GCC Markets feel the impact of trade war

Concerns of global economic slowdown weigh on regional stocks

September 2019

Research Highlights
GCC Economic and Market Commentary for August, 2019

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GCC markets ended the month of August in negative territory, losing 5.8% for the month, affected by the weakening of oil prices amidst growing concerns surrounding the U.S.-China trade war. Except Oman, all other GCC markets registered a decline in August. Despite a fall of 2.9% during the month, Kuwait continues to be the best performing market in the GCC region during 2019 with YTD gain of 21.3% at the end of August. The MSCI EM status has brought the regional markets closer to the global markets and are therefore more responsive to global market movements. Globally, MSCI World index yielded negative returns of 2.2% while U.S. S&P 500 declined by 1.8%.

We see the following four issues as key developments during the month of August:

1. **Kuwait Blue chip company Q2 performance review:** Kuwait blue chip companies have had a very successful year so far with most companies registering double-digit growth in their share price performance in 2019. Despite macroeconomic headwinds looming large, majority of Kuwait's blue chips were able to sustain the positive performance witnessed in previous quarters.

2. **Kuwaiti banks' credit exposure by sectors:** Kuwaiti Banks' credit exposure to personal facilities continue to account for the largest share, followed by the Real Estate sector. Going forward, personal loans could be the primary driver of credit growth, supported by the increase in borrowing limit for individuals.

3. **GCC Banks Liquidity Risk analysis:** Effective liquidity management is important to promote macro-financial stability. In the GCC countries, fixed exchange rate regimes provide reliable nominal anchors, but when combined with open capital accounts, they result in limited independence of monetary policy. Overall, GCC banks are in a good position to meet the enhanced capital requirements as laid down by Basel III.

4. **M&A trends in the GCC:** M&A activity during the first half of 2019 have mimicked global trends, which saw an increase in larger sized deals amidst declining deal volumes. Geopolitical and Economic uncertainties surrounding the global economy due to escalation of trade tensions between U.S. and China along with Brexit have affected business confidence, hindering companies to pursue potential deals.

GCC Market Commentary

GCC Market Trends – August 2019

Index	M. Cap (USD Bn)	Last close	2018 %	Aug-19	YTD %	S&P correlation**	ADVT* (USD mn)	P/E TTM	P/B TTM	Div. Yield
S&P GCC	893.6	112	8.4	-5.8	4.5	0.111	**N.A**	14.8	2.0	3.4
KSA	507.1	8,020	8.3	-8.2	2.5	0.064	1,328.4	17.1	1.9	4.0
Abu Dhabi	143.6	5,166	11.7	-2.9	5.1	0.093	47.2	13.1	1.4	4.9
Qatar	137.9	10,233	20.8	-2.6	-0.6	0.081	61.3	13.9	1.4	4.3
Kuwait	113.0	6,859	7.8	-2.9	21.3	0.021	89.6	14.0	1.4	3.6
Dubai	76.1	2,759	-24.9	-5.5	9.0	0.115	37.4	7.6	0.9	4.4
Bahrain	25.1	1,533	0.4	-0.9	14.6	0.043	1.7	11.3	0.9	4.6
Oman	13.1	4,005	-15.2	6.5	-7.4	-0.003	26.1	8.2	0.7	7.1

Source: Reuters, Zawya, Note: * Average Daily Value Traded ** - 3-year daily return correlation with S&P 500 index

The S&P GCC composite index, a comprehensive benchmark that covers stocks from all GCC countries, declined by 5.8% for the month. Saudi Arabia was the major contributor which declined by 8.2% for the month. Except Oman which surged by 6.5% in August, all other countries ended the month downwards. Dubai, Kuwait, Abu Dhabi, Qatar and Bahrain closed the month down by 5.5%, 2.9%, 2.9%, 2.6% and 0.9% respectively.

Monthly returns heat-map of S&P GCC Composite index

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	3.4%	3.7%	2.7%	2.8%	3.2%	-7.4%	8.1%	6.4%	-1.4%	-6.8%	-10.9%	-4.4%	-2.6%
2015	2.8%	4.4%	-6.9%	10.1%	-2.3%	-3.5%	0.1%	-13.2%	-1.1%	-2.7%	-2.3%	-2.4%	-17.3%
2016	-10.7%	3.7%	1.9%	5.7%	-5.1%	1.1%	-0.1%	-1.2%	-3.9%	2.2%	7.9%	4.2%	4.3%
2017	1.6%	-0.8%	-1.5%	-0.4%	-1.4%	3.2%	-0.4%	0.9%	-0.6%	-2.7%	-1.5%	3.4%	-0.4%
2018	5.3%	-2.5%	3.4%	2.9%	-0.4%	1.1%	2.2%	-2.5%	0.2%	0.1%	-2.0%	0.7%	8.5%
2019	6.8%	-1.0%	2.8%	4.4%	-5.6%	2.5%	1.1%	-5.8%					4.5%

Source: Reuters

Kuwait equity market ended the streak of seven consecutive month of positive performance. Despite a decline in August, total YTD gains of Kuwait's All Share index stood at 21.3% while Premier market index's return stood at 28.5% as of August. Kuwait continues to be the best performing market in the GCC region in 2019. In August however, some of the gains were wiped out. Agility and Boubyan Bank were the top losers among the blue chips, falling by 5.9% and 5.1% respectively. While majority of the sectoral indices posted a monthly decline, Technology index surged by 12.7% to become the top performing index for the month. Basic material sector was the worst performer, declining by 6.6%.

