GCC listed banks' results

Banking redefined

Year-ended 31 December 2020

Click here to enter >

April 2021

—

home.kpmg

Basis of preparation

In this report, KPMG professionals have analyzed the financial results of leading listed commercial banks from each GCC country — the Kingdom of Bahrain (Bahrain), the State of Kuwait (Kuwait), the Sultanate of Oman (Oman), the State of Qatar (Qatar), the Kingdom of Saudi Arabia (Saudi Arabia or KSA) and the United Arab Emirates (UAE). The financial results and selected key performance indicators (KPIs) of the 55 selected GCC banks for the year-ended 31 December 2020 are summarized and compared with the prior year (year-ended 31 December 2019).

Foreword

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

The 2020 report, titled 'Banking redefined', highlights some of the key financial trends identified in the banking sector across the region in the past year, including:

— **continued asset growth**
— **declining profitability**
— **higher NPL ratios**
— **increased loan impairment**
— **stability in costs**
— **declining share prices**

2020 was a unique year, severely impacted by Covid-19 which was reflected in the financial trends identified through our analysis. Despite these challenges and the resulting disruption, the GCC banking sector remained resilient by taking effective and timely measures, coupled with government support, to weather the storm. While financial challenges were faced by the entire sector, it was also a year in which banks were able to 'redefine their business models' and accelerate their digital transformation plans. Our report highlights how banks have moved to cashless payment models; placed greater focus on innovation and technological advancements to serve the customer base; effectively introduced agile working practices while adhering to the norms of social distancing; and embraced FinTech collaboration to improve the customer experience and manage the increasing cyber security threats posed by digitalization.

In last year's report, which was released at the onset of Covid-19, we made a number of predictions for the GCC banking sector in 2020, including: increased customer focus; further cost efficiencies; limited asset and profit growth; continued capital / fund raising; consolidation; and rethinking of business models. While a number of these predictions were realized in 2020, no one could have predicted the full extent of the pandemic on the GCC banking sector that we see today.

Looking forward and amidst **cautious optimism**, key predictions for the sector in 2021 that are explored in this report are:

— **Regulators embrace tech**
— **Agile working becomes the norm**
— **Rising NPLs and loan impairment**
— **ESG gains prominence**
— **Consolidation continues**
— **Accelerated digital investment**
— **Profitability challenges**
— **Focus on cost / operational efficiencies**

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

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

Reyaz Mihular
Chairman
Middle East and South Asia
Managing Partner, KPMG in Sri Lanka
E: reyazmihular@kpmg.com


8 800 333 7555 (внутри России)

To explore more information, please click on the section headers. At any time, you can click on the home icon on the top right of each page to come back to content page.

Content

Executive summary

30.5% ↓

Net profit declined **from US$36.6 billion** in 2019 to **US$25.4 billion** in 2020.

0.2% ↑

Capital adequacy ratio increased from **18.4 percent** in 2019 to **18.7 percent** in 2020.

8.2% ↑

Total assets increased from **US$2.3 trillion** in 2019 to **US$2.5 trillion** in 2020.

0.6% ↓

Overall **ROA** down from **1.7 percent** to **1.1 percent** in 2020.

5.0% ↓

Overall **ROE** down **from 13.4 percent** to **8.5 percent** in 2020.

9.5% ↓

Share prices declined by **9.5 percent** on average in 2020.

1.0% ↑

Cost-to-income ratio up marginally from **40.4 percent** in 2019, to an average **41.4 percent** in 2020.

Loan provisions

59.2% ↑

Net provision on loans increased from **US$12.6 billion** in 2019 to **US$20.1 billion** in 2020.

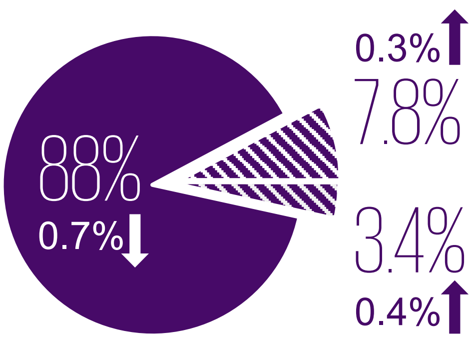
0.1% ↑

Coverage ratio on stage 3 loans, increased marginally **from 59.9 percent** to **60.0 percent.**

0.6%
Stage 1 - coverage ratio
0.1% ↑

10.0%
Stage 2 - coverage ratio
0.7% ↑

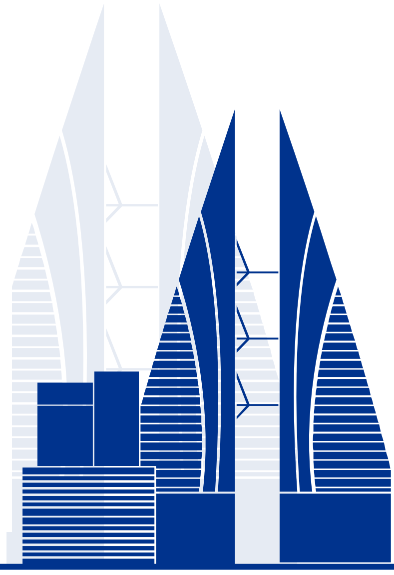
60.0%
Stage 3 - coverage ratio
0.1% ↑



Out of the **total loan exposure subject to ECL** as at 31 December 2020, **88.8 percent** was in **stage 1, 7.8 percent** was in **stage 2,** and **3.4 percent** was in **stage 3.**

Note: Total loan exposure subject to ECL and coverage ratios on loans do not include banks from Kuwait

