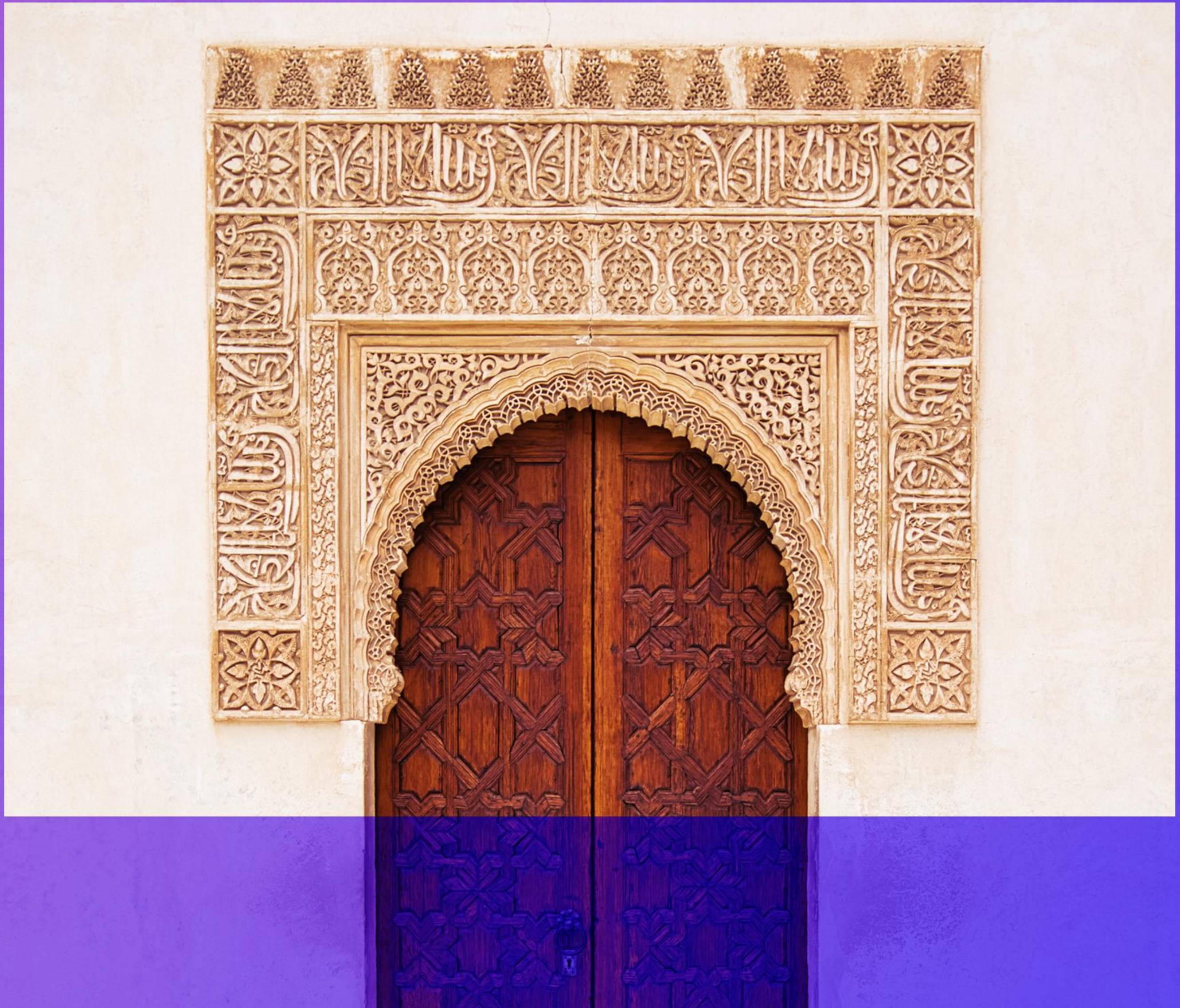
GCC listed banks' results

Cautious optimism

Year-ended 31 December 2022

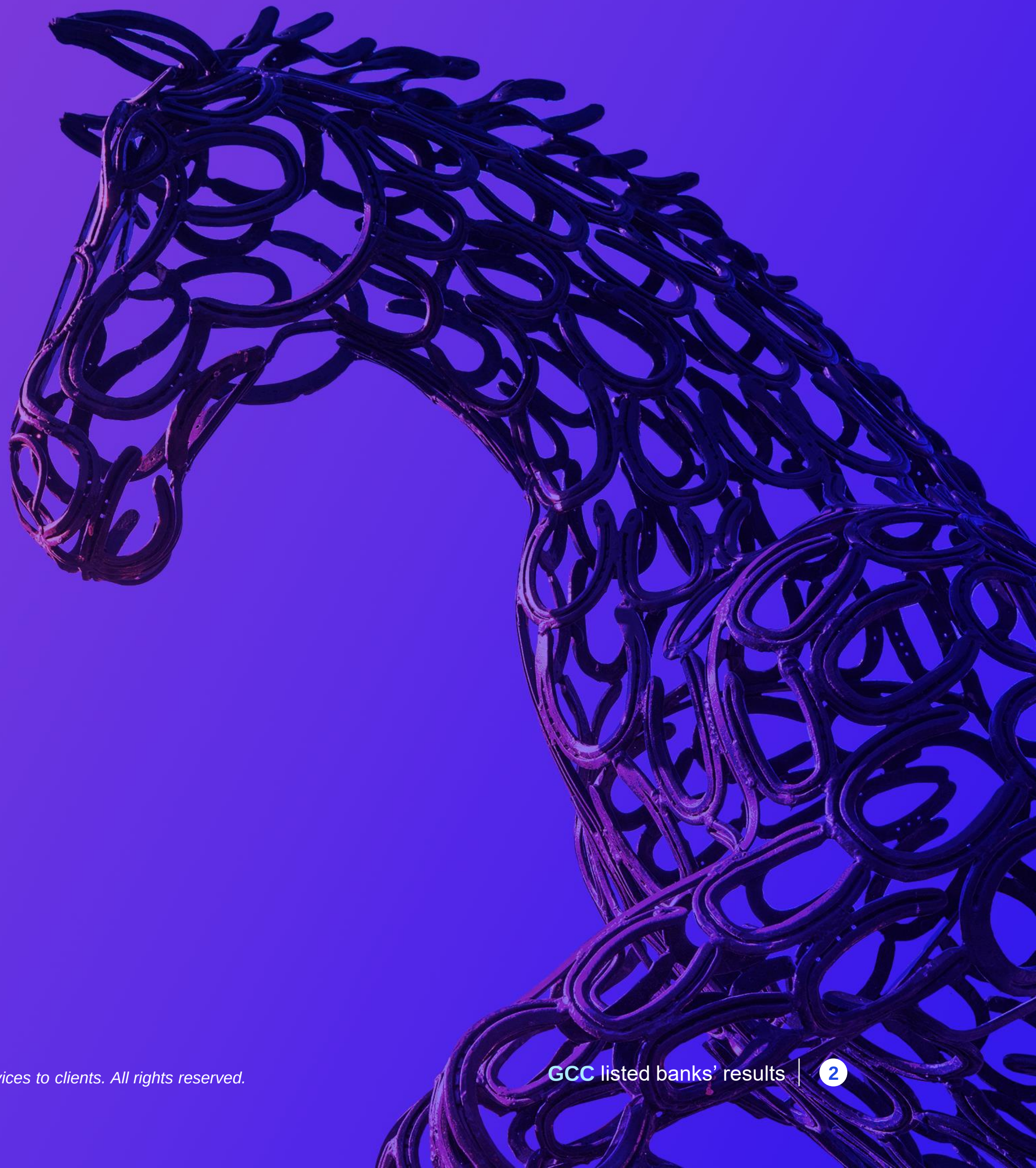


March 2023

kpmg.com

Basis of preparation

In this report, KPMG professionals have analyzed the financial results of leading listed commercial banks from each GCC country — the Kingdom of Bahrain (Bahrain), the State of Kuwait (Kuwait), the Sultanate of Oman (Oman), the State of Qatar (Qatar), the Kingdom of Saudi Arabia (Saudi Arabia or KSA) and the United Arab Emirates (UAE). The financial results and selected Key Performance Indicators (KPIs) of the 52 leading GCC banks for the year-ended 31 December 2022 are summarized and compared with the prior year (year-ended 31 December 2021).



Foreword

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

The 2022 report, titled '**Cautious optimism**', highlights some of the key financial trends including:

- **Robust asset growth**
- **Strong profitability increase**
- **Improved Net Interest Margins (NIM)**
- **Stable Non-Performing Loan (NPL) ratios**
- **Reduced loan impairment**
- **Continuous cost efficiencies**
- **Steady share prices**

2022 emerged as a year of stability post recovery from an unprecedented period where the banking sector bore the brunt of the COVID-19 pandemic, and which was reflected in bank results. The GCC banking sector continued to maintain resilience and build on the proactive and timely measures taken by banks, coupled with effective government support, to ensure stability in the sector.