After a forgettable year in 2018, Dubai Stock Exchange showed intermittent signs of recovery in 2019. However, in August, negative sentiments globally and falling oil prices lead to a reversal of the rally that was earlier witnessed in July. YTD gains of Dubai index at the end of August were reduced to 9%. Its counterpart - Abu Dhabi Index ended the month of August with a decline of 2.9%. In its latest efforts to attract foreign investment, the UAE government is preparing a draft law that would allow foreigners to own up to 100% of businesses in the maritime industry in accordance with specific criteria. As interest towards the Saudi Tadawul index tapers after the country's inclusion in the MSCI EM index, investors are now looking towards the UAE to offers the higher potential returns in the coming months. First Abu Dhabi Bank and Abu Dhabi Commercial Bank were the top performing blue chip companies with a rise of 7.6% and 7.5% for the month of August.

Among GCC blue chips, National Commercial Bank was the top loser, declining by 13.2%, followed by Al Rajhi bank that declined by 12.1%. DP World further extended its losses in August and become the top loser among UAE blue chips with a price decline of 9.1%, followed by First Abu Dhabi Bank which declined by 3.9%. Saudi Basic Industries Corporation (SABIC), the largest company by market cap among GCC countries also declined by 7%. Mesaieed Petrochemical Holding Co was the top gainer, surging by 9.2% for the month.

Global Market Trends – August 2019

Equity	Last close	MTD%	YTD%
S&P GCC	112	-5.8	4.5
MSCI World	2,139	-2.2	13.5
S&P 500	2,926	-1.8	16.7
MSCI EM	984	-5.1	1.9
MSCI FM	959	-1.8	5.9
Commodities	**Last close**	**MTD%**	**YTD%**
IPE Brent	60	-7.3	12.3
Gold	1,520	7.5	18.5

Source: Reuters

Despite the Fed reducing the interest rates for the first time in more than a decade, the global markets as well as the US registered loss during the month. The Federal Reserve cut interest rates on overnight lending rate by 0.25% to a target range of 2.00% to 2.25%, but the U.S. central bank's head said that the move might not be the start of a lengthy campaign to shore up the economy against risks including global weakness. MSCI World index yielded negative returns of 2.2% while U.S. S&P 500 declined by 1.8%.

Oil prices also witnessed downward pressure even after OPEC decided to extend production cuts into 2020. The uncertainty stemming from trade war and growing concerns of economic slowdown are the primary reason behind the bearish market. Brent crude price declined by 7.3% in August, trimming down their YTD gains to 12.3%.

Gold prices scaled a fresh six-year high in August as the latest tit-for-tat tariffs by the United States and China in their year-long trade war battered global equities and boosted demand for safe-haven assets. U.S. President Donald Trump announced a 5% additional duty on USD 550bn in targeted Chinese goods, hours after Beijing unveiled retaliatory tariffs on USD 75bn worth of U.S. products.

1. Kuwait Blue chip Company Q2 Performance Review

Kuwait blue chip companies have had a very successful year with all the top ten companies by market capitalization, registering double-digit growth in their share price performance in 2019. With strong financial performance and the conditional inclusion into the MSCI emerging market index, Kuwait blue chips have attracted domestic and international attention this year.