Country highlights

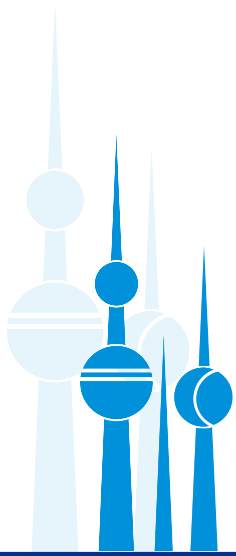


Bahrain

The banking sector in the Kingdom of Bahrain registered a credit growth of 7.0 percent by the end of 2020, mainly driven by an increase in the mortgage lending owing to reduction in the lending rates. While the total assets of listed banks increased slightly by 2.3 percent, the non-performing loans ratio has remained steady. Further, the year-on-year profits of the listed banks have declined on an average by 37.2 percent on account of higher provision charge against uncertainties due to Covid-19. The banks remain liquid and are well capitalized with an average CAR of 18.9 percent by the end of 2020.

Kuwait

The Kuwait banking sector has reported growth of 5.3 percent in total assets. However, net profits have declined by 52.8 percent due to decrease in interest rates in 2020 and other operating revenues and higher charge of provision for credit losses, considering the impact of the Covid-19 pandemic. The Kuwait banking sector is well capitalized with an average CAR at 17.9 percent, which is comfortably higher than the CBK's mandated minimum of 13.0 percent. The non-performing loans ratio increased by 0.3 percent amid the crisis and remained at a low level of 1.6 percent in 2020.

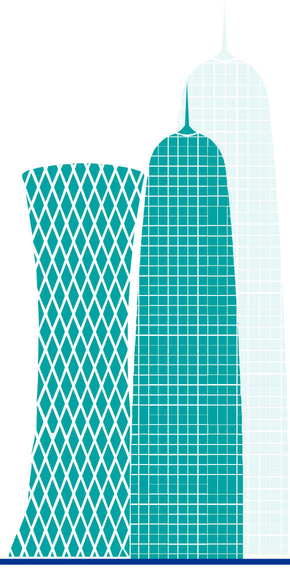


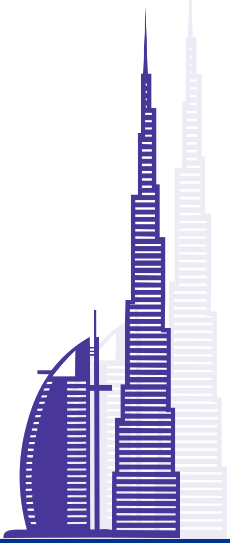
Oman

Top eight banks in Oman witnessed a subdued growth in total assets of 3.6 percent and net profit declined by an average of 32.5 percent during 2020 compared with 2019. The decrease in profitability was mainly due to significant increase in expected credit losses as a result of the ongoing pandemic and its effect on the local economy which increased by 115.1 percent compared with 2019. Average CAR stood at 17.4 percent in 2020 compared with 17.3 percent in 2019, reflecting that the Oman banking sector has sufficient capital buffers.

Qatar

Despite the financial uncertainty arising from Covid-19, Qatar's listed banks recorded the lowest profit decline amongst its regional peers. Increased loan provisioning as a result of liquidity and credit challenges being faced by borrowers reflected the more cautious approach taken by banks. This impact was partially offset by higher interest spreads and lower costs. Banks saw a growth in their asset base, driven by the need to continue to support the country's future ambitions, and costs continue to remain the lowest in the region, which reflects the relentless focus on efficiencies to help counter the impact of increased provisioning.



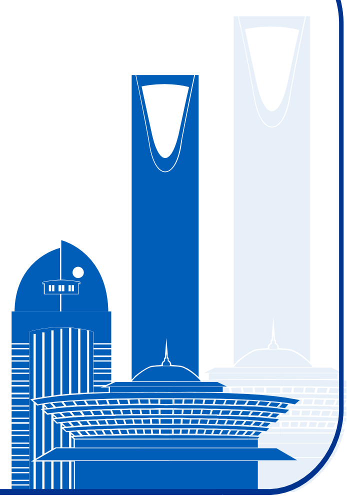


UAE

During 2020, net profit for the top 10 UAE banks dropped an on average by 41.2 percent compared with 2019. This decline is due to the significant increase in the provision charge on loans with banks expecting higher losses and customer defaults as a result of the pandemic. Non-performing loans ratio also increased to 4.4 percent in 2020. Net interest margin continues to be under pressure because of record low interest rates, exacerbated by increased competition. Despite this, the capital and liquidity position remain strong.

Saudi Arabia

The financial performance of the 11 banks in 2020 accumulated a net income of US$11.3 billion (excluding one off impairment at SABB) compared with US$12.0 billion in 2019, reflecting a 6.4 percent fall. Given the challenges battled in 2020, the lending book has been the proverbial silver lining of the year with a healthy 12.6 percent net increase relative to the prior year, fueled by a strong growth across mortgage finance. On the other front, SAMA's generous injections of deposits under the support program and overall liquidity protection by corporates and individuals alike has enabled an impressive 9.2 percent growth across the bank and non-bank deposit base.



