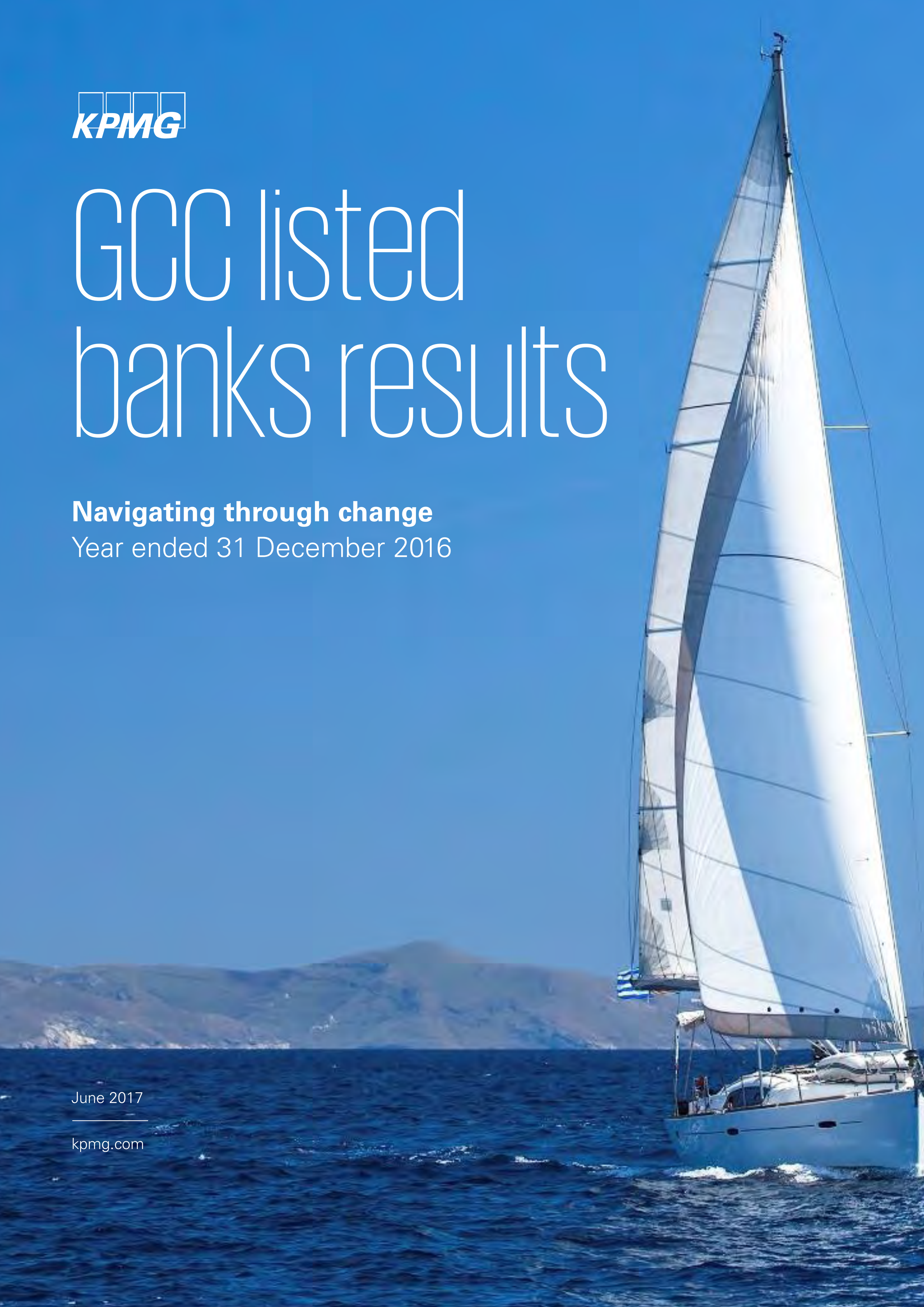


GCC listed banks results

Navigating through change

Year ended 31 December 2016

June 2017

kpmg.com

Foreword

In 2016, KPMG produced its first report on the Gulf Cooperation Council (GCC) listed banks results titled 'A New Paradigm' highlighting some of the key financial trends, challenges and opportunities for the banking industry in the region. One year later, although much has changed in what has been a politically eventful year, most of the banking sector-specific challenges identified in last year's report still remain. As a result, for the first time in recent years, there has been a decline in the overall profitability for the GCC listed banks covered in this report.

We made a number of predictions around trends and developments for the GCC banking sector in 2016 — industry consolidation, regulatory reform, profitability pressures, capital/fund raising, margin compression, increasing impairment, cost efficiencies and the heightened focus on risk — most of which were witnessed last year. With this changing banking environment in mind, we bring to you the latest edition of the report under the theme **'Navigating through change.'**

Like last year, the 2016 report analyses the financial results for the leading listed commercial banks across the GCC. This report provides banking industry leaders with a succinct analysis to help compare the key performance indicators (KPIs) among peers across the GCC, along with forward-looking views and insights.

While banks continue to focus on the regulatory agenda, be it Basel III, VAT or IFRS 9; there is a clear need for an equally focused approach toward the 'customer' through efficiency and innovation, helping banks grow and deliver positive results to manage shareholder expectations. Although the focus on winning the 'battle of the balance sheet' will remain, we are witnessing a gradual shift toward the 'battle of the customer', with banks looking at various ways to ensure customer loyalty through an experience-led approach.

Against the backdrop of continued low oil prices, economic volatility and geo-political uncertainty, this year's report revisits many of the themes highlighted last year while also looking at the priorities for the banking sector in 2017 and beyond, including:

- **Relevance**: Remaining relevant in an extremely dynamic technological environment
- **Innovation**: The need to embrace and address the digital revolution
- **Regulation**: Effectively implement accounting and regulatory change
- **Protection**: Managing alternative risks (i.e. cyber, data, digital)
- **Control**: Maintaining robust governance, trust and confidence
- **Growth**: Achieve growth through greater focus on the 'customer'

In addition to this, heads of Financial Services from the six participating GCC KPMG member firms provide their thoughts on their respective banking markets throughout the report, specifically on the 2016 results of the leading listed commercial banks. We hope this will provide you with practical and actionable insights to help drive banking strategies and shape the industry in the future.

Omar Mahmood
Head of Financial Services
Middle East and South Asia
T: +974 4457 6444
E: omarmahmood@kpmg.com

Abdullah Al Fozan
Chairman
Middle East and South Asia
T: +9661 1874 8500
E: aalfozan@kpmg.com

Basis of preparation

In this report, we have analysed the results of leading listed commercial banks from each GCC country — the Kingdom of Bahrain (Bahrain), the State of Kuwait (Kuwait), the Sultanate of Oman (Oman), the State of Qatar (Qatar), the Kingdom of Saudi Arabia (Saudi Arabia or Saudi) and the United Arab Emirates (UAE). The results and selected KPIs of the 56 selected GCC banks for the year ended 31 December 2016 are summarized and compared with their results and KPIs from the year ended 31 December 2015.

The results and KPIs compared for each bank are:

- — total assets
- — net profit
- — net impairment charge on loans and advances
- — regulatory capital
- — share price
- — loan-to-deposit ratio (LDR)
- — capital adequacy ratio (CAR)
- — return on equity (ROE)
- — return on assets (ROA)
- — liquidity ratio (LR)
- — non-performing loan ratio (NPL)
- — cost-to-income ratio (CIR).

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

All the figures used in the report are in US Dollar (US$). For conversion, the average exchange rate of the respective year has been used, i.e., to convert a data point from 2016 (reported in local currency), the average daily exchange rate between 1 January 2016 and 31 December 2016 has been used. The exchange rates used in this report are provided in Appendix II: Sources.

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

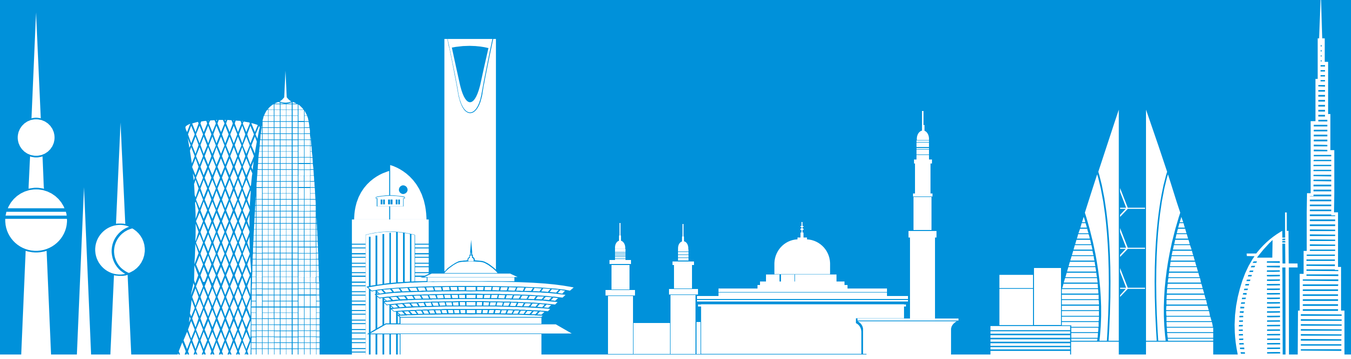
This report does not reflect any restatements/revisions in 2015 numbers as per the 2016 financial statements published by listed commercial banks. Some of the KPIs for the year ended 31 December 2015 have been adjusted in this edition (wherever applicable, for consistency purposes) from the last version of GCC listed banks results report.

Basis of preparation (cont.)

KPI definitions and assumptions:

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

- **Total assets** is as reported in the published annual financial statements.
- **Net profit** is the net profit for the year attributable to the shareholders of the bank.
- **Net impairment charge on loans and advances** is the impairment (write-back)/charge for the year on loans and advances.
- **Regulatory capital** is the total of tier 1 and tier 2 capital, as reported by the banks.
- **Share price** is the quoted price at the close of the last day of each quarter, starting 31 December 2015 and ending 31 December 2016.
- **Loan-to-deposit ratio (LDR)** is calculated by dividing net loans and advances (or financing assets) by customer deposits. For Islamic banks, unrestricted investment account (URIA) balances have been included in deposits.
- **Capital adequacy ratio (CAR)** is the ratio of total capital (the sum of tier 1 and 2 capital) to total risk weighted assets (RWAs). For Islamic banks, URIA balances are included in total capital, as a result the ratios for Islamic and conventional banks are not entirely comparable.
- **Return on equity (ROE)** is the ratio of net profit attributable to the shareholders of the bank to average equity, where average equity is calculated by halving the sum of total equity attributable to the bank's shareholders (excluding additional tier 1 (AT1) capital) for the current and previous year ends. The coupon on any AT1 instrument is excluded from net profit.
- **Return on asset (ROA)** is the ratio of net profit attributable to shareholders of the bank to average assets, where average assets are calculated by halving the sum of total assets for the current and previous year ends.
- **Liquidity ratio (LR)** is calculated as cash and cash balances with central banks (including mandatory reserves, cash balances with maturity greater than 1 year, treasury bills and government bonds), due from banks (with a maturity of less than 1 year) and listed (or quoted) investment securities, divided by customer deposits (including URIA balances for Islamic banks), due to banks (with a maturity of less than 1 year) and borrowings (full year's value).
- **Non-performing loan ratio (NPL)** is the ratio of non-performing loans to gross loans and advances.
- **Cost-to-income ratio (CIR)** is the ratio of total operating expenses (excluding impairment charges) to total operating income (where interest/financing income or expenses, fee commission income or expenses and URIA costs have all been netted).



Glossary

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

	Bahrain[1]	Short name	Sign-off date
1	Ahli United Bank	AUB	21-02-2017
2	*Al Baraka Banking Group*	*Al Baraka*	*22-02-2017*
3	*Al Salam Bank-Bahrain*	*Al Salam*	*15-02-2017*
4	*Bahrain Islamic Bank*	*BISB*	*12-02-2017*
5	BBK[2]	BBK	27-02-2017
6	*Ithmaar Holding (formerly known as Ithmaar Bank)*	*Ithmaar*	*27-02-2017*
7	*Khaleeji Commercial Bank*	*Khaleeji*	*08-02-2017*
8	National Bank of Bahrain	NBB	30-01-2017

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

	Kuwait	Short name	Sign-off date
1	*Ahli United Bank*	*AUBK*	*11-01-2017*
2	Al Ahli Bank of Kuwait	ABK	10-01-2017
3	*Boubyan Bank*	*Boubyan*	*05-01-2017*
4	Burgan Bank	Burgan	15-01-2017
5	Gulf Bank	GBK	23-01-2017
6	*Kuwait Finance House*	*KFH*	*10-01-2017*
7	*Kuwait International Bank*	*KIB*	*08-01-2017*
8	National Bank of Kuwait	NBK	08-01-2017
9	The Commercial Bank of Kuwait	CBK	10-01-2017
10	*Warba Bank*	*Warba*	*11-01-2017*

	Oman	Short name	Sign-off date
1	Ahli Bank	Ahli Bank	27-02-2017
2	*Alizz Islamic Bank*	*Alizz*	*09-03-2017*
3	Bank Dhofar	Bank Dhofar	27-02-2017
4	Bank Muscat	Bank Muscat	27-02-2017
5	*Bank Nizwa*	*Bank Nizwa*	*28-02-3017*
6	Bank Sohar	Bank Sohar	09-03-2017
7	HSBC Bank Oman	HSBC Oman	05-03-2017
8	National Bank of Oman	NBO	05-03-2017

	Qatar	Short name	Sign-off date
1	Ahli Bank	Ahli	22-01-2017
2	Al Khaliji Commercial Bank	Al Khaliji	18-01-2017
3	Doha Bank	Doha	22-01-2017
4	*Masraf Al Rayan*	*MAR*	*16-01-2017*
5	*Qatar International Islamic Bank*	*QIIB*	*25-01-2017*
6	*Qatar Islamic Bank*	*QIB*	*18-01-2017*
7	Qatar National Bank	QNB	15-01-2017
8	The Commercial Bank	CBQ	21-02-2017

	Saudi Arabia	Short name	Sign-off date
1	*Al Rajhi Banking and Investment Corporation*	*Al Rajhi*	*15-02-2017*
2	Alawwal Bank (formerly known as Saudi Hollandi Bank)	AAAL	06-03-2017
3	*Alinma Bank*	*Alinma*	*12-02--2017*
4	Arab National Bank	ANB	22-02-2017
5	*Bank AlBilad*	*BAB*	*28-02-2017*
6	*Bank AlJazira*	*BAJ*	*06-03-2017*
7	Banque Saudi Fransi	BSF	27-02-2017
8	Riyad Bank	Riyad	13-02-2017
9	SAMBA Financial Group	SAMBA	16-02-2017
10	The National Commercial Bank	NCB	05-02-2017
11	The Saudi British Bank	SABB	23-02-2017
12	The Saudi Investment Bank	SAIB	19-02-2017

	United Arab Emirates[3]	Short name	Sign-off date
1	Abu Dhabi Commercial Bank	ADCB	31-01-2017
2	*Abu Dhabi Islamic Bank*	*ADIB*	*14-02-2017*
3	Commercial Bank of Dubai	CBD	05-02-2017
4	*Dubai Islamic Bank*	*DIB*	*25-01-2017*
5	Emirates NBD[4]	ENBD	15-01-2017
6	First Gulf Bank[4]	FGB	31-01-2017
7	Mashreqbank	Mashreq	25-01-2017
8	National Bank of Abu Dhabi	NBAD	31-01-2017
9	The National Bank of Ras Al-Khaimah	RAKBANK	01-02-2017
10	Union National Bank	UNB	09-02-2017

[3]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.
[4]For the purpose of this report, FGB and NBAD have been taken as separate banks as per their existence as on 31 December 2016. The merger of FGB and NBAD was effective from 1 April '17, hence not considered.

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

Content

Country highlights

Bahrain

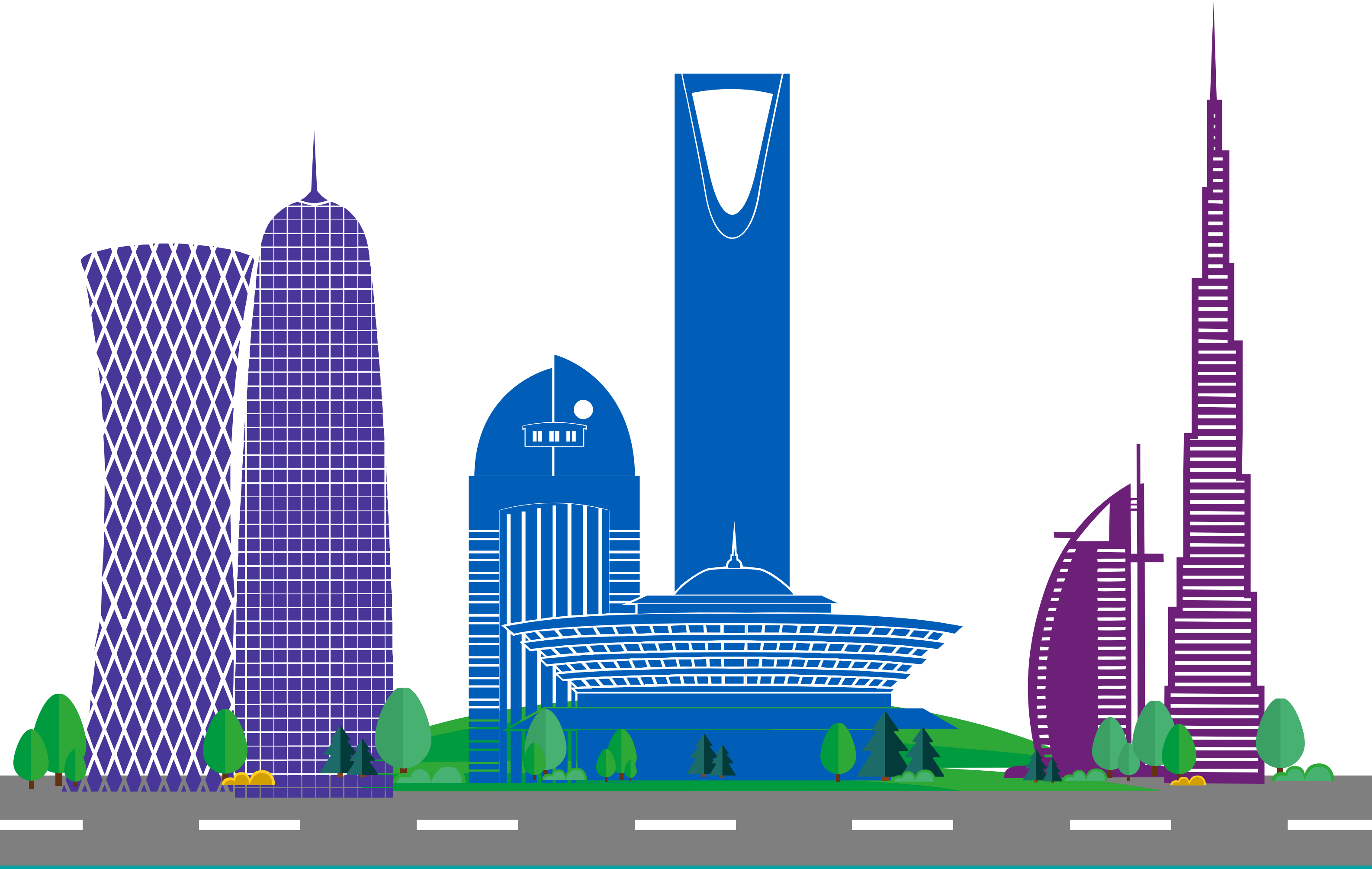
Despite the current challenging economic conditions, year-on-year growth in the financial services sector has been strong, from 1.7 percent in 2015 to 7.4 percent as of the third quarter in 2016. Due to a sharp decline in lending to certain sectors, credit growth in Bahrain experienced renewed slowdown, with peaks recorded around the beginning of 2016. The CAR for the banking sector increased to 19.2 percent during the year and profitability of the banking sector increased, with ROA at 1.3 percent and ROE at 6.0 percent. The challenge was to keep the impaired loans in check after experiencing a slight increase due to two major sectors – manufacturing and mining. The current focus is to improve on profitability with quality asset growth through innovation and collaboration.

Kuwait

While it has been a challenging year for the banking sector in general, Kuwaiti banks have still managed to access the debt capital markets to raise tier 1 and tier 2 Basel III compliant funds in excess of US$1 billion, with the aim of boosting their CARs, affirming the strength and resilience of the Kuwaiti banking sector to withstand the current local and global economic challenges. Profitability of Islamic banks grew at a faster pace when compared to conventional banks, with almost all banks witnessing a drop in loan loss provision charge during the year. With the petrol hike of 2016 and expected increases in electricity and water charges in 2017, the consumer sector, which has generally been considered as the bedrock for growth in Kuwait, may witness a slowdown impacting the banking sector.

Oman

Regardless of the lower oil prices and more cautious public and private sector expenditure that have been experienced, the banking sector remains resilient in Oman, supporting economic diversification initiatives and credit needs. As of 31 December 2016, outstanding credit extended by banks totaled US$57.2 billion, a rise of 10.1 percent over the level witnessed a year ago. During 2016, total deposits grew by over 5 percent to US$52.8 billion. Changes to Oman's tax regime, including amendments to Oman's income tax law and the introduction of VAT in 2018, are likely to impact the banking sector in a multitude of different ways. However, Oman’s banking sector continues to have a high loan to deposit ratio (over 100 percent), indicating that liquidity remains an area for continuous monitoring.



Qatar

Overall, it has been a challenging year for Qatar's banking sector. Profitability pressures, driven by increased credit impairment, have been experienced for the first time in a few years and banks are now being forced to focus on innovation and efficiencies. Asset growth has been minimal, other than the impact of a significant acquisition by the largest lender and credit quality remains high on the management agenda. Market sentiment has reflected fundamentals, with share prices declining across almost all listed banks, although Islamic banks have performed better than their conventional counterparts. Merger talks between three banks, one being listed, were announced at the end of the year — viewed by some as the beginning of much needed consolidation in the sector.

Saudi Arabia

What started as a very challenging year for Saudi banks has now improved over the year. The launch of Vision 2030, an international sovereign bond issuance of US$17.5 billion; release of US$28 billion by the government to contractors and stabilizing oil prices have all eased liquidity pressures since the third quarter of 2016. While there is cautious optimism, increasing impairment charges and continued cost pressures continue to act as headwinds to growth for the Saudi listed banks, with issues of digital, innovation, cybersecurity, payments and customer experience likely to serve as key challenges in 2017 and beyond. However, the positive measures taken in 2016 should translate into a positive long-term outlook for the sector.

UAE

The financial services industry in the UAE has significantly changed in 2016, with established UAE banks facing a number of explicit and implicit threats, ranging from cyber security to conduct and regulatory changes. Like other businesses, banks are under pressure to make returns for their stakeholders — whether that is dividends for shareholders or improved job satisfaction for employees. At a time when GDP growth is decelerating, banks and other financial institutions are also being hit by rising impairments and NPL, while being encouraged by the government to support the growth of SMEs. It is becoming increasingly likely that we will see consolidation and accelerated structural reform over the next 12 months, including VAT, which is expected to have major implications for the financial services industry.

Results snapshot

KPI / Country	Total assets (US$ billion)			Net profit (US$ billion)			Net impairment charge on loans and advances[1] (US$ billion)			Regulatory capital (US$ billion)		
	y-o-y[3]	2015	2016	y-o-y[3]	2015	2016	y-o-y[3]	2015	2016	y-o-y[3]	2015	2016
Bahrain	3.2%	93.1	90.1	10.0%	1.0	1.1	2.4%	0.5	0.5	4.8%	10.4	10.9
Kuwait	1.9%	233.5	237.8	5.4%	2.4	2.5	28.1%	1.9	1.4	10.4%	26.2	29.0
Oman	1.6%	68.1	67.0	0.2%	0.9	0.9	13.7%	0.2	0.2	6.0%	9.4	10.0
Qatar	21.0%	297.7	360.2	0.7%	5.5	5.5	163.5%	0.5	1.4	17.1%	32.5	38.0
Saudi Arabia	2.1%	578.2	590.1	5.4%	11.6	11.0	44.7%	1.8	2.6	8.1%	96.8	104.6
UAE	8.1%	504.3	545.1	5.8%	9.7	9.1	28.0%	2.9	3.7	7.3%	68.4	73.4
Total	6.5%	1,774.8	1,890.3	3.2%	31.1	30.1	25.1%	7.8	9.8	9.1%	243.7	265.9

2015 | 2016 | 2015 (For ROA) | 2016 (For ROA)

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

Capital adequacy Ratio (%)	Return on equity/return on assets (%): ROE	Return on equity/return on assets (%): ROA	Liquidity ratio (%)	Non-performing loan ratio[1] (%)	Cost-to-income ratio[1] (%)
1.8%; 18.2%; 20.0%	0.9%; 8.3%; 9.2%	0.1%; 1.0%; 1.1%	1.3%; 30.7%; 32.0%	0.8%; 10.7%; 9.8%	0.1%; 46.5%; 46.4%
0.4%; 18.1%; 18.5%	0.2%; 8.1%; 8.3%	0.0%; 0.9%; 1.0%	0.2%; 30.9%; 30.7%	0.0%; 2.1%; 2.1%	1.3%; 40.5%; 41.8%
2.8%; 20.9%; 18.1%	0.9%; 7.6%; 6.7%	0.3%; 0.5%; 0.8%	2.7%; 20.8%; 18.1%	0.1%; 1.9%; 2.0%	10.0%; 74.3%; 64.3%
1.2%; 15.5%; 16.6%	2.3%; 14.2%; 12.0%	0.3%; 1.8%; 1.5%	1.0%; 23.1%; 24.1%	0.2%; 1.7%; 1.9%	2.3%; 31.7%; 34.1%
1.6%; 17.8%; 19.5%	2.6%; 14.5%; 11.8%	0.3%; 2.0%; 1.7%	3.0%; 22.9%; 25.8%	0.2%; 1.1%; 1.3%	1.5%; 39.0%; 40.5%
0.2%; 18.1%; 18.3%	3.2%; 17.3%; 14.1%	0.5%; 2.2%; 1.7%	2.3%; 30.2%; 32.5%	0.1%; 4.1%; 4.0%	0.2%; 34.8%; 34.6%
0.4%; 18.1%; 18.5%	1.3%; 11.7%; 10.3%	0.1%; 1.4%; 1.3%	0.8%; 26.4%; 27.2%	0.1%; 3.6; 3.5	0.9%; 44.5%; 43.6%

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

[1]Decrease (or increase) in CIR, net impairment charge on loans and advances and NPL ratio has been shown as a positive (or negative) movement.

[2]All KPIs have been calculated as of or, for the year ended, 31 December 2016.