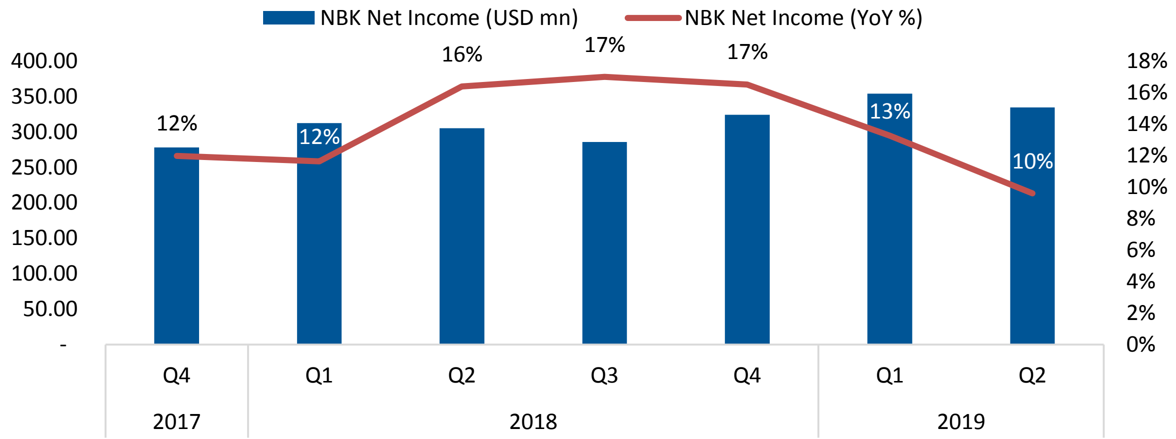
Top 10 Kuwait Blue chip companies

Company Name	Market Cap (USD Bn)	Industry	Net Income (USD Mn)						Price Performance YTD*
			Q2 2019	Q2 2018	YoY Growth	H1 2019	H1 2018	YoY Growth	
National Bank of Kuwait	21.45	Banks	334	305	9.6%	689	618	11%	24.6%
Kuwait Finance House	17.57	Banks	185	169	9.1%	355	316	12%	35.0%
Zain	8.16	Telecom	166	151	9.9%	320	287	12%	26.5%
Boubyan Bank	5.52	Banks	47	44	7.8%	95	86	11%	13.3%
Agility Public Warehousing	4.50	Logistics	71	66	7.8%	138	129	7%	8.7%
Commercial Bank of Kuwait	3.30	Banks	29	-13	-	32	20	59%	10.2%
Gulf Bank	3.04	Banks	40	53	-24.0%	79	89	-11%	17.5%
Burgan Bank	3.02	Banks	84	100	-15.3%	147	168	-12%	31.4%
Mabanee Company	2.70	Real Estate	46	42	11.3%	92	82	11%	32.9%
Ahli United Bank Kuwait	2.30	Banks	44	40	8.6%	101	96	5%	18.8%

Source: Reuters, Marmore Analysis; *As on 27nd August 2019

National Bank of Kuwait (NBK), Kuwait's largest lender, reported a 9.6% annual increase in net profit for the second quarter of 2019, driven by 31% drop in provisions expenses compared to Q2 of 2018. The bank recorded a net profit after extraordinary income of USD 334mn as compared to USD 305mn in Q2 2018. Net interest income of the bank inched higher by 0.41% year-on-year to reach USD 468mn and total operating revenue registered a 1.06% drop to USD 745mn in Q2 2019. The bank's loans were up 6.5% y-o-y, while customer deposits grew 5.7%.

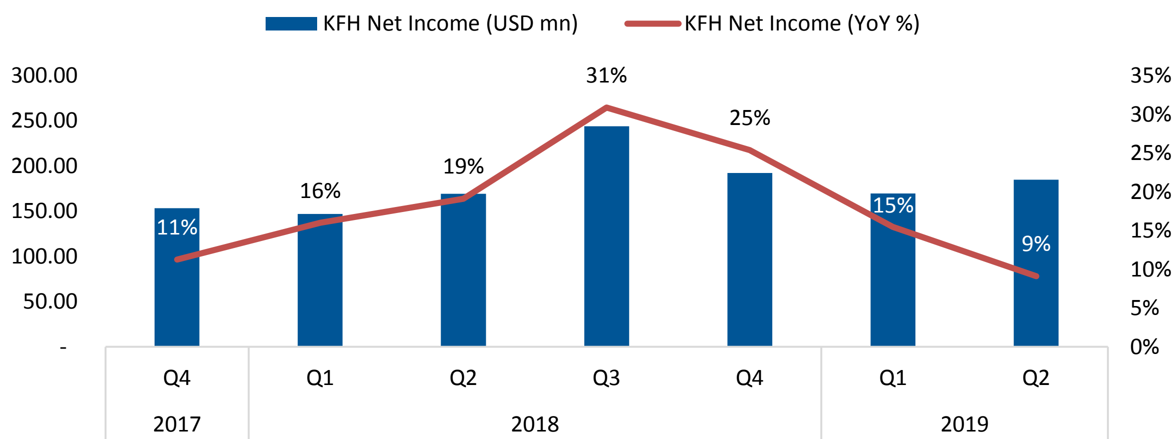
NBK Net Income after extraordinary items



Source: Reuters

Kuwait's biggest Islamic lender, **Kuwait Finance House (KFH)**, has posted a 9.1% rise in net profit in the second quarter of 2019. The bank recorded a net profit after extraordinary income of USD 185mn as compared to USD 169mn in Q2 2018. Net operating profit of the bank decreased by 2.3% to USD 403mn. In the first half 2019, net profit has increased by 13.1% annually, due to an increase in operating income and lower operating expenses. KFH is taking over Bahrain's Ahli United Bank in a major cross-border bank merger deal. The deal, which was formalised in January, is expected to boost consolidated profit by over 90% from 2018 levels.

