

— Profits at the 10 listed banks covered in this report grew by 11.3 percent on average, outstripping all other GCC countries.

— Average ROE levels for these banks in 2015 stood at 17.3 percent, well above the regional average.

Improved NPL ratios

— NPL ratios have improved for the 10 largest listed banks in the UAE mainly as a result of stability in the corporate sector and improved credit underwriting standards following the 2008 credit crisis.

— Impairment charges against loans and advances have also declined by 9.1 percent in 2015, although exposure to the SME, real estate and construction sectors still cause some concern given the overall economic uncertainty.

Tightening liquidity and margin compression

— The significant drop in hydrocarbon prices has inevitably tightened liquidity. The government and related entities are normally key sources of liquidity but are currently using any excess cash to balance their own books.

— Banks are relying on more expensive deposits to maintain liquidity, which has negatively impacted margins.

SME impairment concerns

— The SME sector (which represents no more than 10.0 percent of total loans and advances) has been negatively affected by tightening liquidity, plunging commodity prices and delays in payment from government and related entities.

— A number of SME owners (particularly those focusing on commodities, food and beverages and sub-contracting) are reported to have ‘skipped’ in 2015, resulting in a number of local banks having to make significant provisions.

Cost-to-income ratio pressures

— The cost of doing business rose during 2015 as banks looked to invest. Seven of the banks analysed have reported single-digit increases in their CIRs in 2015.

— In the second half of 2015, a number of local and international banks laid off staff to keep costs at manageable levels.

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Outlook

The year ahead (2016 and beyond)

Digitalisation high on the agenda

— Banks will look towards digital transformations to help improve financial results and customer metrics such as the net promoter score as well as improve customer satisfaction.

— Given the sophistication of the UAE's banking sector, coupled with aggressive competition in the market place, banks have bought into the 'digitise or die' concept and will continue to focus on the customer experience.

'Back to basics' banking

— 'Back to basics' banking involves banks understanding the entire customer journey, from monitoring customer satisfaction levels to covering risk and providing a value-adding journey for customers, irrespective of the customer segment they belong to.

— Tightening liquidity across the banking system is causing banks to take a more conservative lending posture, restricting credit lines for both individuals and companies. 'Back to basics' banking practices could quickly re-inject some much needed confidence into the business environment.

Evolving regulations

— Additional regulatory requirements for UAE banks will mean new challenges, but also new opportunities. The banks that most efficiently and effectively embrace these reforms will be better prepared and placed in the long-term.

— Regulatory challenges means that banks must continue to invest in their resources, such as human capital and operating systems. Anti-money laundering, anti-bribery and corruption and know your customer will continue to be high on the agenda for banks – and a central focus for regulators going forward.

Cyber security

— Cyber security continues to be a key sector concern, given recent incidents that have been experienced in the region and wider global environment.

— Financial institutions, particularly banks, will look to significantly improve emergency response and contingency plans so that they can effectively respond to, and recover from, potential cyber breaches.

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Appendices

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Appendix I: Data tables — Bahrain

Bank	Total assets (US$ million) 2014	2015	Δ Y-o-Y	Net profit (US$ million) 2014	2015	Δ Y-o-Y	Loan-to-deposit ratio 2014	2015	Δ Y-o-Y
AUB	33,444.9	33,965.3	1.6%	482.5	537.2	11.3%	80.3%	82.4%	2.1%
Al Baraka	23,463.6	24,618.2	4.9%	151.7	162.7	7.3%	72.7%	69.8%	(2.9)%
Al Salam	5,186.4	4,394.2	(15.3)%	41.2	32.7	(20.6)%	43.4%	53.6%	10.2%
BISB	2,321.5	2,589.8	11.6%	24.7	29.7	20.2%	72.5%	78.5%	6.0%
BBK	9,286.2	9,672.2	4.2%	132.9	141.1	6.2%	74.7%	66.8%	(7.9)%
Ithmaar	7,860.9	8,138.6	3.5%	(15.0)	(60.8)	305.3%	68.3%	66.9%	(1.4)%
Khaleeji	1,582.6	1,734.7	9.6%	8.2	18.6	126.8%	78.7%	79.6%	0.9%
NBB	7,263.8	7,956.7	9.5%	141.7	146.6	3.5%	36.2%	46.8%	10.6%
Total/Average	**90,409.9**	**93,069.8**	**2.9%**	**968.0**	**1,008.0**	**4.1%**	**65.8%**	**68.1%**	**2.3%**