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

Outcomes against last year's outlook

What we predicted for 2016	What actually happened in 2016
1 **Greater competition and possible consolidation**	Given the profitability and credit quality pressures we witnessed in 2016, competition among existing banks has increased, which is further reflected in the tightening of margins. There has been a general flight to higher quality assets, given the hike in impairment charges, which has also resulted in greater competition. The year 2016 also saw consolidation discussions among some of the largest banks in region, specifically in the UAE and Qatar.
2 **Evolving regulatory regimes**	The increase in regulatory oversight and supervision witnessed in 2015 continued in 2016, and is expected to continue for the foreseeable future. This is driven by developments in global markets and regulators looking to ensure that a robust financial environment is maintained amid a challenging environment. Focus areas remain wider Basel III implementation, cyber security, conduct/culture, VAT and IFRS 9.
3 **Profitability to be impacted by economic uncertainty**	As we had predicted, profit growth rates have not returned to the double-digit levels experienced in previous years. Rather, 2016 saw a decrease in the overall net profit attributable to shareholders of listed commercial banks, covered in this report. Low oil prices and geo-political turbulence have continued to impact investor sentiment and overall banking sector performance in the region.
4 **Proactive capital and fund raising activity**	With the gradual build-up of Basel III capital adequacy requirements expected over the next few years, we have seen banks strengthening their balance sheets through increased capital and fund-raising activity. Overall capital adequacy and liquidity ratios increased in 2016, helping banks grow and remain above minimum capital adequacy requirements, which could reach 18 percent in some GCC countries by 2018.
5 **Cost of funds expected to continue to rise**	With the decline in low-cost government and government-related deposits, as a result of lower oil prices, banks have been forced to raise funds through costlier channels, resulting in additional pressure on margins. With GCC sovereign and bank rating downgrades witnessed in 2016, funding costs increased from the previous year as we had predicted.
6 **Likely increase in impairment**	Given the typical lag between political/economic uncertainty and the related impact being felt across the wider economy, we had predicted that impairment charges on financing assets would rise in 2016. This was most certainly the case, with overall impairment charges increasing by approximately 25 percent from the previous year. This is a clear reflection of the deteriorating credit quality of many banks in the region.
7 **Continued focus on cost efficiencies**	We expected banks to further increase their focus on cost efficiencies in 2016 to mitigate profitability pressures, which was the reality as overall cost-to-income ratios declined year-on-year. We expect this trend to continue in the long-term with cost reduction, operational efficiency, digitalization and innovation likely to be high on board agendas to help ensure that banks manage the cost of doing business.
8 **Heightened focus on risk**	With increased impairment and greater scrutiny from regulators in recent years, banks have certainly looked to further tighten their credit policies, with risk management taking on a more prominent role. Significant projects; such as IFRS 9, are being led by risk teams, where the need for accurate data and robust risk governance has become apparent and presents a challenge for many banks in the region.

Country rankings

Metric	Rank	By y-o-y growth rate (2015 vs. 2016) Country	Δ y-o-y	By value/percent as of, or for the y/e, 31 December 2016 Country	Value/ percent
TOTAL ASSETS (US$ billion)	1	**Qatar**	**21.0%**	**Saudi**	**590.1**
	2	UAE	8.1%	UAE	545.1
	3	Saudi	2.1%	Qatar	360.2
	4	Kuwait	1.9%	Kuwait	237.8
	5	Oman	(1.6)%	Bahrain	90.1
	6	Bahrain	(3.2)%	Oman	67.0
NET PROFIT (US$ billion)	1	**Bahrain**	**10.0%**	**Saudi**	**11.0**
	2	Kuwait	5.4%	UAE	9.1
	3	Oman	0.2%	Qatar	5.5
	4	Qatar	(0.7)%	Kuwait	2.5
	5	Saudi	(5.4)%	Bahrain	1.1
	6	UAE	(5.8)%	Oman	0.9
NET IMPAIRMENT CHARGE ON LOANS AND ADVANCES[1] (US$ billion)	1	**Kuwait**	**(28.1)%**	**Oman**	**0.2**
	2	Bahrain	2.4%	Bahrain	0.5
	3	Oman	13.7%	Qatar	1.4
	4	UAE	28.0%	Kuwait	1.4
	5	Saudi	44.7%	Saudi	2.6
	6	Qatar	163.5%	UAE	3.7
REGULATORY CAPITAL (US$ billion)	1	**Qatar**	**17.1%**	**Saudi**	**104.6**
	2	Kuwait	10.4%	UAE	73.4
	3	Saudi	8.1%	Qatar	38.0
	4	UAE	7.3%	Kuwait	29.0
	5	Oman	6.0%	Bahrain	10.9
	6	Bahrain	4.8%	Oman	10.0
CAPITAL ADEQUACY RATIO (%)	1	**Bahrain**	**1.8%**	**Bahrain**	**20.0%**
	2	Saudi	1.6%	Saudi	19.5%
	3	Qatar	1.2%	Kuwait	18.5%
	4	Kuwait	0.4%	UAE	18.3%
	5	UAE	0.2%	Oman	18.1%
	6	Oman	(2.8)%	Qatar	16.6%

Note (s): [1]Decrease (or increase) in CIR, net impairment charge on loans and advances and NPL ratio has been shown as a positive (or negative) movement. The rankings are based on the actual, not rounded off, numbers.

	By y-o-y growth rate (2015 vs. 2016)			By value/percent as of, or for the y/e, 31 December 2016	
	Country	Δ y-o-y		Country	Value/ percent
RETURN ON EQUITY (%)					
1	**Bahrain**	**0.9%**	1	**UAE**	**14.1%**
2	Kuwait	0.2%	2	Qatar	12.0%
3	Oman	(0.9)%	3	Saudi	11.8%
4	Qatar	(2.3)%	4	Bahrain	9.2%
5	Saudi	(2.6)%	5	Kuwait	8.3%
6	UAE	(3.2)%	6	Oman	6.7%
RETURN ON ASSETS (%)					
1	**Oman**	**0.3%**	1	**UAE**	**1.7%**
2	Bahrain	0.1%	2	Saudi	1.7%
3	Kuwait	0.0%	3	Qatar	1.5%
4	Saudi	(0.3)%	4	Bahrain	1.1%
5	Qatar	(0.3)%	5	Kuwait	1.0%
6	UAE	(0.5)%	6	Oman	0.8%
LIQUIDITY RATIO (%)					
1	**Saudi**	**3.0%**	1	**UAE**	**32.5%**
2	UAE	2.3%	2	Bahrain	32.0%
3	Bahrain	1.3%	3	Kuwait	30.7%
4	Qatar	1.0%	4	Saudi	25.8%
5	Kuwait	(0.2)%	5	Qatar	24.1%
6	Oman	(2.7)%	6	Oman	18.1%
NON-PERFORMING LOAN RATIO[1] (%)					
1	**Bahrain**	**(0.8)%**	1	**Saudi**	**1.3%**
2	UAE	(0.1)%	2	Qatar	1.9%
3	Kuwait	0.0%	3	Oman	2.0%
4	Oman	0.1%	4	Kuwait	2.1%
5	Saudi	0.2%	5	UAE	4.0%
6	Qatar	0.2%	6	Bahrain	9.8%
COST-TO-INCOME RATIO[1] (%)					
1	**Oman**	**(10.0)%**	1	**Qatar**	**34.1%**
2	UAE	(0.2)%	2	UAE	34.6%
3	Bahrain	(0.1)%	3	Saudi	40.5%
4	Kuwait	1.3%	4	Kuwait	41.8%
5	Saudi	1.5%	5	Bahrain	46.4%
6	Qatar	2.3%	6	Oman	64.3%

Note: [1]Decrease (or increase) in CIR, net impairment charge on loans and advances and NPL ratio has been shown as a positive (or negative) movement. The rankings are based on the actual, not rounded off, numbers.

Bank rankings

		By y-o-y growth rate (2015 vs. 2016)				By value/percent as of, or for the y/e, 31 December 2016		
		Bank	Country	Δ y-o-y		Bank	Country	Value/ percent
TOTAL ASSETS (US$ billion)	1	***Alizz Islamic Bank Oman***	***Oman***	***51.0%***	1	**Qatar National Bank**	**Qatar**	**197.4**
	2	*Bank Nizwa*	*Oman*	*49.1%*	2	Emirates NBD	UAE	121.9
	3	*Warba Bank*	*Kuwait*	*44.6%*	3	National Commercial Bank	Saudi	117.7
	4	Qatar National Bank	Qatar	33.6%	4	National Bank of Abu Dhabi	UAE	114.5
	5	*Ahli Bank*	*Qatar*	*18.1%*	5	*Al Rajhi Bank*	*Saudi*	*90.5*
	6	*Bank Alinma*	*Saudi*	*18.1%*	6	National Bank of Kuwait	Kuwait	79.9
NET PROFIT (US$ billion)	1	***Warba Bank***	***Kuwait***	***156.4%***	1	**Qatar National Bank**	**Qatar**	**3.4**
	2	*Al Salam Bank*	*Bahrain*	*31.4%*	2	National Commercial Bank	Saudi	2.5
	3	HSBC Bank Oman	Oman	30.7%	3	*Al Rajhi Bank*	*Saudi*	*2.2*
	4	*Boubyan Bank*	*Kuwait*	*16.1%*	4	Emirates NBD	UAE	2.0
	5	*Al Rajhi Bank*	*Saudi*	*14.0%*	5	First Gulf Bank	UAE	1.6
	6	*Kuwait International Bank*	*Kuwait*	*13.3%*	6	National Bank of Abu Dhabi	UAE	1.4
NET IMPAIRMENT CHARGE ON LOANS AND ADVANCES[1] (US$ million)	1	***Masraf Al Rayan***	***Qatar***	***(373.4%)***	1	**Ahli Bank**	**Qatar**	**(3.0)**
	2	Ahli Bank	Qatar	(170.1%)	2	Ahli Bank	Oman	0.4
	3	Ahli Bank	Oman	(96.8%)	3	*Masraf Al Rayan*	*Qatar*	*0.4*
	4	*Kuwait International Bank*	*Kuwait*	*(60.1%)*	4	*Bank Nizwa*	*Oman*	*3.7*
	5	*Bahrain Islamic Bank*	*Bahrain*	*(59.8%)*	5	*Alizz Islamic Bank Oman*	*Oman*	*4.2*
	6	*Boubyan Bank K.S.C.P.*	*Kuwait*	*(57.3%)*	6	*Bahrain Islamic Bank*	*Bahrain*	*5.5*
REGULATORY CAPITAL (US$ billion)	1	***Boubyan Bank***	**Kuwait**	**43.5%**	1	***National Commercial Bank***	**Saudi**	**18.0**
	2	*Bank Albilad*	Saudi	42.7%	2	*Qatar National Bank*	Qatar	17.2
	3	*Dubai Islamic Bank*	UAE	31.7%	3	*Emirates NBD*	UAE	14.8
	4	BBK	Bahrain	30.1%	4	Al Rajhi Bank	Saudi	14.6
	5	Al Khaliji Commercial Bank	Qatar	24.6%	5	National Bank of Abu Dhabi	UAE	13.4
	6	*Qatar International Islamic Bank*	Qatar	24.6%	6	*SAMBA*	Saudi	11.7
CAPITAL ADEQUACY RATIO (%)	1	**National Bank of Bahrain**	**Bahrain**	**5.4%**	1	**National Bank of Bahrain**	**Bahrain**	**35.4%**
	2	*Bank Albilad*	*Saudi*	*4.6%*	2	*Alizz Islamic Bank Oman*	*Oman*	*24.5%*
	3	*Boubyan Bank*	*Kuwait*	*4.3%*	3	*Bank Nizwa*	*Oman*	*23.6%*
	4	*Bank Al Jazira*	*Saudi*	*4.0%*	4	SAMBA	Saudi	22.5%
	5	BBK	Bahrain	3.6%	5	*Al Rajhi Bank*	*Saudi*	*22.0%*
	6	*Bahrain Islamic Bank*	*Bahrain*	*2.9%*	6	RAK Bank	UAE	21.8%

Note: [1]Decrease (or increase) in CIR, net impairment charge on loans and advances and NPL ratio has been shown as a positive (or negative) movement.
The rankings are based on the actual, not rounded off, numbers.
Islamic banks have been presented in italics.

		By y-o-y growth rate (2015 vs. 2016)				By value/percent as of, or for the y/e, 31 December 2016		
		Bank	Country	Δ y-o-y		Bank	Country	Value/ percent
RETURN ON EQUITY (%)	1	***Ithmaar Holding (formerly known as Ithmaar Bank)***	***Bahrain***	***13.7%***	1	***Dubai Islamic Bank***	***UAE***	***20.6%***
	2	*Bank Nizwa*	*Oman*	*4.2%*	2	Qatar National Bank	Qatar	20.0%
	3	*Warba Bank*	*Kuwait*	*1.7%*	3	National Commercial Bank	Saudi	18.4%
	4	HSBC Bank Oman	Oman	1.2%	4	First Gulf Bank	UAE	18.1%
	5	*Al Salam Bank - Bahrain BSC*	*Bahrain*	*1.2%*	5	*Abu Dhabi Islamic Bank*	*UAE*	*17.2%*
	6	*Kuwait Finance House*	*Kuwait*	*0.9%*	6	*Masraf Al Rayan*	*Qatar*	*16.8%*
RETURN ON ASSETS (%)	1	***Bank Nizwa***	***Oman***	***1.8%***	1	**First Gulf Bank**	**UAE**	**2.6%**
	2	*Alizz Islamic Bank Oman*	*Oman*	*1.4%*	2	*Al Rajhi Bank*	*Saudi*	*2.5%*
	3	*Ithmaar Holding (formerly known as Ithmaar Bank)*	*Bahrain*	*0.8%*	3	*Masraf Al Rayan*	*Qatar*	*2.4%*
	4	*Al Salam Bank*	*Bahrain*	*0.3%*	4	*Dubai Islamic Bank*	*UAE*	*2.2%*
	5	*Al Rajhi Bank*	*Saudi*	*0.2%*	5	SAMBA	Saudi	2.1%
	6	HSBC Bank Oman	Oman	0.2%	6	National Commercial Bank	Saudi	2.1%
LIQUIDITY RATIO (%)	1	**Saudi British Bank (SABB)**	**Saudi**	**12.8%**	1	**Commercial Bank of Kuwait**	**Kuwait**	**53.0%**
	2	RAK Bank	UAE	12.3%	2	BBK	Bahrain	52.7%
	3	Banque Saudi Fransi	Saudi	8.9%	3	National Bank of Abu Dhabi	UAE	51.9%
	4	SAMBA	Saudi	7.1%	4	National Bank of Bahrain	Bahrain	44.5%
	5	Commercial Bank of Kuwait	Kuwait	6.8%	5	National Bank of Kuwait	Kuwait	42.6%
	6	National Commercial Bank	Saudi	6.8%	6	Mashreq Bank	UAE	41.7%
NON-PERFORMING LOAN RATIO[1] (%)	1	***Khaleeji Commercial Bank***	***Bahrain***	***(7.7%)***	1	***Bank Nizwa***	***Oman***	***0.1%***
	2	*Bahrain Islamic Bank*	*Bahrain*	*(3.1%)*	2	*Masraf Al Rayan*	*Qatar*	*0.2%*
	3	*Ithmaar Holding (formerly known as Ithmaar Bank)*	*Bahrain*	*(2.8%)*	3	*Alizz Islamic Bank Oman*	*Oman*	*0.2%*
	4	BBK	Bahrain	(1.2%)	4	Commercial Bank of Kuwait	Kuwait	0.5%
	5	*Dubai Islamic Bank*	*UAE*	*(1.1%)*	5	*Bank Alinma*	*Saudi*	*0.8%*
	6	HSBC Bank Oman	Oman	(1.0%)	6	Riyad Bank	Saudi	0.8%
COST-TO-INCOME RATIO[1] (%)	1	***Bank Nizwa***	***Oman***	***(37.9%)***	1	**First Gulf Bank**	**UAE**	**20.8%**
	2	*Alizz Islamic Bank Oman*	*Oman*	*(36.5%)*	2	Al Ahli United Bank	Bahrain	27.8%
	3	*Warba Bank*	*Kuwait*	*(11.5%)*	3	Commercial Bank of Kuwait.	Kuwait	27.9%
	4	HSBC Bank Oman	Oman	(10.1%)	4	*Masraf Al Rayan*	*Qatar*	*28.3%*
	5	*Khaleeji Commercial Bank*	*Bahrain*	*(5.9%)*	5	Al Khaliji Commercial Bank	Qatar	29.4%
	6	Al Khaliji Commercial Bank	Qatar	(4.8%)	6	Saudi British Bank (SABB)	Saudi	29.9%

Note: [1]Decrease (or increase) in CIR, net impairment charge on loans and advances and NPL ratio has been shown as a positive (or negative) movement.
The rankings are based on the actual, not rounded off, numbers.
Islamic banks have been presented in italics.

Insights

The summary below sets out the broader themes, both positive and negative, emerging from the analysis provided in this report for the year ended 31 December 2016.

+

The GCC banking sector continues to remain relatively resilient despite political and economic uncertainty in the region and across the globe.

Asset growth remained robust at 6.5 percent, particularly when compared to the more developed markets. Growth was driven by increased lending to government and related entities.

LRs have also increased across most of the GCC listed banks. Although liquidity pressures remain, 2016 saw a shift toward more liquid assets to meet Basel III requirements.

2016 witnessed a general increase in regulatory oversight and supervision with a specific focus from regulators on implementing Basel III regulations, cyber security, governance and IFRS 9.

CIRs continue to decline, reflecting a significant focus on cost reductions and operating efficiency initiatives particularly given the ongoing profitability pressures.

Regulatory capital, and in turn the CAR have both increased from the previous year. Overall average CAR now stands at over 18 percent, above the minimum regulatory requirement for all GCC countries, reflecting the increased capital raising activity during the year.

–

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.

Net profit saw a year-on-year decline for the first time in recent years, primarily due to the banks in the GCC experiencing margin compression and increased impairment charges on financing assets.

Once again, 2016 experienced a general downward trend in banks' share prices, reflecting investor concerns around political and economic uncertainty in the region and weakened financial performance.

Credit quality remained a concern across the GCC banking sector, particularly in the real estate sector, with an overall increase in impairment charges on financing assets reflecting deteriorating asset quality.

Both ROA and ROE came under pressure in 2016, due to reduced profitability in the banking sector overall, mainly as a result of margin compression and higher impairment charges on financing assets.

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

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 commercial banking sector in the region.

Tax back on the agenda

With the expected introduction of Value Added Tax (VAT) in early 2018, tax will be back on the board agenda. Although often misunderstood as being outside the scope of VAT, banks will need to assess the potential impact of VAT on their businesses, which may have an impact on profitability. Greater clarity is likely to emerge on the specific application of VAT for the banking sector.

Evolving regulatory regimes

As predicted last year, the regulatory agenda continues to evolve on a national, regional and international level, driven by global developments. Basel IV is already being discussed, and with the upcoming effective date of IFRS 9 on 1 January 2018, the year ahead is likely to be busy for the banking sector as business models are reshaped to ensure compliance with the new regulations and accounting standards.

Greater customer focus

Having spent the past few years focused on regulatory compliance and what we term as the 'battle of the balance sheet,' banks will now place equal, if not greater, importance and focus on growing their customer base and improving their customer offering to secure loyalty — 'the battle of the customer'. This will be essential to help banks remain competitive in a challenging sector.

Digitization to remain relevant

In a world where we are witnessing rapid technological change and evolving customer requirements, banks will need to continue to digitize to remain relevant; particularly as they become increasingly invisible. Whether that be through their go-to-market channels, or through the use of innovative technology in the back and front office, we expect an increased investment in this space.

Positive long-term outlook

The overall long-term outlook for the GCC banking sector remains relatively positive when compared with the more developed markets. 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 sector.

Cost and operational efficiencies remain a priority

Given the margin and related profitability pressures banks have experienced across the region in 2016, we expect cost and operational efficiencies to remain high on management's agenda. Having been through one wave of cost cuts and efficiency measures, banks are now likely to look at more sophisticated ways to manage costs, e.g. through the use of robotics and analytics.

Data gains prominence

Given the increasing demand of the availability of accurate real time data across all functions of a bank, driven by accounting and regulatory change, we envisage data gaining greater importance. As banks further realize the power that data holds, they are likely to start treating it with the same level of care with which they treat their customers.

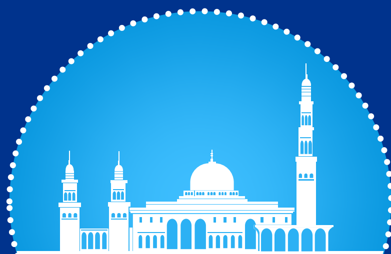
Focus on governance, conduct and culture

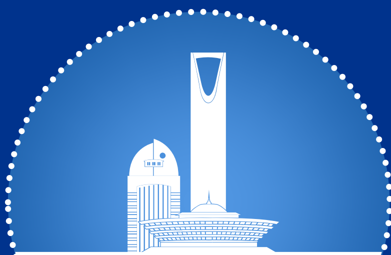
At a time where there is economic uncertainty coupled with a challenging environment for banks, we believe regulators will focus on governance, conduct and culture in the overall sector through various policy initiatives. Given the rapid pace of technological advancement and changing customer needs, there is likely to be particular attention paid to the 'tone at the top,' to ensure banks are managing this change efficiently.

Continued capital and fund raising activity

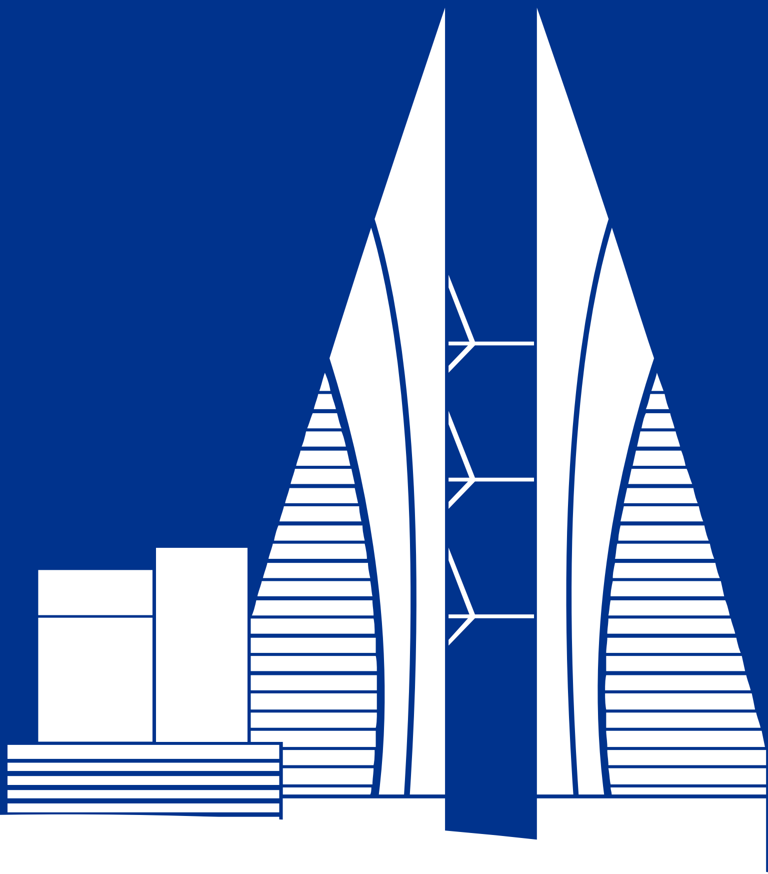
We expect the increasing trend of capital and fund-raising activity to continue in 2017, as regulators increase minimum capital adequacy and liquidity requirements, in line with Basel III regulations. Despite predictions of more stable oil and gas prices and improving geo-political environment, liquidity pressures will continue to weigh on the financial sector.

Country analysis





Bahrain



Summary

Sector overview

Under the Central Bank of Bahrain (CBB) regulatory regime, 103 commercial and investment banks operate — 79 conventional and 24 Islamic. Out of these banks there are 22 conventional and six Islamic commercial banks. In addition to this, three conventional and five Islamic banks are listed on the Bahrain Bourse, and have been covered as part of this report.

Regulatory update

The CBB is proactive in amending the regulations related to the banking sector and being the market leader of adopting best practices. In 2016, the CBB, via its circular, required banks (including Islamic banks) to perform quality impact assessments from the adoption of IFRS 9. This prompted two banks to adopt the requirements of IFRS 9 in full. The CBB has also issued numerous circulars and changes to the rule book during the year to promote robust and transparent governance practices.

Financial position

Locally incorporated commercial banks' total assets have decreased from US$93.1 billion in 2015 to US$90.1 billion in 2016, representing a 3.2 percent decline mainly from decline in total assets of AUB by US$2.6 billion of which US$1.7 billion was due to significant devaluation of Egyptian Pound and Al Baraka Banking Group by US$1.1 billion due to translation effect of US$ appreciation, lower levels of murabaha financing and non-trading investments.

Financial performance

In 2016, listed commercial banks saw mixed profitability, with five reporting increase in profits and three reporting a decrease as compared to the previous year. ROA marginally improved and ROE remained largely over 5 percent for most of the banks.

Bahrain

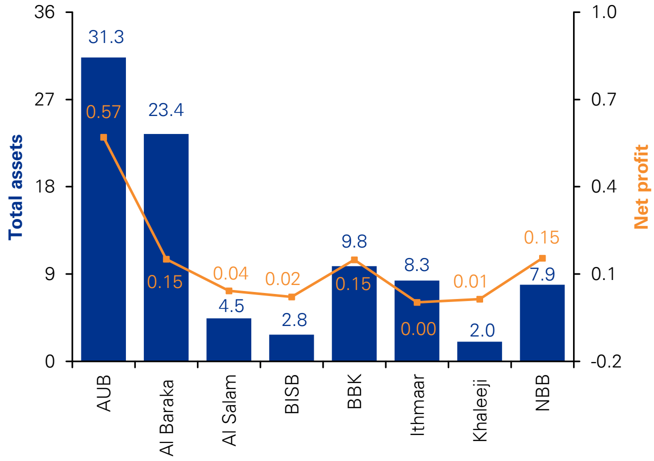
Population (million)[1]	1.4
Nominal GDP (US$ billion)[1]	30.6
GDP per head (US$ at PPP)[1]	47,870.0
Inflation (%)	2.3

Economic data as of 31 December 2016

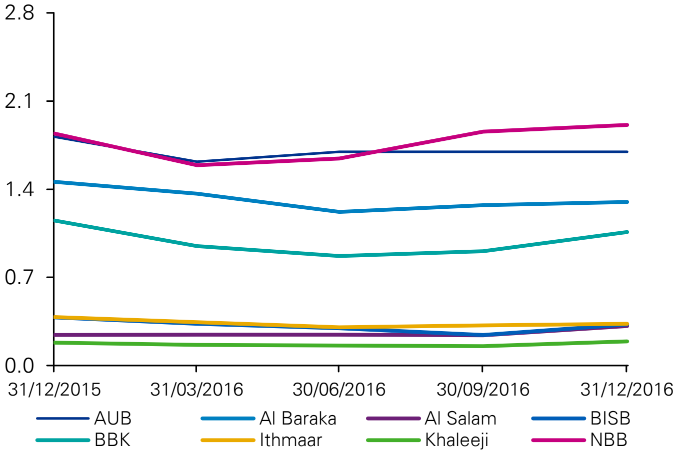
[1]Economist Intelligence Unit estimates.
Source(s): Economist Intelligence Unit, Bahrain — Data by country, 5 April 2017; Bahrain Inflation Rate, Trading economics website, 5 April 2017, accessed on 5 April 2017

Total assets and net profit (US$ billon)

as of, and for the y/e, 31 December 2016



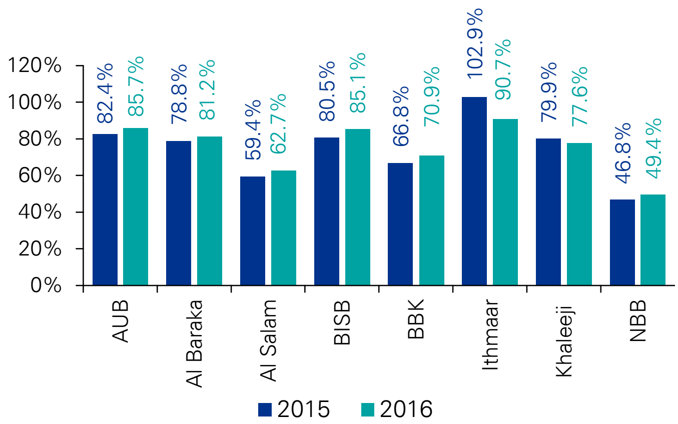
Share price movement (US$)



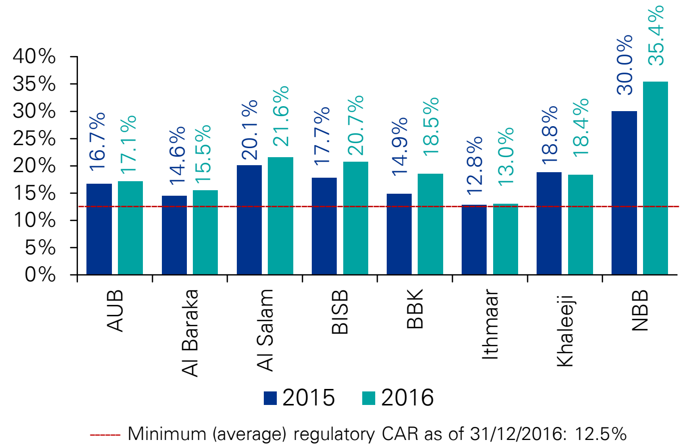
Note: For source data refer to the data table (page 71) in the Appendix section.