Results snapshot

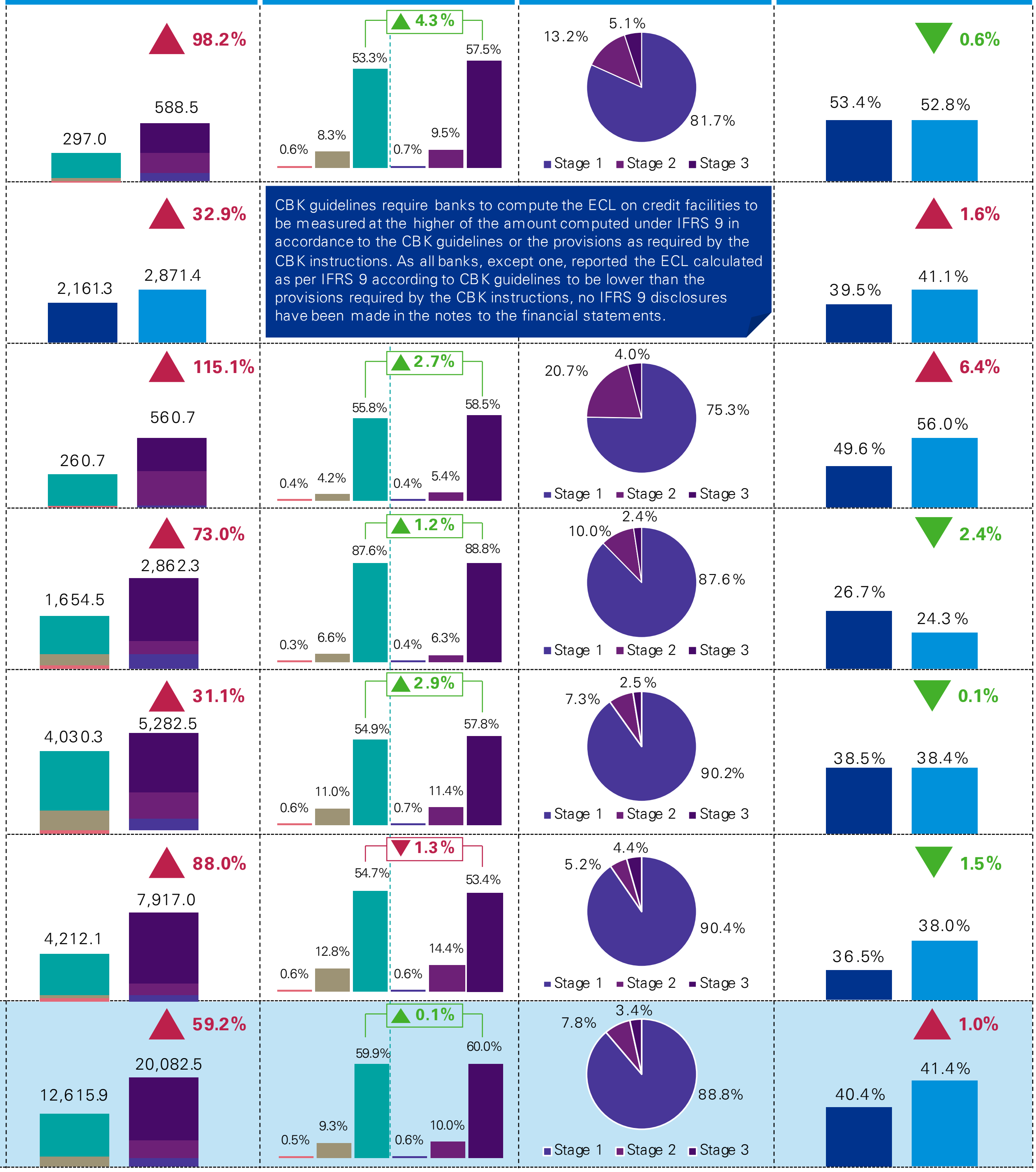
KPI[1] / Country	Total assets (US$ billion) 2019	Total assets 2020	Total assets y-o-y	Total net profit (US$ million) 2019	Total net profit 2020	Total net profit y-o-y	Average capital adequacy ratio (%) 2019	Average capital adequacy ratio 2020	Average capital adequacy ratio y-o-y	ROE 2019	ROE 2020	ROE y-o-y	ROA 2019	ROA 2020	ROA y-o-y
Bahrain*	104.6	107.0	▲ 2.3%	1,267.6	795.8	▼ 37.2%	19.8%	18.9%	▼ 0.9%	12.8%	8.0%	▼ 4.8%	1.3%	0.8%	▼ 0.5%
Kuwait	286.3	301.6	▲ 5.3%	3,218.8	1,519.5	▼ 52.8%	18.0%	17.9%	▼ 0.1%	10.1%	4.4%	▼ 5.7%	1.2%	0.5%	▼ 0.7%
Oman	84.1	87.1	▲ 3.6%	1,051.1	709.3	▼ 32.5%	17.3%	17.4%	▲ 0.1%	9.7%	6.4%	▼ 3.3%	1.3%	0.8%	▼ 0.4%
Qatar	446.4	478.8	▲ 7.3%	6,760.5	5,919.9	▼ 12.4%	18.5%	18.7%	▲ 0.1%	15.9%	12.9%	▼ 3.0%	1.6%	1.3%	▼ 0.3%
Saudi Arabia	653.1	738.9	▲ 13.1%	12,012.8	9,270.8	▼ 22.8%	19.5%	20.5%	▲ 1.0%	12.6%	8.8%	▼ 3.8%	1.9%	1.3%	▼ 0.6%
UAE	724.6	775.2	▲ 7.0%	12,273.0	7,212.2	▼ 41.2%	17.4%	18.1%	▲ 0.4%	15.1%	7.7%	▼ 7.4%	1.8%	1.0%	▼ 0.9%
Total	2,299.0	2,488.6	▲ 8.2%	36,583.7	25,427.5	▼ 30.5%	18.4%	18.7%	▲ 0.2%	13.4%	8.5%	▼ 5.0%	1.7%	1.1%	▼ 0.6%

2019 | 2020 | ▲ y-o-y[3] increase | No change | ▼ y-o-y[3] decrease

Stage 1: 2019 | Stage 2: 2019 | Stage 3: 2019 | Stage 1: 2020 | Stage 2: 2020 | Stage 3: 2020

*Note: *2020 financial figures for total assets, net profit and provision charge for Bahrain has been adjusted for NBB, as appropriate, to remove effect of the BISB consolidation by NBB (only to the extent of publicly available information).*

Total net provision charge on loans² — by stage (US$ million)	Coverage ratios on loans — by stage (%)	Total loans subject to ECL — by stage as at 31 December 2020 (%)	Average cost-to-income ratio² (%)



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

[1] All KPIs have been calculated as of, or for the year-ended 31 December 2020; Total loans subject to ECL (by stage) and coverage ratios on loans (by stage) does not include banks from Kuwait.