Looking forward, the key predictions for the sector in 2023 that are explored in this report are:

- **Effective NPL management**
- **Strong regulatory oversight**
- **Cautious and selective lending**
- **Pressure on NIMs**
- **Overall sense of 'cautious optimism'**
- **Cost and operational efficiencies**
- **Focus on ESG**
- **Digital transformation**
- **Further consolidation**

We hope that our analysis, insights and predictions will continue to help drive banking strategies and shape the industry across the region.

Dr. Rasheed Al-Qenae

Chairman
KPMG in the Middle East, South Asia and Caspian region
Managing Partner
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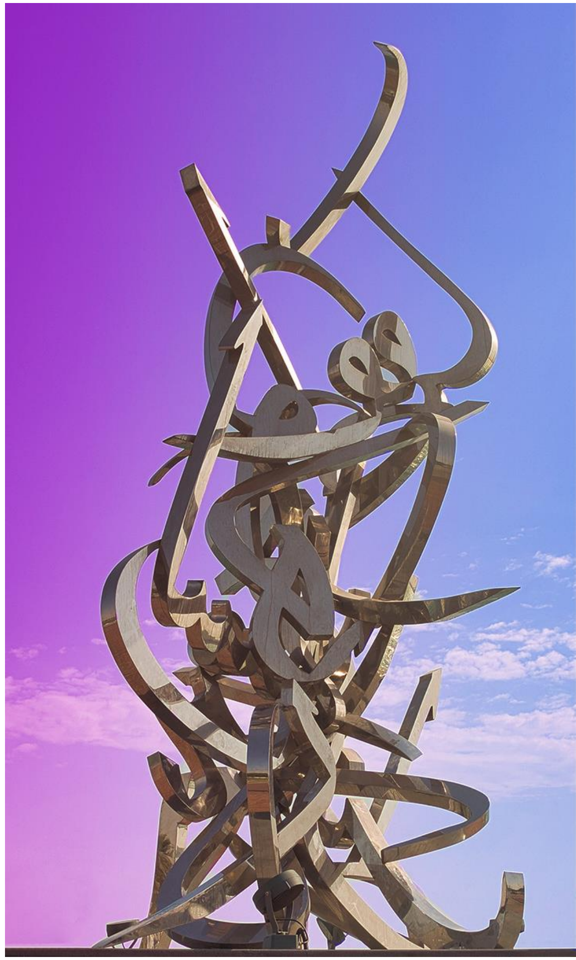

Content

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Executive summary

9.9% ↑

Total assets

Total assets increased from **US$2.6 trillion** in 2021 to **US$2.9 trillion** in 2022.

0.3% ↓

Capital adequacy ratio

decreased from **18.9 percent** in 2021 to **18.6 percent** in 2022.

1.0% ↓

Cost-to-income ratio

decreased from **40.9 percent** in 2021 to an average **39.9 percent** in 2022.

0.2% ↑

Net interest margin

increased from **2.8 percent** in 2021 to **3.0 percent** in 2022.

25.3% ↑

Net profit

Net profit increased from **US$34.3 billion** in 2021 to **US$43.0 billion** in 2022.

0.7% ↑

Share price

increased by **0.7 percent** from 2021 to 2022.

0.2% ↑

ROA

increased from **1.1 percent** in 2021 to **1.3 percent** in 2022.

1.2% ↓

ROE

decreased from **11.8 percent** in 2021 to **10.6 percent** in 2022.