Key performance indicators (1/2)

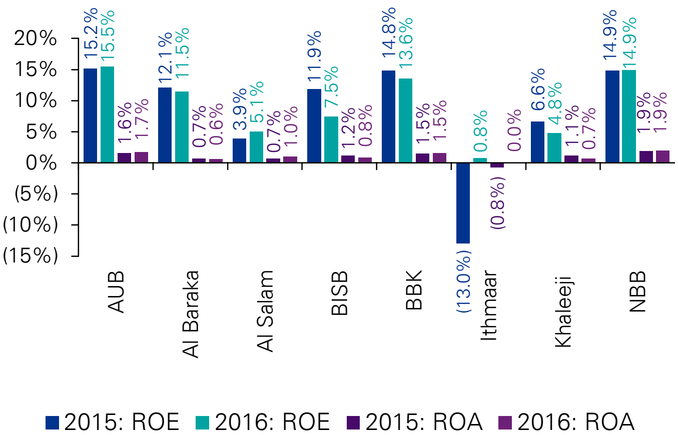
LDR



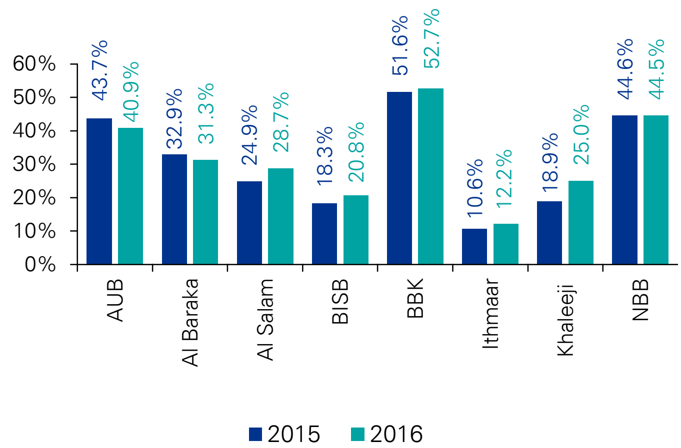
CAR



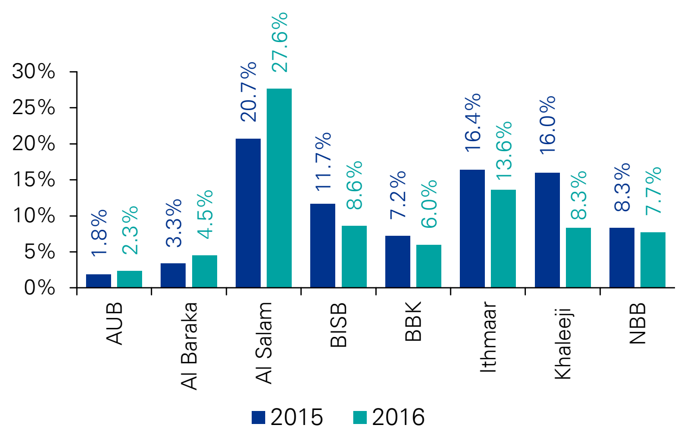
ROE/ROA



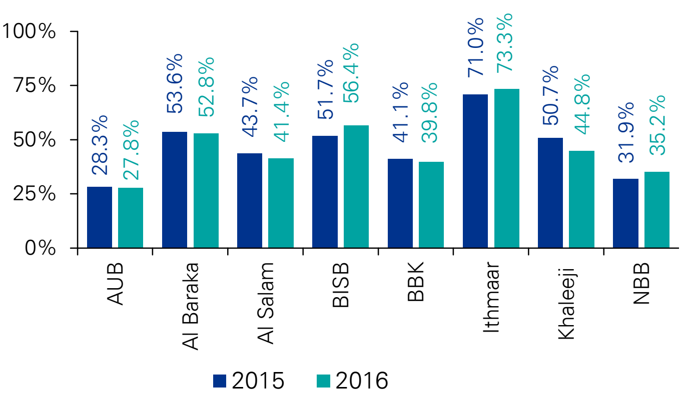
LR



NPL



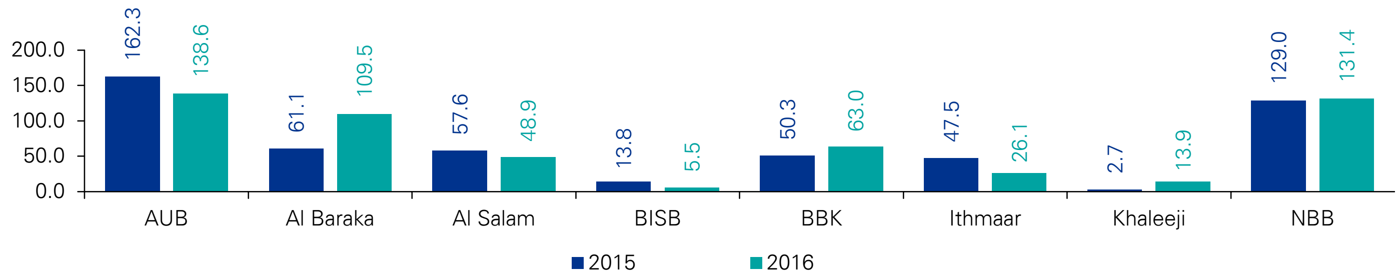
CIR



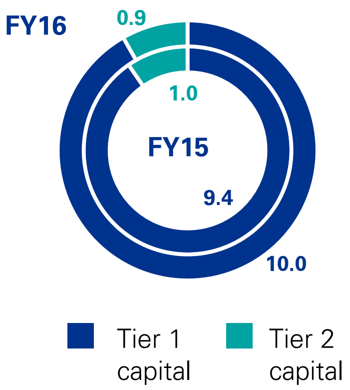
Note:BBK was an early adopter of IFRS 9 in 2016, as a result certain ratios presented may not be comparable within the peer group and with the previous year results. For source data refer to the data table (page 71–72) in the Appendix section.

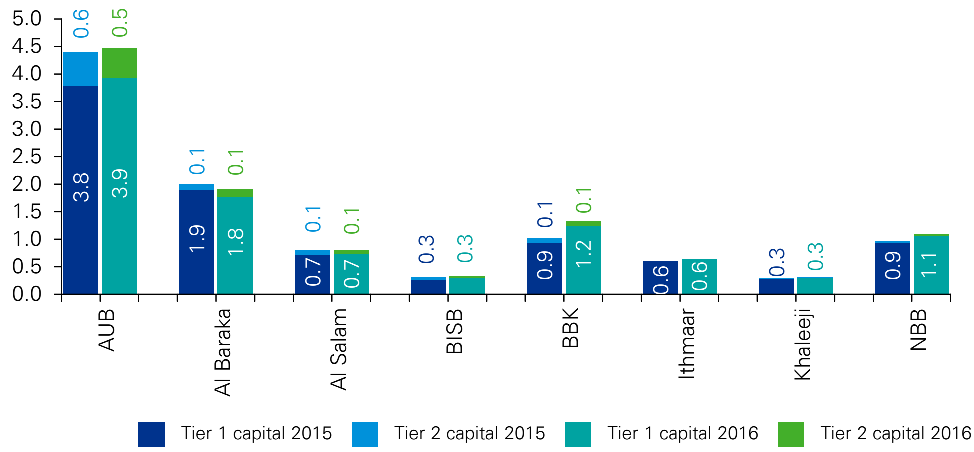
Key performance indicators (2/2)

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



Regulatory capital (US$ billion)





Credit rating

Bank / Credit rating agency	S&P		Moody's		Fitch	
	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook
Ahli United Bank	BBB	Stable	NA	NA	BBB+	Stable
Al Baraka Banking Group	*BB+*	*Negative*	*NA*	*NA*	*NA*	*NA*
Al Salam Bank-Bahrain	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*
Bahrain Islamic Bank	*NA*	*NA*	*Ba3*	*Stable*	*NA*	*NA*
BBK	NA	NA	Ba3	Negative	BB+	Stable
Ithmaar Holding (formerly known as Ithmaar Bank)	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*
Khaleeji Commercial Bank	*NA*	*NA*	*Ba3*	*Negative*	*NA*	*NA*
National Bank of Bahrain	NA	NA	Ba3	Negative	BB+	Stable
Overall country rating	**BB-**	**Stable**	**Ba2**	**Negative**	**BB+**	**Stable**

Notes: NA = Rating not available on ThompsonOne database, checked on 21 May 2017.
BBK was an early adopter of IFRS 9 in 2016, as a result certain ratios presented may not be comparable within the peer group and with the previous year results.
Islamic banks have been presented in italics.

Insights

The year gone by (2016)

Resilient banking sector

— Declining oil prices since 2014 have put pressure on the performance of various sectors in the region. The focus for the banking sector is to maintain adequate liquidity and achieve lending growth with profitability and innovation. Overall, the sector has witnessed improvement in CARs and liquidity in 2016 and NPL ratios have remained steady.

Liquidity challenges

— Bahraini commercial banks have performed well by way of increased liquid asset ratio quarter-on-quarter during 2016. However, the growth has been below the range observed in 2015. This indicates the tough challenge to maintain high liquidity in current market conditions.

Improved CAR

— The CAR of Bahraini commercial banks witnessed strong growth in 2016, evidenced by the increase in average CAR from 20.5 percent in 2015 to 23.7 percent in 2016 for conventional commercial banks and 16.8 percent in 2015 to 17.8 percent in 2016 for Islamic commercial banks.

Profitability

— ROE of local commercial banks has continued to grow, from 8.3 percent in 2015 to 9.2 percent in 2016. Operating expenses to total income slightly decreased to average 46.4 percent in 2016, from average 46.5 percent in 2015.

Asset quality

— NPL of commercial banks marginally declined as compared with that in 2015, impacting the specific provisions on NPL. Real estate construction continues to be one of the top sectors in lending. Specific provisions as a percentage of non-performing loans has decreased from 58 percent in 3Q15 to 54.1 in 3Q16. The loan concentration to top two sectors marginally changed from 31.7 percent in 3Q15 to 29.3 percent in 3Q16. Real estate and construction sector exposure continues to be one of concentrated sector for credit exposure increasing from 21.0 percent in 3Q15 to 22.2 percent in 3Q16. GCC continues to be the primary geography of focus with 77 percent of assets of commercial banks and 44 percent of assets of wholesale banks.

Liquidity ratios

— Liquid assets (as a percentage of total assets) rose from 21.7 percent in 3Q15 to 22.8 percent in 3Q16. Further, the loan to deposit ratio of the banking sector witnessed an increase in by 0.9 percent from 67 percent in 3Q15.

Leverage

— Leverage (times of assets/capital) of locally incorporated banks increased from 6.8 times in 3Q15 to 7.08 times in 3Q16.

Outlook

The year ahead (2017)

Enhancing competitiveness

— Currently, the banking sector in Bahrain has many small-sized players limited by their competitiveness due to restrictions in their operating capabilities. Mergers among such organizations is bound to strengthen and enhance the competitiveness of the banking sector. This idea is being continuously discussed in various forums on the island.

Innovation

— Innovation should be the key focus area for commercial banks to thrive under competitive market conditions. The banking sector is moving toward modern digital baking, which is expected to be the future of banking. Customized products and pricing need to be thought through innovatively to improve the banking experience and capabilities. With smartphones increasingly becoming the link to customers, moving toward digitization is key, as conventional payment channels may no longer be routine.

Experience and capabilities

— There is going to be emphasis on customer experience and the need to improve banking capabilities. Some of the concepts that may be considered in the banking sector include, but are not limited to, 'anytime anywhere' banking, cyber security, digital authentication, customized products, customized pricing, speedy approvals, real-time payments and digitization.

Adequate resources

— Maintaining adequate capital and liquidity should be considered to support the ever-growing challenging needs of the banking sector. Sizeable investments may be required to support the strategy, including infrastructure, automation and digitization. Investment in human capital is another area of concern as any lack of resources may hinder the strategy of the banks.

Case studies

Electronic fund transfer system (EFTS)

EFTS was introduced in November 2015 and witnessed full utilization by market participants in 2016. The daily average volume of transactions has been steadily increasing on a monthly basis. The daily average volume and value of Fawri and Fawri+ transactions reached 8,111 and 476 during 1 July 2016 to 31 December 2016, with daily average values of US$57.0 million and US$322,013.5 million respectively, which represent an increase of 21.5 percent and 80.9 percent for the period from 1 January 2016 to 30 June 2016. This eased the pressure on the Bahrain cheque truncation system (BCTS) during the period.

Mobile payment service

A Bahrain-based Islamic commercial bank signed an memorandum of understanding (MoU) with a telecom provider and financial services company for Bahrain's first every mobile payment service. The service was launched in January 2017 and uses secure Near Field Communication (NFC) tags to eliminate the need for cash or cards by allowing customers to shop simply by tapping their mobile phones at the checkout counters of participating merchants.

Launch of upgraded Bahraini dinar notes

In 2016, Bahraini dinar notes of denominations BD20 and BD10 were upgraded with the following features:

— Arabic numbers displayed in one color in daylight, and in two different fluorescent colors when viewed under UV light.

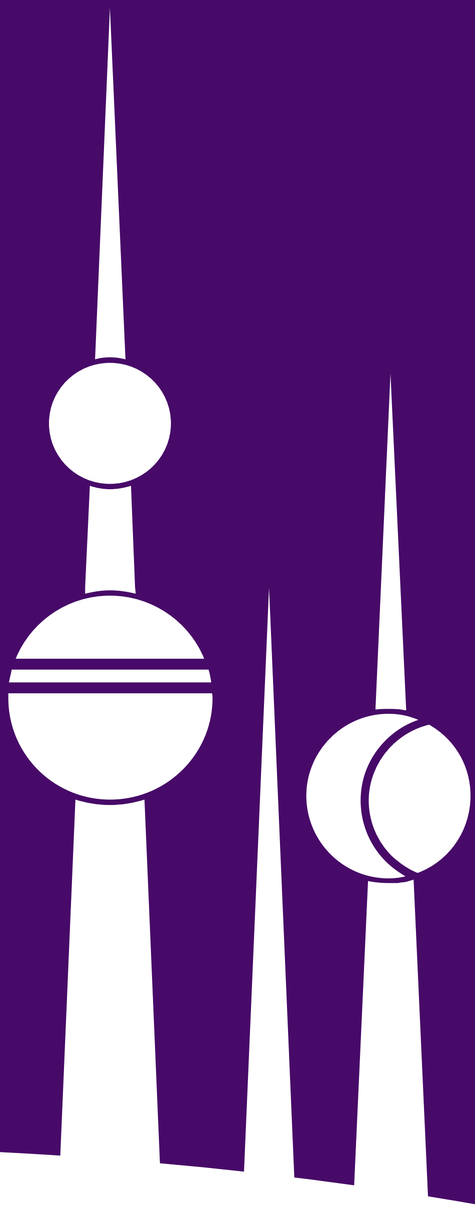
— Number displayed in Arabic numerals; with English numerals revealed when held up against light.

— Visual characteristics security thread, which on tilting the paper shows moving blocks with the banknote denomination.

— A visible security feature that carries either a single or double ring with shifting color and the value of the banknote appearing on the center feature.

— A series of short, raised lines, placed at the middle of front banknote on the right edge, indicating the note value to assist the visually impaired.

Kuwait



Summary

Sector overview

The banking landscape in Kuwait consists of 11 locally incorporated banks (of which five operate under the principles of Sharia) and 12 branches of foreign banks. No new banking licenses were granted by the Central bank of Kuwait (CBK) in 2016.

Regulatory update

All banks operating in Kuwait were required to implement the CBK regulations on consumer protection by the end of 2016. The CBK implemented the new loan to deposit ratio of 90 percent and liquidity coverage ratio of 80 percent from October 2016. During the year, the CBK issued instructions relating to Sharia supervisory governance for Kuwaiti Islamic banks, which would be effective from January 2018. Also, in December 2016, on the back of the US Federal Reserve increasing interest rates, the CBK raised the discount rate from 2.25 percent to 2.50 percent.

Financial position

Total listed banking sector assets at the end of 2016 stood at US$237.8 billion which was 1.9 percent (2.3 percent in local currency) higher than that at the end of 2015. The market continues to be dominated by NBK and KFH who, between them, have a 56.5 percent share of total assets. Total assets of Islamic banks stood at US$88.0 billion at the end of 2016 which is 1.5 percent higher than that at the end of 2015.

Financial performance

The year 2016 saw slower growth in net profits for Kuwaiti banks, up 5.9 percent in local currency terms as compared to 8.1 percent in 2015. Total provisions booked saw a significant drop as compared to the previous year indicating, once again, improvement in the quality of the Kuwait banking assets.

Kuwait

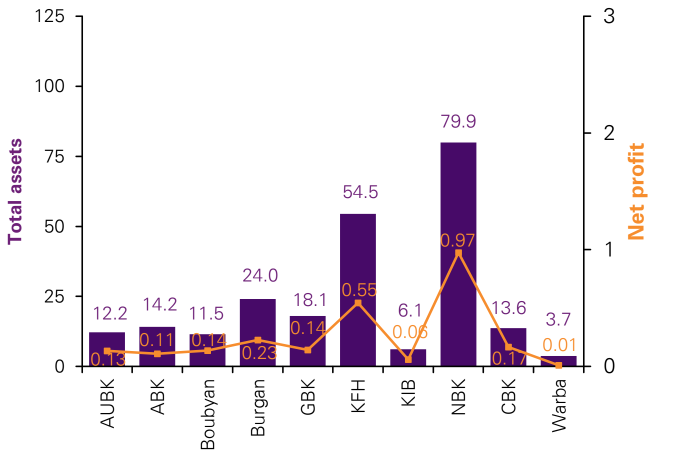
Population (million)[1]	**4.3**
Nominal GDP (US$ billion)[1]	**109.0**
GDP per head (US$ at PPP)[1]	**69,670.0**
Inflation (%)	**3.5**

Economic data as of 31 December 2016

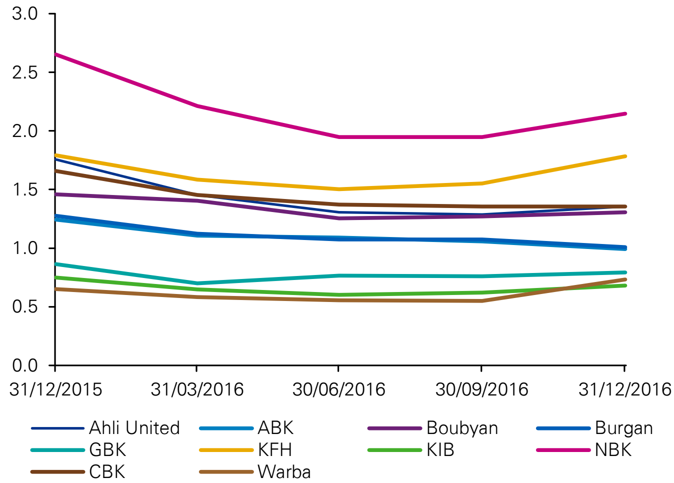
[1]*Economist Intelligence Unit estimates.*
Source(s): Economist Intelligence Unit, Kuwait — Data by country, 31 March 2017; Statistical Bulletins: Consumer Price Index Number December 2016, State of Kuwait: Central Statistical Bureau website, 31 March 2017, accessed on 31 March 2016

Total assets and net profit (US$ billon)

as of, and for the y/e, 31 December 2016



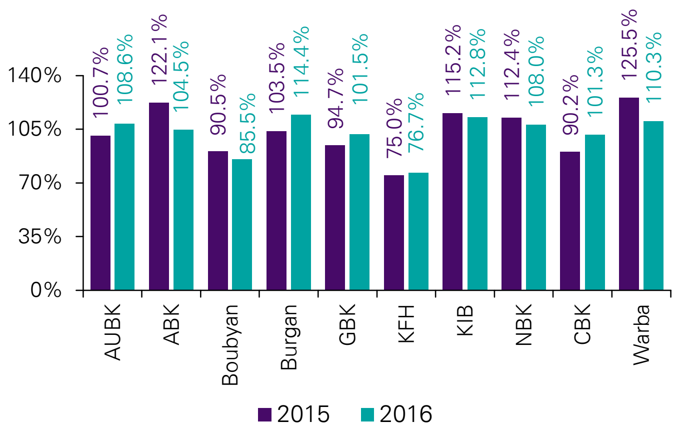
Share price movement (US$)



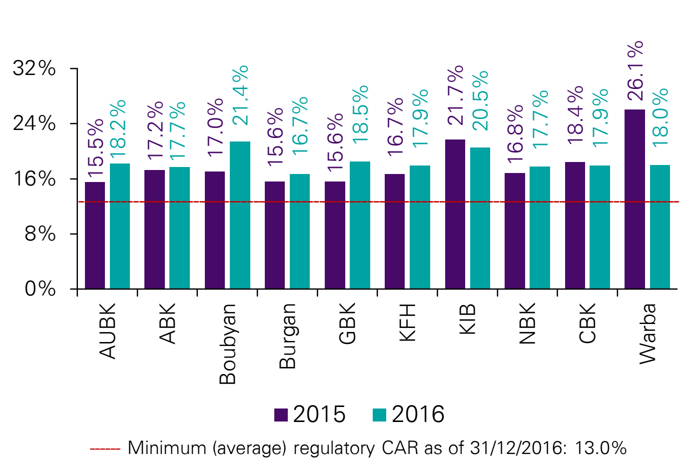
Note: For source data refer to the data table (page 73) in the Appendix section.

Key performance indicators (1/2)

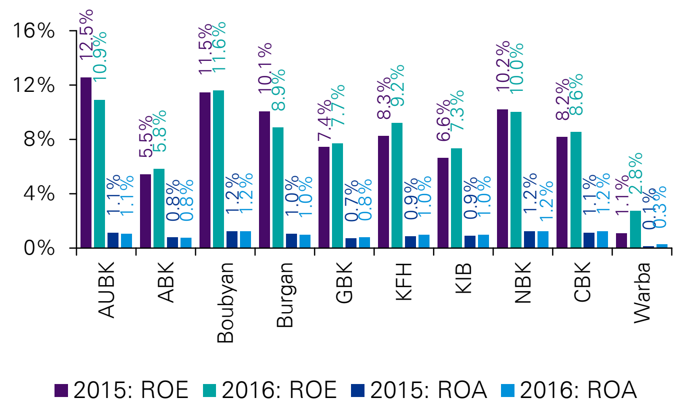
LDR



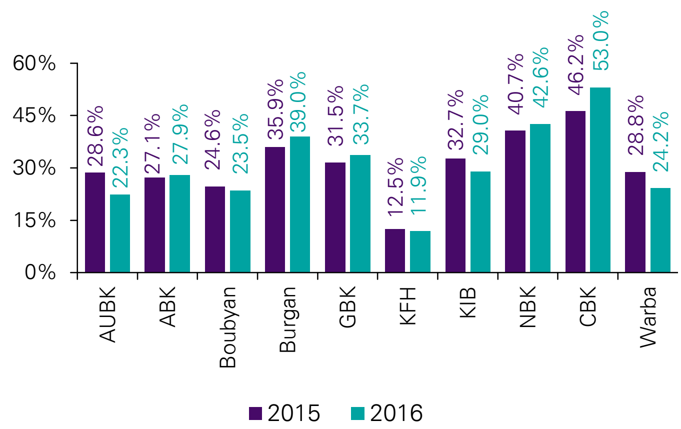
CAR



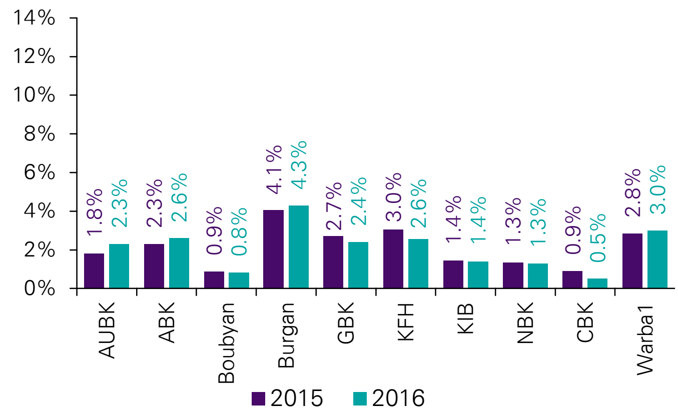
ROE/ROA



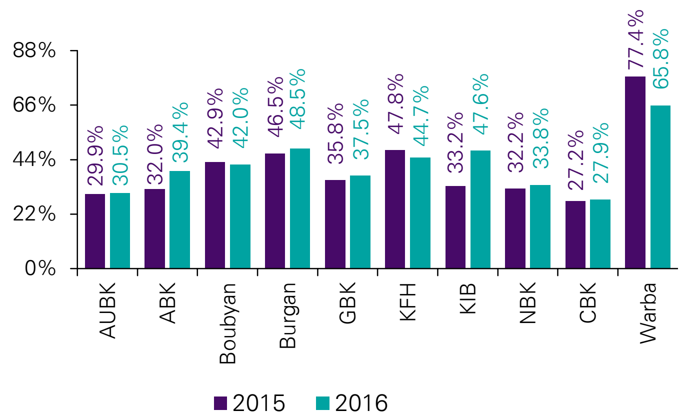
LR



NPL



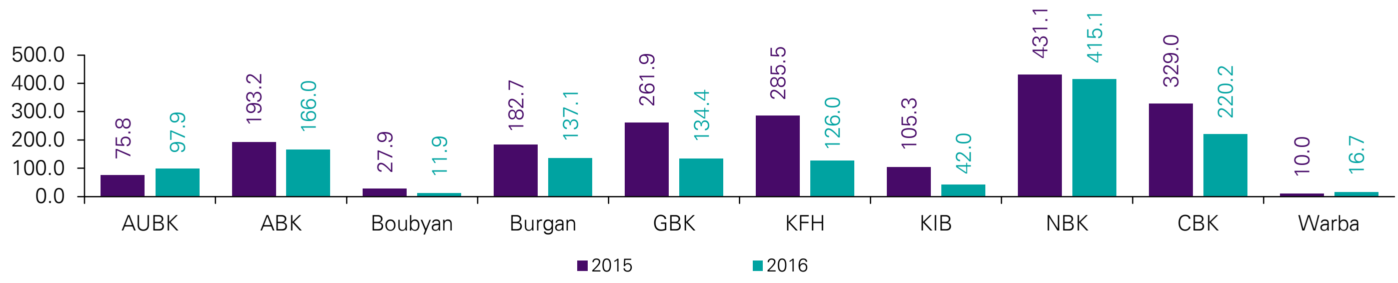
CIR



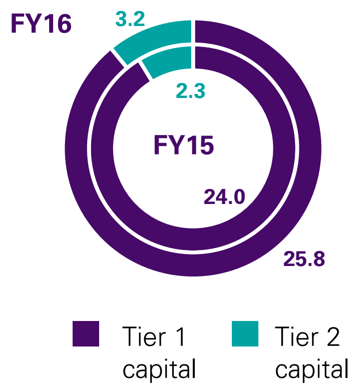
*Note: *For calculating NPL ratio for Warba bank, past due or impaired has been taken as proxy data.*
For source data refer to the data table (page 73–74) in the Appendix section.