Bank	Return on assets 2014	2015	Δ Y-o-Y	Return on equity 2014	2015	Δ Y-o-Y	Liquidity ratio 2014	2015	Δ Y-o-Y
AUB	1.5%	1.6%	0.1%	14.8%	15.2%	0.4%	44.7%	44.4%	(0.3)%
Al Baraka	0.7%	0.7%	0.0%	11.5%	12.1%	0.6%	30.9%	32.9%	2.0%
Al Salam	1.0%	0.7%	(0.3)%	5.6%	3.9%	(1.7)%	36.6%	24.9%	(11.7)%
BISB	1.0%	1.2%	0.2%	11.9%	11.9%	0.0%	15.7%	15.9%	0.2%
BBK	1.5%	1.5%	0.0%	14.5%	14.8%	0.3%	45.9%	51.1%	5.2%
Ithmaar	(0.2)%	(0.8)%	(0.6)%	(2.8)%	(13.0)%	(10.2)%	9.3%	10.6%	1.3%
Khaleeji	0.5%	1.1%	0.6%	3.0%	6.6%	3.6%	28.3%	18.9%	(9.4)%
NBB	1.9%	1.9%	0.0%	14.4%	14.9%	0.5%	57.2%	44.6%	(12.6)%
Average	**1.0%**	**1.0%**	**0.0%**	**9.1%**	**8.3%**	**(0.8)%**	**33.6%**	**30.4%**	**(3.2)%**

Bank	Capital adequacy ratio 2014	2015	Δ Y-o-Y	Non-performing loan ratio 2014	2015	Δ Y-o-Y	Cost-to-income ratio 2014	2015	Δ Y-o-Y
AUB	15.5%	16.7%	1.2%	2.0%	1.8%	(0.2%	29.2%	28.3%	(0.9)%
Al Baraka	16.0%	14.6%	(1.4)%	1.2%	1.1%	(0.1)%	56.8%	53.6%	(3.2)%
Al Salam	18.7%	20.1%	1.4%	2.0%	11.0%	9.0%	57.3%	43.7%	(13.6)%
BISB	15.6%	17.7%	2.1%	8.4%	4.4%	(4.0)%	55.1%	51.7%	(3.4)%
BBK	15.6%	14.9%	(0.7)%	7.8%	7.2%	(0.6)%	39.3%	41.1%	1.8%
Ithmaar	12.1%	12.8%	0.7%	19.7%	16.4%	(3.3)%	87.3%	71.0%	(16.3)%
Khaleeji	23.3%	18.8%	(4.5)%	8.8%	16.0%	7.2%	72.0%	50.7%	(21.3)%
NBB	34.3%	30.0%	(4.3)%	10.0%	8.3%	(1.7)%	32.7%	31.9%	(0.8)%
Average	**18.9%**	**18.2%**	**(0.7)%**	**7.5%**	**8.3%**	**0.8%**	**53.7%**	**46.5%**	**(7.2)%**

Bank	Net impairment charge on loans and advances (US$ million) 2014	2015	Δ Y-o-Y	Share price (US$) 31/12/2014	31/03/2015	30/06/2015	30/09/2015	31/12/2015
AUB	237.6	184.3	(22.4)%	0.8	0.8	0.7	0.7	0.7
Al Baraka	15.1	15.5	2.6%	0.8	0.8	0.7	0.7	0.6
Al Salam	12.6	36.5	189.7%	0.3	0.3	0.4	0.3	0.2
BISB	160.1	100.6	(37.2)%	0.4	0.4	0.3	0.4	0.4
BBK	238.5	219.3	(8.1)%	1.2	1.1	1.1	1.1	1.2
Ithmaar	20.3	47.5	134.0%	0.2	0.1	0.2	0.2	0.1
Khaleeji	43.8	39.8	(9.1)%	0.1	0.1	0.2	0.2	0.2
NBB	103.1	129.0	25.1%	2.3	2.1	2.0	1.9	1.9
Total/Average	**831.1**	**772.6**	**(7.0)%**	**0.8**	**0.7**	**0.7**	**0.7**	**0.7**

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

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Appendix I: Data tables – Kuwait

Bank	Total assets (US$ million) 2014	2015	Δ Y-o-Y	Net profit (US$ million) 2014	2015	Δ Y-o-Y	Loan-to-deposit ratio 2014	2015	Δ Y-o-Y
AUBK	12,614.8	12,950.6	2.7%	164.9	142.0	(13.9)%	101.1%	100.7%	(0.4)%
ABK	12,271.5	14,459.0	17.8%	131.8	100.7	(23.6)%	125.0%	122.1%	(2.9)%
Boubyan	9,286.6	10,391.8	11.9%	99.0	116.9	18.1%	86.3%	90.5%	4.2%
Burgan	27,185.0	22,637.5	(16.7)%	216.6	252.5	16.6%	93.2%	103.5%	10.3%
GBK	18,695.9	18,036.9	(3.5)%	124.4	129.4	4.0%	97.9%	94.7%	(3.2)%
KFH	60,258.7	54,819.0	(9.0)%	443.6	483.8	9.1%	74.6%	75.0%	0.4%
KIB	5,830.8	5,937.6	1.8%	48.0	53.1	10.6%	108.5%	115.2%	6.7%
NBK	76,399.1	78,273.3	2.5%	918.2	935.9	1.9%	105.8%	112.4%	6.6%
CBK	14,774.6	13,391.9	(9.4)%	172.3	153.2	(11.1)%	90.8%	90.2%	(0.6)%
Warba	2,086.0	2,574.3	23.4%	0.4	3.3	725.0%	112.2%	125.5%	13.3%
Total/Average	**239,403.0**	**233,471.9**	**(2.5)%**	**2,319.1**	**2,370.7**	**2.2%**	**99.5%**	**103.0%**	**3.5%**