1.3% ↓

Dividend payout ratio

decreased from **60.4 percent** in 2021 to **59.1 percent** in 2022.

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

Executive summary (Cont'd)

11.2% ↓

Net provision on loans

decreased from
US$15.0 billion in 2021
to **US$13.3 billion** in 2022.

0.1% ↓

NPL

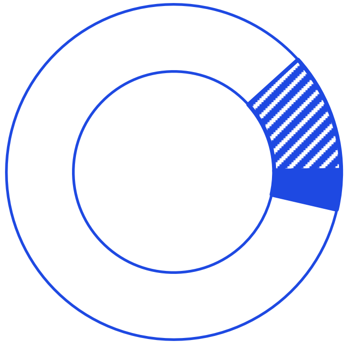
decreased from
3.9 percent in 2021
to **3.8 percent** in 2022.

Coverage ratio on loans

Stage 1	Stage 2	Stage 3
0.6%	10.9%	67.1%
0.0% -	0.4% ↑	1.7% ↑

Stage 1
Stage 2
Stage 3

Exposure subject to ECL



84.7% 0.5% ↑

11.5% 0.4% ↓

3.8% 0.1% ↓ NPL

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

Results snapshot

KPI	Total assets (US$ billion)			Total net profit (US$ million)			Average capital adequacy ratio (%)			Return on equity/return on assets (%)						Net interest margin (%)		
										ROE			ROA					
	2021	2022	y-o-y	2021	2022	y-o-y	2021	2022	y-o-y	2021	2022	y-o-y	2021	2022	y-o-y	2021	2022	y-o-y
Bahrain	114.3	113.1	▼ 1.1%	1,126.5	1,157.9	▲ 2.8%	19.8%	20.3%	▲ 0.5%	25.6%	9.4%	▼ 16.2%	0.9%	1.0%	▲ 0.1%	3.4%	3.6%	▲ 0.2%
Kuwait	306.5	372.0	▲ 21.4%	2,726.9	3,716.2	▲ 36.3%	18.3%	17.3%	▼ 1.0%	6.7%	7.5%	▲ 0.8%	0.7%	0.8%	▲ 0.1%	2.5%	2.4%	▼ 0.1%
Oman	93.4	93.5	▲ 0.1%	880.3	1,062.5	▲ 20.7%	18.4%	18.5%	▲ 0.1%	6.6%	8.0%	▲ 1.4%	0.8%	1.0%	▲ 0.2%	2.6%	2.7%	▲ 0.1%
Qatar	504.8	525.4	▲ 4.1%	6,376.1	6,901.6	▲ 8.2%	19.3%	19.2%	▼ 0.1%	12.9%	13.0%	▲ 0.1%	1.4%	1.4%	▼ 0.1%	2.6%	2.7%	▲ 0.1%
Saudi Arabia	807.7	900.5	▲ 11.5%	12,977.2	16,661.4	▲ 28.4%	20.7%	19.7%	▼ 1.0%	10.9%	11.8%	▲ 1.0%	1.6%	1.7%	▲ 0.2%	3.2%	3.4%	▲ 0.2%
UAE	814.3	896.9	▲ 10.1%	10,243.0	13,502.7	▲ 31.8%	17.3%	17.1%	▼ 0.2%	9.5%	13.7%	▲ 4.2%	1.2%	1.6%	▲ 0.4%	2.6%	3.0%	▲ 0.4%
Total	2,641.1	2,901.4	▲ 9.9%	34,330.0	43,002.4	▲ 25.3%	18.9%	18.6%	▼ 0.3%	11.8%	10.6%	▼ 1.2%	1.1	1.3%	▲ 0.2%	2.8%	3.0%	▲ 0.2%

■ 2021 ■ 2022 ▲ y-o-y[3] increase ▼ y-o-y[3] decrease ● No change

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

Results snapshot (Cont'd)

KPI	Average cost-to-income ratio[1] (%)	Dividend payout ratio[2] (%)	Total net provision charge on loans[1] — By stage (US$ million)	Coverage ratios on loans — By stage (%)	Total loans subject to ECL — By stage as at 31 December 2022 (%)
Bahrain	51.0% / 49.3% ▼1.7%	30.5% / 30.7% ▲0.2%	472.8 / 523.6 ▲10.7%	0.8% 11.2% 61.9% / 0.8% 11.9% 64.6% ▲2.7%	82.3% 13.9% 3.8% NPL
Kuwait	42.9% / 46.6% ▲3.7%	113.7% / 95.3% ▼18.4%	1,766.3 / 611.9 ▼65.4%	0.6% 8.7% 57.3% / 0.6% 8.4% 64.4% ▲7.1%	90.1% 8.3% 1.6% NPL
Oman	53.6% / 48.9% ▼4.7%	101.5% / 120.4% ▲18.9%	562.1 / 730.4 ▲29.9%	0.4% 6.0% 62.4% / 0.3% 8.3% 61.5% ▼0.9%	76.6% 19.4% 4.1% NPL
Qatar	22.6% / 22.8% ▲0.2%	49.1% / 50.7% ▲1.6%	3,434.6 / 3,896.2 ▲13.4%	0.4% 6.0% 91.6% / 0.6% 6.0% 82.7% ▼8.9%	78.7% 17.4% 3.9% NPL
Saudi Arabia	38.9% / 37.1% ▼1.8%	30.8% / 28.2% ▼2.6%	3,743.5 / 3,183.9 ▼14.9%	0.6% 14.0% 61.6% / 0.4% 13.2% 61.2% ▼0.4%	91.4% 6.3% 2.3% NPL
UAE	35.6% / 33.8% ▼1.8%	41.0% / 37.2% ▼3.8%	4,960.2 / 4,343.3 ▼12.4%	0.6% 14.9% 58.6% / 0.6% 18.1% 63.9% ▲5.2%	87.9% 6.4% 5.7% NPL
Total	40.9% / 39.9% ▼1.0%	60.4% / 59.1% ▼1.3%	14,963.3 / 13,292.2 ▼11.2%	0.6% 10.5% 65.4% / 0.6% 10.9% 67.1% ▲1.7%	84.7% 11.5% 3.8% NPL

■ 2021 ■ 2022 ▲ y-o-y[3] increase ▼ y-o-y[3] decrease ● No change ■ Stage 1: 2021 ■ Stage 2: 2021 ■ Stage 3: 2021 ■ Stage 1: 2022 ■ Stage 2: 2022 ■ Stage 3: 2022

Note: The total assets, net profit, and net provision charge on loans represent totals of all analyzed listed banks covered for each country. Y-o-Y percentage change has been calculated based on the actual, not rounded numbers. For all other KPIs, a simple average of all listed banks has been used.
1. Decrease (Increase) in cost-to-income ratio and net provision charge on loans has been shown as a positive (or negative) movement. 2. Increase (Decrease) in dividend payout ratio has been denoted as positive (negative) for presentation purpose only.