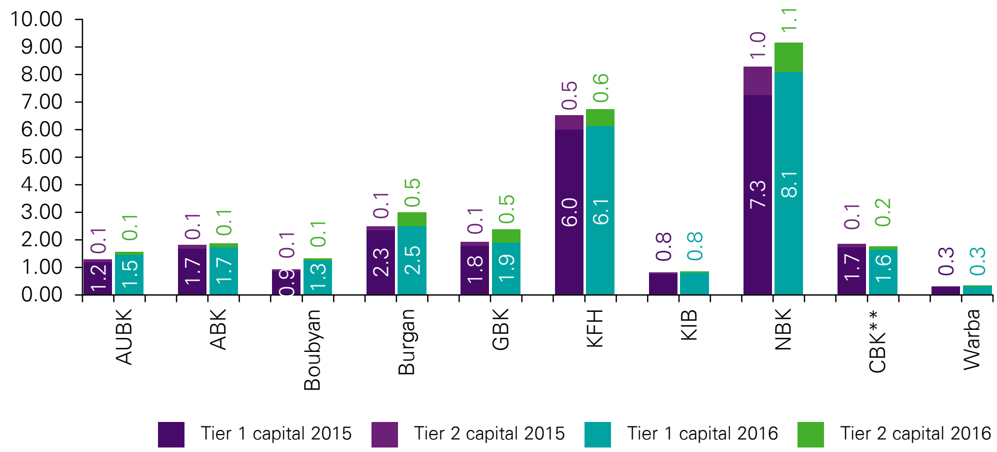
Key performance indicators (2/2)

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



Regulatory capital (US$ billion)





Credit rating

Bank \ Credit rating agency	S&P		Moody's		Fitch	
	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook
Ahli United Bank	*NA*	*NA*	*A2*	*Stable*	*A+*	*Stable*
Al Ahli Bank of Kuwait	NA	Stable	A2	Stable	A+	Stable
Boubyan Bank	*NA*	*NA*	*A3*	*Stable*	*A+*	*Stable*
Burgan Bank	BBB+	Stable	A3	Stable	A+	Stable
Gulf Bank	A-	Stable	A3	Stable	A+	Stable
Kuwait Finance House	*A-*	*Negative*	*A1*	*Negative*	*A+*	*Stable*
Kuwait International Bank	*NA*	*NA*	*NA*	*NA*	*A+*	*Stable*
National Bank of Kuwait	A+	Stable	Aa3	Negative	AA-	Stable
The Commerical Bank of Kuwait	NA	Stable	A3	Stable	A+	Stable
Warba Bank	*NA*	*NA*	*Baa2*	*Stable*	*A+*	*Stable*
Overall country rating	**AA**	**Stable**	**Aa2**	**Negative**	**AA**	**Stable**

Notes: NA = Rating not available on ThompsonOne database, checked on 21 May 2017
***Regulatory capital for CBK as on 30 September 2016 has been used as proxy data for regulatory capital numbers as on 31 December 2016 due to non-availability of disclosure document on report release date.*
Islamic Banks have been presented in Italics

Insights

The year gone by (2016)

Capital adequacy pressure

- Capital adequacy continues to be a challenge for most banks in Kuwait.
- To strengthen CAR, banks in Kuwait, including two Islamic banks, issued tier 1 and tier 2 Basel III compliant instruments in excess of US$1 billion in 2016.

Decline in impairment provisions

- The year 2016 was another year of decline in impairment provisions for banks in Kuwait. Total provisions during the year dropped by 27.8 percent compared to the previous year.
- With the exception of two banks, all others saw a significant decline in their impairment provisions as compared to 2015.

Significant government spending

- Despite oil prices continuing to remain low in 2016, the government continued to spend on infrastructure projects.
- This spending has had a favorable impact on the Kuwait banking sector in general.

Cost-to-income ratios

- CIR went up in 2016 after falling the previous year.
- To keep cost-to-income in check, most banks are deploying innovative digital technologies for engagement with customers and partners.

Outlook

The year ahead (2017)

Low oil prices

- Should oil prices continue at their current levels, 2017 will be another challenging year for banks as government deposits will continue to shrink or grow at a slower pace, impacting liquidity.
- Restrained economic growth may in turn impact the credit quality of the assets in the banking sector.

Expansion opportunities

- The banking sector in Kuwait is over banked and highly competitive.
- This leaves limited potential for growth in the local market, resulting in banks looking for opportunities outside Kuwait to invest and expand.

Fund raising activities

- Banks will continue to tap the debt capital markets to improve capital adequacy ratios and enhance earnings.

Opportunities to optimize business processes

- In our view, continued cost-to-income pressures will present banks with the right opportunity to optimize their internal business processes to make it more lean, effective and efficient.

Case studies

Facial recognition mobile banking app

— A bank in Kuwait launched the Middle East's first facial recognition mobile banking app.

— The bank's customers can access their personal accounts and any number of services by logging into this app through one of two methods; by blinking their eyes at their smartphone camera following their fingerprint recognition, or through the use of a traditional password registration.

Best in technology

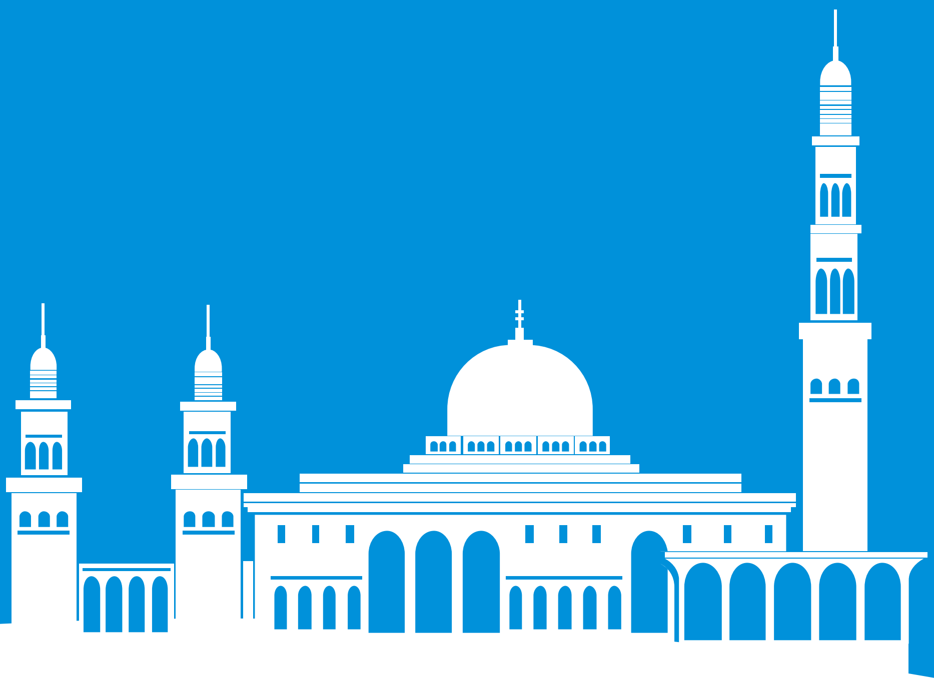
An Islamic bank in Kuwait's digital strategy has won several digital strategy accolades such as the 'World's Best Islamic Digital Bank' award and 'The Global Winner' for the second year in a row in the field of e-banking 'digital' services from Global Finance for 2016.

Simpler banking

— A banking group in Kuwait was the first in the region to introduce a new 'Quick-Read' card, which is designed to make online purchases simpler.

— The bank's investment in card technology helped it to be ranked as no.1 by Neilson for the highest purchase spend per card across the Middle East. This achievement was boosted by a number of major card promotions in Kuwait during the year.

Oman



Summary

Sector overview

In Oman, 20 banks are currently regulated by the Central Bank of Oman (CBO):

— seven local commercial banks (six of which are listed on the Muscat Securities Market (MSM)).

— nine foreign banks (all unlisted).

— two specialized banks (both unlisted).

— two Islamic banks (both listed on MSM).

All seven local commercial banks also have separate Islamic windows. No new banking licenses were granted by the CBO in 2016.

Regulatory update

The CBO, similar to regulators elsewhere in the region, has issued regulations covering areas such as stress testing, liquidity management and recovery and resolution planning 2016. Basel III guidelines, with liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) implementation frameworks, as well as a framework for domestic systemically important banks (D-SIBs), have also been issued.

Financial position

Total assets of the eight listed banks analyzed in this report decreased by 1.6 percent from US$68.1 billion in 2015 to US$67 billion in 2016, mainly on account of a decline in Bank Muscat's total assets (primarily Vostro balances kept with the CBO). Bank Muscat represented 42 percent of total listed banking assets at the end of 2016. The listed Islamic banks have a combined market share of only 3 percent.

Financial performance

In 2016, profitability for listed banks increased marginally by 0.2 percent over the previous year. Conventional banks' total credit grew by 7.6 percent in 2016 although there was pressure on margins as a result of the increasing cost of funds. On average, ROA increased by 0.3 percent and ROE declined from 7.6 percent in 2015 to 6.7 percent in 2016 due to challenging market conditions. Islamic banks reported higher returns on both assets and equity.

OMAN

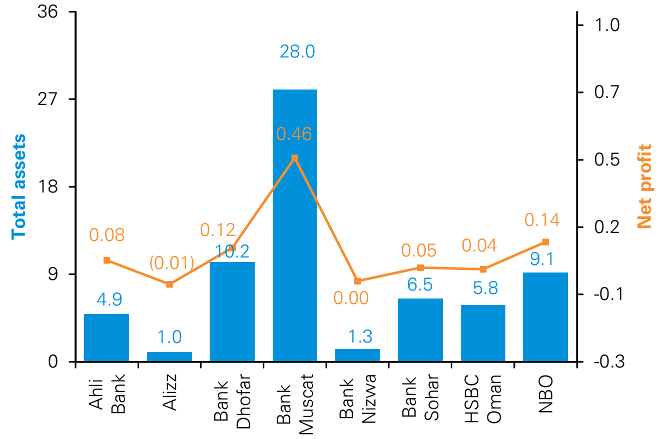
Population (million)[1]	**4.4**
Nominal GDP (US$ billion)[1]	**68.5**
GDP per head (US$ at PPP)[1]	**41,902.0**
Inflation (%)[2]	**1.1**

Economic data as of 31 December 2016

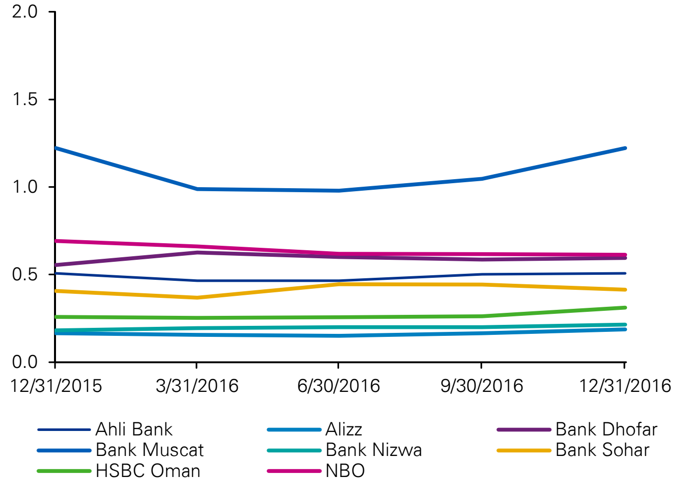
[1]*Economist Intelligence Unit estimates;* [2]*CPI inflation rate (Sultanate)*
Source(s): *Economist Intelligence Unit, Oman — Country Report, 20 March 2017; Quarterly Statistical bulletin: December 2016, CBO website, accessed on 22 March 2017*

Total assets and net profit (US$ billion)

as of, and for the y/e, 31 December 2016



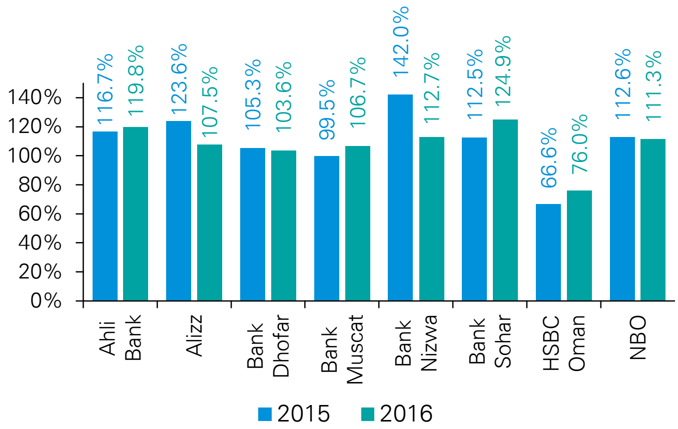
Share price movement (US$)



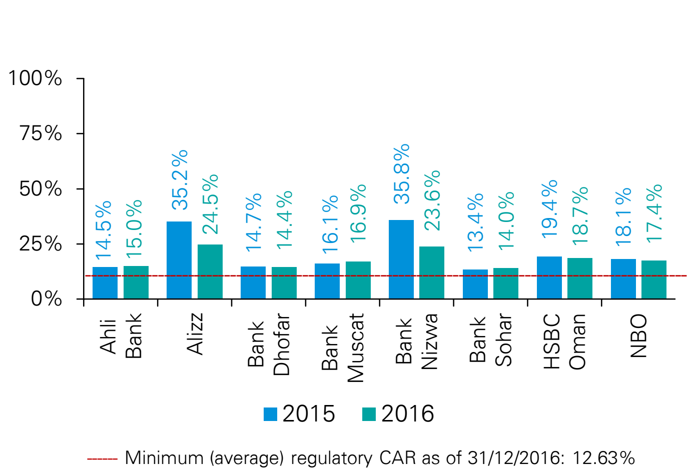
Note: For source data refer to the data table (page 75) in the Appendix section.

Key performance indicators (1/2)

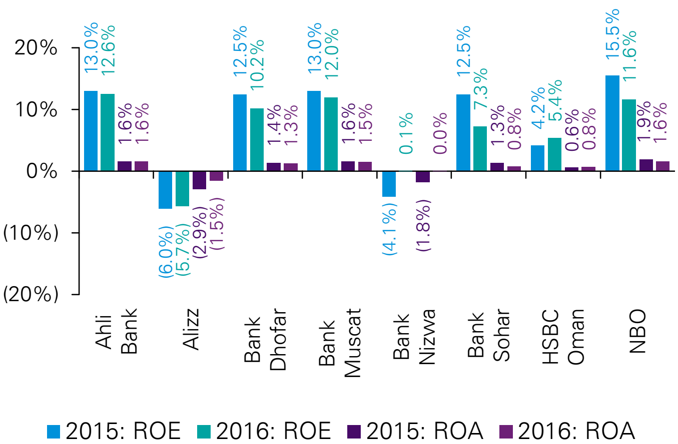
LDR



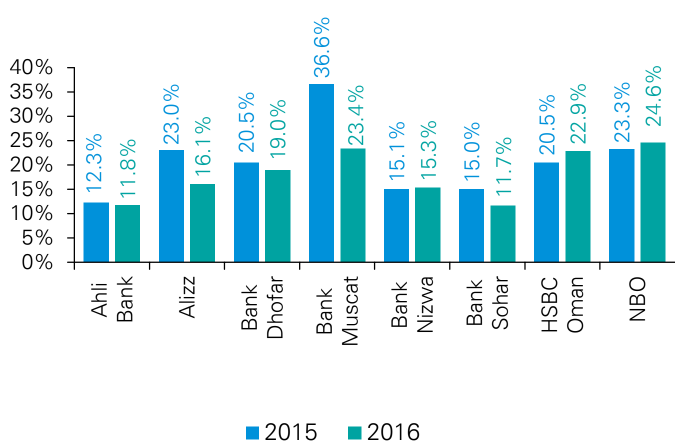
CAR



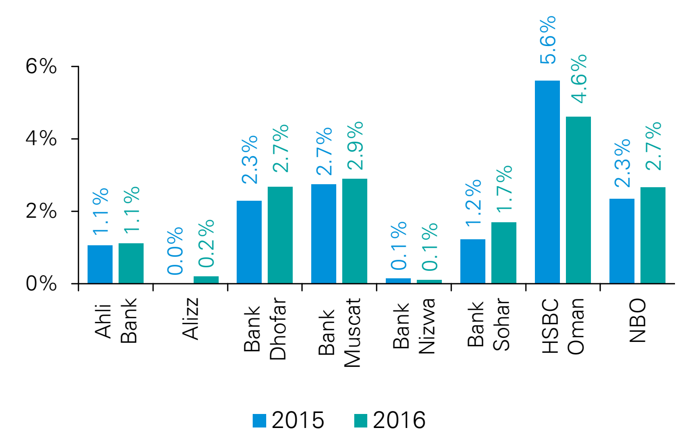
ROE/ROA



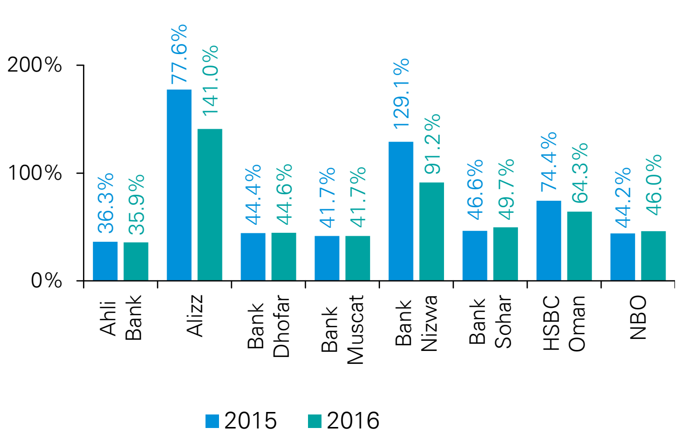
LR



NPL



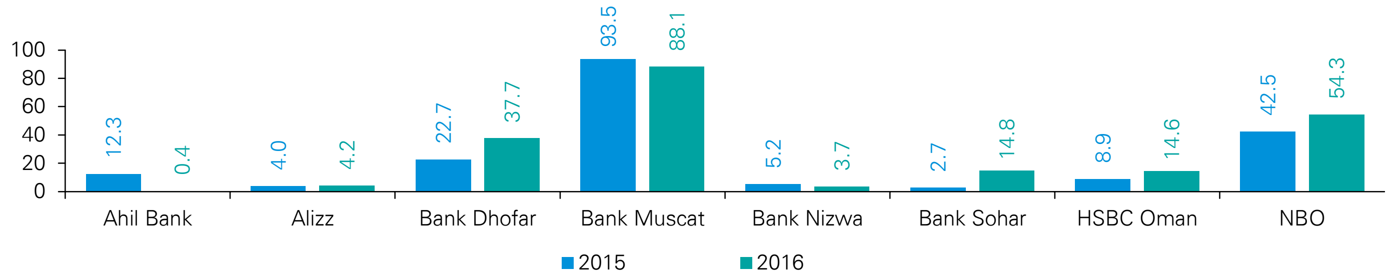
CIR



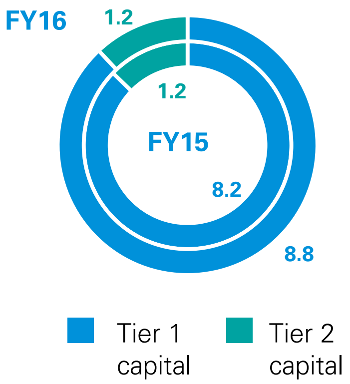
Note: For source data refer to the data table (page 75–76) in the Appendix section.

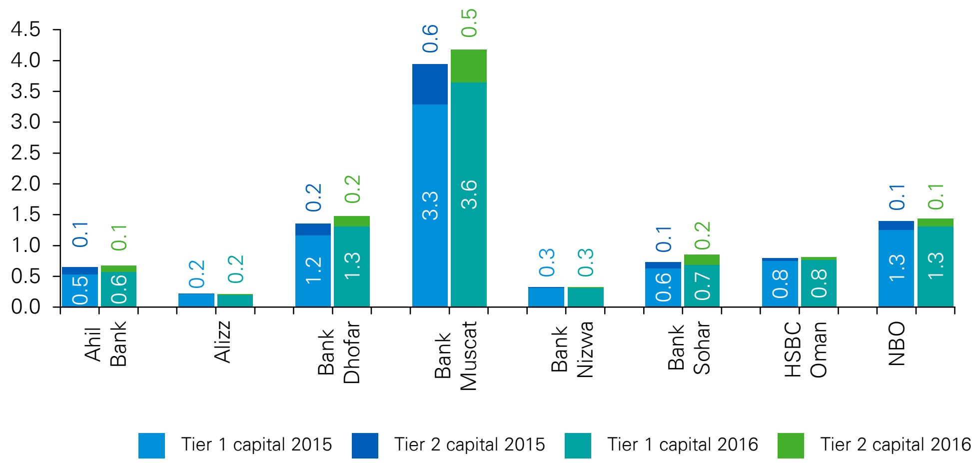
Key performance indicators (2/2)

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



Regulatory capital (US$ billion)





Credit rating

Bank \ Credit rating agency	S&P		Moody's		Fitch	
	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook
Ahli Bank	NA	NA	NA	NA	BBB-	Stable
Alizz Islamic Bank	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*
Bank Dhofar	NA	NA	Baa2	Negative	BBB-	Stable
Bank Muscat	BB+	Negative	Baa1	Stable	BBB	Stable
Bank Nizwa	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*
Bank Sohar	NA	NA	NA	NA	BBB-	Stable
HSBC Bank Oman	NA	NA	Baa1	Stable	A-	Stable
National Bank of Oman	NA	NA	Baa2	Stable	BBB-	Stable
Overall country rating	**BB+**	**Negative**	**Baa1**	**Stable**	**BBB**	**Stable**

Note: NA = Rating not available on ThompsonOne database, checked on 21 May 2017.
Islamic banks have been presented in italics.

Insights

The year gone by (2016)

Improving profitability

- Driven by increased profits at five of the eight listed banks, the overall profitability of listed Omani commercial banks improved marginally by 0.2 percent.
- Higher interest rates on loans were partially offset by an increase in the cost of deposits. The two banks with declining profits saw higher loan impairment charges.

Asset picture mixed

- While combined assets at seven of the eight listed banks grew by around 9 percent, overall assets declined by 1.6 percent, mainly due to a fall in Bank Muscat's assets, primarily attributed to a reduction in Vostro balances kept with the CBO.
- As of 31 December 2016, the total outstanding credit extended by Omani banks stood at US$57.2 billion, up by 10.1 percent over the previous year. Private sector credit totaled US$51.0 billion, up from US$46.3 billion in 2015.

Higher impairment charges

- Impairment charges against loans and advances were higher, reflecting weaker credit quality.
- The increase was spread across the corporate and retail sectors.

Improved Cost-to-income ratios

- Most Omani banks improved their CIRs, primarily due to an increase in income, which outstripped the increase in costs.
- Nevertheless, CIRs across the Omani banking sector are still the highest in the region.

Margin pressure continues

- Margins reduced in 2016, as government and government-related deposits declined and the cost of alternative sources of funding increased.
- The average deposit rate increased from 0.9 percent to 1.5 percent and average lending rates increased from 4.8 percent to 5.8 percent.

Tighter liquidity

- Liquidity continued to tighten across the banking sector with government revenues affected by a lower oil price.
- Oman's banks have loan to deposit ratios, on average, in excess of 100 percent, illustrating tighter liquidity levels and a potential cause for concern.

Capital adequacy ratios

- Most banks' CARs dipped in 2016, reflecting an increase in RWAs, without a corresponding increase in capital.
- Regulatory capital adequacy requirements continue to increase as Basel III regulations are gradually implemented.

Outlook

The year ahead (2017)

Capital and fund raising

- Banks are likely to continue to access capital markets for funding (through the Euro medium term note programme (EMTN) and sukuk bond issuances).
- Basel III capital requirements with additional domestic systematically important banks (D-SIB) will be gradually phased in, along with countercyclical buffer requirements, resulting in higher capital adequacy requirements for banks.

Liquidity pressures

- Oman’s liquidity levels are linked primarily to oil prices and interest rates. Oil prices stabilized in the fourth quarter of 2016, helping to ease liquidity. However, future interest rate hikes and oil price fluctuations may put further stress on liquidity.
- The government has successfully raised funds overseas to meet its budget deficit and ease liquidity pressures in 2017.

Innovation and efficiency

- Banks will look to differentiate themselves, given current income pressures, increasing regulatory requirements and the possibility of higher impairments.
- Cost efficiency drives to grow profits will improve CIR ratios.

Sources of growth

- The SME sector will continue to be an important focus area for banks as the government strives to reduce the economy’s dependency on the oil and gas sector from 44 percent of overall revenue to 26 percent during the current 5 year plan.
- However, the SME sector does also bring about greater risk than witnessed in any other region in recent years.

Case studies

Developing the customer experience

— Oman's leading banks have continued to invest significantly in customer experience, using the power of digital to transform the sector. Using social media to engage with a younger generation of customers, banks across the Sultanate are developing apps and other innovative digital products.

— Some of the offerings, such as an augmented reality app, have not been seen before in the GCC, suggesting that Oman's banks may be setting the agenda in terms of customer experience.

Cyber security

— The Sultanate has proactively sought to fully understand the threats posed by cyber criminals and has taken swift action in the fight against cyber crime. The financial services sector, as one of the most frequently targeted sectors globally, has invested significantly in cyber security.