Bank	Return on assets 2014	2015	Δ Y-o-Y	Return on equity 2014	2015	Δ Y-o-Y	Liquidity ratio 2014	2015	Δ Y-o-Y
AUBK	1.4%	1.1%	(0.3)%	14.8%	12.5%	(2.3)%	27.1%	28.6%	1.5%
ABK	1.1%	0.8%	(0.3)%	6.8%	5.5%	(1.3)%	29.8%	27.1%	(2.7)%
Boubyan	1.2%	1.2%	0.0%	10.1%	11.5%	1.4%	25.0%	24.6%	(0.4)%
Burgan	0.8%	1.0%	0.2%	10.9%	10.1%	(0.8)%	40.1%	35.9%	(4.2)%
GBK	0.7%	0.7%	0.0%	7.1%	7.4%	0.3%	36.3%	37.1%	0.8%
KFH	0.8%	0.9%	0.1%	7.4%	8.3%	0.9%	12.2%	12.5%	0.3%
KIB	0.9%	0.9%	0.0%	5.9%	6.6%	0.7%	32.8%	32.7%	(0.1)%
NBK	1.3%	1.2%	(0.1)%	10.1%	10.6%	0.5%	39.1%	40.9%	1.8%
CBK	1.2%	1.1%	(0.1)%	8.8%	8.2%	(0.6)%	50.4%	46.2%	(4.2)%
Warba	0.0%	0.1%	0.1%	0.1%	1.1%	1.0%	38.0%	28.8%	(9.2)%
Average	**0.9%**	**0.9%**	**0.0%**	**8.2%**	**8.2%**	**0.0%**	**33.1%**	**31.5%**	**(1.6)%**

Bank	Capital adequacy ratio 2014	2015	Δ Y-o-Y	Non-performing loan ratio 2014	2015	Δ Y-o-Y	Cost-to-income ratio 2014	2015	Δ Y-o-Y
AUBK	16.3%	15.5%	(0.8)%	3.2%	2.6%	(0.6)%	32.0%	29.9%	(2.1)%
ABK	23.7%	17.2%	(6.5)%	0.9%	2.5%	1.6%	29.8%	32.0%	2.2%
Boubyan	18.1%	17.0%	(1.1)%	1.1%	0.9%	(0.2)%	45.2%	42.9%	(2.3)%
Burgan	13.5%	15.6%	2.1%	3.9%	4.1%	0.2%	45.0%	46.5%	1.5%
GBK	15.4%	15.6%	0.2%	0.3%	0.4%	0.1%	34.4%	35.8%	1.4%
KFH	16.3%	16.7%	0.4%	3.7%	3.0%	(0.7)%	51.3%	47.8%	(3.5)%
KIB	24.4%	21.7%	(2.7)%	7.6%	5.4%	(2.2)%	43.6%	33.2%	(10.4)%
NBK	14.5%	16.8%	2.3%	1.5%	1.3%	(0.2)%	32.5%	32.2%	(0.3)%
CBK	18.2%	18.4%	0.2%	0.8%	0.9%	0.1%	24.0%	27.2%	3.2%
Warba	30.9%	26.1%	(4.8)%	0.9%	2.8%	1.9%	85.5%	77.4%	(8.1)%
Average	**19.1%**	**18.1%**	**(1.0)%**	**2.4%**	**2.4%**	**0.0%**	**42.3%**	**40.5%**	**(1.8)%**

Bank	Net impairment charge on loans and advances (US$ million) 2014	2015	Δ Y-o-Y	Share price (US$) 31/12/2014	31/03/2015	30/06/2015	30/09/2015	31/12/2015
AUBK	158.4	83.5	(47.3)%	2.2	2.0	1.9	1.8	1.8
ABK	142.6	193.2	35.5%	1.4	1.2	1.2	1.1	1.2
Boubyan	39.8	32.7	(17.8)%	1.4	1.4	1.4	1.3	1.5
Burgan	215.0	182.7	(15.0)%	1.7	1.5	1.4	1.3	1.3
GBK	335.9	261.9	(22.0)%	1.0	0.9	0.9	0.9	0.9
KFH	798.7	620.6	(22.3)%	2.5	2.2	2.1	1.9	1.8
KIB	204.9	58.3	(71.5)%	0.9	0.8	0.8	0.8	0.7
NBK	475.4	431.1	(9.3)%	3.2	2.7	2.9	2.7	2.7
CBK	81.0	155.7	92.2%	2.2	2.1	2.1	2.0	1.7
Warba	6.3	10.0	58.7%	0.8	0.7	0.7	0.7	0.7
Total/Average	**2,458.0**	**2,029.6**	**(17.4)%**	**1.7**	**1.6**	**1.5**	**1.4**	**1.4**

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

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Appendix I: Data tables — Oman