Economic snapshot

Bahrain

GDP (US$ billion)	Inflation rate	Credit ratings (Long-term issuer)		
		S&P	Moody's	Fitch
75	3.9%	B+	B2	B+

Qatar

GDP (US$ billion)	Inflation rate	Credit ratings (Long-term issuer)		
		S&P	Moody's	Fitch
258	5.9%	AA	Aa3	AA-

Kuwait

GDP (US$ billion)	Inflation rate	Credit ratings (Long-term issuer)		
		S&P	Moody's	Fitch
211	3.2%	A+	A1	AA-

Saudi Arabia

GDP (US$ billion)	Inflation rate	Credit ratings (Long-term issuer)		
		S&P	Moody's	Fitch
1,715	4.0%	A-	A1	A

Oman

GDP (US$ billion)	Inflation rate	Credit ratings (Long-term issuer)		
		S&P	Moody's	Fitch
162	1.9%	BB	Ba3	BB

UAE

GDP (US$ billion)	Inflation rate	Credit ratings (Long-term issuer)		
		S&P	Moody's	Fitch
686	5.5%	AA	Aa2	AA-

Source: GDP | Data | PPP | 2022, World Economics; Inflation rates as of 31 December 2022, Trading Economics, accessed on 6 February 2023.

Country rankings

Bahrain Kuwait Oman Qatar Saudi Arabia United Arab Emirates

Metric	Rank	By y-o-y GROWTH rate (2021 vs. 2022): Country	Δ y-o-y	Rank	By VALUE/PERCENT as of 31 December 2022: Country	Value/percent
Total assets – by average (US$ million)	1	Kuwait	21.4%	1	Saudi Arabia	90,051.2
	2	Saudi Arabia	11.5%	2	UAE	89,686.8
	3	UAE	10.1%	3	Qatar	75,058.4
	4	Qatar	4.1%	4	Kuwait	41,331.2
	5	Oman	0.1%	5	Bahrain	14,136.7
	6	Bahrain	(1.1)%	6	Oman	11,689.4
Net profit – by average (US$ million)	1	Kuwait	36.3%	1	Saudi Arabia	1,666.1
	2	UAE	31.8%	2	UAE	1,350.3
	3	Saudi Arabia	28.4%	3	Qatar	985.9
	4	Oman	20.7%	4	Kuwait	412.9
	5	Qatar	8.2%	5	Bahrain	144.7
	6	Bahrain	2.8%	6	Oman	132.8
Net provision charge on loans[1] – by average (US$ million)	1	Oman	29.9%	1	Qatar	556.6
	2	Qatar	13.4%	2	UAE	434.3
	3	Bahrain	10.7%	3	Saudi Arabia	318.4
	4	UAE	(12.4)%	4	Oman	91.3
	5	Saudi Arabia	(14.9)%	5	Kuwait	68.0
	6	Kuwait	(65.4)%	6	Bahrain	65.5

Note: 1. Ranking for net provision charge on loans has been sorted from the largest to the smallest, reflecting the highest charge at the top.
Y-o-y represents year-on-year. The rankings are based on the actual, not rounded off, numbers.

Country rankings (Cont'd)

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

	Rank	By y-o-y GROWTH rate (2021 vs. 2022): Country	Δ y-o-y	Rank	By VALUE/PERCENT as of 31 December 2022: Country	Value/percent
Return on equity (%)	1	UAE	4.2%	1	UAE	13.7%
	2	Oman	1.4%	2	Qatar	13.0%
	3	Saudi Arabia	1.0%	3	Saudi Arabia	11.8%
	4	Kuwait	0.8%	4	Bahrain	9.4%
	5	Qatar	0.0%	5	Oman	8.0%
	6	Bahrain	(16.2)%	6	Kuwait	7.5%
Return on assets (%)	1	UAE	0.4%	1	Saudi Arabia	1.7%
	2	Oman	0.2%	2	UAE	1.6%
	3	Saudi Arabia	0.2%	3	Qatar	1.4%
	4	Kuwait	0.1%	4	Oman	1.0%
	5	Bahrain	0.1%	5	Bahrain	1.0%
	6	Qatar	0.1%	6	Kuwait	0.8%
Capital adequacy ratio (%)	1	Bahrain	0.5%	1	Bahrain	20.3%
	2	Oman	0.1%	2	Saudi Arabia	19.7%
	3	Qatar	(0.1)%	3	Qatar	19.2%
	4	UAE	(0.2)%	4	Oman	18.5%
	5	Saudi Arabia	(1.0)%	5	Kuwait	17.3%
	6	Kuwait	(1.0)%	6	UAE	17.1%

Note: Y-o-y represents year-on-year. Y-o-y change for CAR, ROE and ROA are calculated basis absolute change. The rankings are based on the actual, not rounded off, numbers.