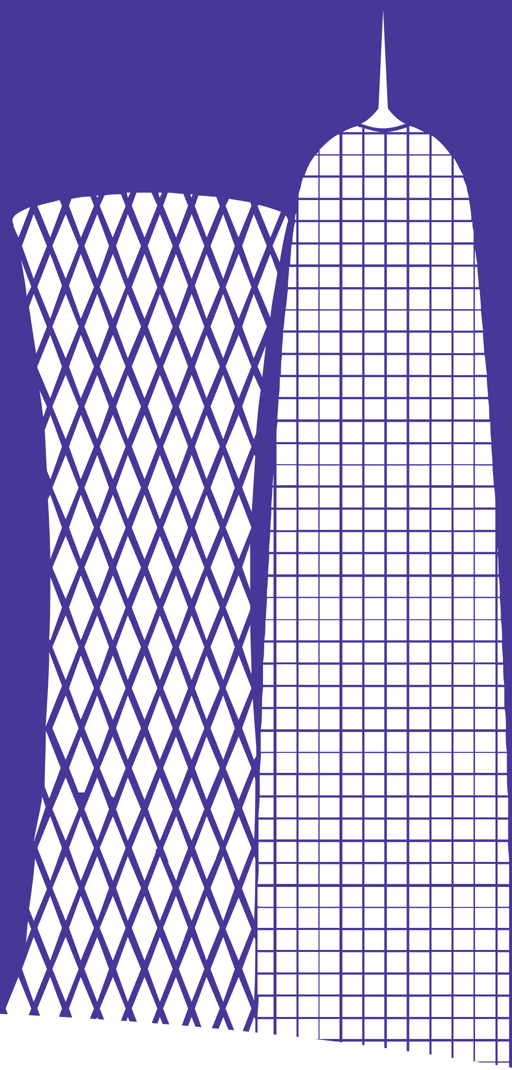
— One bank in the Sultanate has recognized that cyber security can be a significant source of competitive advantage, not just a way of managing a constant business risk, and has implemented a strategic, holistic approach to cyber preparedness that not only protects their valuable data, but also enhances agility and better positions the bank for future growth.

Financial services for female entrepreneurs

— Micro, small and medium-sized enterprises (SMEs) are seen as a critical engine of wealth and job creation, allowing the private sector to focus on diversification across the national economy. This has become important with reduced oil prices, tighter budgets and lower government spending. Omani banks have a mandate to ensure that 5 percent of all of their loans are made to SMEs. As we have seen elsewhere in MENA, it can be difficult to meet these mandates.

— One bank in Oman has developed an SME offering aimed at female entrepreneurs, offering a dedicated facility to those who lack office facilities. The bank offers an innovative networking service, bringing approximately 300 professional women together to provide them with leadership development opportunities, exposure to new ideas and vital connections that help them advance and succeed in their businesses.

Qatar



Summary

Sector overview

Currently 18 banks operate under the Qatar Central Bank (QCB) regulatory regime, of which eleven are national banks (including four Islamic banks) and seven foreign branches. Nine national banks are listed on the Qatar Exchange (including four Islamic banks). One Islamic investment bank is also listed on the Qatar Exchange, however it has been excluded for the purpose of this report. No new banking licenses were granted by the QCB in 2016.

Regulatory update

The QCB takes a proactive approach to regulating banks in Qatar. It has issued Basel III regulations for all banks, which have been applied in a phased manner and implemented numerous regulatory requirements common 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 21.0 percent, from US$297.7 billion in 2015 to US$360.2 billion in 2016, driven by growth in corporate lending, cash and equivalents and placements with banks. The market is dominated by the largest lender, which had a market share of 54.8 percent of total listed banking assets at the end of 2016 up from 2015 as a result of a significant acquisition. The three listed Islamic banks have a combined market share of 20.9 percent.

Financial performance

In 2016, profitability for listed banks declined 0.7 percent on average from the previous year. This was mainly a result of higher financing impairment charges, which increased by 163.5 percent from the previous year, and margin compression as a result of increasing cost of funds. ROA and ROE levels declined across most banks, given the challenging market conditions as asset/equity growth outpaced growth in profitability.

Qatar

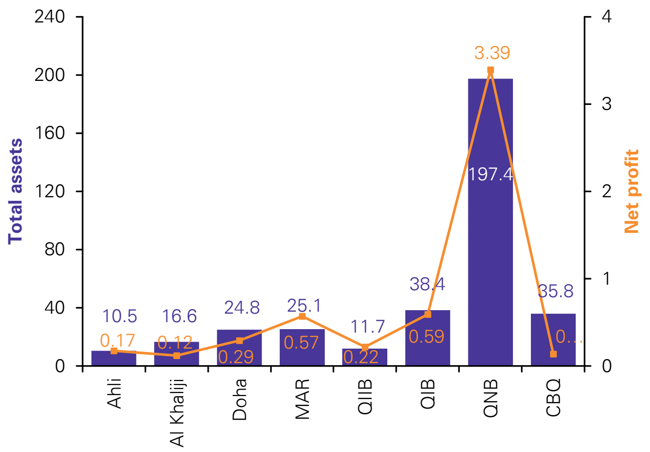
Population (million)[1]	**2.3**
Nominal GDP (US$ billion)[1]	**150.4**
GDP per head (US$ at PPP)[1]	**143,760**
Inflation (%)[2]	**2.0**

Economic data as of 31 December 2016

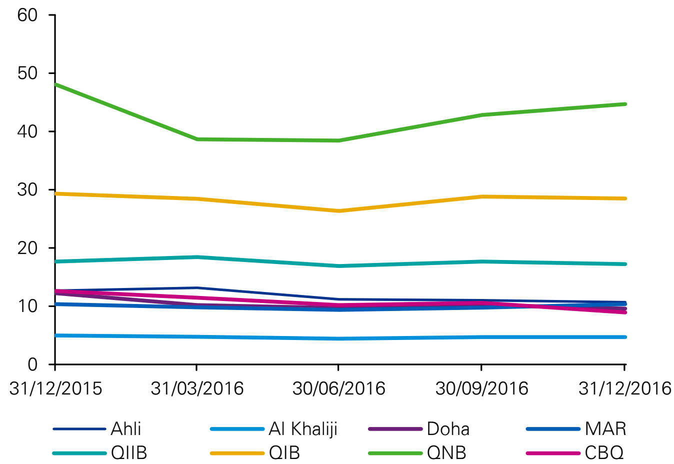
[1]Economist Intelligence Unit estimates.
Source(s): Economist Intelligence Unit, Qatar — Data by country, 7 March 2017; Main Economic Indicators, [2]QCB website, accessed on 7 March 2017.

Total assets and net profit (US$ billon)

as of, and for the y/e, 31 December 2016



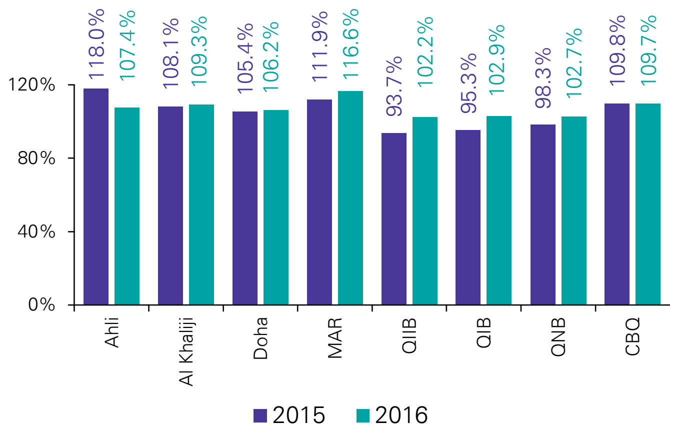
Share price movement (US$)



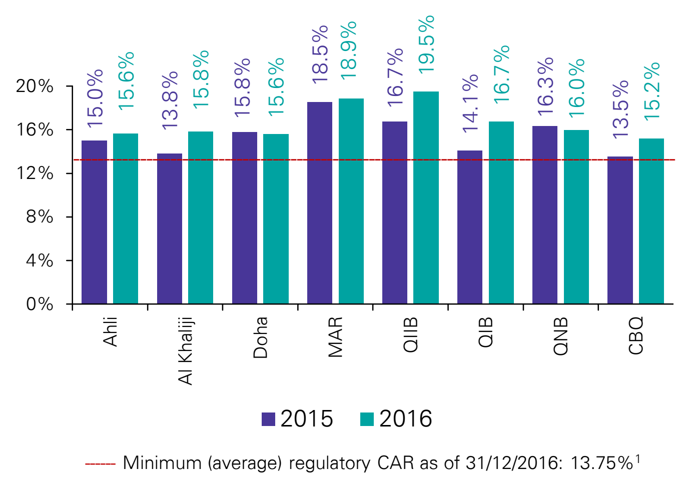
Note: For source data refer to the data table (page 77) in the Appendix section.

Key performance indicators (1/2)

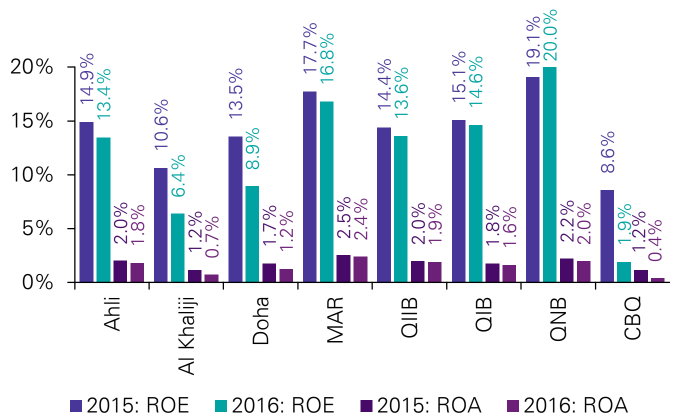
LDR



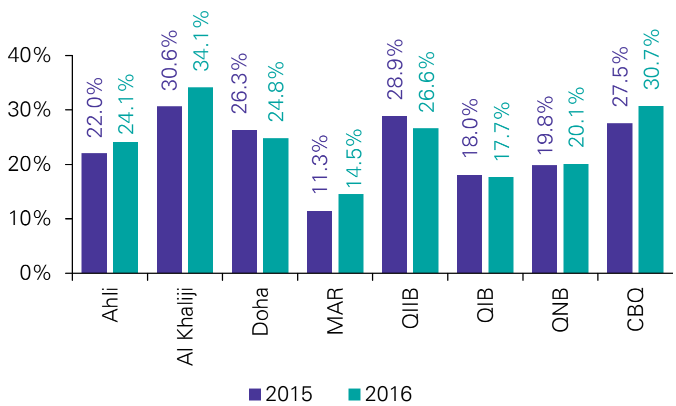
CAR



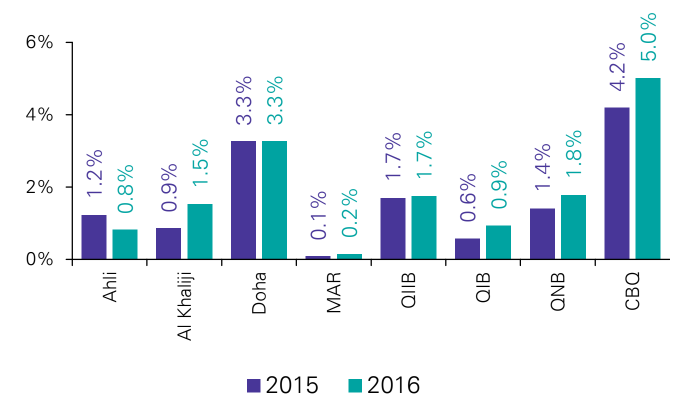
ROE/ROA



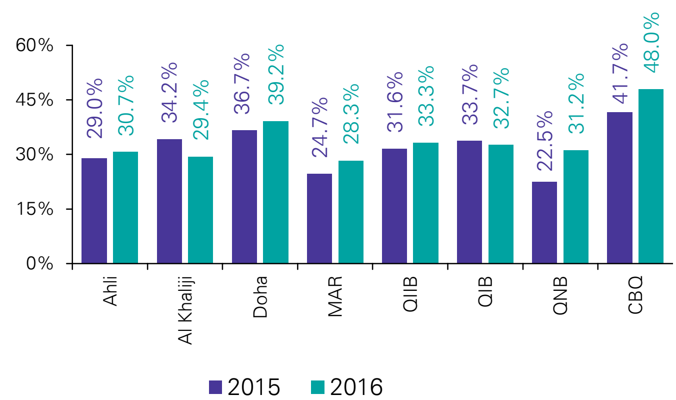
LR



NPL



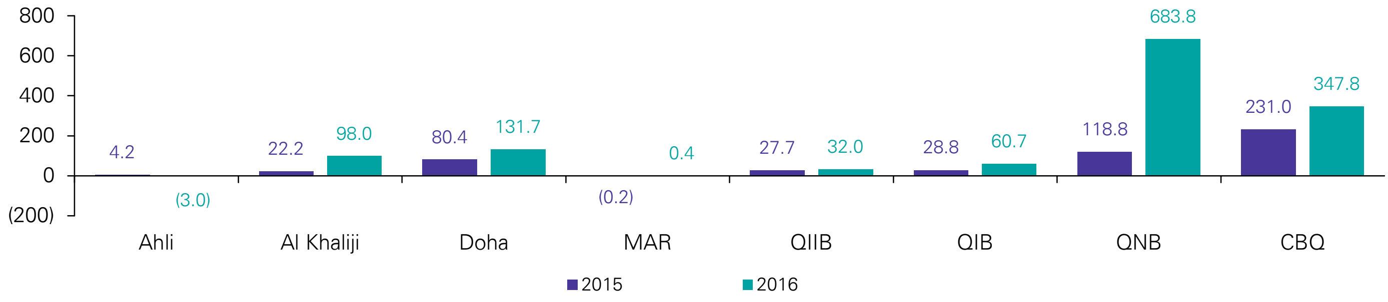
CIR



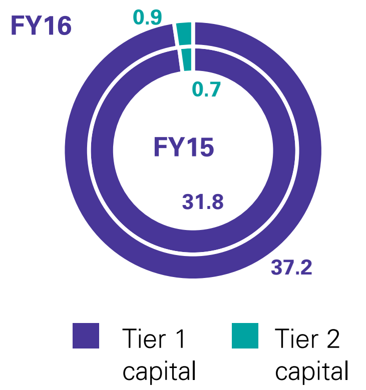
Notes: [1]Minimum (average) regulatory CAR (13.75%) = Minimum total capital plus capital conservation buffer (12.50%) + DSIB buffer (average) (0.25%) + ICAAP capital charge (1%).
For source data refer to the data table (page 77–78) in the Appendix section.

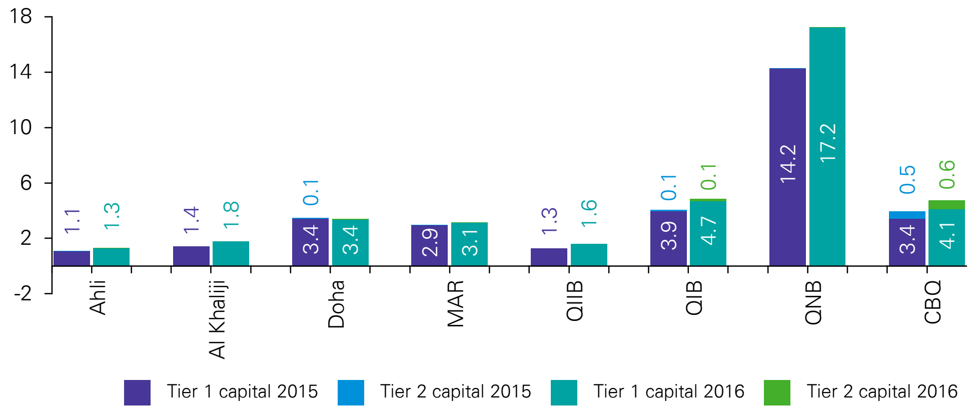
Key performance indicators (2/2)

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



Regulatory capital (US$ billion)





Credit rating

Bank / Credit rating agency	S&P		Moody's		Fitch	
	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook
Ahli Bank	NA	NA	A2	Stable	A+	Stable
Al Khaliji Commercial Bank	NA	NA	A3	Stable	A+	Stable
Doha Bank	BBB+	Negative	A2	Stable	A+	Stable
Masraf Al Rayan	*NA*	*NA*	*A1*	*Stable*	*NA*	*NA*
Qatar International Islamic Bank	*NA*	*NA*	*A2*	*Stable*	*A+*	*Stable*
Qatar Islamic Bank	*A-*	*Negative*	*A1*	*Stable*	*A+*	*Stable*
Qatar National Bank	A+	Negative	Aa3	Negative	AA-	Stable
The Commercial Bank	BBB+	Negative	A2	Negative	A+	Stable
Overall country rating	**AA**	**Negative**	**Aa2**	**Negative**	**AA**	**Stable**

Note: NA = Rating not available on ThompsonOne, checked on 21 May 2017.
Islamic banks have been presented in italics.

Insights

The year gone by (2016)

Declining profitability

— Overall, the profitability for listed Qatari commercial banks has declined year-on-year for the first time in recent history. Other than the largest two lenders, all other banks reported broadly flat or lower net profit.

— This decline can predominantly be attributed to higher loan impairment charges, indicating weakening credit quality and compressed margins as a result of increased cost of funds.

Double digit asset growth

— Qatari listed commercial banks posted a 21 percent growth in total assets from the previous year, which was the highest asset growth rate among all GCC countries.

— The significant increase in financing asset balances was primarily driven by QNB which contributed 82.9 percent of the growth, mainly as a result of its acquisition of a Turkish bank in 2016.

Higher financing impairment

— 2016 has witnessed an overall increase in impairment charges against financing assets, with all banks except one reporting a higher charge than the previous year, reflecting weakening credit quality.

— Although non-performing loan ratios remain relatively low when compared to international norms, 2016 saw higher ratios as compared to the prior year.

Cost-to-income ratios on the rise

— At 34.1 percent, Qatar's listed banks have the lowest CIR 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, six out of the eight listed banks reported a slight increase in their CIRs during 2016.

Market sentiment reflecting results

— The share prices of almost all listed Qatari banks declined from the previous year, reflecting weaker performance during 2016.

— Listed Islamic banking share prices performed better when compared to their conventional counterparts.

Improved liquidity position

— 2016 has seen an improvement in overall liquidity across the banking sector mainly as a result of an increase in deposits, bank financing and debt issuances, which have been partly placed with banks and central banks for liquidity purposes.

— Islamic banks continue to have lower liquidity ratios on average, when compared to conventional banks.

Stronger CARs

— CAR for all but two banks are at higher levels when compared with 2015, reflecting the conservative approach to business during the year, coupled with the specific capital raising activities undertaken.

— In addition, the regulatory capital adequacy requirements have been, and continue to, increase with the gradual phasing in of Basel III regulations.

Outlook

The year ahead (2017)

Continued focus on innovation and efficiency

— The continued focus on innovation and efficiency will remain, as banks look to differentiate themselves in a competitive market, given the income pressures encountered 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 that profitable growth remains and CIRs are maintained at low levels.

Local and international asset growth

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

— Banks will also selectively 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 debt and sukuk issuances) and local capital issuances.

— The regulator will continue to implement Basel III capital requirements, and gradually phase in additional Domestic Systemically Important Banks (D-SIBs) and Countercyclical Buffer requirements, resulting in higher capital adequacy requirements for banks to meet.

Consolidation drive

— In 2017, we expect the publicly announced three-way bank merger between one listed and two unlisted banks (two of which are Islamic), to be completed after the necessary regulatory approvals are obtained.

— This merger announcement, which is expected to create Qatar’s second largest lender by asset size, is expected to trigger further consolidation initiatives.

Case studies

Unique banking proposition for expats enhanced

One of the leading listed conventional banks has further enhanced its unique offering for expats looking to move to Qatar. The proposition now includes a free platinum meet and greet arrival service, and customers can open an account online before they even arrive, remit money to cover initial expenses and find extensive information answering the most frequently asked questions about living in Qatar on the bank's dedicated website.

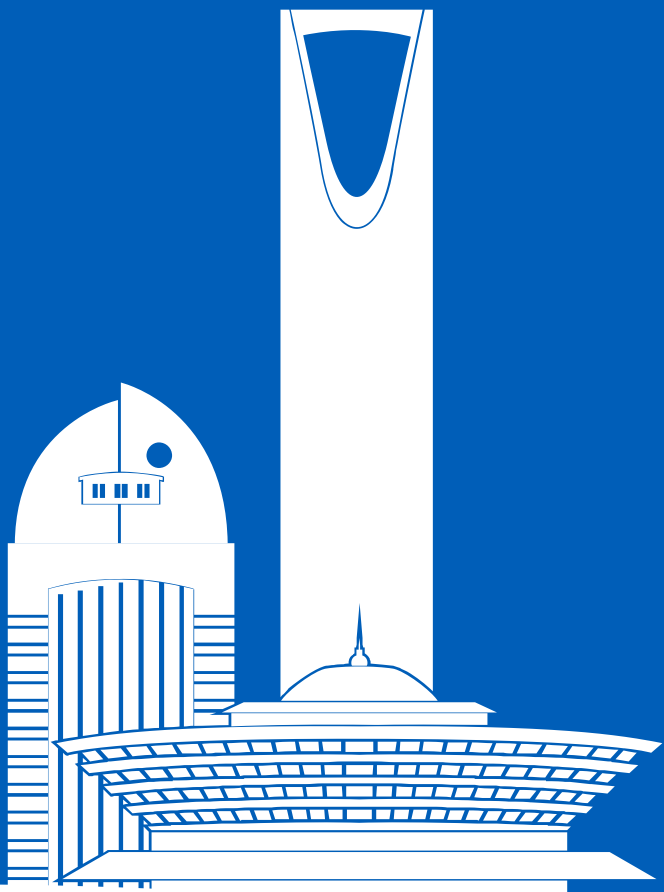
Innovative mobile application launched for locals

The leading local Islamic bank has launched an innovative mobile application aimed to identify and train national employees, adopting the world's latest application technologies in the field of human capital management. The bank's program is a comprehensive training programme supported by a highly interactive mobile application. Once training is completed, the application is a 24x7 companion to participants and a useful tool, helping them accelerate their career.

Finger vein authentication introduced

One of the largest local conventional banks became the first bank in Qatar to introduce finger vein authentication technology, powered by an innovative solution, which aims to help the bank to speed-up authentication and accelerate ATM transactions, making every customer interaction an exceptional experience.

Saudi Arabia



Summary

Sector overview

Of the 25 banks that operate under the Saudi Arabian Monetary Authority (SAMA) regulatory regime, 12 are national banks, and the remaining 13 are branches of foreign banks. The 12 national banks are all listed on the Saudi Stock Exchange (Tadawul) and four of these are full fledged Sharia complaint banks while others are involved in conventional banking as well. These 12 banks are covered as part of this report, also referred to as ‘relevant banks’ or ‘listed banks’ in this section.

Regulatory update

SAMA is the sole authority empowered to apply regulations related to commercial banks, exchange dealers, cooperative insurance companies, finance companies and credit information companies. During 2016, no significant new regulations that may have a major impact on the banking industry were issued.

Financial position

Total listed banking sector assets have increased by 2.1 percent, from US$578 billion in 2015 to US$590 billion in 2016. The overall growth in assets was lower than that in 2015, mainly driven by deteriorating oil prices. The market is not dominated by any single bank in terms of banking sector assets held. NCB has the largest market share with 20 percent of total listed banking sector assets; with Islamic banks having 25.5 percent market share which rose by 6.7 percent from 2015.

Financial performance

Profitability for the listed banks in 2016 has slightly decreased by 5.4 percent as compared to the previous year, (mainly as a result of higher impairment charge on loans and advances) which increased by 44.7 percent in 2016 in comparison with 1.5 percent in 2015 and ROA slightly decreased across almost all banks given the challenging market conditions.

Saudi Arabia

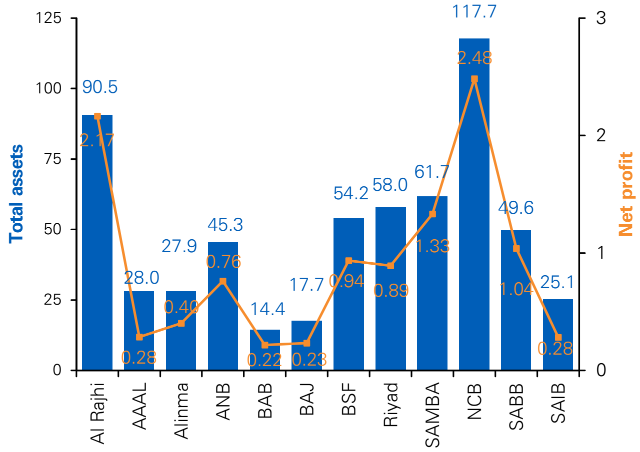
Population (million)[1]	**31.1**
Nominal GDP (US$ billion)[1]	**639.6**
GDP per head (US$ at PPP)[1]	**56,370.0**
Inflation (%)	**1.7**

Economic data as of 31 December 2016

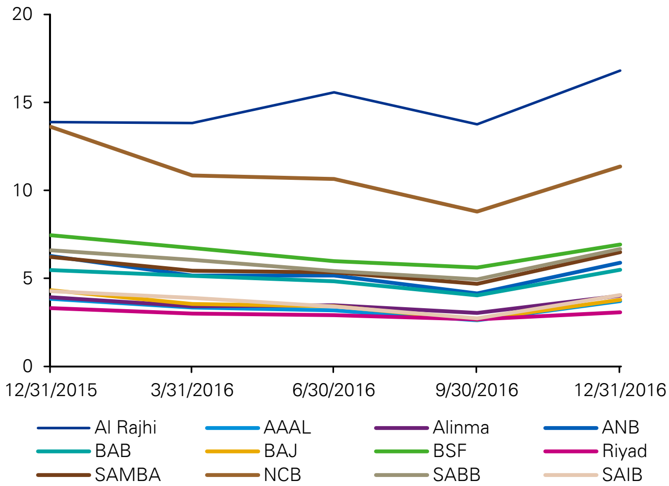
[1]Economist Intelligence Unit estimates.
Source(s): Economist Intelligence Unit, Saudi Arabia — Data by country, 31 March 2017; Inflation Rate, SAMA website, 31 March 2017, accessed on 4 April 2017.

Total assets and net profit (US$ billon)

as of, and for the y/e, 31 December 2016



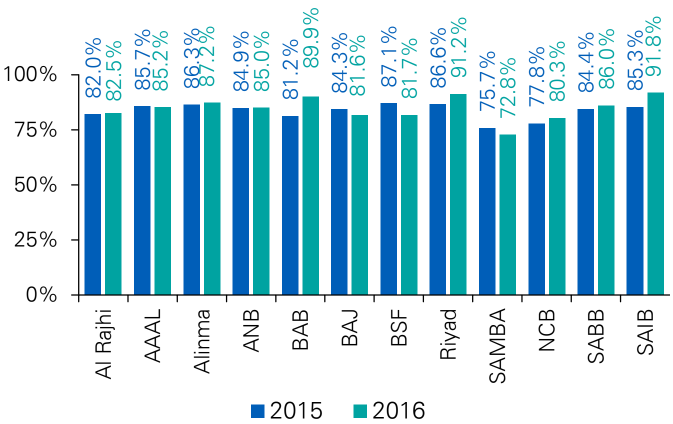
Share price movement (US$)



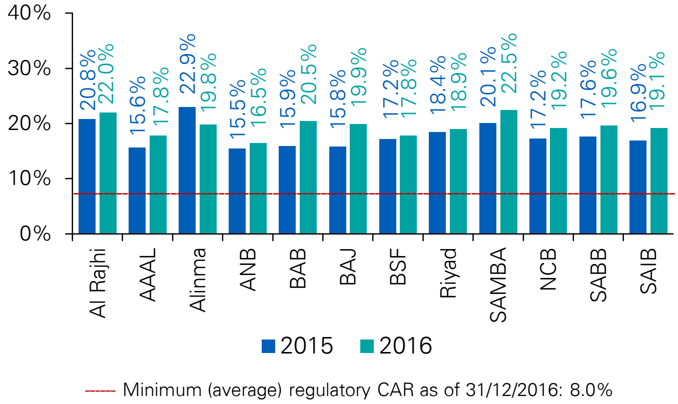
Note: For source data refer to the data table (page 79) in the Appendix section.