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

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

Outcomes against last year's outlook

Stability rather than growth

The focus of the GCC banking sector turned to greater stability rather than growth, as Covid-19 took its toll on world economies. Banks were able to weather challenges brought in by Covid-19 at the cost of profitability, given extensive government support, which helped maintain stability in the sector relative to banks in larger western economies.

Evolving regulatory regimes

The increase in regulatory oversight and supervision witnessed over the last few years continued in 2020 and is expected to continue in the foreseeable future. Central Banks devoted most of their attention to addressing Covid-19 related issues, while continuing the pre-existing initiatives around Anti Money Laundering, culture and conduct, Know Your Customer (KYC), corporate governance, Open Banking and FinTech.

Continued customer focus through innovation

Banks continued to focus on their customers' ever-changing needs and requirements and looked to implement technological advancements to provide effective alternatives to routine transactions through digital channels. An increased focus on branchless banking, cashless and cardless transactions, and online service offerings was seen throughout the banking sector.

Limited credit growth

Despite the challenging economic environment and limited credit generation activity in the market, we witnessed banks being active in their lending activities albeit focused on the higher-end customer base and government / government agencies. This was evidenced by 9.6 percent credit growth rates compared with the last year and demonstrates the ability of banks to continue to deliver despite the challenging market conditions.

Cost and operational efficiencies remain a priority

In line with our expectations, banks continued their focus on cost and operational efficiencies in 2020, with the overall cost-to-income ratio remaining broadly in line with the prior year, despite a growth in business. In the midst of various conventional methods to reduce costs, banks also looked to capitalize on technology and other innovative ways to control costs using robotics, streamlined processes, and FinTech amongst others.

Sustainable profit growth rates

We expected an upward trend in the profitability growth rates to continue in 2020, though not necessarily in double digits, but modest and tempered. However, due to widespread implications of Covid-19 on economies across the GCC, banking profitability took a plunge in 2020 at the double-digit levels not witnessed in recent years. This was mainly due to a significant increase in loan provisioning across the numerous sectors affected by the pandemic.

Increased capital and fundraising activity

Despite the expectation in early 2020, that there would be increased capital and fundraising activity to tap into the continued low interest rate environment, this was not the case due to the uncertainty stemming from the pandemic. Banks were hesitant to access capital markets and investors were also cautious while the true impact of Covid-19 was understood. Capital adequacy for banks in the GCC remain above the international levels, hence there was less urgency to raise additional capital and funds.

Further consolidation

As predicted, banking consolidation continued in 2020 as most GCC countries witnessed activity on the M&A front, both in the conventional and Islamic banking sector. Covid-19 gave further impetus to the consolidation drive that has been seen in the region in recent years as shareholders, with regulatory support, look to create larger, stronger and more resilient financial institutions.

Rethinking of business models

We saw a heightened focus and greater investments in the digital arena. Banks sought to redefine their business models and ventured into new age banking, through the use of technology to serve their customer base. Banks aggressively pursued technological advancement and the use of revamped business platforms, partnering with various FinTech firms to provide uninterrupted services to their customers.

