Marmore
Industry Report

GCC
Banking Sector 2018

7 Factors to Watch

Credit Growth | Liquidity | NPL | Fed | IFRS | FinTech | M&A

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INDUSTRY RESEARCH REPORT

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Executive Summary

Banks across the GCC region are expected to witness strengthening of their financial profiles and performance in 2018, after two years of significant pressure on account of fiscal deficit triggered by low oil price environment. While we expect to see further easing of liquidity and funding with improvement in asset quality metrics in 2018, there are expectations of a likely spike in cost of risk across the board due to adoption of IFRS 9. However, the general provisions that GCC banks have accumulated over the years will help smoothen transition to the new accounting standards.

The environment for consolidation is stronger now than a decade ago. As the macroeconomic scenario improves with new regulations in place, change in consumer behavior and demographics, M&A could be a key source of value addition both at operational and strategic level. We expect, GCC's banking sector to see a new round of mergers and acquisitions in the wake of the latest talks between Kuwait Finance House and Ahli United Bank of Bahrain following the landmark merger between National Bank of Abu Dhabi and First Gulf Bank in the UAE. The region seems to be overbanked as the population in the region is small and banks' ability to grow is constrained by small sizes.

The financial technology (fintech) revolution that is sweeping across the banking and financial services industry across the world is likely to have a significant impact particularly on the retail banking business in the GCC. FinTech solutions might lower the profitability of some business units of the Arab banks and change their operation models in time. However, the overall impact on balance sheets and bank ratings is going to be minimal in the near future as corporate lending is the dominant constituent in the loan books of GCC banks in addition to the fact that banks have been investing in digital and artificial intelligence over the past couple of years.

The slowdown in economic activity over the past two years only resulted in a slight increase in non-performing loans (NPLs). However going forward we expect NPL ratios to stabilize in 2018 and improve in the subsequent years. The 2017 has seen an improvement in the overall profitability of the GCC banks due to increasing amounts of earnings-generating assets and slightly higher interest margins.

Improving liquidity in the domestic market and the increase in the Federal Reserve's interest rates — which local authorities (with the exception of Kuwait) mirrored — led to a slightly higher average interest margin in 2017. A more aggressive approach towards cost also helped, with the average cost-to-income ratio reducing in 2017 as compared to previous year.

Loan-to-deposit ratios have been on an improving trend over the past year, indicating that deployment of funds rather than lack of liquidity could be the new theme amid slowing credit demand. However, we could see a negative impact on loan demand in short term affected by subsidy cuts and VAT implementation in the GCC. These measures are expected to dent consumer disposable income and demand. This could weaken the performance of consumer loans and of retail and commercial industries.

2

Where will be the source of credit growth for GCC banks?

Growth in banking assets is usually highly correlated with the growth in GDP. While slow economic growth, fiscal and geopolitical risks are expected to pose challenges to credit growth, profitability and loan quality of the region's banks, strong capitalization levels with high loan-loss reserves will provide banks strong loss-absorption capacity.

The UAE banking sector has continued to top other GCC counterparts in terms of assets value in the first half of 2017, with a total value of $723 billion in 48 banks operating in the country, a growth rate of 1.7 per cent compared to 2016.

Table 2.1: Banking Sector asset value as of Nov 2017

Country	Asset Value (USD Bn)
UAE	731.6
Saudi Arabia	614.7
Qatar	367.0
Bahrain	215.4
Kuwait	208.3
Oman	72.0

Source: Respective Central Banks

Growth in banking assets is usually highly correlated with the growth in GDP. While slow economic growth, fiscal and geopolitical risks are expected to pose challenges to credit growth, profitability and loan quality of the region's banks, strong capitalization levels with high loan-loss reserves will provide banks strong loss-absorption capacity.