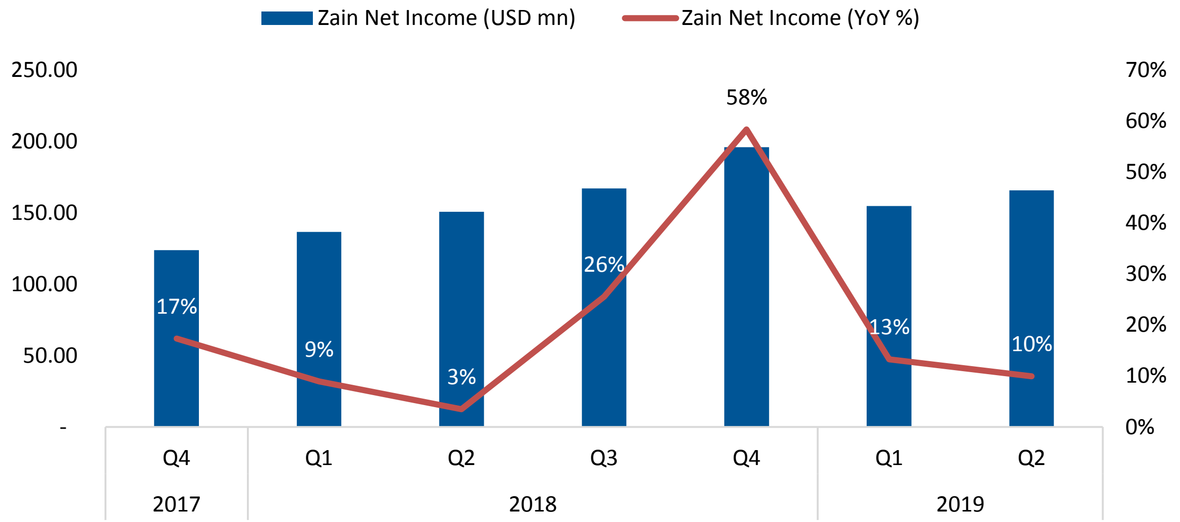
KFH Net Income after extraordinary items



Source: Reuters

Kuwait's largest telecom operator, **Mobile Telecommunications Company (Zain)** is a leading mobile innovator with operations in eight markets across the Middle East and Africa, serving over 49 million customers. In the second quarter of 2019 the company generated a consolidated revenue of USD 1.34bn, reflecting a growth of 66% compared to the same period in 2018. Net Income attributable to the shareholders of the company for the quarter increased annually by 9.9% to USD 166mn, reflecting earnings per share of USD 0.04. Zain Group maintained its market leadership in Kuwait serving 2.8mn customers. Kuwait being the group's most profitable operation saw its H1 2019 Revenue reach USD 544mn, and Net Income increase by 10% to reach USD 144 million.

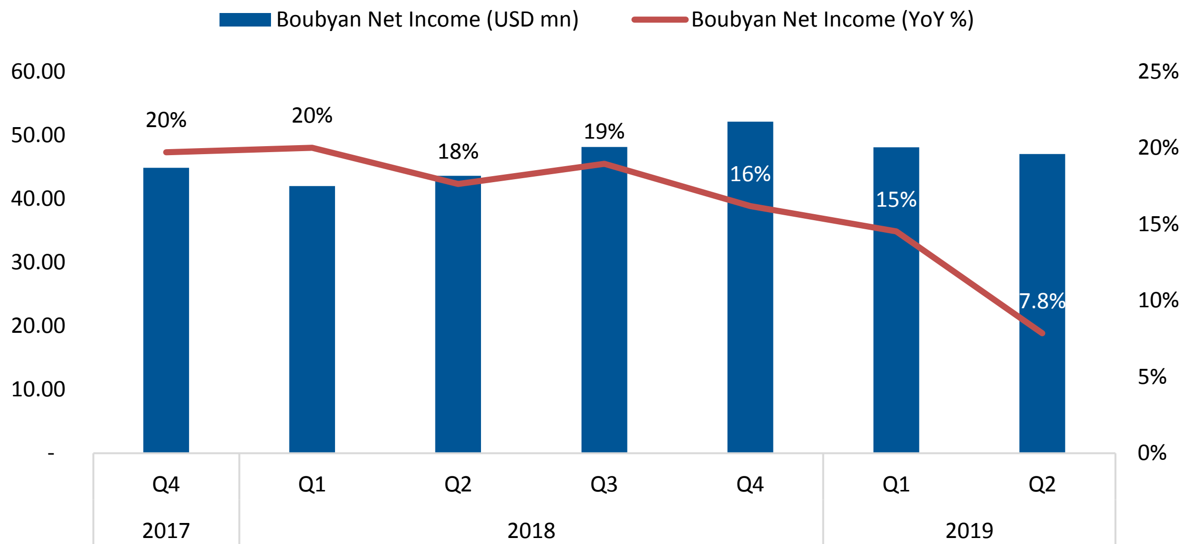
Zain Net Income after extraordinary items



Source: Reuters

Boubyan Bank is a financial institution, which provides banking and investment services in accordance to the Islamic Sharia principles through a network branches across Kuwait. The bank reported a 7.8% rise in net income from USD 44mn in Q2 2018 to USD 47mn in Q2 2019. The profit hike was attributed to a 2.21% increase in net operating income of the company to USD 73.5mn. Moreover, the bank's profit reached USD 95mn in the first six months of 2019, up 12.2% from the year-ago period. Islamic financing to customers increased 13% and deposits increased by 12% in the first half of 2019.