Bank rankings

		By y-o-y growth rate (2019 vs. 2020)				By value/percent as of, or for the y/e, 31 December 2020		
		Bank	**Country**	**Δ y-o-y**		**Bank**	**Country**	**Value/ percent**
Total assets (US$ billion)	1	National Bank of Bahrain	Bahrain	36.5%	1	Qatar National Bank	Qatar	281.6
	2	*Oman Arab Bank*	Oman	*32.2%*	2	First Abu Dhabi Bank	UAE	250.2
	3	*Dubai Islamic Bank*	UAE	*24.9%*	3	Emirates NBD	UAE	190.0
	4	*Boubyan Bank*	Kuwait	*22.9%*	4	National Commercial Bank	Saudi Arabia	159.9
	5	*Al Rajhi Bank*	Saudi Arabia	*22.1%*	5	*Al Rajhi Bank*	Saudi Arabia	*125.0*
	6	*Alinma Bank*	Saudi Arabia	*19.0%*	6	Abu Dhabi Commercial Bank	UAE	111.9
Net profit (US$ million)	1	The Saudi Investment Bank	Saudi Arabia	309.1%	1	Qatar National Bank	Qatar	3,297.5
	2	*Khaleeji Commercial Bank*	Bahrain	*153.5%*	2	National Commercial Bank	Saudi Arabia	3,050.7
	3	*Bank Nizwa*	Oman	*8.7%*	3	First Abu Dhabi Bank	UAE	2,873.3
	4	*Bank Albilad*	Saudi Arabia	*8.4%*	4	*Al Rajhi Bank*	Saudi Arabia	*2,825.5*
	5	Al Khaliji Commercial Bank	Qatar	5.7%	5	Emirates NBD	UAE	1,894.5
	6	SAMBA Financial Group	Saudi Arabia	5.4%	6	Riyad Bank	Saudi Arabia	1,257.3
Net provision charge on loans (US$ million)	1	HSBC Bank Oman	Oman	776.7%	1	Emirates NBD	UAE	2,143.9
	2	*Al Salam Bank Bahrain*	Bahrain	*577.0%*	2	Qatar National Bank	Qatar	1,600.4
	3	*Bank AlJazira*	Saudi Arabia	*462.6%*	3	Abu Dhabi Commercial Bank	UAE	1,298.6
	4	National Bank of Bahrain	Bahrain	396.4%	4	*Dubai Islamic Bank*	UAE	*1,032.4*
	5	*Abu Dhabi Islamic Bank*	UAE	*354.4%*	5	*Al Rajhi Bank*	Saudi Arabia	*911.6*
	6	Ahli United Bank	Bahrain	281.5%	6	Mashreq Bank	UAE	884.9
Return on equity (%)	1	*Khaleeji Commercial Bank*	Bahrain	*20.5%*	1	*Al Rajhi Bank*	Saudi Arabia	*19.4%*
	2	The Saudi Investment Bank	Saudi Arabia	4.9%	2	*Qatar Islamic Bank*	Qatar	*16.1%*
	3	Bank Dhofar	Oman	0.1%	3	The National Commercial Bank	Saudi Arabia	15.5%
	4	*Bank Nizwa*	Oman	*0.1%*	4	*Masraf Al Rayan*	Qatar	*15.4%*
	5	The Commercial Bank of Kuwait	Kuwait	0.0%	5	Qatar National Bank	Qatar	14.7%
	6	SAMBA Financial Group	Saudi Arabia	(0.1)%	6	*Qatar International Islamic Bank*	Qatar	*13.5%*
Return on assets (%)	1	*Khaleeji Commercial Bank*	Bahrain	*2.5%*	1	*Al Rajhi Bank*	Saudi Arabia	*2.5%*
	2	The Saudi Investment Bank	Saudi Arabia	0.7%	2	The National Commercial Bank	Saudi Arabia	2.1%
	3	Al Khaliji Commercial Bank	Qatar	0.0%	3	*Masraf Al Rayan*	Qatar	*1.9%*
	4	Bank Dhofar	Oman	0.0%	4	*Qatar Islamic Bank*	Qatar	*1.8%*
	5	The Commercial Bank of Kuwait	Kuwait	0.0%	5	Riyad Bank	Saudi Arabia	1.6%
	6	Doha Bank	Qatar	(0.1)%	6	*Qatar International Islamic Bank*	Qatar	*1.6%*

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

	By y-o-y growth rate (2019 vs. 2020)				By value/percent as of, or for the y/e, 31 December 2020			
		Bank	**Country**	**Δ y-o-y**		**Bank**	**Country**	**Value/ percent**
Capital adequacy ratio (%)	1	*Al Salam Bank Bahrain*	Bahrain	*5.2%*	1	*Al Salam Bank Bahrain*	Bahrain	*26.5%*
	2	*Sharjah Islamic Bank*	UAE	*5.1%*	2	*Bank Al Jazira*	Saudi Arabia	*23.6%*
	3	*Khaleeji Commercial Bank*	Bahrain	*3.7%*	3	National Bank of Bahrain	Bahrain	22.3%
	4	The Saudi British Bank	Saudi Arabia	3.6%	4	*Kuwait International Bank*	Kuwait	22.1%
	5	Arab National Bank	Saudi Arabia	3.1%	5	Arab National Bank	Saudi Arabia	22.0%
	6	The Saudi Investment Bank	Saudi Arabia	2.9%	6	The Saudi British Bank	Saudi Arabia	21.8%
Cost-to-income ratio[1] (%)	1	*Khaleeji Commercial Bank BSC*	Bahrain	*(26.7)%*	1	*Qatar Islamic Bank*	Qatar	*20.1%*
	2	*Al Baraka Banking Group*	Bahrain	*(9.6)%*	2	*Qatar International Islamic Bank*	Qatar	*20.3%*
	3	*Bank AlJazira*	Saudi Arabia	*(5.9)%*	3	*Masraf Al Rayan*	Qatar	*21.5%*
	4	*Bank Nizwa*	Oman	*(5.7)%*	4	Qatar National Bank	Qatar	24.6%
	5	Bank Dhofar	Oman	(4.9)%	5	Ahli Bank	Qatar	25.6%
	6	Doha Bank	Qatar	(4.6)%	6	Al Khaliji Commercial Bank	Qatar	25.8%
Coverage ratios on loans – stage 3[2] (%)	1	Bank Nizwa	Oman	85.5%	1	Qatar National Bank	Qatar	107.2%
	2	Sohar International	Oman	81.4%	2	*Bank Albilad*	Saudi Arabia	*94.8%*
	3	*Ahli Bank*	Oman	*80.3%*	3	*Qatar Islamic Bank*	Qatar	*88.7%*
	4	National Bank of Oman	Oman	78.3%	4	Ahli United Bank	Bahrain	85.9%
	5	Bank Muscat	Oman	76.3%	5	Ahli Bank	Qatar	84.3%
	6	*Oman Arab Bank*	Oman	*75.3%*	6	Emirates NBD	UAE	82.8%
Stage 3 loans subject to ECL[1,2] (%)	1	*Khaleeji Commercial Bank BSC*	Bahrain	*(9.3)%*	1	*Bank Nizwa*	Oman	*1.0%*
	2	*Bahrain Islamic Bank*	Bahrain	*(8.6)%*	2	*Al Rajhi Bank*	Saudi Arabia	*1.1%*
	3	The Saudi Investment Bank	Saudi Arabia	(1.3)%	3	*Masraf Al Rayan*	Qatar	*1.1%*
	4	*Qatar International Islamic Bank*	Qatar	*(1.1)%*	4	*Bank Albilad*	Saudi Arabia	*1.2%*
	5	National Bank of Bahrain	Bahrain	(0.7)%	5	*Qatar Islamic Bank*	Qatar	*1.5%*
	6	The Commercial Bank	Qatar	(0.6)%	6	*Qatar International Islamic Bank*	Qatar	*1.6%*