Bank	Total assets (US$ million)			Net profit (US$ million)			Loan-to-deposit ratio		
	2014	2015	Δ Y-o-Y	2014	2015	Δ Y-o-Y	2014	2015	Δ Y-o-Y
Ahli Bank	4,258.7	4,914.8	15.4%	65.1	71.8	10.3%	129.1%	116.7%	(12.4)%
Alizz	309.7	654.3	111.3%	(14.2)	(13.9)	2.1%	455.8%	123.6%	(332.2)%
Bank Dhofar	8,270.2	9,302.8	12.5%	104.7	121.1	15.7%	90.8%	105.3%	14.5%
Bank Muscat	25,188.6	32,479.0	28.9%	422.6	454.3	7.5%	103.1%	99.5%	(3.6)%
Bank Nizwa	655.3	896.1	36.7%	(20.0)	(13.6)	31.8%	136.6%	142.0%	5.4%
Bank Sohar	5,373.6	5,715.8	6.4%	77.4	71.8	(7.2)%	91.7%	112.5%	20.8%
HSBC Oman	5,807.3	5,695.9	(1.9)%	31.7	33.5	5.7%	62.7%	66.6%	3.9%
NBO	7,705.7	8,449.4	9.7%	130.2	155.6	19.5%	106.4%	112.6%	6.2%
Total/Average	**57,569.3**	**68,108.0**	**18.3%**	**797.5**	**880.6**	**10.4%**	**147.0%**	**109.9%**	**(37.1)%**

Bank	Return on assets			Return on equity			Liquidity ratio		
	2014	2015	Δ Y-o-Y	2014	2015	Δ Y-o-Y	2014	2015	Δ Y-o-Y
Ahli Bank	1.7%	1.6%	(0.1)%	13.1%	13.0%	(0.1)%	7.5%	12.3%	4.8%
Alizz	(5.0)%	(2.9)%	2.1%	(5.8)%	(6.0)%	(0.2)%	201.9%	26.2%	(175.7)%
Bank Dhofar	1.4%	1.4%	0.0%	12.9%	12.5%	(0.4)%	26.0%	20.5%	(5.5)%
Bank Muscat	1.8%	1.6%	(0.2)%	12.9%	13.0%	0.1%	27.1%	36.6%	9.5%
Bank Nizwa	(3.4)%	(1.8)%	1.6%	(5.7)%	(4.1)%	1.6%	56.1%	15.1%	(41.0)%
Bank Sohar	1.5%	1.3%	(0.2)%	16.4%	12.5%	(3.9)%	22.6%	15.2%	(7.4)%
HSBC Oman	0.5%	0.6%	0.1%	4.0%	4.2%	0.2%	21.2%	20.5%	(0.7)%
NBO	1.7%	1.9%	0.2%	14.6%	15.5%	0.9%	22.8%	23.3%	0.5%
Average	**0.0%**	**0.5%**	**0.5%**	**7.8%**	**7.6%**	**-0.2%**	**48.2%**	**21.2%**	**(27.0)%**

Bank	Capital adequacy ratio			Non-performing loan ratio			Cost-to-income ratio		
	2014	2015	Δ Y-o-Y	2014	2015	Δ Y-o-Y	2014	2015	Δ Y-o-Y
Ahli Bank	14.0%	14.5%	0.5%	1.0%	1.1%	0.1%	34.3%	36.3%	2.0%
Alizz	96.3%	35.2%	(61.1)%	0.1%	0.0%	(0.1)%	398.5%	177.6%	(220.9)%
Bank Dhofar	14.0%	14.7%	0.7%	2.6%	2.3%	(0.3)%	46.7%	44.4%	(2.3)%
Bank Muscat	15.9%	16.1%	0.2%	0.0%	0.0%	0.0%	41.1%	41.7%	0.6%
Bank Nizwa	46.4%	35.8%	(10.6)%	0.0%	0.1%	0.1%	196.5%	129.1%	(67.4)%
Bank Sohar	13.1%	13.4%	0.3%	1.5%	1.2%	(0.3)%	44.6%	46.6%	2.0%
HSBC Oman	18.2%	19.4%	1.2%	7.3%	5.6%	(1.7)%	77.9%	74.4%	(3.5)%
NBO	20.9%	18.0%	(2.9)%	2.4%	2.3%	(0.1)%	47.6%	44.2%	(3.4)%
Average	**29.9%**	**20.9%**	**(9.0)%**	**1.9%**	**1.6%**	**(0.3)%**	**110.9%**	**74.3%**	**(36.6)%**

Bank	Net impairment charge on loans and advances (US$ million)			Share price (US$)				
	2014	2015	Δ Y-o-Y	31/12/2014	31/03/2015	30/06/2015	30/09/2015	31/12/2015
Ahli Bank	12.7	12.3	(3.1)%	0.6	0.6	0.6	0.5	0.5
Alizz	2.2	4.0	81.8%	0.2	0.2	0.2	0.2	0.2
Bank Dhofar	154.7	168.1	8.7%	0.9	0.7	0.7	0.6	0.6
Bank Muscat	166.6	186.4	11.9%	1.5	1.4	1.4	1.4	1.2
Bank Nizwa	3.9	5.2	34.2%	0.2	0.2	0.2	0.2	0.2
Bank Sohar	15.0	8.2	(45.3)%	0.6	0.5	0.5	0.4	0.4
HSBC Oman	7.6	8.9	17.1%	0.4	0.3	0.3	0.3	0.3
NBO	7.5	4.7	(37.3)%	0.8	0.7	0.9	0.8	0.7
Total/Average	**370.1**	**397.8**	**7.5%**	**0.7**	**0.6**	**0.6**	**0.5**	**0.5**