Key performance indicators (1/2)

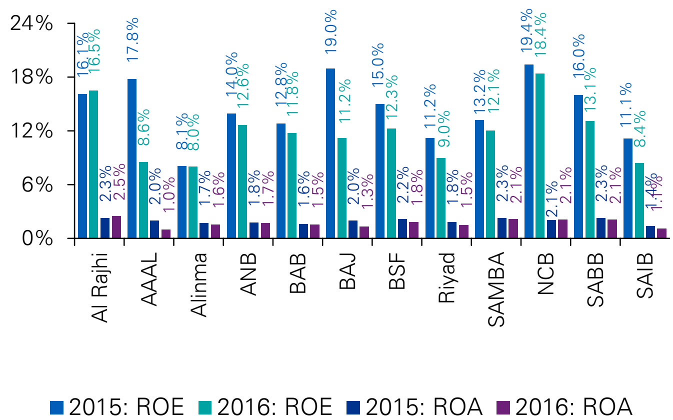
LDR



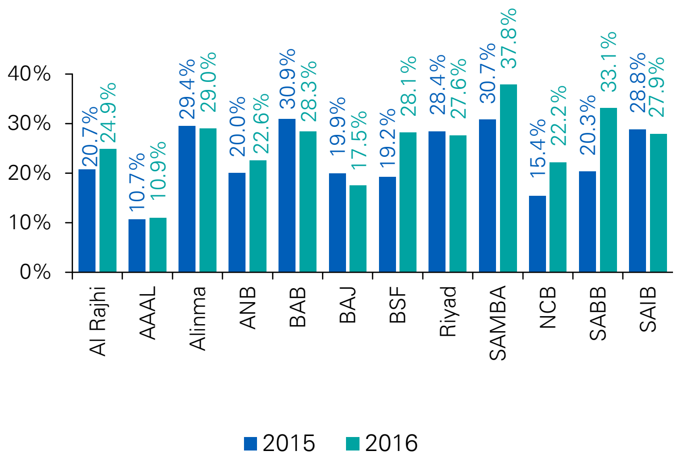
CAR



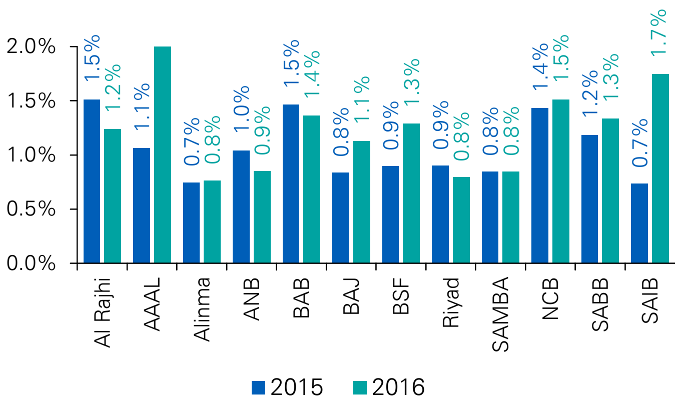
ROE/ROA



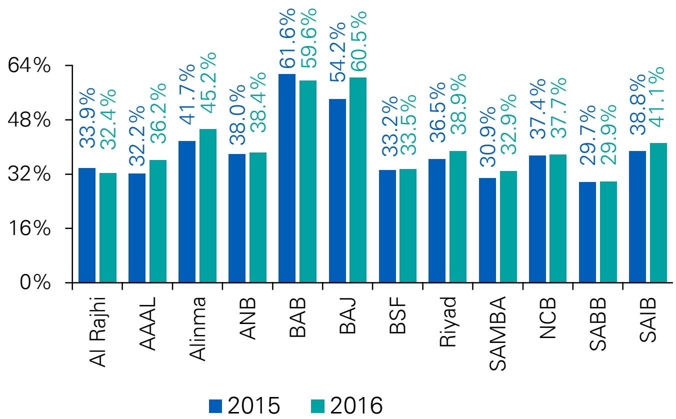
LR



NPL



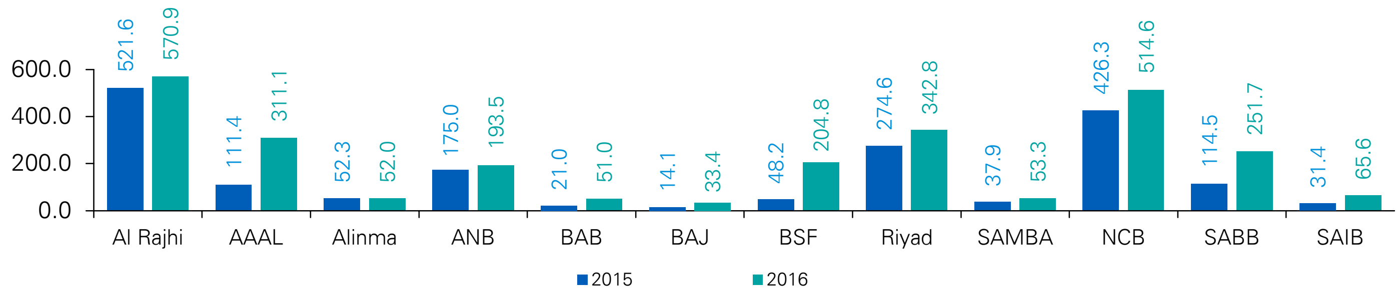
CIR



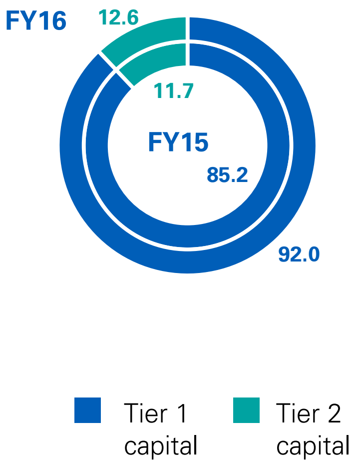
Note: For source data refer to the data table (page 79–80) in the Appendix section.

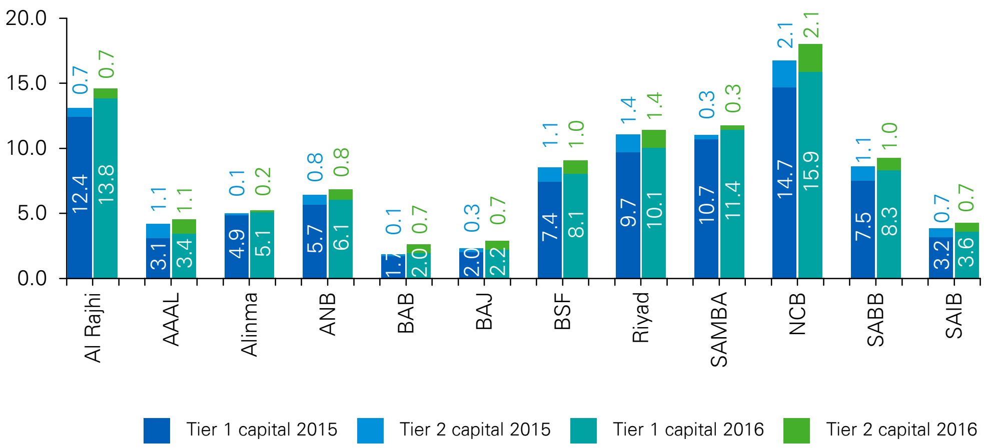
Key performance indicators (2/2)

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



Regulatory capital (US$ billion)





Credit rating

Bank \ Credit rating agency	S&P		Moody's		Fitch	
	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook
Al Rajhi Banking and Investment Corporation	*BBB+*	*Stable*	*A1*	*Stable*	*A-*	*Stable*
Alawwal Bank	NA	NA	A3	Stable	BBB+	Stable
Alinma Bank	*NA*	*NA*	*NA*	*NA*	*BBB+*	*Stable*
Arab National Bank	BBB+	Stable	A2	Stable	BBB+	Stable
Bank AlBilad	*NA*	*NA*	*A3*	*Stable*	*NA*	*NA*
Bank AlJazira	*NA*	*NA*	*Baa1*	*Stable*	*BBB+*	*Stable*
Banque Saudi Fransi	BBB+	Stable	A1	Stable	A-	Negative
Riyad Bank	BBB+	Stable	A2	Stable	A-	Stable
SAMBA Financial Group	BBB+	Stable	A1	Stable	A-	Stable
The National Commercial Bank	BBB+	Stable	A1	Stable	A-	Stable
The Saudi British Bank	BBB+	Stable	A1	Stable	A-	Negative
The Saudi Investment Bank	BBB	Stable	A3	Stable	BBB+	Stable
Overall country rating	**A-**	**Stable**	**A1**	**Stable**	**A+**	**Stable**

Note: NA = Rating not available on ThompsonOne database, checked on 21 May 2017.
Islamic banks have been presented in italics.

The year gone by (2016)

Declining asset growth rates

— In 2016, asset growth for Saudi banks has been at its lowest in the last few years, with total assets growing by only 2.1 percent. The growth can be primarily attributed to the increase in corporate lending and investments in government debt securities.

— Corporate entities still account for a significant portion of the loan books of listed banks at about 70 percent slightly higher than the 67 percent last year.

Margin compression

— Margins were squeezed in 2016, mainly due to costs of funds coming under pressure as banks have been forced to look at alternative investment opportunities given the decline in government deposits as a result of the fall in oil prices.

— Financing income also came under pressure as asset growth was limited and competition increased, resulting in high pressure on pricing. In addition to this, cost of funds increased due to an increase in SIBOR from the start of the year. However, SIBOR showed a declining trend towards the end of the year.

Easing liquidity pressures

— From the third quarter of 2016, a slight increase in liquidity was witnessed across the banking sector, mainly as a result of the issuance of sovereign bonds amounting to US$17.5 billion, and the release of payments by the government to contractors amounting to US$28 billion.

— Banks did not face any significant liquidity pressures as both local currency and US$ remained available when required.

Improving CARs

— CAR for most listed banks were at slightly higher levels when compared with 2015 mainly as a result of cautious asset growth and moderate growth in profitability.

— With the gradual adoption of Basel III, capital adequacy requirements are likely to continue to increase. Banks have focused on improving their CARs by investing in less risky assets.

Increasing impairment

— 2016 has seen a material rise in impairment charges against loans and advances, due to missed payments from companies heavily relying on payments from the government. Impairment was also seen in banks' investments portfolios due to a decline in the market. The construction and steel sectors led other sectors with the highest loan loss provisions.

— The NPLs marginally increased by 0.2 percent as compared with the previous year, reflecting the increased defaults banks were encountering and a deterioration in the credit quality.

Cost-to-income ratios pressures

— Despite a specific focus on cost control during the year, 10 out of the 12 listed banks still reported an increase in their CIRs during 2016.

— Banks have continued to invest in long-term cost saving initiatives while the cost of doing business has also risen during the year.

Outlook

The year ahead (2017)

Focus on innovation and efficiency

— The focus on digital, consumer experience and efficiency will increase as banks look to innovate to differentiate themselves in a competitive market given the income pressures faced.

— In addition, the National Transformation Program will have a significant impact on planning efficiency and effectiveness as well as on the integration of government action to achieve Vision 2030 objectives.

Local and international asset growth

— Saudi Aramco is advancing its plans for an international listing of a percentage of its shares. We expect an increase in public investment on committed projects and further new projects to start with, which will fuel balance-sheet growth for Saudi banks.

— Banks may also look for efficiencies through mergers and acquisitions.

Capital and fund raising

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

New entrants expected

— In 2017, we expect recently licensed Qatar National Bank (QNB) foreign bank to be operational and some potential new entrants to begin the process of license application.

Case studies

Self-service solution recognized at awards

A local listed bank has received an award for the “most innovative technical contribution to a card or mobile payment launch”. The bank has launched co-developed self-service terminals that enable online banking, statement printing and biometric authentication, as well as the issuance of new check books and debit cards.

Bank moves its entire portfolio to contactless payment method

One of the leading local banks launched the first contactless payment card in the Kingdom. The bank was the first to receive SAMA certification for the dual interfaced card. Mobile payments are a key topic in the Saudi banking industry and are expected to see more development in 2017.

The Saudi Arabian Monetary Authority's compliance standards activation project

- The SAMA – the Saudi Central Bank) has been given the "*Initiative of the Year Award*" for 2016–17 from the Central Banking Awards Committee, for its work to strengthen its risk management and compliance.
- The SAMA's work has centered on three main areas; developing a risk management framework, tools and procedures; reviewing policies from a risk and compliance perspective and implementing a risk communication plan and awareness programme. The SAMA also worked to activate compliance standards that had been identified but were not used as part of day-to-day operations.

UAE

Summary

Sector overview

Of the 49 banks operating under the auspices of the Central Bank of the United Arab Emirates (CBUAE), 26 are foreign banks and 23 are national banks. Out of these 23 national banks, 20 banks are listed, seven of which follow Sharia principles. This report analyzes the top 10 listed local banks.

Regulatory update

The CBUAE has recently issued final regulations for capital adequacy in the UAE in accordance with the guidelines of Basel III. The CBUAE has also rolled out a circular on liquidity regulations and the respective guidance manual, which all banks will need to adhere to as per the given deadlines by the CBUAE.

Financial position

The UAE banking sector's total assets increased by 5.4 percent year-on-year to US$ 711 billion in 2016, while the credit increased by 6.0 percent to US$ 429 billion. Investments increased by 15.4 percent and customer deposits increased by 6.2 percent. However, there are signs that liquidity is tightening and this may affect banks' operations in the UAE. Both the lending to stable reserve ratio and the liquid assets ratio are lower than last year. In addition to this, the LDR for a number of banks has deteriorated as compared to last year. An average capital adequacy ratio of 18.3 percent also reflects the strong capital base of banks operating in the UAE.

Financial performance

Results are mixed for the 10 national banks analyzed for this report. The year 2016 was a challenging one as the results of some banks have deteriorated by more than double digit percentage point as compared to those in 2015. On the other hand, profits of the large players in the market, such as Emirates NBD and National Bank of Abu Dhabi, increased marginally due to the overall market conditions that prevailed in the region in 2016. ROA and ROE have deteriorated for the majority of banks operating in the UAE.

United Arab Emirates

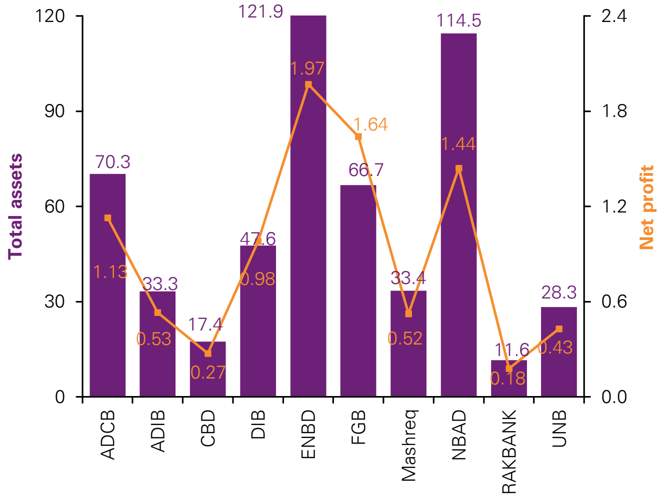
Population (million)[1]	**9.3**
Nominal GDP (US$ billion)[1]	**332.5**
GDP per head (US$ at PPP)[1]	**72,000.0**
Inflation (%)[2]	**1.5**

Economic data as of 31 December 2016

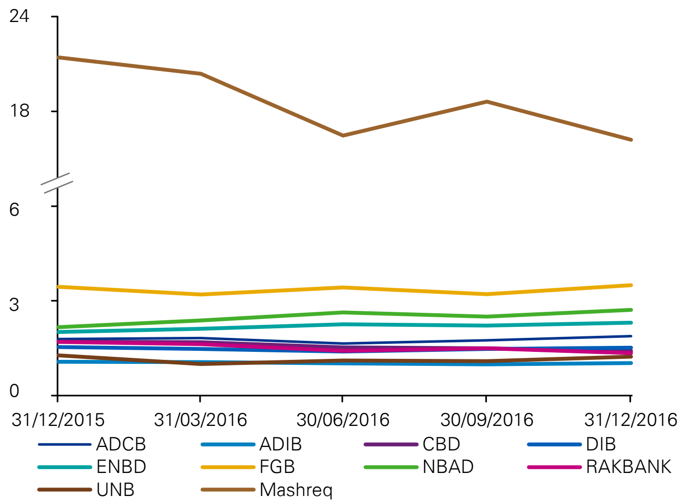
[1]*Economist Intelligence Unit estimates.* [2]*Estimated inflation rate*
Source(s): *Economist Intelligence Unit, UAE — Data by country, 2 March 2017; Expected CPI and inflation rate 2013 - 2017, FCSA website, 2 March,2017, accessed on 2 March 2017.*

Total assets and net profit (US$ billon)

as of, and for the y/e, 31 December 2016



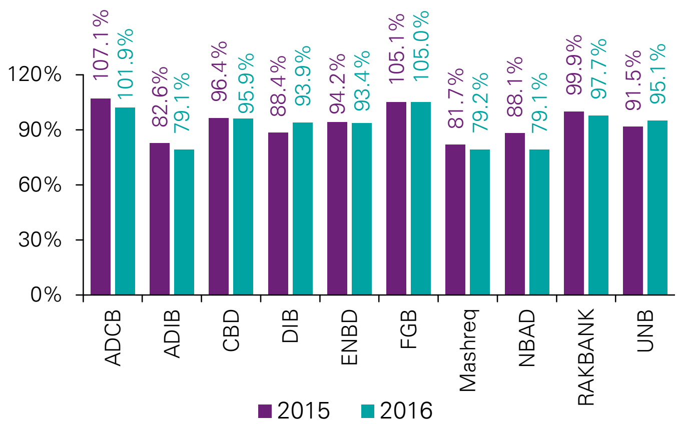
Share price movement (US$)



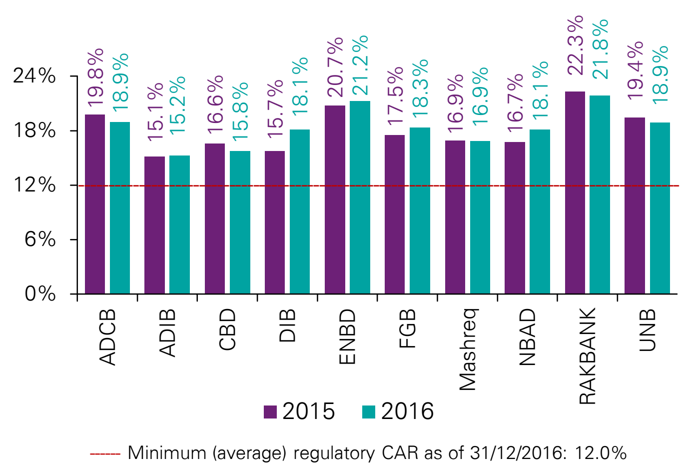
Note: For source data refer to the data table (page 81) in the Appendix section.

Key performance indicators (1/2)

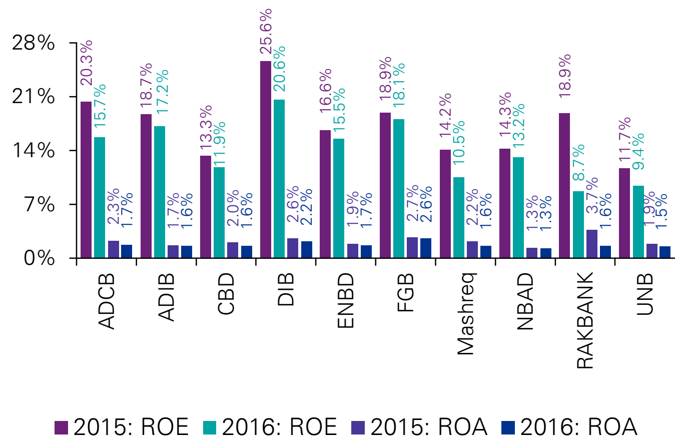
LDR



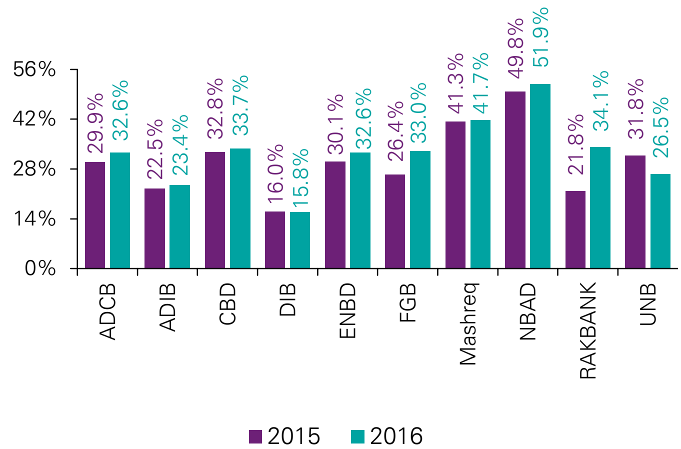
CAR



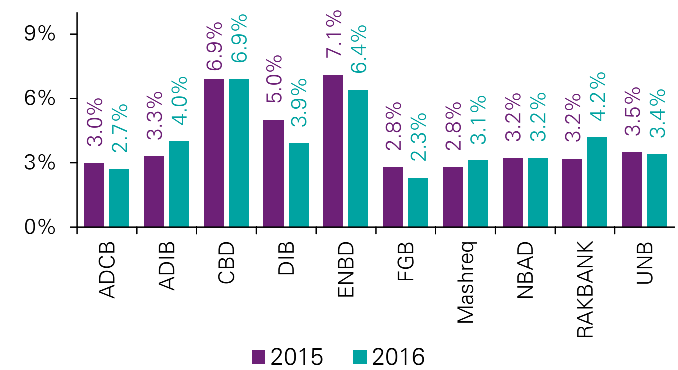
ROE/ROA



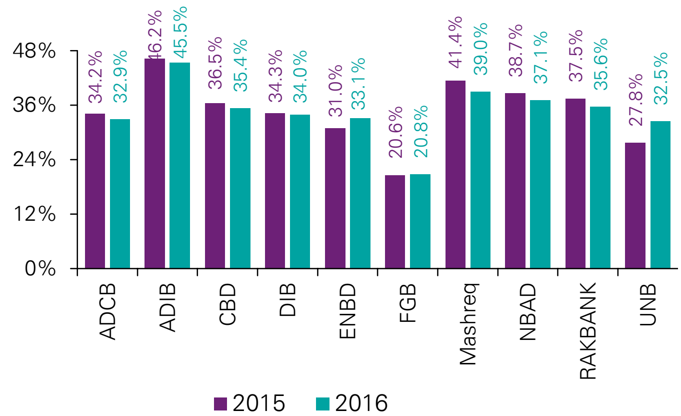
LR



NPL



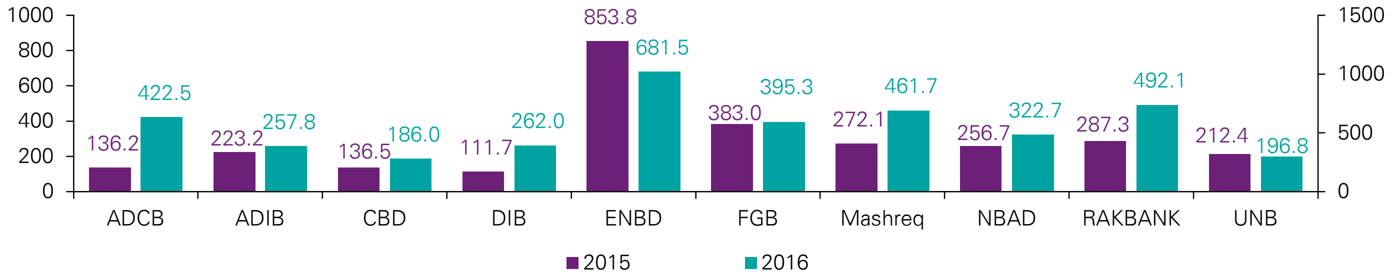
CIR



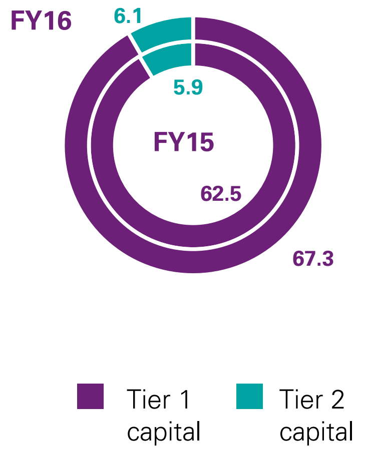
Note: For source data refer to the data table (page 81–82) in the Appendix section.

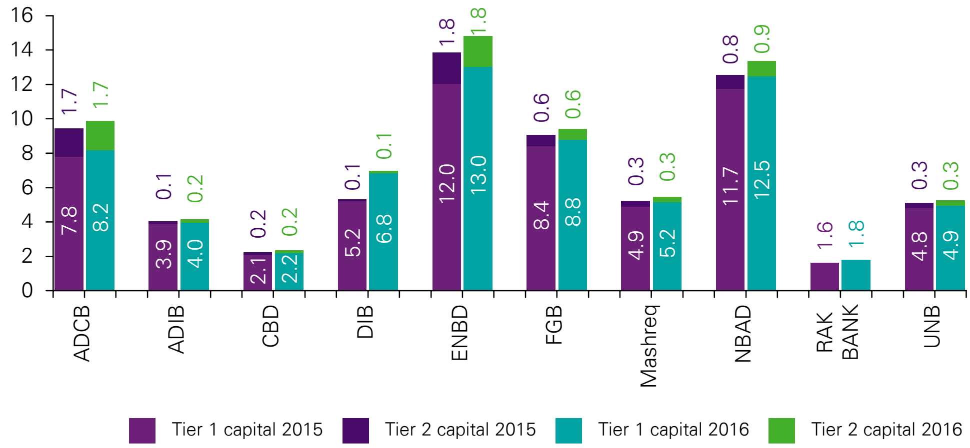
Key performance indicators (2/2)

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



Regulatory capital (US$ billion)





Credit rating

Bank / Credit rating agency	S&P		Moody's		Fitch	
	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook	Long-term issuer rating	Outlook
Abu Dhabi Commercial Bank	A	Stable	A1	Negative	A+	Stable
Abu Dhabi Islamic Bank	*NA*	*NA*	*A2*	*Negative*	*A+*	*Stable*
Commercial Bank of Dubai	NA	NA	Baa1	Stable	A-	Stable
Dubai Islamic Bank	*NA*	*NA*	*Baa1*	*Positive*	*A*	*Stable*
Emirates NBD	NA	NA	A3	Stable	A+	Stable
First Gulf Bank	A	Stable	A2	Positive	A+	Stable
Mashreq Bank	BBB+	Stable	Baa2	Positive	A	Stable
National Bank of Abu Dhabi	AA-	Stable	Aa3	Negative	AA-	Stable
National Bank of Ras Al-Khaimah	NA	NA	Baa1	Stable	BBB+	Stable
Union National Bank	NA	NA	A1	Negative	A+	Stable
Overall country rating	**AA**	**Stable**	**Aa2**	**Negative**	**AA**	**Stable**

Note: NA = Rating not available on ThompsonOne, checked on 21 May 2017.
Islamic banks have been presented in italics.

Insights

The year gone by (2016)

Economic growth

— Despite dollar-driven appreciation of the dirham (AED), which has weighed on competitiveness, the UAE has continued to benefit from its perceived status as a safe haven, with political stability and a comparatively diversified economy.