Country rankings (Cont'd)

Bahrain Kuwait Oman Qatar Saudi Arabia United Arab Emirates

		By y-o-y GROWTH rate (2021 vs. 2022)			By VALUE/PERCENT as of 31 December 2022	
		Country	Δ y-o-y		Country	Value/percent
Cost-to-income ratio[1] (%)	1	Oman	(4.7)%	1	Qatar	22.8%
	2	Saudi Arabia	(1.8)%	2	UAE	33.8%
	3	UAE	(1.8)%	3	Saudi Arabia	37.1%
	4	Bahrain	(1.7)%	4	Kuwait	46.6%
	5	Qatar	0.2%	5	Oman	48.9%
	6	Kuwait	3.7%	6	Bahrain	49.3%
Coverage ratios on loans – stage 3 (%)	1	Kuwait	7.1%	1	Qatar	82.7%
	2	UAE	5.2%	2	Bahrain	64.6%
	3	Bahrain	2.6%	3	Kuwait	64.4%
	4	Saudi Arabia	(0.5)%	4	UAE	63.9%
	5	Oman	(0.9)%	5	Oman	61.5%
	6	Qatar	(8.9)%	6	Saudi Arabia	61.2%
Stage 3 loans subject to ECL[1] (%)	1	UAE	(0.9)%	1	Kuwait	1.6%
	2	Bahrain	(0.7)%	2	Saudi Arabia	2.3%
	3	Saudi Arabia	(0.2)%	3	Bahrain	3.8%
	4	Kuwait	0.0%	4	Qatar	3.9%
	5	Oman	0.3%	5	Oman	4.1%
	6	Qatar	0.7%	6	UAE	5.7%

Note: 1. Ranking for cost-to-income ratio and stage 3 loans subject to ECL has been sorted from the smallest to the largest, reflecting preferred negative movement.
Y-o-y represents year-on-year. Y-o-y change for cost-to-income and coverage ratio on loans – stage 3, are calculated basis absolute change. The rankings are based on the actual, not rounded off, numbers.

Country rankings (Cont'd)

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

		By y-o-y GROWTH rate (2021 vs. 2022)			By VALUE/PERCENT as of 31 December 2022	
		Country	Δ y-o-y		Country	Value/percent
Net interest margin (%)	1	UAE	0.4%	1	Bahrain	3.6%
	2	Saudi Arabia	0.2%	2	Saudi Arabia	3.4%
	3	Bahrain	0.2%	3	UAE	3.0%
	4	Qatar	0.1%	4	Qatar	2.7%
	5	Oman	0.1%	5	Oman	2.7%
	6	Kuwait	0.0%	6	Kuwait	2.4%
Dividend payout ratio[1] (%)	1	Oman	21.6%	1	Oman	137.5%
	2	Qatar	1.6%	2	Kuwait	95.3%
	3	Bahrain	0.4%	3	Qatar	50.7%
	4	UAE	(4.3)%	4	UAE	37.2%
	5	Saudi Arabia	(6.0)%	5	Bahrain	30.7%
	6	Kuwait	(32.6)%	6	Saudi Arabia	28.2%

Note: 1. Ranking for dividend payout ratio has been sorted from the largest to the smallest, only for presentation purpose.

Bank rankings

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

		By y-o-y GROWTH rate (2021 vs. 2022)				By VALUE/PERCENT as of 31 December 2022		
		Banks	Country	Δ y-o-y		Banks	Country	Value/percent
Total assets (US$ million)	1	*Kuwait Finance House (K.S.C.P.)*	*Kuwait*	*67.7%*	1	Qatar National Bank	Qatar	326,708.5
	2	*Al Salam Bank - Bahrain BSC*	*Bahrain*	*45.3%*	2	First Abu Dhabi Bank	UAE	302,169.5
	3	*Abu Dhabi Islamic Bank*	*UAE*	*23.1%*	3	*Saudi National Bank*	*Saudi Arabia*	*251,785.6*
	4	*Khaleeji Commercial Bank BSC*	*Bahrain*	*22.3%*	4	*Al Rajhi Bank*	*Saudi Arabia*	*203,018.1*
	5	*Al Rajhi Bank*	*Saudi Arabia*	*22.2%*	5	Emirates NBD	UAE	201,970.1
	6	*Bank Albilad*	*Saudi Arabia*	*16.9%*	6	Abu Dhabi Commercial Bank	UAE	135,518.1
Net profit (US$ million)	1	Mashreq Bank	UAE	269.8%	1	*Saudi National Bank*	*Saudi Arabia*	*4,948.0*
	2	National Bank of Fujairah PJSC	UAE	195.3%	2	*Al Rajhi Bank*	*Saudi Arabia*	*4,567.3*
	3	*Oman Arab Bank*	*Oman*	*128.5%*	3	Qatar National Bank	Qatar	3,942.0
	4	*Bahrain Islamic Bank*	*Bahrain*	*105.0%*	4	First Abu Dhabi Bank	UAE	3,650.7
	5	National Bank of Oman	Oman	59.2%	5	Emirates NBD	UAE	3,539.4
	6	RAK Bank	UAE	54.8%	6	*Riyad Bank*	*Saudi Arabia*	*1,869.2*
Net provision charge on loans[1] (US$ million)	1	National Bank of Oman	Oman	183.6%	1	Qatar National Bank	Qatar	2,413.5
	2	*Bahrain Islamic Bank*	*Bahrain*	*96.4%*	2	Emirates NBD	UAE	1,448.0
	3	Bank of Bahrain and Kuwait	Bahrain	91.2%	3	*Al Rajhi Bank*	*Saudi Arabia*	*882.0*
	4	Sohar International	Oman	81.7%	4	First Abu Dhabi Bank	UAE	788.7
	5	*Riyad Bank*	*Saudi Arabia*	*74.8%*	5	Abu Dhabi Commercial Bank	UAE	775.2
	6	*Masraf Rayan*	*Qatar*	*71.0%*	6	*Saudi National Bank*	*Saudi Arabia*	*464.9*

Note: 1. Ranking for net provision charge on loans has been sorted from the largest to the smallest, reflecting the highest charge at the top.
Y-o-y represents year-on-year. The rankings are based on the actual, not rounded off, numbers.