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

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Appendix I: Data tables — Qatar

Bank	Total assets (US$ million) 2014	2015	Δ Y-o-Y	Net profit (US$ million) 2014	2015	Δ Y-o-Y	Loan-to-deposit ratio 2014	2015	Δ Y-o-Y
Ahli	8,601.4	8,862.8	3.0%	164.8	177.7	7.8%	107.1%	118.0%	10.9%
Al Khaliji	14,045.5	15,540.4	10.6%	154.3	171.6	11.2%	97.9%	108.1%	10.2%
Doha	20,699.4	22,858.7	10.4%	372.4	376.9	1.2%	105.7%	105.4%	(0.3%)
MAR	21,953.8	22,782.4	3.8%	548.8	568.9	3.7%	92.5%	111.9%	19.4%
QIIB	10,524.7	11,124.2	5.7%	226.4	215.2	(4.9%)	82.0%	93.7%	11.7%
QIB	26,342.8	34,857.2	32.3%	439.0	536.3	22.2%	89.6%	95.3%	5.7%
QNB	133,310.4	147,793.8	10.9%	2,865.6	3,090.9	7.9%	94.6%	98.3%	3.7%
CBQ	31,700.3	33,866.7	6.8%	515.4	384.6	(25.4%)	117.8%	109.8%	(8.0%)
Total/Average	**267,178.2**	**297,686.2**	**11.4%**	**5,286.7**	**5,522.2**	**4.5%**	**98.4%**	**105.1%**	**6.7%**

Bank	Return on assets 2014	2015	Δ Y-o-Y	Return on equity 2014	2015	Δ Y-o-Y	Liquidity ratio 2014	2015	Δ Y-o-Y
Ahli	2.1%	2.0%	(0.1)%	15.5%	14.9%	(0.6)%	30.2%	22.0%	(8.2)%
Al Khaliji	1.2%	1.2%	0.0%	9.9%	10.6%	0.7%	36.5%	30.6%	(5.9)%
Doha	1.9%	1.7%	(0.2)%	13.3%	13.5%	0.2%	31.0%	26.3%	(4.7)%
MAR	2.7%	2.5%	(0.2)%	18.3%	17.7%	(0.6)%	14.9%	11.3%	(3.6)%
QIIB	2.3%	2.0%	(0.3)%	15.7%	14.4%	(1.3)%	32.8%	28.9%	(3.9)%
QIB	1.8%	1.8%	0.0%	13.2%	15.1%	1.9%	21.6%	18.0%	(3.6)%
QNB	2.2%	2.2%	0.0%	19.0%	19.1%	0.1%	22.3%	19.8%	(2.5)%
CBQ	1.6%	1.2%	(0.4)%	12.1%	8.6%	(3.5)%	30.4%	27.5%	(2.9)%
Average	**2.0%**	**1.8%**	**(0.2)%**	**14.6%**	**14.2%**	**(0.4)%**	**27.5%**	**23.1%**	**(4.4)%**

Bank	Capital adequacy ratio 2014	2015	Δ Y-o-Y	Non-performing loan ratio 2014	2015	Δ Y-o-Y	Cost-to-income ratio 2014	2015	Δ Y-o-Y
Ahli	18.1%	15.0%	(3.1)%	1.2%	1.2%	0.0%	30.3%	29.0%	(1.3)%
Al Khaliji	15.3%	13.8%	(1.5)%	1.4%	0.9%	(0.5)%	42.0%	34.2%	(7.8)%
Doha	15.0%	15.8%	0.8%	3.1%	3.3%	0.2%	35.7%	36.7%	1.0%
MAR	18.4%	18.5%	0.1%	0.1%	0.1%	0.0%	20.8%	24.7%	3.9%
QIIB	21.3%	16.7%	(4.6)%	1.0%	1.7%	0.7%	29.5%	31.6%	2.1%
QIB	14.6%	14.1%	(0.5)%	0.8%	0.6%	(0.2)%	35.6%	33.7%	(1.9)%
QNB	16.2%	16.3%	0.1%	1.6%	1.4%	(0.2)%	21.6%	22.5%	0.9%
CBQ	15.2%	13.5%	(1.7)%	3.8%	4.2%	0.4%	37.8%	41.7%	3.9%
Average	**16.8%**	**15.5%**	**(1.3)%**	**1.6%**	**1.7%**	**0.1%**	**31.7%**	**31.7%**	**0.0%**

Bank	Net impairment charge on loans and advances (US$ million) 2014	2015	Δ Y-o-Y	Share price (US$) 31/12/2014	31/03/2015	30/06/2015	30/09/2015	31/12/2015
Ahli	11.0	4.2	(61.8)%	15.0	13.5	12.9	13.7	12.6
Al Khaliji	1.6	22.2	1287.5%	6.0	5.5	6.2	5.9	4.9
Doha	120.4	80.4	(33.2)%	15.6	13.8	14.6	13.8	12.2
MAR	3.4	(0.2)	(105.9)%	12.1	13.1	12.8	11.8	10.3
QIIB	7.7	27.7	259.7%	22.4	21.5	21.8	20.5	17.6
QIB	24.6	28.8	17.1%	28.0	27.3	29.6	31.4	29.3
QNB	304.1	118.8	(60.9)%	58.4	53.1	52.9	51.5	48.0
CBQ	170.7	231.0	35.3%	18.8	15.1	15.1	15.5	12.6
Total/Average	**643.5**	**513.0**	**(20.3)%**	**22.0**	**20.4**	**20.7**	**20.5**	**18.5**