— While low hydrocarbon prices have led to dismal government revenues, the UAE's non-oil economy grew by over 2 percent in 2016, driven by increasing tourism, a resilient real-estate sector and a thriving financial services sector.

Key performance indicators

— Returns on both assets and equity dropped sharply as profits fell, as a result of higher cost of funds and higher impairment charges.

— Impairments against loans and advances increased in 2016, demonstrating stress in the SME, real estate and construction sectors.

— While customer deposits increased during the year, liquidity is still impacting banks operating in the UAE. The lending to stable reserve and liquid assets ratios are marginally lower than last year.

— An increase in the capital has marginally improved CARs, suggesting that banks are better positioned as Basel III requirements become more stringent.

Liquidity

— The CBUAE's continuing commitment to the US dollar peg led to a rise in key interest rates, while international reserves fell.

— Banks have had to rely on more expensive deposits to maintain liquidity, negatively impacting margins.

Consolidation

— Slower economic growth, increasing NPLs and higher expenses have negatively impacted bank profitability, leading to some scale back in operations.

— Given the synergies offered by consolidation, the shareholders of First Gulf Bank and National Bank of Abu Dhabi agreed to a merger that will create one of the region's largest banks with assets of approximately US$175 billion.

Building books

— With limited opportunities for top-line growth, there has been a strong push to improve a range of ratios by cutting costs, whether by pushing the digital agenda, reducing headcount, or by reducing the depth and breadth of services.

— Without further consolidation currently anticipated and with limited opportunities for outsourcing, deep strategic planning may be needed to tighten operating models.

Outlook

The year ahead (2017)

Up next?

— Having effective governance in place will continue to be critical when trying to manage change – whether to support new standards or to strengthen the integrity of the financial system.

— Liquidity pressures, despite a more stable oil price and an improving geopolitical environment, will continue to weigh on the financial sector.

Economic environment

— By signing up to a range of automatic exchange of information (AEoI) agreements, the government has pledged to obtain information from financial institutions and exchange data automatically with other signed-up nations.

Customer experience

— Customers increasingly want the opportunities offered by seamless, 24/7 banking – but banks need to improve their skills at explaining and offering the desired benefits.

— Over the next 12 months, we expect to see considerable investment into, and development of, virtual banking services – with some of the UAE's leading banks already making significant progress in this area.

Digitalization

— In an increasingly digitized world, there is increasing evidence that cyber security, rather than being a compliance cost, can in fact be a significant source of competitive advantage.

Relevance

— The growth of FinTech – whether blockchain or advances enabled by the rise in data and analytics (D&A) – increases the risk of non-traditional competition for the UAE's banks and raises interesting challenges for regulators.

— Although 2016 saw a global decrease in FinTech investments – with investors spooked by a combination of Brexit, the US election outcome, a Chinese slowdown and fluctuations in exchange rates – stakeholder interest in the UAE has continued to grow, albeit from a low base.

Case studies

Peer-to-peer financing gaining momentum

- The rise of peer-to-peer (P2P) lending in the UAE is opening up opportunities for entrepreneurs. However, on the flipside it is also posing a threat to traditional forms of financing. Technological advances – broadly referred to as FinTech – have enabled P2P lenders to deliver services and funding decisions in a faster, more efficient manner.
- While P2P has been around for roughly a decade, it has only recently picked up in the GCC with a limited number of companies focusing on equity and debt financing for smaller UAE businesses. However, P2P lending has been quickly accepted in the marketplace and it seems increasingly likely that it will play an important role in shaping the future of banking and businesses in the region.

Aggregators gaining popularity

- Aggregators bring together consumers and providers in an online marketplace. Banks and other financial services organizations get access to customers, while customers are able to use the aggregators to compare rates and terms for different financial products – such as credit cards, loans, mortgages and investment products - across the banking system.
- Although aggregators are well established in western markets, take up in the UAE was initially relatively slow. However, the UAE now leads the GCC in terms of reach and services offered. One leading financial aggregator in the UAE brings together the latest details on thousands of retail banking, telecoms, insurance and education products.

Leading bank announces first digital-only bank

- One of the UAE's leading banks announced the nation's first digital only bank, targeting Millennials and digitally-attuned customers. The new digital bank is aligned with the UAE's vision of innovation and client happiness.
- The new digital service combines a seamless customer experience with transparent, value-adding services. Digitally-connected customers are looking for a banking experience that is simple, smart, safe and accessible through smartphones. The digital bank builds on digital initiatives released during 2016, including real-time customer sign-ups, a new customer experience for expatriates moving to the UAE and advanced payment solutions.

Appendices

Appendix I: Data tables — Bahrain

Bank	Total assets (US$ million)			Net profit (US$ million)		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
AUB	33,965.3	31,322.5	(7.8)%	537.2	570.6	6.2%
Al Baraka	24,618.2	23,425.3	(4.8)%	162.7	151.5	(6.9)%
Al Salam	4,394.2	4,459.6	1.5%	32.7	43.0	31.4%
BISB	2,589.8	2,764.4	6.7%	29.7	22.3	(24.9)%
BBK	9,672.2	9,821.0	1.5%	141.1	149.6	6.0%
Ithmaar	8,138.6	8,341.3	2.5%	(60.8)	3.3	(105.4)%
Khaleeji	1,734.7	2,029.2	17.0%	18.6	14.1	(24.3)%
NBB	7,956.7	7,896.8	(0.8)%	146.6	154.5	5.4%
Total	**93,069.8**	**90,060.0**	**(3.2)%**	**1,008.0**	**1,109.0**	**10.0%**

Bank	Net impairment charge on loans and advances (US$ million)			Loan-to-deposit ratio		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
AUB	162.3	138.6	(14.6)%	82.4%	85.7%	3.4%
Al Baraka	61.1	109.5	79.2%	78.8%	81.2%	2.4%
Al Salam	57.6	48.9	(15.1)%	59.4%	62.7%	3.3%
BISB	13.8	5.5	(59.8)%	80.5%	85.1%	4.6%
BBK	50.3	63.0	25.2%	66.8%	70.9%	4.1%
Ithmaar	47.5	26.1	(45.0)%	102.9%	90.7%	(12.2)%
Khaleeji	2.7	13.9	407.8%	79.9%	77.6%	(2.3)%
NBB	129.0	131.4	1.9%	46.8%	49.4%	2.6%
Total/Average	**524.4**	**536.9**	**2.4%**	**74.7%**	**75.4%**	**0.7%**

Bank	Share price (US$)				
	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016
AUB	1.8	1.6	1.7	1.7	1.7
Al Baraka	1.5	1.4	1.2	1.3	1.3
Al Salam	0.2	0.2	0.2	0.2	0.3
BISB	0.4	0.3	0.3	0.2	0.3
BBK	1.2	0.9	0.9	0.9	1.1
Ithmaar	0.4	0.3	0.3	0.3	0.3
Khaleeji	0.2	0.2	0.2	0.2	0.2
NBB	1.8	1.6	1.6	1.9	1.9
Average	**0.9**	**0.8**	**0.8**	**0.8**	**0.9**

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

Appendix I: Data tables — Bahrain (cont.)

Bank	Regulatory capital (US$ million)					
	2015		2016		Δ y-o-y	
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
AUB	3,776.7	611.7	3,923.1	543.1	3.9%	(11.2)%
Al Baraka	1,890.1	104.1	1,761.0	140.2	(6.8)%	34.7%
Al Salam	713.0	85.5	725.7	79.2	1.8%	(7.3)%
BISB	272.1	38.3	294.7	31.3	8.3%	(18.2)%
BBK	943.3	77.1	1,245.7	81.7	32.1%	6.1%
Ithmaar	599.9	-	641.5	-	6.9%	-
Khaleeji	281.3	11.1	294.6	11.6	4.7%	4.2%
NBB	936.4	34.0	1,066.5	32.8	13.9%	(3.4)%
Total	**9,412.7**	**961.7**	**9,952.8**	**920.0**	**5.7%**	**(4.3)%**

Bank	Capital adequacy ratio			Return on equity			Return on assets		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
AUB	16.7%	17.1%	0.4%	15.2%	15.5%	0.3%	1.6%	1.7%	0.2%
Al Baraka	14.6%	15.5%	0.9%	12.1%	11.5%	(0.6)%	0.7%	0.6%	0.0%
Al Salam	20.1%	21.6%	1.5%	3.9%	5.1%	1.2%	0.7%	1.0%	0.3%
BISB	17.7%	20.7%	2.9%	11.9%	7.5%	(4.4)%	1.2%	0.8%	(0.4)%
BBK	14.9%	18.5%	3.6%	14.8%	13.6%	(1.3)%	1.5%	1.5%	0.0%
Ithmaar	12.8%	13.0%	0.2%	(13.0)%	0.8%	13.7%	(0.8)%	0.0%	0.8%
Khaleeji	18.8%	18.4%	(0.5)%	6.6%	4.8%	(1.8)%	1.1%	0.7%	(0.4)%
NBB	30.0%	35.4%	5.4%	14.9%	14.9%	0.1%	1.9%	1.9%	0.0%
Average	**18.2%**	**20.0%**	**1.8%**	**8.3%**	**9.2%**	**0.9%**	**1.0%**	**1.1%**	**0.1%**

Bank	Liquidity ratio			Non-performing loan ratio			Cost-to-income ratio		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
AUB	43.7%	40.9%	(2.9)%	1.8%	2.3%	0.5%	28.3%	27.8%	(0.5)%
Al Baraka	32.9%	31.3%	(1.6)%	3.3%	4.5%	1.2%	53.6%	52.8%	(0.8)%
Al Salam	24.9%	28.7%	3.9%	20.7%	27.6%	6.9%	43.7%	41.4%	(2.3)%
BISB	18.3%	20.8%	2.5%	11.7%	8.6%	(3.1)%	51.7%	56.4%	4.8%
BBK	51.6%	52.7%	1.1%	7.2%	6.0%	(1.2)%	41.1%	39.8%	(1.3)%
Ithmaar	10.6%	12.2%	1.6%	16.4%	13.6%	(2.8)%	71.0%	73.3%	2.3%
Khaleeji	18.9%	25.0%	6.0%	16.0%	8.3%	(7.7)%	50.7%	44.8%	(5.9)%
NBB	44.6%	44.5%	(0.1)%	8.3%	7.7%	(0.6)%	31.9%	35.2%	3.3%
Average	**30.7%**	**32.0%**	**1.3%**	**10.7%**	**9.8%**	**(0.8)%**	**46.5%**	**46.4%**	**(0.1)%**

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

Appendix I: Data tables — Kuwait

Bank	Total assets (US$ million) 2015	2016	Δ y-o-y	Net profit (US$ million) 2015	2016	Δ y-o-y
AUBK	12,950.6	12,195.2	(5.8)%	142.0	133.3	(6.1)%
ABK	14,459.0	14,152.7	(2.1)%	100.7	107.3	6.5%
Boubyan	10,391.8	11,500.4	10.7%	116.9	135.7	16.1%
Burgan	22,637.5	24,009.1	6.1%	252.5	225.2	(10.8)%
GBK	18,036.9	18,057.9	0.1%	129.4	141.8	9.6%
KFH	54,819.0	54,497.4	(0.6)%	483.8	545.7	12.8%
KIB	5,937.6	6,097.4	2.7%	53.1	60.1	13.3%
NBK	78,273.3	79,946.0	2.1%	935.9	975.0	4.2%
CBK	13,391.9	13,625.8	1.7%	153.2	166.5	8.7%
Warba	2,574.3	3,722.4	44.6%	3.3	8.5	156.4%
Total	**233,471.9**	**237,804.4**	**1.9%**	**2,370.7**	**2,499.0**	**5.4%**

Bank	Net impairment charge on loans and advances (US$ million) 2015	2016	Δ y-o-y	Loan-to-deposit ratio 2015	2016	Δ y-o-y
AUBK	75.8	97.9	29.2%	100.7%	108.6%	7.9%
ABK	193.2	166.0	(14.1)%	122.1%	104.5%	(17.6)%
Boubyan	27.9	11.9	(57.3)%	90.5%	85.5%	(5.1)%
Burgan	182.7	137.1	(24.9)%	103.5%	114.4%	10.9%
GBK	261.9	134.4	(48.7)%	94.7%	101.5%	6.8%
KFH	285.5	126.0	(55.9)%	75.0%	76.7%	1.7%
KIB	105.3	42.0	(60.1)%	115.2%	112.8%	(2.4)%
NBK	431.1	415.1	(3.7)%	112.4%	108.0%	(4.4)%
CBK	329.0	220.2	(33.1)%	90.2%	101.3%	11.1%
Warba	10.0	16.7	67.8%	125.5%	110.3%	(15.1)%
Total/Average	**1,902.2**	**1,367.4**	**(28.1)%**	**103.0%**	**102.3%**	**(0.6)%**

Bank	Share price (US$) 12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016
AUBK	1.8	1.5	1.3	1.3	1.4
ABK	1.2	1.1	1.1	1.1	1.0
Boubyan	1.5	1.4	1.3	1.3	1.3
Burgan	1.3	1.1	1.1	1.1	1.0
GBK	0.9	0.7	0.8	0.8	0.8
KFH	1.8	1.6	1.5	1.6	1.8
KIB	0.7	0.6	0.6	0.6	0.7
NBK	2.7	2.2	1.9	1.9	2.1
CBK	1.7	1.5	1.4	1.4	1.4
Warba	0.7	0.6	0.6	0.5	0.7
Average	**1.4**	**1.2**	**1.1**	**1.1**	**1.2**

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

Appendix I: Data tables — Kuwait (cont.)

Bank	Regulatory capital (US$ million)					
	2015		2016		Δ y-o-y	
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
AUBK	1,185.2	99.2	1,470.0	103.8	24.0%	4.6%
ABK	1,685.0	126.8	1,730.7	127.1	2.7%	0.2%
Boubyan	861.1	60.8	1,254.3	68.5	45.7%	12.7%
Burgan	2,349.7	143.2	2,495.6	498.6	6.2%	248.2%
GBK	1,785.4	148.9	1,894.2	486.2	6.1%	226.5%
KFH	6,002.5	502.0	6,122.4	617.0	2.0%	22.9%
KIB	784.9	43.9	802.0	47.9	2.2%	9.2%
NBK	7,254.1	1,030.0	8,092.6	1,068.4	11.6%	3.7%
CBK**	1,745.4	120.7	1,646.6	125.9	-5.7%	4.4%
Warba	306.1	14.2	313.0	21.8	2.3%	53.6%
Total	**23,959.3**	**2,289.7**	**25,821.5**	**3,165.2**	**7.8%**	**38.2%**

Bank	Capital adequacy ratio			Return on equity			Return on assets		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
AUBK	15.5%	18.2%	2.7%	12.5%	10.9%	(1.6)%	1.1%	1.1%	(0.1)%
ABK	17.2%	17.7%	0.4%	5.5%	5.8%	0.4%	0.8%	0.8%	0.0%
Boubyan	17.0%	21.4%	4.3%	11.5%	11.6%	0.1%	1.2%	1.2%	0.0%
Burgan	15.6%	16.7%	1.1%	10.1%	8.9%	(1.2)%	1.0%	1.0%	(0.1)%
GBK	15.6%	18.5%	2.9%	7.4%	7.7%	0.3%	0.7%	0.8%	0.1%
KFH	16.7%	17.9%	1.2%	8.3%	9.2%	0.9%	0.9%	1.0%	0.1%
KIB	21.7%	20.5%	(1.1)%	6.6%	7.3%	0.7%	0.9%	1.0%	0.1%
NBK	16.8%	17.7%	0.9%	10.2%	10.0%	(0.2)%	1.2%	1.2%	0.0%
CBK	18.4%	17.9%	(0.5)%	8.2%	8.6%	0.4%	1.1%	1.2%	0.1%
Warba	26.1%	18.0%	(8.1)%	1.1%	2.8%	1.7%	0.1%	0.3%	0.1%
Average	**18.1%**	**18.5%**	**0.4%**	**8.1%**	**8.3%**	**0.2%**	**0.9%**	**1.0%**	**0.0%**

Bank	Liquidity ratio			Non-performing loan ratio			Cost-to-income ratio		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
AUBK	28.6%	22.3%	(6.3)%	1.8%	2.3%	0.5%	29.9%	30.5%	0.6%
ABK	27.1%	27.9%	0.7%	2.3%	2.6%	0.3%	32.0%	39.4%	7.3%
Boubyan	24.6%	23.5%	(1.1)%	0.9%	0.8%	(0.1)%	42.9%	42.0%	(0.9)%
Burgan	35.9%	39.0%	3.0%	4.1%	4.3%	0.2%	46.5%	48.5%	2.0%
GBK	31.5%	33.7%	2.2%	2.7%	2.4%	(0.3)%	35.8%	37.5%	1.7%
KFH	12.5%	11.9%	(0.6)%	3.0%	2.6%	(0.5)%	47.8%	44.7%	(3.1)%
KIB	32.7%	29.0%	(3.7)%	1.4%	1.4%	0.0%	33.2%	47.6%	14.4%
NBK	40.7%	42.6%	1.9%	1.3%	1.3%	(0.1)%	32.2%	33.8%	1.6%
CBK	46.2%	53.0%	6.8%	0.9%	0.5%	(0.4)%	27.2%	27.9%	0.7%
Warba	28.8%	24.2%	(4.7)%	2.8%	3.0*%	0.2%	77.4%	65.8%	(11.5)%
Average	**30.9%**	**30.7%**	**(0.2)%**	**2.1%**	**2.1%**	**0.0%**	**40.5%**	**41.8%**	**1.3%**

*Note: *For calculating NPL ratio for Warba bank, past due or impaired has been taken as proxy data.*
***Regulatory capital for CBK as on 30 September 2016 has been used as proxy data for regulatory capital numbers as on 31 December 2016 due to non-availability of disclosure document on report release date.*
For detailed sources, refer to Appendix II: Sources.

Appendix I: Data tables — Oman

Bank	Total assets (US$ million)			Net profit (US$ million)		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
Ahli Bank	4,914.8	4,917.8	0.1%	71.8	76.5	6.6%
Alizz	654.3	988.0	51.0%	(13.9)	(12.2)	(11.8)%
Bank Dhofar	9,302.8	10,231.0	10.0%	121.1	123.3	1.8%
Bank Muscat	32,479.0	28,011.0	(13.8)%	454.3	457.1	0.6%
Bank Nizwa	896.1	1,335.8	49.1%	(13.6)	0.3	(102.1)%
Bank Sohar	5,715.8	6,524.0	14.1%	71.8	49.5	(31.1)%
HSBC Oman	5,695.9	5,834.9	2.4%	33.5	43.7	30.7%
NBO	8,449.4	9,145.4	8.2%	155.6	144.4	(7.2)%
Total	**68,108.0**	**66,988.0**	**(1.6)%**	**880.6**	**882.5**	**0.2%**

Bank	Net impairment charge on loans and advances (US$ million)			Loan-to-deposit ratio		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
Ahli Bank	12.3	0.4	(96.8)%	116.7%	119.8%	3.1%
Alizz	4.0	4.2	6.8%	123.6%	107.5%	(16.1)%
Bank Dhofar	22.7	37.7	66.3%	105.3%	103.6%	(1.7)%
Bank Muscat	93.5	88.1	(5.7)%	99.5%	106.7%	7.2%
Bank Nizwa	5.2	3.7	(29.4)%	142.0%	112.7%	(29.3)%
Bank Sohar	2.7	14.8	459.4%	112.5%	124.9%	12.4%
HSBC Oman	8.9	14.6	64.4%	66.6%	76.0%	9.4%
NBO	42.5	54.3	27.8%	112.6%	111.3%	(1.3)%
Total/Average	**191.7**	**217.9**	**13.7%**	**109.9%**	**107.8%**	**(2.1)%**

Bank	Share price (US$)				
	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016
Ahli Bank	0.5	0.5	0.5	0.5	0.5
Alizz	0.2	0.2	0.2	0.2	0.2
Bank Dhofar	0.6	0.6	0.6	0.6	0.6
Bank Muscat	1.2	1.0	1.0	1.0	1.2
Bank Nizwa	0.2	0.2	0.2	0.2	0.2
Bank Sohar	0.4	0.4	0.4	0.4	0.4
HSBC Oman	0.3	0.3	0.3	0.3	0.3
NBO	0.7	0.7	0.6	0.6	0.6
Average	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**

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

Appendix I: Data tables — Oman (cont.)

Bank	Regulatory capital (US$ million) 2015 Tier 1	2015 Tier 2	2016 Tier 1	2016 Tier 2	Δ y-o-y Tier 1	Δ y-o-y Tier 2
Ahli Bank	533.3	115.4	573.2	104.1	7.5%	(9.8)%
Alizz	211.7	6.0	197.8	9.8	(6.5)%	62.8%
Bank Dhofar	1,165.6	185.8	1,307.5	168.6	12.2%	(9.3)%
Bank Muscat	3,292.4	646.1	3,647.0	532.5	10.8%	(17.6)%
Bank Nizwa	315.4	10.1	315.1	14.1	(0.1)%	39.6%
Bank Sohar	636.0	98.1	686.7	164.1	8.0%	67.3%
HSBC Oman	750.7	43.2	763.8	48.3	1.8%	11.7%
NBO	1,254.2	144.4	1,316.7	122.5	5.0%	(15.2)%
Total	**8,159.2**	**1,249.1**	**8,807.7**	**1,163.9**	**7.9%**	**(6.8)%**

Bank	Capital adequacy ratio 2015	2016	Δ y-o-y	Return on equity 2015	2016	Δ y-o-y	Return on assets 2015	2016	Δ y-o-y
Ahli Bank	14.5%	15.0%	0.6%	13.0%	12.6%	(0.4)%	1.6%	1.6%	0.0%
Alizz	35.2%	24.5%	(10.7)%	(6.0)%	(5.7)%	0.4%	(2.9)%	(1.5)%	1.4%
Bank Dhofar	14.7%	14.4%	(0.3)%	12.5%	10.2%	(2.3)%	1.4%	1.3%	(0.1)%
Bank Muscat	16.1%	16.9%	0.8%	13.0%	12.0%	(1.0)%	1.6%	1.5%	(0.1)%
Bank Nizwa	35.8%	23.6%	(12.1)%	(4.1)%	0.1%	4.2%	(1.8)%	0.0%	1.8%
Bank Sohar	13.4%	14.0%	0.6%	12.5%	7.3%	(5.2)%	1.3%	0.8%	(0.5)%
HSBC Oman	19.4%	18.7%	(0.7)%	4.2%	5.4%	1.2%	0.6%	0.8%	0.2%
NBO	18.1%	17.4%	(0.7)%	15.5%	11.6%	(3.9)%	1.9%	1.6%	(0.3)%
Average	**20.9%**	**18.1%**	**(2.8)%**	**7.6%**	**6.7%**	**(0.9)%**	**0.5%**	**0.8%**	**0.3%**

Bank	Liquidity ratio 2015	2016	Δ y-o-y	Non-performing loan ratio 2015	2016	Δ y-o-y	Cost-to-income ratio 2015	2016	Δ y-o-y
Ahli Bank	12.3%	11.8%	(0.6)%	1.1%	1.1%	0.0%	36.3%	35.9%	(0.4)%
Alizz	23.0%	16.1%	(6.9)%	0.0%	0.2%	0.2%	177.6%	141.0%	(36.5)%
Bank Dhofar	20.5%	19.0%	(1.5)%	2.3%	2.7%	0.4%	44.4%	44.6%	0.1%
Bank Muscat	36.6%	23.4%	(13.2)%	2.7%	2.9%	0.2%	41.7%	41.7%	0.0%
Bank Nizwa	15.1%	15.3%	0.2%	0.1%	0.1%	0.0%	129.1%	91.2%	(37.9)%
Bank Sohar	15.0%	11.7%	(3.3)%	1.2%	1.7%	0.5%	46.6%	49.7%	3.1%
HSBC Oman	20.5%	22.9%	2.5%	5.6%	4.6%	(1.0)%	74.4%	64.3%	(10.1)%
NBO	23.3%	24.6%	1.3%	2.3%	2.7%	0.3%	44.2%	46.0%	1.8%
Average	**20.8%**	**18.1%**	**(2.7)%**	**1.9%**	**2.0%**	**0.1%**	**74.3%**	**64.3%**	**(10.0)%**

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

Appendix I: Data tables — Qatar

Bank	Total assets (US$ million)			Net profit (US$ million)		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
Ahli	8,862.8	10,468.7	18.1%	177.7	173.3	(2.5)%
Al Khaliji	15,540.4	16,621.8	7.0%	171.6	117.0	(31.8)%
Doha	22,858.7	24,787.1	8.4%	376.9	289.1	(23.3)%
MAR	22,782.4	25,106.9	10.2%	568.9	569.3	0.1%
QIIB	11,124.2	11,671.7	4.9%	215.2	215.3	0.0%
QIB	34,857.2	38,356.5	10.0%	536.3	591.1	10.2%
QNB	147,793.8	197,412.2	33.6%	3,090.9	3,391.6	9.7%
CBQ	33,866.7	35,763.3	5.6%	384.6	137.4	(64.3)%
Total	**297,686.2**	**360,188.3**	**21.0%**	**5,522.2**	**5,484.0**	**(0.7)%**

Bank	Net impairment charge on loans and advances (US$ million)			Loan-to-deposit ratio		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
Ahli	4.2	(3.0)	(170.1)%	118.0%	107.4%	(10.6)%
Al Khaliji	22.2	98.0	342.5%	108.1%	109.3%	1.2%
Doha	80.4	131.7	63.7%	105.4%	106.2%	0.8%
MAR	(0.2)	0.4	(373.4)%	111.9%	116.6%	4.6%
QIIB	27.7	32.0	15.8%	93.7%	102.2%	8.5%
QIB	28.8	60.7	110.9%	95.3%	102.9%	7.6%
QNB	118.8	683.8	475.5%	98.3%	102.7%	4.5%
CBQ	231.0	347.8	50.5%	109.8%	109.7%	(0.1)%
Total/Average	**513.0**	**1,351.6**	**163.5%**	**105.1%**	**107.1%**	**2.1%**

Bank	Share price (US$)				
	31/12/2015	31/03/2016	30/06/2016	30/09/2016	31/12/2016
Ahli	12.6	13.2	11.2	11.0	10.7
Al Khaliji	4.9	4.8	4.4	4.7	4.7
Doha	12.2	10.2	9.7	10.2	9.6
MAR	10.3	9.8	9.3	9.7	10.3
QIIB	17.6	18.4	16.9	17.7	17.2
QIB	29.3	28.4	26.3	28.8	28.5
QNB	48.0	38.6	38.4	42.8	44.7
CBQ	12.6	11.4	10.1	10.6	8.9
Average	**18.5**	**16.9**	**15.8**	**16.9**	**16.8**

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

Appendix I: Data tables — Qatar (cont.)