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Corporate banking continues to be the most important segment, typically making up nearly half of total assets, three-quarters of total loans, and a third to half of revenues[1]. However, in the wake of the oil crisis, retail banking growth has picked and is now growing faster than corporate banking in most GCC countries. This is in contrast to the pre-crisis period, when GCC retail banking increased faster in only UAE. The key driving factor has been the demographics coupled with gradually growing financial technology in the region. The GCC's young population is on the rise and becoming more economically well off, with GDP per capita amongst highest in the world. Banking penetration in Saudi Arabia and Oman is still relatively low while regulatory moves in some countries may further stimulate retail banking. Government interventions, such as the push for Saudization in KSA, the support of small and medium-size enterprises (SMEs) in various GCC countries, and the setting up of credit bureaus in Qatar and UAE will also add positive momentum. This rise of retail banking will offer new opportunities in a typically stable business, prompting GCC banks to respond.

Real estate sector is also expected to drive the demand for credit growth in the coming years as economic outlook improves and consumer gain confidence driving the demand for housing loans. In Saudi Arabia, the mortgage loans of banks are expected to increase to USD 67bn by 2020 compared to USD 28bn at the end of 2015. The Housing Ministry is anticipating the bank's mortgage loan book to increase by USD 5bn to 8bn a year till 2020, and, has set in motion several initiatives such as reduction of down payment required by mortgage seekers to 15%, introduction of white land tax.

Development of non-oil industries and improving infrastructure network will be a significant driver of loan demand in GCC region. Private sector lending growth is forecast to rise to 3 to 4 per cent in 2018-2019 from 2.6 per cent on average in the first nine months of 2017, supported by initiatives such as Dubai Expo 2020, Saudi Arabia's Vision 2030, Kuwait's Vision 2035 and the World Cup 2022 in Qatar[2]. Overall loan growth in the GCC is estimated to have grown at 4.9 percent in 2017; however, this is far lower than the average annual growth of 9.2 percent recorded between 2012 and 2016. Weak energy prices and lower government spending across the GCC are putting pressure on lending opportunities.

[1] *AT Kearney*

[2] *The National*

In the context of Saudi Arabia, the economic activity is expected to recover over next two years with the increase in spending planned in the government's 2018 budget. In particular, the Saudi banks will benefit from the government's private-sector stimulus of nearly USD 20 billion to support private-sector growth over the next four years. Because of improved liquidity, there is an expected improvement in credit growth close to 4%[3]. However, the credit growth in the GCC banking sector is likely to remain modest as compared with the pre-oil slump years.

In UAE, the loan growth is expected to rise to 5 percent in 2018 from 2 percent in 2017. Year-on-year, construction sector loan growth stood at 17.7 percent in September 2017, which will drive the demand for loans.

Rising oil prices will enable governments to move away from austerity towards expansionary policy, which will support consumer and business confidence, which will in turn have a positive impact on credit demand. The government efforts to support domestic banks through capital injections, coupled with rising interest rates, will support deposit growth, ensuring the sufficient growth in banks' loan books without hampering overall sector stability. The surge in oil prices during the second half of 2017 that supported the government revenues along with the simultaneous efforts of government to limit any liquidity pressure on the banking sector have slowed down the public sector borrowings in the GCC countries. Governments will thus continue to remain a key source of asset growth for commercial banks as the fiscal balance is unlikely to turn into a surplus at least for the next couple of years.

Banks in GCC have relied primarily on personal banking activity. Going forward more and more banks will look for sector diversification. Banks will also look for geographic diversification through acquisitions in foreign, high growth markets, as seen typically with telecom firms. For instance, Egypt has been favored destination on back of improving political and business environment.

[3] *S&P*

3

Liquidity in GCC Banks - Abundant as of now

The current liquidity situation in the GCC countries are much more comfortable due to surging oil prices as compared to previous two years and the impact of policy rate hike could be relatively muted. If the recovery in oil prices is sustained through 2018, it could boost the government oil revenues, reducing pressure on government deposits at banks and lowering governments' financing needs.