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

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Appendix I: Data tables — Saudi

Bank	Total assets (US$ million)			Net profit (US$ million)			Loan-to-deposit ratio		
	2014	2015	Δ Y-o-Y	2014	2015	Δ Y-o-Y	2014	2015	Δ Y-o-Y
Al Rajhi	82,035.9	84,081.1	2.5%	1,822.5	1,899.5	4.2%	80.4%	82.0%	1.6%
Alinma	21,557.8	23,636.2	9.6%	337.1	391.6	16.2%	90.3%	86.3%	(4.0)%
ANB	43,900.6	45,400.2	3.4%	766.5	789.7	3.0%	80.0%	84.9%	4.9%
BAB	12,058.3	13,645.1	13.2%	230.4	210.0	(8.9)%	77.2%	81.2%	4.0%
BAJ	17,743.3	16,853.6	(5.0)%	152.6	342.9	124.7%	75.6%	84.3%	8.7%
BSF	50,327.9	48,944.1	(2.7)%	937.5	1,075.3	14.7%	80.2%	87.1%	6.9%
Riyad	57,209.5	59,491.3	4.0%	1,160.4	1,078.8	(7.0)%	81.4%	86.6%	5.2%
SAMBA	57,958.5	62,668.6	8.1%	1,334.4	1,388.6	4.1%	75.8%	75.7%	(0.1)%
SHB	25,758.7	28,789.9	11.8%	485.5	538.8	11.0%	84.8%	85.7%	0.9%
NCB	1,15,938.5	1,19,704.3	3.2%	2,307.5	2,421.4	4.9%	66.3%	77.8%	11.5%
SABB	50,016.6	50,016.7	0.0%	1,137.3	1,153.7	1.4%	79.0%	84.4%	5.4%
SAIB	24,960.8	24,944.0	(0.1)%	383.0	354.0	(7.6)%	81.3%	85.3%	4.0%
Total/Average	**559,466.4**	**578,175.3**	**3.3%**	**11,054.5**	**11,644.1**	**5.3%**	**79.3%**	**83.4%**	**4.1%**

Bank	Return on assets			Return on equity			Liquidity ratio		
	2014	2015	Δ Y-o-Y	2014	2015	Δ Y-o-Y	2014	2015	Δ Y-o-Y
Al Rajhi	2.3%	2.3%	0.0%	17.0%	16.1%	(0.9)%	19.9%	20.7%	0.8%
Alinma	1.8%	1.7%	(0.1)%	7.3%	8.1%	0.8%	27.5%	31.2%	3.7%
ANB	1.9%	1.8%	(0.1)%	14.5%	14.0%	(0.5)%	24.2%	18.7%	(5.5)%
BAB	2.1%	1.6%	(0.5)%	15.7%	12.8%	(2.9)%	36.5%	30.9%	(5.6)%
BAJ	0.9%	2.0%	1.1%	9.6%	19.0%	9.4%	22.1%	19.9%	(2.2)%
BSF	2.0%	2.2%	0.2%	14.2%	15.0%	0.8%	14.7%	16.6%	1.9%
Riyad	2.1%	1.8%	(0.3)%	12.5%	11.2%	(1.3)%	31.2%	28.4%	(2.8)%
SAMBA	2.4%	2.3%	(0.1)%	13.6%	13.2%	(0.4)%	27.5%	26.2%	(1.3)%
SHB	2.1%	2.0%	(0.1)%	18.1%	17.8%	(0.3)%	15.5%	10.6%	(4.9)%
NCB	2.1%	2.1%	0.0%	20.1%	19.4%	(0.7)%	16.5%	15.4%	(1.1)%
SABB	2.3%	2.3%	0.0%	17.4%	16.0%	(1.4)%	20.2%	20.3%	0.1%
SAIB	1.6%	1.4%	(0.2)%	13.0%	11.1%	(1.9)%	29.1%	29.4%	0.3%
Average	**2.0%**	**2.0%**	**0.0%**	**14.4%**	**14.5%**	**0.1%**	**23.7%**	**22.4%**	**(1.3)%**