Bank rankings (Cont'd)

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

		By y-o-y GROWTH rate (2021 vs. 2022)				By VALUE/PERCENT as of 31 December 2022		
		Banks	Country	Δ y-o-y		Banks	Country	Value/percent
Return on equity (%)	1	Mashreq Bank	UAE	12.3%	1	*Al Rajhi Bank*	*Saudi Arabia*	*20.5%*
	2	*Abu Dhabi Islamic Bank*	*UAE*	*6.1%*	2	*Abu Dhabi Islamic Bank*	*UAE*	*19.8%*
	3	*Al Baraka Banking Group*	*Bahrain*	*5.7%*	3	*Qatar Islamic Bank*	*Qatar*	*18.2%*
	4	National Bank of Fujairah PJSC	UAE	5.0%	4	Qatar National Bank	Qatar	17.5%
	5	RAK Bank	UAE	4.1%	5	Mashreq Bank	UAE	17.4%
	6	*Bahrain Islamic Bank*	*Bahrain*	*4.1%*	6	*Bank Albilad*	*Saudi Arabia*	*16.4%*
Return on assets (%)	1	Mashreq Bank	UAE	1.4%	1	*Al Rajhi Bank*	*Saudi Arabia*	*2.5%*
	2	*Abu Dhabi Islamic Bank*	*UAE*	*0.6%*	2	*Abu Dhabi Islamic Bank*	*UAE*	*2.3%*
	3	RAK Bank	UAE	0.5%	3	*Qatar Islamic Bank*	*Qatar*	*2.1%*
	4	*Saudi British Bank (SABB)*	*Saudi Arabia*	*0.5%*	4	*Riyad Bank*	*Saudi Arabia*	*2.0%*
	5	Emirates NBD	UAE	0.5%	5	*Saudi National Bank*	*Saudi Arabia*	*2.0%*
	6	National Bank of Fujairah PJSC	UAE	0.5%	6	Mashreq Bank	UAE	2.0%
Capital adequacy ratio (%)	1	*Al Rajhi Bank*	*Saudi Arabia*	*3.9%*	1	Bank of Bahrain and Kuwait	Bahrain	27.3%
	2	Bank of Bahrain and Kuwait	Bahrain	3.7%	2	HSBC Bank Oman S.A.O.G.	Oman	24.2%
	3	*Boubyan Bank K.S.C.P.*	*Kuwait*	*3.0%*	3	National Bank of Bahrain	Bahrain	23.6%
	4	*Riyad Bank*	*Saudi Arabia*	*2.1%*	4	*Al Salam Bank - Bahrain BSC*	*Bahrain*	*21.9%*
	5	Sohar International	Oman	1.7%	5	*Al Rajhi Bank*	*Saudi Arabia*	*21.4%*
	6	Mashreq Bank	UAE	1.5%	6	Bank Muscat	Oman	21.3%

Note: Y-o-y represents year-on-year. Y-o-y change for CAR, ROE and ROA are calculated basis absolute change. The rankings are based on the actual, not rounded off, numbers.

Bank rankings (Cont'd)

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

Cost-to-income ratio[1] (%)

	By y-o-y GROWTH rate (2021 vs. 2022)			By VALUE/PERCENT as of 31 December 2022		
	Banks	Country	Δ y-o-y	Banks	Country	Value/percent
1	*Ithmaar Holding B.S.C.*	*Bahrain*	*(13.7)%*	*Qatar Islamic Bank*	*Qatar*	*17.4%*
2	HSBC Bank Oman S.A.O.G.	Oman	(9.5)%	*Qatar International Islamic Bank*	*Qatar*	*18.7%*
3	Bank Dhofar	Oman	(8.5)%	Qatar National Bank	Qatar	19.9%
4	National Bank of Oman	Oman	(7.7)%	Commercial Bank Qatar	Qatar	21.6%
5	*Al Baraka Banking Group*	*Bahrain*	*(6.9)%*	Ahli Bank Qatar	Qatar	22.4%
6	*Saudi British Bank (SABB)*	*Saudi Arabia*	*(6.8)%*	*Al Rajhi Bank*	*Saudi Arabia*	*26.1%*

Coverage ratios on loans – stage 3 (%)

	Banks	Country	Δ y-o-y	Banks	Country	Value/percent
1	Ahli Bank Qatar	Qatar	26.4%	Gulf Bank K.S.C.P.	Kuwait	115.6%
2	*Qatar Islamic Bank*	*Qatar*	*19.1%*	Al Ahli Bank of Kuwait K.S.C.P.	Kuwait	102.2%
3	*Qatar International Islamic Bank*	*Qatar*	*18.2%*	Qatar National Bank	Qatar	98.5%
4	Commercial Bank of Dubai	UAE	16.6%	Emirates NBD	UAE	98.3%
5	Gulf Bank K.S.C.P.	Kuwait	13.6%	*Qatar Islamic Bank*	*Qatar*	*95.4%*
6	RAK Bank	UAE	11.8%	Mashreq Bank	UAE	94.4%

Stage 3 loans subject to ECL[1] (%)

	Banks	Country	Δ y-o-y	Banks	Country	Value/percent
1	*Khaleeji Commercial Bank BSC*	*Bahrain*	*(3.8)%*	*Al Rajhi Bank*	*Saudi Arabia*	*0.8%*
2	Mashreq Bank	UAE	(3.2)%	*Boubyan Bank K.S.C.P.*	*Kuwait*	*1.0%*
3	National Bank of Fujairah PJSC	UAE	(2.6)%	Gulf Bank K.S.C.P.	Kuwait	1.2%
4	Abu Dhabi Commercial Bank	UAE	(1.9)%	*Warba Bank K.S.C.P.*	*Kuwait*	*1.3%*
5	Bank of Bahrain and Kuwait	Bahrain	(1.8)%	*Bank Albilad*	*Saudi Arabia*	*1.3%*
6	*Abu Dhabi Islamic Bank*	*UAE*	*(1.2)%*	National Bank of Kuwait	Kuwait	1.4%

Note: 1. Ranking for cost-to-income ratio and stage 3 loans subject to ECL has been sorted from the smallest to the largest, reflecting preferred negative movement.
Y-o-y represents year-on-year. Y-o-y change for cost-to-income and coverage ratio on loans – stage 3, are calculated basis absolute change. The rankings are based on the actual, not rounded off, numbers.