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

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

Country rankings

Metric	Rank	By y-o-y growth rate (2019 vs. 2020) Country	Δ y-o-y	Rank	By value/percent as of, or for the y/e, 31 December 2020 Country	Value/percent
Total assets – by average (US$ billion)	1	Saudi Arabia	13.1%	1	UAE	77.5
	2	Qatar	7.3%	2	Saudi Arabia	67.2
	3	UAE	7.0%	3	Qatar	59.9
	4	Kuwait	5.3%	4	Kuwait	30.2
	5	Oman	3.6%	5	Bahrain[1]	13.4
	6	Bahrain	2.3%	6	Oman	10.9
Net profit – by average (US$ million)	1	Qatar	(12.4)%	1	Saudi Arabia	842.8
	2	Saudi Arabia	(22.8)%	2	Qatar	740.0
	3	Oman	(32.5)%	3	UAE	721.2
	4	Bahrain	(37.2)%	4	Kuwait	152.0
	5	UAE	(41.2)%	5	Bahrain[1]	99.5
	6	Kuwait	(52.8)%	6	Oman	88.7
Net provision charge on loans – by average (US$ million)	1	Oman	115.1%	1	UAE	791.7
	2	Bahrain	98.2%	2	Saudi Arabia	480.2
	3	UAE	88.0%	3	Qatar	357.8
	4	Qatar	73.0%	4	Kuwait	287.1
	5	Kuwait	32.9%	5	Bahrain[1]	73.6
	6	Saudi Arabia	31.1%	6	Oman	70.1
Return on equity (%)	1	Qatar	(3.0)%	1	Qatar	12.9%
	2	Oman	(3.3)%	2	Saudi Arabia	8.8%
	3	Saudi Arabia	(3.8)%	3	Bahrain	8.0%
	4	Bahrain	(4.8)%	4	UAE	7.7%
	5	Kuwait	(5.7)%	5	Oman	6.4%
	6	UAE	(7.4)%	6	Kuwait	4.4%
Return on assets (%)	1	Qatar	(0.3)%	1	Saudi Arabia	1.3%
	2	Oman	(0.4)%	2	Qatar	1.3%
	3	Bahrain	(0.5)%	3	UAE	1.0%
	4	Saudi Arabia	(0.6)%	4	Oman	0.8%
	5	Kuwait	(0.7)%	5	Bahrain	0.8%
	6	UAE	(0.9)%	6	Kuwait	0.5%

Note: [1]2020 financial figures for total assets, net profit and provision charge for Bahrain has been adjusted for NBB, as appropriate, to remove effect of the BISB consolidation by NBB (only to the extent of publicly available information).
The rankings are based on the actual, not rounded off, numbers.

		By y-o-y growth rate (2019 vs. 2020)			By value/percent as of, or for the y/e, 31 December 2020	
		Country	**Δ y-o-y**		**Country**	**Value/ percent**
Capital adequacy ratio (%)	1	Saudi Arabia	1.0%	1	Saudi Arabia	20.5%
	2	UAE	0.7%	2	Bahrain	18.9%
	3	Oman	0.1%	3	Qatar	18.7%
	4	Qatar	0.1%	4	UAE	18.1%
	5	Kuwait	(0.1)%	5	Kuwait	17.9%
	6	Bahrain	(0.9)%	6	Oman	17.4%
Cost-to-income ratio[1] (%)	1	Qatar	(2.4)%	1	Qatar	24.3%
	2	Bahrain	(0.6)%	2	UAE	38.0%
	3	Saudi Arabia	(0.1)%	3	Saudi Arabia	38.4%
	4	UAE	1.5%	4	Kuwait	41.1%
	5	Kuwait	1.6%	5	Bahrain	52.8%
	6	Oman	6.4%	6	Oman	56.0%
Coverage ratios on loans – stage 3[2] (%)	1	Bahrain	4.3%	1	Qatar	88.8%
	2	Saudi Arabia	2.9%	2	Oman	58.5%
	3	Oman	2.7%	3	Saudi Arabia	57.8%
	4	Qatar	1.2%	4	Bahrain	57.5%
	5	UAE	(1.3)%	5	UAE	53.4%
	6	Kuwait	*Not applicable*	6	Kuwait	*Not applicable*
Stage 3 loans subject to ECL[1,2] (%)	1	Bahrain	(0.1)%	1	Kuwait	1.6%
	2	Saudi Arabia	0.0%	2	Qatar	2.4%
	3	Qatar	0.1%	3	Saudi Arabia	2.5%
	4	Kuwait	0.3%	4	Oman	4.0%
	5	Oman	0.6%	5	UAE	4.4%
	6	UAE	0.8%	6	Bahrain	5.1%

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

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

Insights – 2020

The summary below outlines the broader themes, both positive and negative, emerging from the results analysis provided in this report for the year ended 31 December 2020.

Loan books increased by 9.6 percent on an average compared with 2019 reflecting the continuous growth and activity that banks are both experiencing and supporting across the region.

The average **coverage ratio for stage 3 loans remained broadly in line with 2019** at 60.0 percent, while the coverage ratio for stage 1 and 2 increased slightly from the prior year, indicating how banks continue to be cautious in relation to their approach to provisioning.

Asset growth remains robust as banks increased their assets by 8.2 percent. Growth was driven by an increase in loan portfolios.