Bank	Capital adequacy ratio			Non-performing loan ratio			Cost-to-income ratio		
	2014	2015	Δ Y-o-Y	2014	2015	Δ Y-o-Y	2014	2015	Δ Y-o-Y
Al Rajhi	19.6%	20.8%	1.2%	1.3%	1.5%	0.2%	33.1%	33.9%	0.8%
Alinma	26.1%	22.9%	(3.2)%	0.6%	0.7%	0.1%	45.4%	41.7%	(3.7)%
ANB	14.9%	15.5%	0.6%	1.0%	1.0%	0.0%	38.1%	38.0%	(0.1)%
BAB	16.7%	15.9%	(0.8)%	1.5%	1.5%	0.0%	59.2%	61.6%	2.4%
BAJ	14.0%	15.8%	1.8%	0.9%	0.8%	(0.1)%	57.2%	54.2%	(3.0)%
BSF	17.3%	17.2%	(0.1)%	1.0%	0.9%	(0.1)%	32.9%	33.2%	0.3%
Riyad	17.3%	18.4%	1.1%	0.8%	0.9%	0.1%	34.8%	36.5%	1.7%
SAMBA	19.9%	20.1%	0.2%	1.3%	0.8%	(0.5)%	30.2%	30.9%	0.7%
SHB	15.9%	15.6%	(0.3)%	1.3%	1.1%	(0.2)%	31.8%	32.2%	0.4%
NCB	17.2%	17.2%	0.0%	1.3%	1.4%	0.1%	39.0%	37.4%	(1.6)%
SABB	17.5%	17.6%	0.1%	1.3%	1.2%	(0.1)%	28.7%	29.7%	1.0%
SAIB	17.1%	16.9%	(0.2)%	0.7%	0.7%	0.0%	36.1%	38.8%	2.7%
Average	**17.8%**	**17.8%**	**0.0%**	**1.1%**	**1.1%**	**0.0%**	**38.9%**	**39.0%**	**0.1%**

Bank	Net impairment charge on loans and advances (US$ million)			Share price (US$)				
	2014	2015	Δ Y-o-Y	31/12/2014	31/03/2015	30/06/2015	30/09/2015	31/12/2015
Al Rajhi	616.4	521.6	(15.4)%	13.7	15.3	16.2	14.6	13.9
Alinma	38.6	52.3	35.5%	5.4	5.9	6.0	4.5	3.9
ANB	146.9	175.0	19.1%	8.1	8.6	8.8	7.2	6.3
BAB	(2.0)	21.0	(1150.0)%	9.5	9.8	10.2	6.5	6.6
BAJ	102.1	14.1	(86.2)%	7.4	7.5	7.6	5.4	4.3
BSF	85.6	48.2	(43.7)%	8.3	8.9	8.6	8.0	7.5
Riyad	240.0	274.6	14.4%	4.5	4.5	4.4	3.7	3.3
SAMBA	37.7	37.9	0.5%	6.2	6.8	6.9	6.2	6.2
SHB	92.1	111.4	21.0%	9.9	11.5	11.7	8.8	7.7
NCB	265.4	426.3	60.6%	14.7	16.3	16.6	14.4	13.6
SABB	120.2	114.5	(4.7%	10.4	8.6	8.8	7.4	6.6
SAIB	59.0	31.4	(46.8)%	6.4	6.4	6.1	5.4	4.6
Total/Average	**1,801.9**	**1,828.3**	**1.5%**	**8.7**	**9.2**	**9.3**	**7.7**	**7.0**

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

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Appendix I: Data tables — UAE

Bank	Total assets (US$ million) 2014	2015	Δ Y-o-Y	Net profit (US$ million) 2014	2015	Δ Y-o-Y	Loan-to-deposit ratio 2014	2015	Δ Y-o-Y
ADCB	55,534.1	62,134.3	11.9%	1,102.3	1,340.4	21.6%	111.5%	107.1%	(4.4)%
ADIB	30,460.2	32,222.4	5.8%	475.5	525.8	10.6%	86.1%	82.6%	(3.5)%
CBD	12,760.3	15,750.6	23.4%	327.3	290.2	(11.3)%	98.9%	96.4%	(2.5)%
DIB	33,722.1	40,802.1	21.0%	724.2	967.8	33.6%	80.1%	88.4%	8.3%
ENBD	98,814.3	1,10,665.7	12.0%	1,398.7	1,938.9	38.6%	95.2%	94.2%	(1.0)%
FGB	57,752.3	61,924.5	7.2%	1,539.5	1,634.9	6.2%	98.9%	105.1%	6.2%
Mashreq	28,809.7	31,345.8	8.8%	653.6	653.9	0.0%	84.8%	81.7%	(3.1)%
NBAD	1,02,374.1	1,10,666.7	8.1%	1,518.6	1,424.1	(6.2)%	79.9%	88.1%	8.2%
RAKBANK	9,480.8	11,038.5	16.4%	395.9	381.2	(3.7)%	102.5%	99.9%	(2.6)%
UNB	25,440.7	27,733.5	9.0%	545.0	504.2	(7.5)%	95.0%	91.5%	(3.5)%
Total/Average	**455,148.6**	**504,284.1**	**10.8%**	**8,680.7**	**9,661.4**	**11.3%**	**93.3%**	**93.5%**	**0.2%**