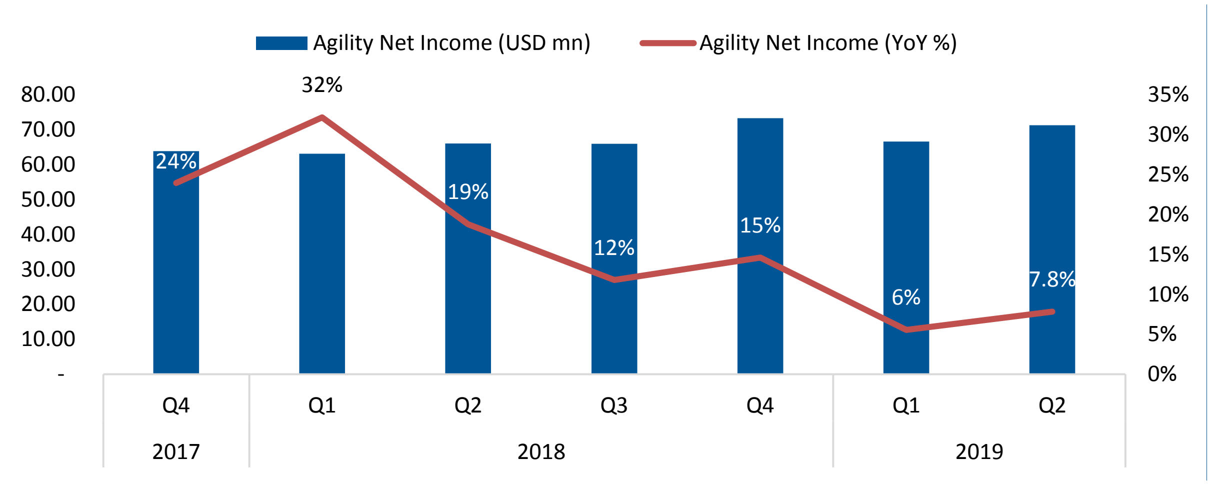
Boubyan Bank Net Income after extraordinary items



Source: Reuters

Agility Warehousing Company is a leading global logistics provider in Kuwait. The company net profit for the second quarter of 2019 grew by 7.8% to USD 71mn over the same period in 2018. The company revenues for Q2 2019 increased by 3.2% to USD 1.3bn and EBITDA increased by 31.2% to USD 160mn.

Agility Net Income after extraordinary items



Source: Reuters

2. Kuwaiti banks' credit exposure by sectors – Where is it concentrated?

Banks credit to private sector is usually highly correlated with the growth in GDP. Credit to private sector is essential for an economy to flourish as it is a source of fund to undertake new investments and boosts consumption spending by people. Slow economic growth, fiscal and geopolitical risks pose challenges to credit growth, while profitability and loan quality of the Kuwaiti banks, strong capitalization levels with high loan-loss reserves are some of the enablers of banks to absorb losses from its credit exposures.

Over the years, credit to private sector has been growing consistently with a CAGR of 5.4% between 2011 and Jun-2019. In 2019, the total claim of local banks in Kuwait (includes 10 listed banks) on private sector stood at KD 37.9bn (USD 125.7bn) as of Jun-2019, which is an increase of 2.8%. Credit concentration continues to be dominated by personal facilities (42.2%) that includes instalment and consumer loans[1]. The key driving factor for the uptick in credit growth has been the demographics. The young population in Kuwait is on the rise and becoming more economically well off, with a healthy GDP per capita comparable with that in developed countries. Their spending has particularly increased towards housing and consumption needs.

Instalment loans, which primarily represents purchase of homes and restoration, accounted for over 31% of the total credit. Over the years, instalment loans have been a key driver of credit growth and has almost tripled since 2008. It amounted to KD 11.8bn as of Jun-2019. Considering the y-o-y comparison, the credit towards instalment loans has increased by 6.8% in 2018 as compared to previous year. However, as of Jun-2019, the growth was only about 0.6% from 2018 levels.

In contrast, the fall in the total project awarded by government as a consequence of the decline in oil prices since 2014 and subsequent fiscal pressure has reduced the loans and advances towards real estate and construction activity. In 2018, total projects awarded amounted to USD 5.69bn, a decline of over 50% from previous year. The share of real estate and construction sector as a percentage of total credit distribution has reduced from 32.9% in 2013 to 28% as of June end 2019. Despite shrinking share of real estate and construction sector in total credit exposure of banks, they have registered a combined positive growth of 4.2% and 3.9% in 2018 and YTD 2019 respectively.

Contribution to Non-bank financial institutions, which includes insurance, exchange, investment and finance companies, has been declining over past few years until 2018.

[1] Consumer Loan is granted by local banks to the customer with the purpose of financing purchase of his personal needs in terms of consumable and durable commodities, or for covering expenses of education or medication.