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

The average **CAR increased slightly year on year** by 0.2 percent and currently stands at 18.7 percent – well above minimum regulatory requirements.

\+

–

The overall **NPL ratio for the GCC banking sector has increased** by 0.4 percent and now stands at 3.4 percent, reflecting the economic uncertainty and stress on certain sectors of the economy.

Although banks have remained resilient in terms of asset growth, the profitability of listed banks declined significantly by an average of 30.5 percent compared with 2019, mainly due to the significantly higher loan provisioning.

The declining profitability and increased loan provisioning was reflected in the market sentiment, **with share prices of 45 banks out of 55 showing a downward trend** as compared with the previous year, with a 9.5 percent drop on an average.

Net impairment charges on loans and advances have increased significantly year on year by an average of 59.2 percent, with an increase observed in all the stages of the portfolios, particularly a 23x increase in stage 1 ECL, indicating the credit quality challenges expected.

ROE (8.5 percent in 2020) and ROA (1.1 percent in 2020) both decreased significantly by 5.0 percent and 0.6 percent respectively compared with the prior year as a result of the drop in profitability year on year.

Cost-to-income ratios were slightly higher compared to 2019 (40.4 percent to 41.4 percent), reflecting the need to continue to focus on cost reductions and operating efficiency initiatives, particularly considering the market challenges.

Outlook — 2021

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

Cost and operational efficiencies remain a priority

Given the margin pressures banks have experienced across the region in 2020, we expect cost and operational efficiencies to remain high on the management agenda. Banks are likely to look at more sophisticated ways in which costs can be managed through the use of robotics, analytics and FinTech collaboration amongst others.

Regulators embrace tech

The regulatory agenda will continue to gather pace and evolve on a national, regional and international level, driven by global developments and the increased use of technology as a result of the pandemic. Basel IV regulations, IBOR reforms, increased focus on Anti Money Laundering (AML), Financial Crime, and Know Your Customer (eKYC), Cybersecurity, Open Banking, and Digital Currencies amongst other areas will continue to keep regulators busy in the year ahead.

Agile working becomes the norm

We expect the new agile working approach adopted by many banks as a result of Covid-19 to continue, even as the pandemic is brought under control, as employers look to maintain flexibility for their people. Client-facing interactions will always be needed. However, a balance between work from the office and home will help banks attract and retain top talent while helping reduce real estate costs.

Rising NPLs and loan impairment

We expect NPLs and loan impairment to rise in 2021 as the true impact of the pandemic on businesses becomes clearer. Asset growth is not expected to pick up significantly from last year, as banks adopt a more cautious approach to lending, and we expect banks to look to proactively managing their non-performing portfolios through possible sales and write offs.

Cautious optimism

The overall long-term outlook for the GCC banking sector will be cautiously optimistic in our view. While banks are reasonably positioned to combat the current economic challenges being faced given sizeable government support, accelerated innovation plans, and committed infrastructure investment, we do expect muted growth going forward and greater caution given the uncertainty around the full extent of impact as a result of the pandemic.

Profitability challenges

As businesses across all sectors of the economy are coping with the impacts of Covid-19, the profitability of GCC banks is expected to once again be negatively affected in 2021, although not necessarily at similar levels witnessed in 2020. The decline is likely to be moderate and as a result of slower loan growth, shrinking profit margins and rising loan provisioning.

Banking on ESG

The Environmental, Social and Governance agenda has been at the periphery of banking in the region in recent years. However, we expect ESG to gain more prominence in 2021 and beyond. While 'Governance' has been a focus areas over the past few years, primarily driven by laws and regulations, 'environmental' and 'social' aspects will become more important as investors place greater scrutiny around banking practices in this space.

Further consolidation

Lenders in the GCC have been consolidating as they seek to remain competitive. In 2020, most GCC countries experienced mergers, or talks to merge, both in the conventional and Islamic banking sector thus creating larger, stronger and more resilient financial institutions. We expect that this consolidation drive to continue in 2021 across the region.

Accelerated digital investment

Covid-19 has forced banks to accelerate their digital investment and transformation plans. Banking is shifting towards more cashless and branchless models amidst evolving customer requirements. We expect banks to continue aggressively pursuing technological advancement and further explore the use of digital platforms to make banking more accessible to all, while identifying ways to use innovation to provide customers with an effective and efficient service.

KPIs defined

KPI definitions and assumptions

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

- **Total assets** are as reported in the published annual financial statements.
- **Net profit** is the net profit for the year attributable to the shareholders of the bank.
- **Capital adequacy ratio (CAR)** is the ratio of total capital (the sum of Tier 1 and 2 capital) to total risk weighted assets (RWAs). For Islamic banks, URIA balances are included in total capital, as a result the ratios for Islamic and conventional banks are not entirely comparable.
- **Return on equity (ROE)** is the ratio of net profit attributable to the shareholders of the bank to average equity, where average equity is calculated by halving the sum of total equity attributable to the bank's shareholders (excluding additional Tier 1 (AT1) capital) for the current and previous year ends. The coupon on any AT1 instrument is excluded from net profit.
- **Return on asset (ROA)** is the ratio of net profit attributable to the shareholders of the bank to average assets, where average assets are calculated by halving the sum of total assets for the current and previous year ends.
- **Net provision charge on loans** is the sum of the expected credit loss (ECL) on stage 1 and 2 and impairment charge on stage 3 loans for year ended 31 December 2019 and 31 December 2020.
- **Coverage ratios on loans – by stage** is the provisions (including interest in suspense) at 31 December 2019 and 31 December 2020 for the respective stages as a percentage of the relevant exposure.
- **Total loans subject to ECL – by stage at 31 December 2020** is the stage-wise exposure of loans subject to ECL (before the impact of ECL) at 31 December 2020 as a percentage of total exposure subject to ECL.
- **Cost-to-income ratio (CIR)** is the ratio of total operating expenses (excluding impairment charges) to total operating income (where interest/financing income or expenses, fee commission income or expenses and URIA costs have all been netted).