Bank rankings (Cont'd)

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

		By y-o-y GROWTH rate (2021 vs. 2022)				By VALUE/PERCENT as of 31 December 2022		
		Banks	**Country**	**Δ y-o-y**		**Banks**	**Country**	**Value/percent**
Net interest margin (%)	1	*Ithmaar Holding B.S.C.*	*Bahrain*	*1.4%*	1	Bank of Bahrain and Kuwait	Bahrain	5.1%
	2	Bank of Bahrain and Kuwait	Bahrain	1.1%	2	*Ithmaar Holding B.S.C.*	*Bahrain*	*4.6%*
	3	Emirates NBD	UAE	0.9%	3	*Bahrain Islamic Bank*	*Bahrain*	*4.6%*
	4	*Mashreq Bank*	*UAE*	*0.8%*	4	*Bank Albilad*	*Saudi Arabia*	*4.5%*
	5	*Dubai Islamic Bank*	*UAE*	*0.6%*	5	*Kuwait Finance House (K.S.C.P.)*	*Kuwait*	*4.3%*
	6	Bank Dhofar	Oman	0.5%	6	*Al Rajhi Bank*	*Saudi Arabia*	*4.0%*
Dividend payout ratio[1] (%)	1	Bank Dhofar	Oman	187.5%	1	Bank Dhofar	Oman	587.5%
	2	*Bank Nizwa*	*Oman*	*28.6%*	2	*Boubyan Bank K.S.C.P.*	*Kuwait*	*236.3%*
	3	*Ahli United Bank K.S.C.P.*	*Kuwait*	*15.7%*	3	*Al Ahli Bank of Kuwait K.S.C.P.*	*Kuwait*	*175.0%*
	4	Ahli Bank Qatar	Qatar	14.8%	4	Burgan Bank S.A.K.P	Kuwait	157.5%
	5	Bank of Bahrain and Kuwait	Bahrain	14.4%	5	Sohar International	Oman	78.8%
	6	Abu Dhabi Commercial Bank	UAE	10.4%	6	Bank of Bahrain and Kuwait	Bahrain	76.9%

Note: 1. Ranking for dividend payout ratio has been sorted from the largest to the smallest, only for presentation purpose.

Insights — 2022

The summary below outlines the broader themes emerging from the results analysis provided in this report for the year-ended 31 December 2022.

- **Profitability saw another double-digit increase of 25.3 percent,** driven particularly by a growth in loan books, increased interest margins, lower loan impairment and a continued focus on cost efficiencies
- **Asset growth remained robust as banks increased their asset base by 9.9 percent,** which was driven by lending to high quality customers
- **Net interest margins increased by 0.2 percent,** as a result of the rising interest rate environment, which helped drive profit growth
- **The overall NPL ratio for the GCC banking sector decreased by 0.1 percent** and now stands at 3.8 percent, reflecting the conservative approach to credit risk management
- **Net impairment charges on loans and advances decreased by an average of 11.2 percent**, with the drop observed mainly in stage 2 and 3 portfolios, indicating an improvement in credit quality
- **ROA (1.3 percent in 2022) increased by 0.2 percent** compared with the prior year, owing to the rise in profitability being higher than the asset growth
- **Cost-to-income ratios reduced compared to 2021 (40.9 percent to 39.9 percent)**, reflecting the continued focus on cost reductions and operating efficiency initiatives
- **The average coverage ratio for stage 2 and 3 loans increased by 0.4 percent and 1.7 percent respectively** from the prior year, demonstrating how banks continue to be cautious in relation to their approach to provisioning
- **Share prices overall remained stable** year on year with a marginal increase of 0.7 percent compared with the previous year

- **ROE (10.6 percent in 2022) decreased by 1.2 percent** compared with the prior year as equity growth outpaced profitability increases
- **Stage 1 net provision charge increased six-fold compared to 2021** as banks continue to provide adequate coverage for their performing loan book
- **Dividend payout ratio decreased by 1.3 percent** as banks conserve their earnings to strengthen their equity positions and help fuel future growth
- **The average sector capital adequacy ratio decreased year on year by 0.3 percent** and currently stands at 18.6 percent, however this remains well above minimum regulatory requirements across all GCC countries

Outlook — 2023

The summary below highlights the outlook for the banking sector in the region

Effective NPL management

With a cautious and selective approach to lending, we expect NPLs to remain at the current levels in 2023. Banks will look to closely manage their non-performing portfolios through sales, write offs, and proactive credit risk management

Strong regulatory oversight

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

Cautious and selective lending

Going forward, banks will continue to maintain a cautious and selective approach to lending and will focus on government, high end customers, and collateralized lending to continue a sustained growth in the lending portfolio. This will enable banks to manage their provision coverage levels, while providing a stable return on capital

Pressure on NIMs

With the rising global interest rate environment, pressure will be created on funding costs and in turn on NIMs. We do not expect the full impact of the rate hikes to be passed on to customers, although repricing will help somewhat mitigate the impact

Cautious optimism

With the Covid-19 pandemic behind us, we expect that the GCC banking sector will continue to build on its strong foundation supported by a robust economic environment. While banks have emerged resilient in the face of economic challenges, accelerated innovation plans, technology focus and continued government investment will see further growth going forward

Cost and operational efficiencies

We expect cost and operational efficiencies to remain high on the management agenda as banks are likely to look at more innovative ways in which costs can be managed through collaboration with Fintech players and the adoption of emerging technologies such as artificial intelligence

Focus on ESG

Environmental, Social and Governance matters will continue to gain further prominence in 2023. Stock exchanges and Central banks are likely to drive this agenda as they look to mandate some form of common ESG reporting across the banking sector. ESG will not only be a focus for banks but for all stakeholders including investors and customers

Digital transformation

We expect banks to continue to aggressively pursue technological transformation and further explore the use of digital platforms to make banking more accessible to customers, while implementing robotics, artificial intelligence and other innovative ways to efficiently manage customers' banking needs

Further consolidation

GCC Banks will continue to pursue consolidation as they seek to remain competitive and relevant in the marketplace. In 2022, several GCC countries experienced mergers, both in the conventional and Islamic banking sector thus creating larger, stronger and more resilient financial institutions. We expect that this consolidation drive will continue in 2023 across the region