Bank	Regulatory capital (US$ million)					
	2015		2016		Δ y-o-y	
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
Ahli	1,072.6	23.4	1,280.8	13.4	19.4%	(42.7)%
Al Khaliji	1,432.8	NA	1,785.2	NA	24.6%	-
Doha	3,396.3	76.3	3,359.6	34.7	(1.1)%	(54.5)%
MAR	2,928.2	0.3	3,111.7	7.2	6.3%	2174.5%
QIIB	1,302.8	-	1,622.9	-	24.6%	-
QIB	3,946.0	103.7	4,679.8	141.1	18.6%	36.1%
QNB	14,242.6	9.6	17,221.1	18.8	20.9%	96.9%
CBQ	3,431.0	489.8	4,104.8	640.0	19.6%	30.7%
Total	**31,752.3**	**703.0**	**37,166.0**	**855.3**	**17.0%**	**21.7%**

Bank	Capital adequacy ratio			Return on equity			Return on assets		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
Ahli	15.0%	15.6%	0.6%	14.9%	13.4%	(1.4)%	2.0%	1.8%	(0.2)%
Al Khaliji	13.8%	15.8%	2.0%	10.6%	6.4%	(4.2)%	1.2%	0.7%	(0.4)%
Doha	15.8%	15.6%	(0.2)%	13.5%	8.9%	(4.6)%	1.7%	1.2%	(0.5)%
MAR	18.5%	18.9%	0.3%	17.7%	16.8%	(1.0)%	2.5%	2.4%	(0.2)%
QIIB	16.7%	19.5%	2.8%	14.4%	13.6%	(0.8)%	2.0%	1.9%	(0.1)%
QIB	14.1%	16.7%	2.6%	15.1%	14.6%	(0.5)%	1.8%	1.6%	(0.1)%
QNB	16.3%	16.0%	(0.4)%	19.1%	20.0%	0.9%	2.2%	2.0%	(0.2)%
CBQ	13.5%	15.2%	1.7%	8.6%	1.9%	(6.7)%	1.2%	0.4%	(0.8)%
Average	**15.5%**	**16.6%**	**1.2%**	**14.2%**	**12.0%**	**(2.3)%**	**1.8%**	**1.5%**	**(0.3)%**

Bank	Liquidity ratio			Non-performing loan ratio			Cost-to-income ratio		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
Ahli	22.0%	24.1%	2.1%	1.2%	0.8%	(0.4)%	29.0%	30.7%	1.7%
Al Khaliji	30.6%	34.1%	3.5%	0.9%	1.5%	0.7%	34.2%	29.4%	(4.8)%
Doha	26.3%	24.8%	(1.5)%	3.3%	3.3%	0.0%	36.7%	39.2%	2.5%
MAR	11.3%	14.5%	3.1%	0.1%	0.2%	0.1%	24.7%	28.3%	3.6%
QIIB	28.9%	26.6%	(2.3)%	1.7%	1.7%	0.0%	31.6%	33.3%	1.7%
QIB	18.0%	17.7%	(0.4)%	0.6%	0.9%	0.4%	33.7%	32.7%	(1.1)%
QNB	19.8%	20.1%	0.3%	1.4%	1.8%	0.4%	22.5%	31.2%	8.7%
CBQ	27.5%	30.7%	3.2%	4.2%	5.0%	0.8%	41.7%	48.0%	6.3%
Average	**23.1%**	**24.1%**	**1.0%**	**1.7%**	**1.9%**	**0.2%**	**31.7%**	**34.1%**	**2.3%**

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

Appendix I: Data tables — Saudi

Bank	Total assets (US$ million)			Net profit (US$ million)		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
Al Rajhi	84,081.1	90,533.2	7.7%	1,899.5	2,165.6	14.0%
Alinma	23,636.2	27,910.5	18.1%	391.6	400.4	2.2%
ANB	45,400.2	45,307.3	(0.2)%	789.7	760.6	(3.7)%
BAB	13,645.1	14,362.4	5.3%	210.0	215.3	2.5%
BAJ	16,853.6	17,674.1	4.9%	342.9	232.4	(32.2)%
BSF	48,944.1	54,213.8	10.8%	1,075.3	935.5	(13.0)%
Riyad	59,491.3	57,995.5	(2.5)%	1,078.8	890.8	(17.4)%
SAMBA	62,668.6	61,691.7	(1.6)%	1,388.6	1,333.3	(4.0)%
AAAL	28,789.9	28,001.3	(2.7)%	538.8	283.7	(47.3)%
NCB	119,704.3	117,657.4	(1.7)%	2,421.4	2,482.9	2.5%
SABB	50,016.7	49,583.9	(0.9)%	1,153.7	1,037.9	(10.0)%
SAIB	24,944.0	25,147.3	0.8%	354.0	280.6	(20.7)%
Total	**578,175.3**	**590,078.4**	**2.1%**	**11,644.1**	**11,018.9**	**(5.4)%**

Bank	Net impairment charge on loans and advances (US$ million)			Loan-to-deposit ratio		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
Al Rajhi	521.6	570.9	9.4%	82.0%	82.5%	0.5%
Alinma	52.3	52.0	(0.5)%	86.3%	87.2%	0.9%
ANB	175.0	193.5	10.6%	84.9%	85.0%	0.1%
BAB	21.0	51.0	143.1%	81.2%	89.9%	8.7%
BAJ	14.1	33.4	136.1%	84.3%	81.6%	(2.7)%
BSF	48.2	204.8	324.9%	87.1%	81.7%	(5.4)%
Riyad	274.6	342.8	24.9%	86.6%	91.2%	4.6%
SAMBA	37.9	53.3	40.8%	75.7%	72.8%	(3.0)%
AAAL	111.4	311.1	179.3%	85.7%	85.2%	(0.5)%
NCB	426.3	514.6	20.7%	77.8%	80.3%	2.5%
SABB	114.5	251.7	119.9%	84.4%	86.0%	1.6%
SAIB	31.4	65.6	108.6%	85.3%	91.8%	6.4%
Total/Average	**1,828.3**	**2,644.7**	**44.7%**	**83.4%**	**84.6%**	**1.2%**

Bank	Share price (US$)				
	31/12/2015	31/03/2016	30/06/2016	30/09/2016	31/12/2016
Al Rajhi	13.9	13.8	15.6	13.8	16.8
Alinma	3.9	3.4	3.5	3.0	4.0
ANB	6.3	5.2	5.2	4.1	5.9
BAB	5.5	5.1	4.8	4.0	5.5
BAJ	4.3	3.5	3.4	2.7	3.8
BSF	7.5	6.7	6.0	5.6	6.9
Riyad	3.3	3.0	2.9	2.7	3.1
SAMBA	6.2	5.4	5.3	4.7	6.5
SHB	3.8	3.3	3.2	2.6	3.7
NCB	13.6	10.8	10.7	8.8	11.4
SABB	6.6	6.0	5.4	4.9	6.7
SAIB	4.3	3.9	3.4	2.7	4.1
Average	**6.6**	**5.9**	**5.8**	**5.0**	**6.5**

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

Appendix I: Data tables — Saudi (cont.)

Bank	Regulatory capital (US$ million)					
	2015		2016		Δ y-o-y	
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
Al Rajhi	12,424.6	687.1	13,843.8	738.9	11.4%	7.5%
Alinma	4,889.0	128.5	5,111.1	152.9	4.5%	19.0%
ANB	5,686.0	756.6	6,072.3	767.9	6.8%	1.5%
BAB	1,716.2	124.5	1,951.0	674.9	13.7%	442.0%
BAJ	2,019.0	298.7	2,213.1	658.3	9.6%	120.4%
BSF	7,445.6	1,095.1	8,057.9	1,031.2	8.2%	-5.8%
Riyad	9,735.6	1,351.3	10,066.5	1,351.8	3.4%	0.0%
SAMBA	10,719.2	322.3	11,409.0	326.1	6.4%	1.2%
AAAL	3,124.9	1,081.3	3,427.9	1,124.9	9.7%	4.0%
NCB	14,678.9	2,053.2	15,902.1	2,138.7	8.3%	4.2%
SABB	7,505.7	1,087.7	8,335.8	959.5	11.1%	-11.8%
SAIB	3,201.6	654.2	3,604.4	679.4	12.6%	3.9%
Total	**85,161.4**	**11,655.4**	**92,010.9**	**12,620.5**	**8.0%**	**8.3%**

Bank	Capital adequacy ratio			Return on equity			Return on assets		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
Al Rajhi	20.8%	22.0%	1.1%	16.1%	16.5%	0.4%	2.3%	2.5%	0.2%
Alinma	22.9%	19.8%	(3.1)%	8.1%	8.0%	(0.1)%	1.7%	1.6%	(0.2)%
ANB	15.5%	16.5%	1.0%	14.0%	12.6%	(1.3%	1.8%	1.7%	(0.1)%
BAB	15.9%	20.5%	4.6%	12.8%	11.8%	(1.0)%	1.6%	1.5%	(0.1)%
BAJ	15.8%	19.9%	4.0%	19.0%	11.2%	(7.7)%	2.0%	1.3%	(0.6)%
BSF	17.2%	17.8%	0.6%	15.0%	12.3%	(2.7)%	2.2%	1.8%	(0.4)%
Riyad	18.4%	18.9%	0.5%	11.2%	9.0%	(2.2)%	1.8%	1.5%	(0.3)%
SAMBA	20.1%	22.5%	2.4%	13.2%	12.1%	(1.1)%	2.3%	2.1%	(0.2)%
AAAL	15.6%	17.8%	2.2%	17.8%	8.6%	(9.2)%	2.0%	1.0%	(1.0)%
NCB	17.2%	19.2%	2.0%	19.4%	18.4%	(1.0)%	2.1%	2.1%	0.0%
SABB	17.6%	19.6%	2.0%	16.0%	13.1%	(2.9)%	2.3%	2.1%	(0.2)%
SAIB	16.9%	19.1%	2.2%	11.1%	8.4%	(2.7)%	1.4%	1.1%	(0.3)%
Average	**17.8%**	**19.5%**	**1.6%**	**14.5%**	**11.8%**	**(2.6)%**	**2.0%**	**1.7%**	**(0.3)%**

Bank	Liquidity ratio			Non-performing loan ratio			Cost-to-income ratio		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
Al Rajhi	20.7%	24.9%	4.2%	1.5%	1.2%	(0.3)%	33.9%	32.4%	(1.5)%
Alinma	29.4%	29.0%	(0.5)%	0.7%	0.8%	0.0%	41.7%	45.2%	3.5%
ANB	20.0%	22.6%	2.6%	1.0%	0.9%	(0.2)%	38.0%	38.4%	0.4%
BAB	30.9%	28.3%	(2.6)%	1.5%	1.4%	(0.1)%	61.6%	59.6%	(2.0)%
BAJ	19.9%	17.5%	(2.4)%	0.8%	1.1%	0.3%	54.2%	60.5%	6.4%
BSF	19.2%	28.1%	8.9%	0.9%	1.3%	0.4%	33.2%	33.5%	0.3%
Riyad	28.4%	27.6%	(0.8)%	0.9%	0.8%	(0.1)%	36.5%	38.9%	2.4%
SAMBA	30.7%	37.8%	7.1%	0.8%	0.8%	0.0%	30.9%	32.9%	2.0%
AAAL	10.7%	10.9%	0.3%	1.1%	2.2%	1.1%	32.2%	36.2%	4.0%
NCB	15.4%	22.2%	6.8%	1.4%	1.5%	0.1%	37.4%	37.7%	0.3%
SABB	20.3%	33.1%	12.8%	1.2%	1.3%	0.2%	29.7%	29.9%	0.1%
SAIB	28.8%	27.9%	(0.9)%	0.7%	1.7%	1.0%	38.8%	41.1%	2.3%
Average	**22.9%**	**25.8%**	**3.0%**	**1.1%**	**1.3%**	**0.2%**	**39.0%**	**40.5%**	**1.5%**

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

Appendix I: Data tables — UAE

Bank	Total assets (US$ million) 2015	2016	Δ y-o-y	Net profit (US$ million) 2015	2016	Δ y-o-y
ADCB	62,134.3	70,306.3	13.2%	1,340.4	1,129.3	(15.8)%
ADIB	32,222.4	33,287.3	3.3%	525.8	531.4	1.1%
CBD	15,750.6	17,442.5	10.7%	290.2	273.0	(5.9)%
DIB	40,802.1	47,627.0	16.7%	967.8	979.0	1.2%
ENBD	110,665.7	121,946.7	10.2%	1,938.9	1,970.5	1.6%
FGB	61,924.5	66,718.5	7.7%	1,634.9	1,640.3	0.3%
Mashreq	31,345.8	33,429.8	6.6%	653.9	524.4	(19.8)%
NBAD	110,666.7	114,518.2	3.5%	1,424.1	1,441.6	1.2%
RAKBANK	11,038.5	11,571.3	4.8%	381.2	179.5	(52.9)%
UNB	27,733.5	28,285.8	2.0%	504.2	428.0	(15.1)%
Total	**504,284.1**	**545,133.4**	**8.1%**	**9,661.4**	**9,097.0**	**(5.8)%**

Bank	Net impairment charge on loans and advances (US$ million) 2015	2016	Δ y-o-y	Loan-to-deposit ratio 2015	2016	Δ y-o-y
ADCB	136.2	422.5	210.3%	107.1%	101.9%	(5.1)%
ADIB	223.2	257.8	15.5%	82.6%	79.1%	(3.4)%
CBD	136.5	186.0	36.3%	96.4%	95.9%	(0.5)%
DIB	111.7	262.0	134.6%	88.4%	93.9%	5.5%
ENBD	853.8	681.5	(20.2)%	94.2%	93.4%	(0.8)%
FGB	383.0	395.3	3.2%	105.1%	105.0%	(0.1)%
Mashreq	272.1	461.7	69.6%	81.7%	79.2%	(2.5)%
NBAD	256.7	322.7	25.7%	88.1%	79.1%	(8.9)%
RAKBANK	287.3	492.1	71.3%	99.9%	97.7%	(2.2)%
UNB	212.4	196.8	(7.3)%	91.5%	95.1%	3.6%
Total/Average	**2,872.8**	**3,678.4**	**28.0%**	**93.5%**	**92.0%**	**(1.4)%**

Bank	Share price (US$) 31/12/2015	31/03/2016	30/06/2016	30/09/2016	31/12/2016
ADCB	1.8	1.8	1.6	1.8	1.9
ADIB	1.1	1.1	1.0	1.0	1.0
CBD	1.7	1.7	1.5	1.5	1.4
DIB	1.5	1.5	1.4	1.5	1.5
ENBD	2.0	2.1	2.3	2.2	2.3
FGB	3.4	3.2	3.4	3.2	3.5
Mashreq	22.3	21.2	17.1	19.4	16.9
NBAD	2.2	2.4	2.6	2.5	2.7
RAKBANK	1.7	1.6	1.4	1.5	1.3
UNB	1.3	1.0	1.1	1.1	1.2
Average	**3.9**	**3.8**	**3.4**	**3.6**	**3.4**

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

Appendix I: Data tables — UAE (cont.)

Bank	Regulatory capital (US$ million)					
	2015		2016		Δ y-o-y	
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
ADCB	7,789.1	1,658.8	8,158.6	1,697.6	4.7%	2.3%
ADIB	3,871.8	144.3	3,968.1	172.5	2.5%	19.5%
CBD	2,075.5	152.0	2,191.6	174.6	5.6%	14.9%
DIB	5,219.0	75.5	6,838.6	133.5	31.0%	76.9%
ENBD	12,042.5	1,818.7	13,021.0	1,778.2	8.1%	(2.2)%
FGB	8,416.0	639.1	8,790.2	625.9	4.4%	(2.1)%
Mashreq	4,899.8	320.6	5,162.2	293.2	5.4%	(8.5)%
NBAD	11,731.3	810.0	12,455.6	903.6	6.2%	11.6%
RAKBANK	1,626.4	0.0	1,782.8	0.0	9.6%	NA
UNB	4,818.6	301.6	4,940.6	317.4	2.5%	5.2%
Total	**62,490.1**	**5,920.5**	**67,309.3**	**6,096.6**	**7.7%**	**3.0%**

Bank	Capital adequacy ratio			Return on equity			Return on assets		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
ADCB	19.8%	18.9%	(0.8)%	20.3%	15.7%	(4.6)%	2.3%	1.7%	(0.6)%
ADIB	15.1%	15.2%	0.1%	18.7%	17.2%	(1.5)%	1.7%	1.6%	(0.1)%
CBD	16.6%	15.8%	(0.8)%	13.3%	11.9%	(1.4)%	2.0%	1.6%	(0.4)%
DIB	15.7%	18.1%	2.4%	25.6%	20.6%	(5.0)%	2.6%	2.2%	(0.4)%
ENBD	20.7%	21.2%	0.5%	16.6%	15.5%	(1.1)%	1.9%	1.7%	(0.2)%
FGB	17.5%	18.3%	0.8%	18.9%	18.1%	(0.9)%	2.7%	2.6%	(0.2)%
Mashreq	16.9%	16.9%	0.0%	14.2%	10.5%	(3.6)%	2.2%	1.6%	(0.6)%
NBAD	16.7%	18.1%	1.4%	14.3%	13.2%	(1.1)%	1.3%	1.3%	(0.1)%
RAKBANK	22.3%	21.8%	(0.5)%	18.9%	8.7%	(10.2)%	3.7%	1.6%	(2.1)%
UNB	19.4%	18.9%	(0.5)%	11.7%	9.4%	(2.3)%	1.9%	1.5%	(0.4)%
Average	**18.1%**	**18.3%**	**0.2%**	**17.3%**	**14.1%**	**(3.2)%**	**2.2%**	**1.7%**	**(0.5)%**

Bank	Liquidity ratio			Non-performing loan ratio			Cost-to-income ratio		
	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y	2015	2016	Δ y-o-y
ADCB	29.9%	32.6%	2.7%	3.0%	2.7%	(0.3)%	34.2%	32.9%	(1.3)%
ADIB	22.5%	23.4%	0.9%	3.3%	4.0%	0.7%	46.2%	45.5%	(0.8)%
CBD	32.8%	33.7%	0.9%	6.9%	6.9%	0.0%	36.5%	35.4%	(1.2)%
DIB	16.0%	15.8%	(0.2)%	5.0%	3.9%	(1.1)%	34.3%	34.0%	(0.3)%
ENBD	30.1%	32.6%	2.5%	7.1%	6.4%	(0.7)%	31.0%	33.1%	2.1%
FGB	26.4%	33.0%	6.6%	2.8%	2.3%	(0.5)%	20.6%	20.8%	0.2%
Mashreq	41.3%	41.7%	0.3%	2.8%	3.1%	0.3%	41.4%	39.0%	(2.3)%
NBAD	49.8%	51.9%	2.1%	3.2%	3.2%	0.0%	38.7%	37.1%	(1.6)%
RAKBANK	21.8%	34.1%	12.3%	3.2%	4.2%	1.0%	37.5%	35.6%	(1.9)%
UNB	31.8%	26.5%	(5.3)%	3.5%	3.4%	(0.1)%	27.8%	32.5%	4.7%
Average	**30.2%**	**32.5%**	**2.3%**	**4.1%**	**4.0%**	**(0.1)%**	**34.8%**	**34.6%**	**(0.2)%**

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

Appendix II: Sources

Bahrain

1. AUB: Financial Statement FY16, Financial Statement FY15, FY16 Pillar III Disclosures – Basel III, FY15 Pillar III Disclosures – Basel III; AUB Website
2. Al Baraka: Annual Report 2016, Annual Report 2015, Financial Statement FY16, Financial Statement FY15; Al Baraka website
3. Al Salam: Financial Statement FY16, Financial Statement FY15; Al Salam Website
4. BISB: Financial Statement FY16, Financial Statement FY15; BISB Website
5. BBK: Financial Statement FY16, Financial Statement FY15; Bahrain Stock Exchange
6. Ithmaar: Financial Statement FY16, Bahrain Stock Exchange; Financial Statement FY15; Ithmaar website
7. Khaleeji: Financial Statement FY16, Financial Statement FY15; Bahrain Stock Exchange
8. NBB: Financial Statement FY16, Financial Statement FY15; Bahrain Stock Exchange

Kuwait

1. AUBK: Financial Statement FY16, Financial Statement FY15; Kuwait Stock Exchange
2. ABK: Financial Statement FY16, Financial Statement FY15; Kuwait Stock Exchange
3. Boubyan: Financial Statement FY16, Financial Statement FY15; Kuwait Stock Exchange
4. Burgan: Financial Statement FY16, Financial Statement FY15; Kuwait Stock Exchange
5. GBK: Financial Statement FY16, Financial Statement FY15; Kuwait Stock Exchange
6. KFH: Financial Statement FY16, Financial Statement FY15; Kuwait Stock Exchange
7. KIB: Financial Statement FY16, Financial Statement FY15; Kuwait Stock Exchange
8. NBK: Financial Statement FY16; Financial Statement FY15, Kuwait Stock Exchange
9. CBK: Financial Statement FY16; Financial Statement FY15, Kuwait Stock Exchange; Consolidated Public Disclosures on Capital Adequacy Standard Q3, CBK Website
10. Warba: Financial Statement FY16, Financial Statement FY15; Kuwait Stock Exchange

Oman

1. Ahli Bank: Financial Statement FY16, Financial Statement FY15; Muscat Stock Exchange
2. Alizz: Financial Statement FY16, Financial Statement FY15; Muscat Stock Exchange
3. Bank Dhofar: Financial Statement FY16, Financial Statement FY15; Muscat Stock Exchange
4. Bank Muscat: Financial Statement FY16, Financial Statement FY15; Muscat Stock Exchange
5. Bank Nizwa: Financial Statement FY16, Financial Statement FY15; Muscat Stock Exchange
6. Bank Sohar: Financial Statement FY16, Financial Statement FY15; Muscat Stock Exchange
7. HSBC Oman: Financial Statement FY16, Financial Statement FY15; Muscat Stock Exchange
8. NBO: Financial Statement FY16, Financial Statement FY15; Muscat Stock Exchange

Qatar

1. Ahli: Financial Statement FY16, Financial Statement FY15; Qatar Exchange
2. Al Khaliji: Financial Statement FY16, Financial Statement FY15; Qatar Exchange
3. Doha: Financial Statement FY16, Financial Statement FY15; Qatar Exchange
4. MAR: Financial Statement FY16, Financial Statement FY15; Qatar Exchange
5. QIIB: Financial Statement FY16, Financial Statement FY15; Qatar Exchange
6. QIB: Financial Statement FY16, Financial Statement FY15; Qatar Exchange
7. QNB: Financial Statement FY16, Financial Statement FY15; Qatar Exchange
8. CBQ: Financial Statement FY16, Financial Statement FY15, Qatar Exchange

Appendix II: Sources (cont.)

Saudi Arabia

1. Al Rajhi: Financial Statement FY16, Financial Statement FY15; Saudi Stock Exchange
2. Alinma: Financial Statement FY16, Financial Statement FY15; Alinma Bank website
3. ANB: Financial Statement FY16, Financial Statement FY15; Saudi Stock Exchange
4. BAB: Financial Statement FY16, Financial Statement FY15; Saudi Stock Exchange
5. BAJ: Financial Statement FY16, Financial Statement FY15; Saudi Stock Exchange
6. BSF: Financial Statement FY16, Financial Statement FY15; Saudi Stock Exchange
7. Riyad: Financial Statement FY16, Saudi Stock Exchange; Financial Statement FY15; Riyad Bank Website
8. SAMBA: Financial Statement FY16, Financial Statement FY15; SAMBA Bank website
9. AAAL: Financial Statement FY16, Financial Statement FY15; Saudi Stock Exchange
10. NCB: Financial Statement FY16, Financial Statement FY15; Saudi Stock Exchange
11. SABB: Financial Statement FY16, Financial Statement FY15; Saudi Stock Exchange
12. SAIB: Financial Statement FY16, Financial Statement FY15; Saudi Investment Bank website

United Arab Emirates

1. ADCB: Financial Statement FY16, Financial Statement FY15; Abu Dhabi Securities Exchange; Press Release 2016 results, Abu Dhabi Commercial Bank website
2. ADIB: Financial Statement FY16, Financial Statement FY15; Abu Dhabi Securities Exchange
3. CBD: Financial Statement FY16, Press Release 2016, Financial Statement FY15; Commercial Bank of Dubai website
4. DIB: Financial Statement FY16, Financial Statement FY15; Dubai Islamic Bank website
5. ENBD: Financial Statement FY16, Financial Statement FY15; Emirates NBD website
6. FGB: Financial Statement FY16, Financial Statement FY15, NBAD New Website (post NBAD-FGB merger)
7. Mashreq: Annual Report FY16, Annual Report FY15; Mashreq Bank website
8. NBAD: Financial Statement FY16, Financial Statement FY15; NBAD Website
9. RAKBANK: Financial Statement FY16, Financial Statement FY15; RAKBANK Website
10. UNB: Financial Statement FY16, Annual Report FY15; UNB Website

Other sources

1. Quarterly Statistical Bulletin: December 2016, 22 February 2017, Central Bank of Oman website
2. IIF MENA Regional Economic Forum, Central Bank of Bahrain website
3. Quantifying the Impact of Basel III Capital Standards on Kuwaiti Banks, May 2016, Central bank of Kuwait website
4. Omani Banking Sector – May 2016, May 2016, Islamic banker
5. Qatar – Minimum (average) regulatory CAR (13.75%) = Minimum Total Capital plus Capital Conservation Buffer (12.50%) + DSIB Buffer (Average) (0.25%) + ICAAP Capital Charge (1%)
6. Saudi banks' capital adequacy ratio jumps to 18% in Q1, May 2016, Argaam Website
7. Most UAE banks are prepared to meet new Central Bank regulations: Analysts, March 2017, Thompson Reuters Zawya
8. Share prices as available on the respective stock exchange websites (Bahrain Bourse website, Kuwait Stock exchange, Muscat Securities market, Qatar Exchange, Saudi Stock Exchanges (Tadawul), Abu Dhabi Stock Exchange and Dubai Financial Market PJSC). Additionally, ThomsonOne has been used for missing data points.
9. Overall country credit ratings checked from Trading Economics Website, 21 May 2017; Oman Fitch Ratings, January 2017
10. The below currency conversion rates from Oanda.com have been used:
    a. Bahraini Dinar(BD)/US$ [2016: 2.6525, 2015: 2.6525]
    b. Kuwaiti Dinar[1] (KD)/US$ [2016: 3.3030, 2015: 3.3170]
    c. Omani Rial (RO)/US$ [2016: 2.5888, 2015: 2.5891]
    d. Qatari Rial (QAR)/US$ [2016: 0.2743, 2015: 0.2744]
    e. Saudi Riyal (SAR)/US$ [2016: 0.2665, 2015: 0.2664]
    f. UAE Dirham (AED)/US$ [2016: 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$.

Notes

Notes

Notes

Notes

Regional contact

Omar Mahmood
Head of Financial Services, Middle East and South Asia
Partner, KPMG in Qatar
T: +974 4457 6444
E: omarmahmood@kpmg.com

Country contacts

Jalil Al Aali
Head of Financial Services
Partner, KPMG in Bahrain
T: +973 1722 4807
E: jalaali@kpmg.com

Paul Callaghan
Head of Financial Services
Partner, KPMG in Oman
T: +968 2474 9234
E: pcallaghan@kpmg.com

Mahesh Balasubramanian
Head of Islamic Financial Services
Partner, KPMG in Bahrain
T: +973 1722 4807
E: bmahesh@kpmg.com

Adrian Quinton
Head of Financial Services
KPMG in Saudi Arabia
T: +9661 1874 8500
E: apquinton@kpmg.com

Bhavesh Gandhi
Head of Financial Services
Partner, KPMG in Kuwait
T: +965 2228 7000
E: bgandhi@kpmg.com

Emilio Pera
Head of Financial Services
Partner, KPMG in the UAE
T: +971 4403 0323
E: emiliopera@kpmg.com

We would also like to acknowledge the contribution of the core team members in this publication

Priyanka Sethi
Senior analyst
Financial Services
Global Collaboration & Knowledge
KPMG Global Services

Other members: Arpit Srivastava, Achal Krishan, Arut Khajuria, Jyoti Basera, Mekhala Gandhi, Shreya Ahuja and Smriti Agarwal

Designed by CREATE | CRT068906F | June 2017