The results and KPIs compared for each bank

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

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

All the figures used in the report are in the US dollar (US$). For conversion, the average exchange rate of the respective year has been used, i.e. to convert a data point from 2020 (reported in local currency), the average daily exchange rate between 1 January 2020 and 31 December 2020 has been used. The exchange rates used in this report are provided in Appendix III: Sources.

*Note: *LDR is computed for individual banks and is included in the Appendix section of the report only.*

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

Glossary

In this report, the following 55 listed banks' results have been analyzed.

Bahrain[1]	Abv.	Sign-off date
1 Ahli United Bank	AUB	22-02-2021
2 Al Baraka Banking Group	*Al Baraka*	25-02-2021
3 Al Salam Bank Bahrain	*Al Salam*	10-02-2021
4 Bahrain Islamic Bank	*BISB*	*15-02-2021*
5 Bank of Bahrain and Kuwait	BBK	15-02-2021
6 Ithmaar Holding (formerly known as Ithmaar Bank)	*Ithmaar*	*18-02-2021*
7 Khaleeji Commercial Bank	*Khaleeji*	*10-02-2021*
8 National Bank of Bahrain	NBB	17-02-2021

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

Kuwait	Abv.	Sign-off date
1 Ahli United Bank	*AUBK*	*07-02-2021*
2 Al Ahli Bank of Kuwait	ABK	11-02-2021
3 Boubyan Bank	*Boubyan*	*26-01-2021*
4 Burgan Bank	Burgan	11-02-2021
5 Gulf Bank	GBK	10-02-2021
6 Kuwait Finance House	*KFH*	*04-02-2021*
7 Kuwait International Bank	*KIB*	*11-02-2021*
8 National Bank of Kuwait	NBK	26-01-2021
9 The Commercial Bank of Kuwait	CBK	07-02-2021
10 Warba Bank	*Warba*	*22-02-2021*

Oman	Abv.	Sign-off date
1 Ahli Bank	Ahli	09-03-2021
2 Bank Dhofar	Dhofar	10-03-2021
3 Bank Muscat	Muscat	28-02-2021
4 Bank Nizwa	*Nizwa*	11-03-2021
5 HSBC Bank Oman	HSBC	04-03-2021
6 National Bank of Oman	NBO	16-03-2020
7 Oman Arab Bank	OAB	15-03-2021
8 Sohar International	Sohar	10-03-2021

Qatar	Abv.	Sign-off date
1 Ahli Bank	Ahli	17-01-2021
2 Al Khaliji Commercial Bank	Al Khaliji	17-01-2021
3 Doha Bank	Doha	24-02-2021
4 Masraf Al Rayan	*MAR*	*19-01-2021*
5 Qatar International Islamic Bank	*QIIB*	*26-01-2021*
6 Qatar Islamic Bank	*QIB*	*02-02-2021*
7 Qatar National Bank	QNB	14-01-2021
8 The Commercial Bank	CB	15-02-2021

Saudi Arabia	Abv.	Sign-off date
1 Al Rajhi Bank	*Al Rajhi*	*11-02-2021*
2 Alinma Bank	*Alinma*	18-02-2021
3 Arab National Bank	ANB	04-03-2021
4 Bank Albilad	*BAB*	*15-02-2021*
5 Bank AlJazira	*BAJ*	*23-02-2021*
6 Banque Saudi Fransi	BSF	15-02-2021
7 Riyad Bank	Riyad	24-02-2021
8 SAMBA Financial Group	SAMBA	28-02-2021
9 The National Commercial Bank	NCB	16-02-2021
10 The Saudi British Bank	SABB	01-03-2021
11 The Saudi Investment Bank	SAIB	16-02-2021

United Arab Emirates[1]	Abv.	Sign-off date
1 Abu Dhabi Commercial Bank	ADCB	31-01-2021
2 Abu Dhabi Islamic Bank	*ADIB*	*14-02-2021*
3 Commercial Bank of Dubai	CBD	10-02-2021
4 Dubai Islamic Bank	*DIB*	*16-02-2021*
5 Emirates NBD	ENBD	26-01-2021
6 First Abu Dhabi Bank	FAB	26-01-2021
7 Mashreq bank	Mashreq	10-02-2021
8 National Bank of Fujairah	NBF	28-01-2021
9 Sharjah Islamic Bank	*SIB*	*21-01-2021*
10 The National Bank of Ras Al-Khaimah	RAK	02-02-2021

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

Please refer to the Appendix report for country-wise analysis

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

Country contacts

Mahesh Balasubramanian
Financial Services Leader
Partner, KPMG in Bahrain
T: +973 17224807
E: bmahesh@kpmg.com

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

Ravikanth Petluri
Head of Financial Services
Partner, KPMG in Oman
T: +968 2474 9290
E: rpetluri@kpmg.com

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

Ovais Shahab
Head of Financial Services
KPMG in Saudi Arabia
T: +966 1 2698 9595
E: oshahab@kpmg.com

Abbas Basrai
Head of Financial Services
Partner, KPMG in the UAE
T: +971 4403 048
E: abasrai1@kpmg.com

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

Prithwish Ghosh
Senior Analyst
Financial Services
Global Collaboration & Knowledge
KPMG Global Services

Other members: Shubham Kumar, Ishani Mukherjee, Ragini Singhal