Bank	Return on assets 2014	2015	Δ Y-o-Y	Return on equity 2014	2015	Δ Y-o-Y	Liquidity ratio 2014	2015	Δ Y-o-Y
ADCB	2.1%	2.3%	0.2%	18.1%	20.3%	2.2%	29.1%	29.9%	0.8%
ADIB	1.6%	1.7%	0.1%	18.4%	18.7%	0.3%	24.2%	22.5%	(1.7)%
CBD	2.6%	2.0%	(0.6)%	16.0%	13.3%	(2.7)%	33.4%	32.8%	(0.6)%
DIB	2.2%	2.6%	0.4%	21.6%	25.6%	4.0%	21.9%	16.0%	(5.9)%
ENBD	1.5%	1.9%	0.4%	13.0%	16.6%	3.6%	27.4%	30.1%	2.7%
FGB	2.8%	2.7%	(0.1)%	19.1%	18.9%	(0.2)%	27.3%	26.4%	(0.9)%
Mashreq	2.5%	2.2%	(0.3)%	15.7%	14.2%	(1.5)%	37.9%	41.3%	3.4%
NBAD	1.6%	1.3%	(0.3)%	16.7%	14.3%	(2.4)%	44.6%	49.8%	5.2%
RAKBANK	4.5%	3.7%	(0.8)%	21.3%	18.9%	(2.4)%	16.9%	21.8%	4.9%
UNB	2.2%	1.9%	(0.3)%	13.6%	11.7%	(1.9)%	28.7%	31.8%	3.1%
Average	**2.4%**	**2.2%**	**(0.2)%**	**17.4%**	**17.3%**	**(0.1)%**	**29.1%**	**30.2%**	**1.1%**

Bank	Capital adequacy ratio 2014	2015	Δ Y-o-Y	Non-performing loan ratio 2014	2015	Δ Y-o-Y	Cost-to-income ratio 2014	2015	Δ Y-o-Y
ADCB	21.0%	19.8%	(1.2)%	3.1%	3.0%	(0.1)%	34.0%	34.2%	0.2%
ADIB	14.4%	15.1%	0.7%	3.8%	3.3%	(0.5)%	45.2%	46.2%	1.0%
CBD	18.1%	16.6%	(1.5)%	9.3%	6.9%	(2.4)%	33.7%	36.5%	2.8%
DIB	14.9%	15.7%	0.8%	8.0%	5.0%	(3.0)%	35.1%	34.3%	(0.8)%
ENBD	21.1%	20.7%	(0.4)%	7.9%	7.1%	(0.8)%	30.4%	31.0%	0.6%
FGB	17.5%	17.5%	0.0%	2.8%	2.5%	(0.3)%	20.7%	20.6%	(0.1)%
Mashreq	16.6%	16.9%	0.3%	3.7%	2.8%	(0.9)%	37.8%	41.4%	3.6%
NBAD	16.4%	16.7%	0.3%	3.6%	3.2%	(0.4)%	35.5%	38.7%	3.2%
RAKBANK	23.9%	22.3%	(1.6)%	2.4%	3.2%	0.8%	42.3%	37.5%	(4.8)%
UNB	19.9%	19.4%	(0.5)%	3.8%	3.5%	(0.3)%	27.3%	27.8%	0.5%
Average	**18.4%**	**18.1%**	**(0.3)%**	**4.8%**	**4.1%**	**(0.7)%**	**34.2%**	**34.8%**	**0.6%**

Bank	Net impairment charge on loans and advances (US$ million) 2014	2015	Δ Y-o-Y	Share price (US$) 31/12/2014	31/03/2015	30/06/2015	30/09/2015	31/12/2015
ADCB	220.8	136.2	(38.3)%	1.9	1.8	2.1	2.1	1.8
ADIB	206.3	223.2	8.2%	1.6	1.4	1.4	1.2	1.1
CBD	94.5	136.5	44.4%	1.4	1.6	1.8	1.7	1.7
DIB	191.2	111.7	(41.6)%	1.9	1.7	1.9	1.8	1.7
ENBD	1,250.8	853.8	(31.7)%	2.4	2.5	2.7	2.4	2.0
FGB	370.6	383.0	3.3%	4.6	4.0	4.1	3.8	3.4
Mashreq	292.5	272.1	(7.0)%	31.6	29.9	32.1	30.5	22.3
NBAD	236.3	256.7	8.6%	3.8	3.2	3.0	2.6	2.2
RAKBANK	162.0	287.3	77.3%	2.2	2.2	2.1	1.9	1.7
UNB	134.0	212.4	58.5%	1.6	1.5	1.9	1.7	1.3
Total/Average	**3,159.1**	**2,872.8**	**(9.1)%**	**5.3**	**5.0**	**5.3**	**5.0**	**3.9**

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

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Appendix II: Sources

Bahrain

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15. 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.
16. The below currency conversion rates from Oanda.com have been used:
    a. Bahraini Dinar(BD)/US$ [2014: 2.6525, 2015: 2.6525]
    b. Kuwaiti Dinar[1] (KD)/US$ [2014: 3.5071, 2015: 3.3170]
    c. Omani Rial (RO)/US$ [2014: 2.5892, 2015: 2.5891]
    d. Qatari Rial (QAR)/US$ [2014: 0.2741, 2015: 0.2744]
    e. Saudi Riyal (SAR)/US$ [2014: 0.2666, 2015: 0.2664]
    f. UAE Dirham (AED)/US$ [2014: 0.2722, 2015: 0.2722]

Note: [1]The Kuwaiti Dinar is pegged to a basket of currencies as compared to the other GCC currencies, which are pegged to the US$.

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