Sectoral distribution of credit (Local banks)

Year	Trade	Industry	Construction	NBFIs	Personal Others[2]	Personal Instalment*	Real Estate	Oil & Gas	Others
2011	9.0%	6.8%	6.8%	9.3%	14.9%	20.1%	26.4%	0.7%	6.0%
2012	9.2%	6.6%	6.5%	6.9%	15.0%	22.5%	26.5%	0.6%	6.0%
2013	9.5%	6.1%	6.6%	5.4%	14.7%	24.3%	26.3%	0.7%	6.3%
2014	9.3%	5.7%	6.2%	4.5%	14.1%	26.4%	25.7%	1.3%	6.7%
2015	9.3%	6.1%	5.9%	4.0%	13.9%	28.0%	24.1%	1.9%	6.6%
2016	9.2%	5.5%	6.1%	4.3%	12.7%	29.4%	22.6%	3.1%	7.1%
2017	9.5%	5.3%	5.5%	3.7%	11.6%	31.0%	22.3%	3.7%	7.4%
2018	9.0%	5.4%	5.6%	2.9%	11.1%	31.8%	22.1%	4.6%	7.4%
Jun-19	9.1%	5.3%	5.3%	3.1%	11.0%	31.1%	22.7%	4.2%	8.2%

Source: Central Bank of Kuwait | *Instalment: are personal long-term loans utilized by customers for non-commercial purposes, particularly for restoring or purchasing private residence. | NBFI: Non-banking financial institutions

The economic activity in Kuwait is slowly starting to pick up pace. The government has also increased its planned spending in the 2019-20 budget to KD 22.5bn (USD 74bn). In particular, the Kuwaiti banks will benefit from the government's public-private partnership initiative as part of its Vision 2035 and private-sector stimulus to support credit growth over the medium term.

However, the credit growth is likely to remain modest when compared with the pre-oil slump years, which averaged close to 6% between 2008 and 2014. Personal loans could be the primary driver of credit growth as a result of increase in borrowing limit to up to 25 times of the borrowers net monthly salary or a maximum of KD 25,000, up from 15 times or a maximum of 15,000 KD earlier.

Further, any rise in oil prices that are currently higher than the fiscal breakeven price of USD 48.8 will enable government to move away from austerity and towards expansionary policy, which will support consumer and business confidence and in turn have a positive impact on credit demand. Government decisions will thus continue to remain a key driver of credit growth for commercial banks.

[2] Includes consumer loans, purchase of securities and other loans
YTD is as of Jun-2019

3. GCC Bank Liquidity Risk Analysis

The term liquidity is defined as the banks' ability to fund rising assets and to meet its obligations on time. Therefore, when banks are unable to perform the primary tasks of funding assets and paying its obligations, it faces liquidity risk. Effective liquidity management is important to promote macro-financial stability. In the GCC countries, fixed exchange rate regimes provide reliable nominal anchors, but when combined with open capital accounts, they result in limited independence of monetary policy. At the same time, high dependence on revenues from the hydrocarbon sector has retained the vulnerability of the region to liquidity swings driven by oil prices. Additionally, this can also affect the implementation of monetary policy by intensifying the credit and asset price cycles. This highlights the importance of a well-defined framework aimed at forecasting liquidity and ensuring timely absorption or injection of liquidity by central banks.

Basel guidelines refer to a broad set of supervisory standards formulated by a group of 27 central banks known as the Basel Committee on Banking Supervision (BCBS). The set of agreement by the BCBS, which mainly focuses on the risks to banks and the financial system are called the Basel accord. The purpose of the accord is to ensure that financial institutions have enough capital buffer to meet financial obligations and absorb unexpected losses. In 1988, BCBS introduced capital measurement system called Basel 1 focusing on credit risk and capital & structure of asset risk weights for banks. In 2004, Basel II guidelines were published, as a refined and reformed version of Basel I accord. In 2010, Basel III guidelines were released in response to the financial crisis of 2008 as there was a need to further strengthen the banking system across the globe especially in the developed economics where banks were under-capitalized, over-leveraged and had a greater reliance on short-term funding[3]. Under Basel III, a bank's tier 1 and tier 2-capital ratio must be a minimum of 8% of its risk-weighted holdings. The ratios represent high quality sources of capital, which banks and other financial institutions are required to maintain, in order to be hedged against bankruptcy. The minimum capital adequacy ratio, including the capital conservation buffer under Basel III, is 10.5%.[4]

GCC Banks Liquidity Ratios (year-end 2018)

	Capital Adequacy Ratio	Tier 1 Capital	Loan to Deposit
Bahrain	14%	12%	68%
Kuwait	13%	11%	81%
Oman	17%	16%	114%
Qatar	16%	15%	94%
KSA	16%	14%	86%
UAE	17%	15%	81%
GCC	**15%**	**14%**	**87%**

Source: Reuters; *Includes only listed banks from the GCC region

Overall, GCC banks are in a good position to meet the enhanced capital requirements as laid down by Basel III. Majority of banks in the GCC have strong capital adequacy ratios with the average ratio for the region at around 15%. Oman and UAE have the highest capital adequacy ratio at 17%. Moreover, the core tier 1 capital of banks from all the gulf countries average at around 14% which is greater than the required 8% under Basel III. GCC banks have also maintained a healthy loan to deposit ratio of approximately 87% as of yearend 2018. In Oman however, we see a loan to deposit ratio of greater than 100% meaning the bank will not have significant reserves available for unexpected contingencies. Growth in lending by Oman's conventional banks have outpaced growth in deposits increasing the average loan to deposit ratio to 114%.