KPIs defined

KPI definitions and assumptions

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

- **Total assets** are as reported in the published annual financial statements
- **Net profit** is the net profit for the year attributable to the shareholders of the banks
- **Capital adequacy ratio (CAR)** is the ratio of total capital (the sum of Tier 1 and 2 capital) to total risk weighted assets (RWAs). For Islamic banks, URIA balances are included in total capital, as a result the ratios for Islamic and conventional banks are not entirely comparable
- **Return on equity (ROE)** is the ratio of net profit attributable to the shareholders of the banks to average equity, where average equity is calculated by halving the sum of total equity attributable to the banks' shareholders (excluding additional Tier 1 (AT1) capital) for the current and previous year ends. The coupon on any AT1 instrument is excluded from the net profit
- **Return on asset (ROA)** is the ratio of net profit attributable to the shareholders of the banks to average assets, where average assets are calculated by halving the sum of total assets for the current and previous year ends
- **Net provision charge on loans** is the sum of the expected credit loss (ECL) on stage 1 and 2 and impairment charge on stage 3 loans (Including POCI) for year-ended 31 December 2021 and 31 December 2022
- **Coverage ratios on loans – by stage** is the provisions (including interest in suspense) at 31 December 2021 and 31 December 2022 for the respective stages (Including POCI in stage 3) as a percentage of the relevant exposure
- **Total loans subject to ECL** is the stage-wise exposure of loans subject to ECL (before the impact of ECL) on 31 December 2022 as a percentage of total exposure subject to ECL
- **Cost-to-income ratio (CIR)** is the ratio of total operating expenses (excluding impairment charges) to total operating income (where interest/financing income or expenses, fee commission income or expenses and URIA costs have all been netted)
- **Dividend payout ratio (DPR)** is the ratio of Earning Per share to Dividend (recommended) per share
- **Net interest margin (NIM)** is the ratio of net interest income (Net of interest income and expenses) to the average earning assets which excludes equity securities and current accounts. For Islamic banks, interest and profit have been used interchangeably[1]

We have provided a relative analysis of country and banks performances based on their reported numbers using a common KPI definition. Users should exercise caution in deriving their conclusions or in making business decisions solely based on this analysis. Users should also make themselves aware of local regulatory measures and perform further detailed analysis on each banks and each jurisdiction.

Note: 1. Net Profit Margin (NPM) is the equivalent measure of net interest income calculated for Islamic banks, where we include income from financing activities, along with income from Inter-bank placements with Islamic banks and investment income in debt-type instruments, excluding finance expenses and investment account holders' profit.

The results and KPIs compared for each bank

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

All the figures used in the report are in the US dollar (US$). For conversion, the average exchange rate of the respective year has been used, i.e. to convert a data point from 2022 (reported in local currency), the average daily exchange rate between 1 January 2022 and 31 December 2022 has been used.

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

KPMG

Glossary

In this report, the following 52 listed banks' results have been analyzed.

Bahrain*		Abv.	Sign-off date
1	Ahli United Bank	AUB	2 February 2023
2	*Al Baraka Banking Group*	*Al Baraka*	*20 February 2023*
3	*Al Salam Bank Bahrain*	*Al Salam*	*9 February 2023*
4	*Bahrain Islamic Bank*	*BISB*	*20 February 2023*
5	Bank of Bahrain and Kuwait	BBK	22 February 2023
6	*Ithmaar Holding (formerly known as Ithmaar Bank)***	*Ithmaar*	*20 February 2023*
7	*Khaleeji Commercial Bank*	*Khaleeji*	*7 February 2023*
8	National Bank of Bahrain	NBB	28 February 2023

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

** *ROA and ROE figures for Ithmaar bank in current year have been treated as nil for average calculations, given the recent restructuring of the bank in 2022.*

Kuwait*		Abv.	Sign-off date
1	*Ahli United Bank*	*AUBK*	*6 February 2023*
2	Al Ahli Bank of Kuwait	ABK	5 February 2023
3	*Boubyan Bank*	*Boubyan*	*29 January 2023*
4	Burgan Bank	Burgan	8 February 2023
5	Gulf Bank	GBK	2 February 2023
6	*Kuwait Finance House*	*KFH*	*6 February 2023*
7	*Kuwait International Bank*	*KIB*	*14 February 2023*
8	National Bank of Kuwait	NBK	29 January 2023
9	*Warba Bank*	*Warba*	*2 January 2023*

* *The banks which have reported the annual reports till 16th March 2023 have been accounted, and hence Commercial bank of Kuwait has been excluded from the report.*

Oman		Abv.	Sign-off date
1	Ahli Bank	Ahli	25 January 2023
2	Bank Dhofar	Dhofar	25 January 2023
3	Bank Muscat	Muscat	28 February 2023
4	*Bank Nizwa*	*Nizwa*	*7 March 2023*
5	*HSBC Bank Oman*	*HSBC*	*29 January 2023*
6	National Bank of Oman	NBO	30 January 2023
7	Oman Arab Bank	OAB	30 January 2023
8	Sohar International	Sohar	29 January 2023

Qatar		Abv.	Sign-off date
1	Ahli Bank	Ahli	16 January 2023
2	Doha Bank	Doha	6 February 2023
3	*Masraf Al Rayan*	*MAR*	*29 January 2023*
4	*Qatar International Islamic Bank*	*QIIB*	*25 January 2023*
5	*Qatar Islamic Bank*	*QIB*	*16 January 2023*
6	Qatar National Bank	QNB	11 January 2023
7	The Commercial Bank	CB	24 January 2023

Saudi Arabia		Abv.	Sign-off date
1	*Al Rajhi Bank*	*Al Rajhi*	*7 February 2023*
2	*Alinma Bank*	*Alinma*	*12 February 2023*
3	*Arab National Bank*	*ANB*	*23 February 2023*
4	*Bank Albilad*	*BAB*	*12 February 2023*
5	*Bank AlJazira*	*BAJ*	*12 February 2023*
6	*Banque Saudi Fransi*	*BSF*	*19 February 2023*
7	*Riyad Bank*	*Riyad*	*20 February 2023*
8	*Saudi National Bank*	*NCB*	*6 February 2023*
9	*The Saudi British Bank*	*SABB*	*13 February 2023*
10	*The Saudi Investment Bank*	*SAIB*	*5 March 2023*

United Arab Emirates*		Abv.	Sign-off date
1	Abu Dhabi Commercial Bank	ADCB	31 February 2023
2	*Abu Dhabi Islamic Bank*	*ADIB*	30 January 2023
3	Commercial Bank of Dubai	CBD	1 February 2023
4	*Dubai Islamic Bank*	*DIB*	24 January 2023
5	Emirates NBD	ENBD	25 January 2023
6	*First Abu Dhabi Bank*	*FAB*	*25 January 2023*
7	Mashreq bank	Mashreq	30 January 2023
8	National Bank of Fujairah	NBF	25 January 2023
9	*Sharjah Islamic Bank*	*SIB*	*25 January 2023*
10	The National Bank of Ras Al-Khaimah	RAK	13 February 2023

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

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

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