[3] Moneycontrol
[4] Investopedia

This has been predominantly led by a significant slowdown in the growth in deposits after oil revenue began falling in late 2014.

GCC banks largely fund themselves through customer deposits, which are short term in nature, as the proportion of long-term facilities to total funding is limited. However, the liquidity mismatch in GCC's banking sector liquidity has improved substantially in recent months thanks to a higher average oil prices, sovereign debt issuances and modest loan growth. While improving oil prices have generated higher government revenues, these are still far from fiscal break-even for most GCC governments. Gulf debt markets are not as deep or varied as developed markets, and therefore, domestic banks have a limited choice of liquid instruments that can be used locally[5]. GCC governments have therefore started to tap into international markets, which has supported liquidity conditions in these markets as part of the international debt proceeds were deposited in the banking system. GCC bond and sukuk issuance surged by USD 32bn in Q1 2019, raising outstanding debt in the region to USD 478bn[6].

Given the significant role of governments in liquidity creation in the GCC region, a strong collaboration with the ministries of finance, including the exchange of information on government cash flows, will be of immense importance in this respect. GCC central banks need to make use of the full range of liquidity management instruments at its disposal in times of liquidity tightening. Instruments require a thorough review to ensure their terms and pricing are well articulated and encourage interbank market participation. Increased reliance on open-market operations will help encourage the development of interbank markets and allow for an active liquidity management on the part of central banks in the region. Moreover, developing liquidity-forecasting tools will be of key importance in adequately assessing the scope, timing and magnitude of liquidity management operations required to deal with potential liquidity risk among banks[7].

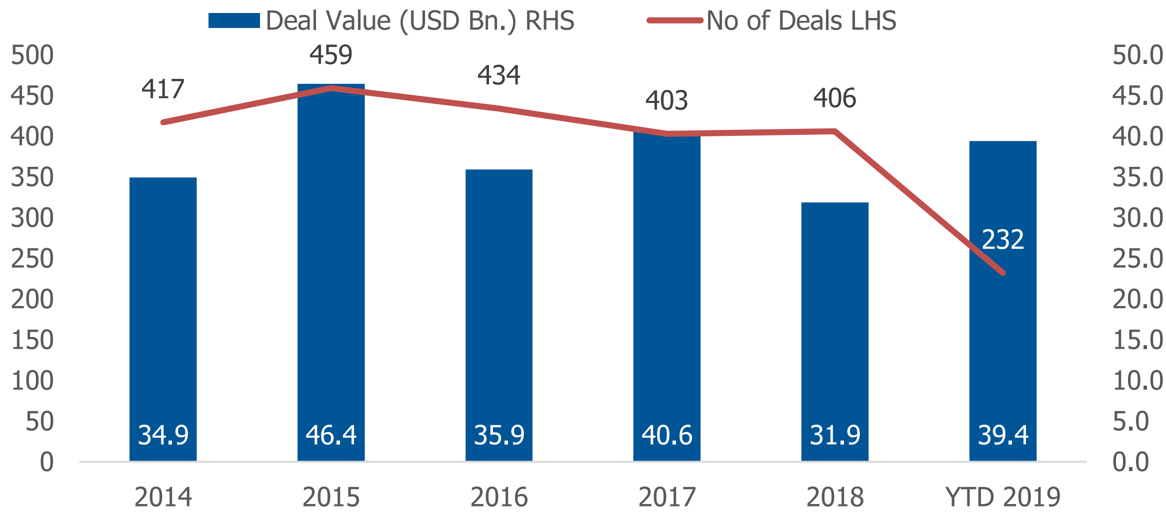
[5] Gulfbusiness
[6] Saudi Gazette
[7] IMF

4. M&A trends in the GCC– Large sized deals increase amidst fall in volumes

Global M&A activity during the first half of 2019 has slowed down in comparison to the previous year, with aggregate deal value falling by 12% and volume falling by 16%[8]. Geopolitical and Economic uncertainties surrounding the global economy due to escalation of trade tensions between U.S. and China along with Brexit have affected business confidence, hindering companies to pursue potential deals. The United States accounted for 55% of the total deals across the globe by deal value during H1 2019, while MENA region contributed to 6%. The U.S. market stood out with deal values growing by 19% in H1 2019, compared to H1 2018. Western Europe was the most affected region, witnessing a decline in deal value by 57% during the same period.

The theme surrounding global M&A activity in the first half of 2019 was the increase in large size deals amidst a drop in total deal volumes. Likewise, in the GCC region, despite the fall in merger deals during the first eight months of 2019, the aggregate deal value in YTD 2019 was much higher than that of full year 2018.

GCC M&A deal volume and value



Source: Reuters; Note: Includes all deals with GCC involvement, aggregate deal value considers deals for which the value is disclosed, YTD 2019 data as of 27 Aug 2019

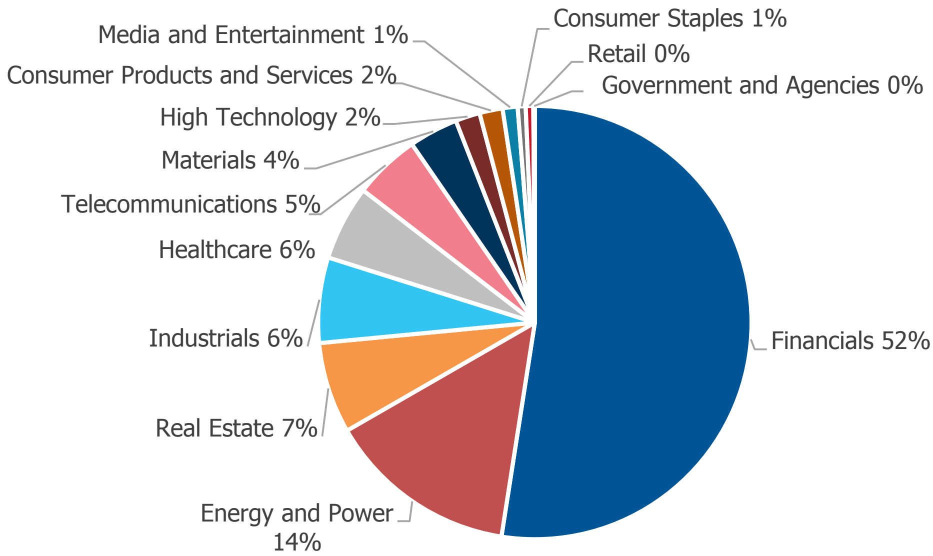
Total deals during the period amounted to 232 in YTD 2019, lower than the 261 deals completed during the same period in 2018. The trend was due to the completion of a few high profile merger deals in the banking and energy sectors across the region. Especially the banking sector in particular has witnessed a wave of high-profile merger announcements in recent times. The presence of unusually high number of banks and the fall in profitability have triggered the need for consolidation. Consolidation would provide them with higher pricing power and reduce the pressure on funding costs. It would also help in scaling up operations and widening their geographic presence. With key deals such as the merger between Kuwait Finance House and Ahli United Bank already being announced, M&A activity is expected to remain high in subsequent quarters.

During the period between January 2014 and August 2019, the financial sector has witnessed the majority of M&A activity in the GCC region, owing to the recent merger wave in the financial services industry triggered by the merger of First Abu Dhabi Bank. The financial services sector, which includes banks, non-banking financial institutions, asset management companies, insurance and brokerage firms accounted for

[8] Allen and Overy

52% of the total M&A activity as per disclosed deal values during the aforementioned period. It was followed by the Energy and Power sector, and the Real Estate sector contributing 14% and 7% to the total deal value respectively.

Sectoral M&A activity by deal value, 2014-YTD 2019



Source: Reuters; Note: Acquirer's industry has been considered, includes deals for which the deal value is disclosed, YTD 2019 data as of 27 Aug 2019

Among companies based out of the GCC region, those incorporated in the United Arab Emirates were the most proactive in terms of M&A activity in YTD 2019 (as of 27 Aug 2019), being the target company in 51 deals and the acquirer in 61 deals. They were followed by companies based out of Saudi Arabia, who were the targets in 32 deals and acquirer in 33 deals.

Top M&A deals by value, 2014-YTD 2019

Effective Date	Acquirer Name	Acquirer Industry	Acquirer Nation	Target Name	Target Industry	Target Nation	Deal Type	Deal Value (USD Mn)
30-03-2017	National Bank of Abu Dhabi	Financials	UAE	First Gulf Bank	Financials	UAE	Merger	14,844
15-02-2016	Al Noor Hospitals	Healthcare	UAE	Mediclinic Intl.	Healthcare	South Africa	Merger	9,280
14-05-2014	Emirates Telecom Grp.	Telecom	UAE	Itissalat Al Maghrib	Telecom	Morocco	Acquisition (53%)	5,659
31-12-2015	QID Group and Hamad Bin Suhaim Enterprises	Financials	Qatar	Shandong Dongming Petrochemical Group	Energy and Power	China	Acquisition (49%)	5,000
16-06-2019	Saudi British Bank	Financials	KSA	Alawwal Bank	Financials	KSA	Merger	4,957

Source: Reuters; Note: Based on deals for which the deal value is disclosed, YTD 2019 data as of 27 Aug 2019

The merger between National Bank of Abu Dhabi and First Gulf Bank to form First Bank of Abu Dhabi was the largest deal in terms of deal size in the past five years. Macroeconomic headwinds in addition to micro level factors triggered UAE's banking rivals to merge and form MENA region's biggest bank in terms of total banking assets. The merger between healthcare players Al Noor and Mediclinic in 2016 was the second largest in terms of deal value, creating the third-largest international healthcare group outside the United States during the time of merger. The merger between Saudi British Bank and Alawwal Bank was the biggest deal in 2019, creating the third largest bank by assets in Saudi Arabia during the process.

With several banks having common ownership already merged or have a merger deal being announced, the scope for further consolidation in the banking industry remains low, which will see the M&A momentum in the banking sector gradually decline. However, with concerns over global economic growth looming large, businesses across the region are expected to explore ways to achieve cost saving and achieving better operational efficiency, potentially triggering further deals in the region.

Disclaimer

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