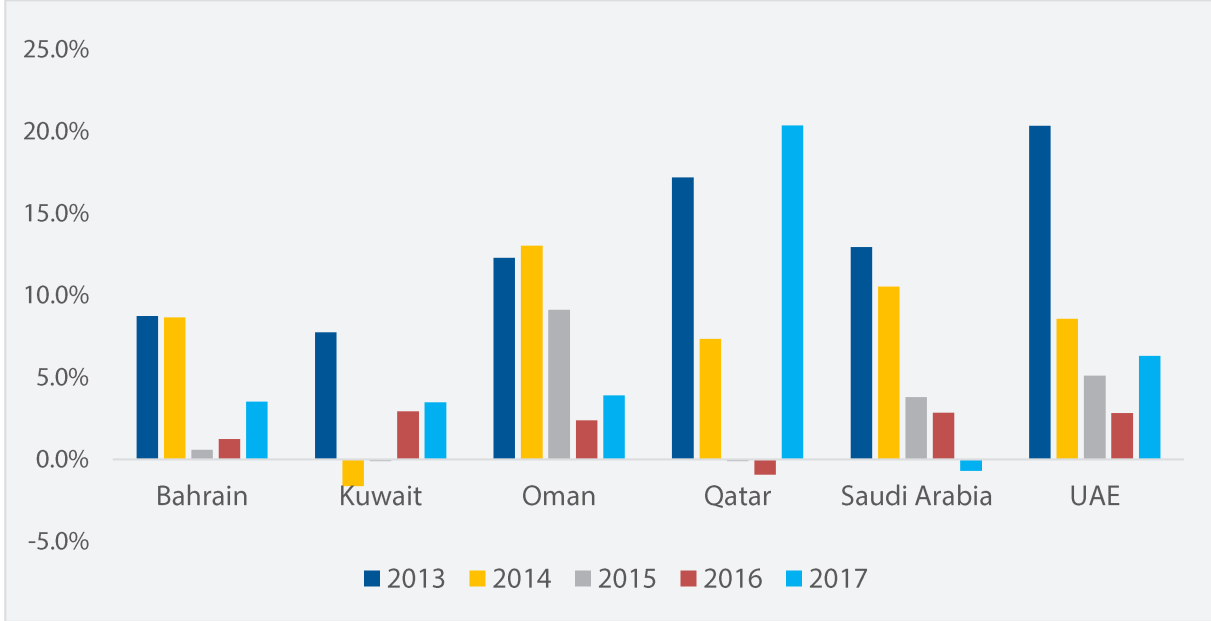
Stabilizing oil prices, large international sovereign debt issuances and lower credit growth will improve funding conditions for banks in the GCC over the next 12 months. Bahraini and Kuwaiti banks are expected to continue exhibiting the strongest funding and liquidity profiles in the region. Improved government oil revenues would support deposits from government and corporates. Surging oil prices are projected to increase regional government revenues due to their high reliance on hydrocarbons, although they remain below the fiscal break-even oil prices for most GCC countries. Higher government revenues will also promote public spending, which will limit the economic slowdown and boost both corporate and retail deposits.

Loan-to-deposit ratios have been on an improving trend over the past 12 months, meaning that deployment of funds rather than lack of liquidity is the new theme amid slowing credit demand. Interbank rates have also increased and money supply has slowed across the region.

The estimates for 2017 show a further improvement in liquidity for UAE as the liquid assets to Total asset ratio is expected to be 16.9%[4]. The Saudi banks' domestic liquid assets grew 11% in 2017 compared to 29% in 2016 and equaled 20% of banks' assets at year-end 2017. Similarly, Saudi banks' ratio of reserves to total deposits was 14.8% as of year-end 2017, highest since 2012. The positive trends were achieved amid muted 0.1% deposit growth in 2017 and were mainly driven by a contraction of 1.0% in banks' loans and a 43% increase in the banks' holdings of domestic government bonds.

[4] *IIF*

Figure 3.1: M2 Money Supply 2013-Nov 2017, YoY percentage change



Source: Reuters

Table 3.1: Net Loans to Deposit Ratio in Percentage

Country	2012	2013	2014	2015	2016
Bahrain	72%	73%	74%	70%	77%
Kuwait	75%	72%	71%	73%	74%
Oman	-	88%	88%	81%	94%
Qatar	90%	91%	93%	96%	94%
Saudi Arabia	76%	80%	80%	83%	84%
UAE	87%	83%	82%	82%	87%

Source: Reuters, Marmore Research

In addition international sovereign debt issuances and hike in oil prices are also expected to support deposits. GCC governments are projected to continue to rise funding from international markets following a record surge in issuance during past two years. These issuances will reduce the need to borrow from local banks and the money raised will flow at least partially as deposits into banks.

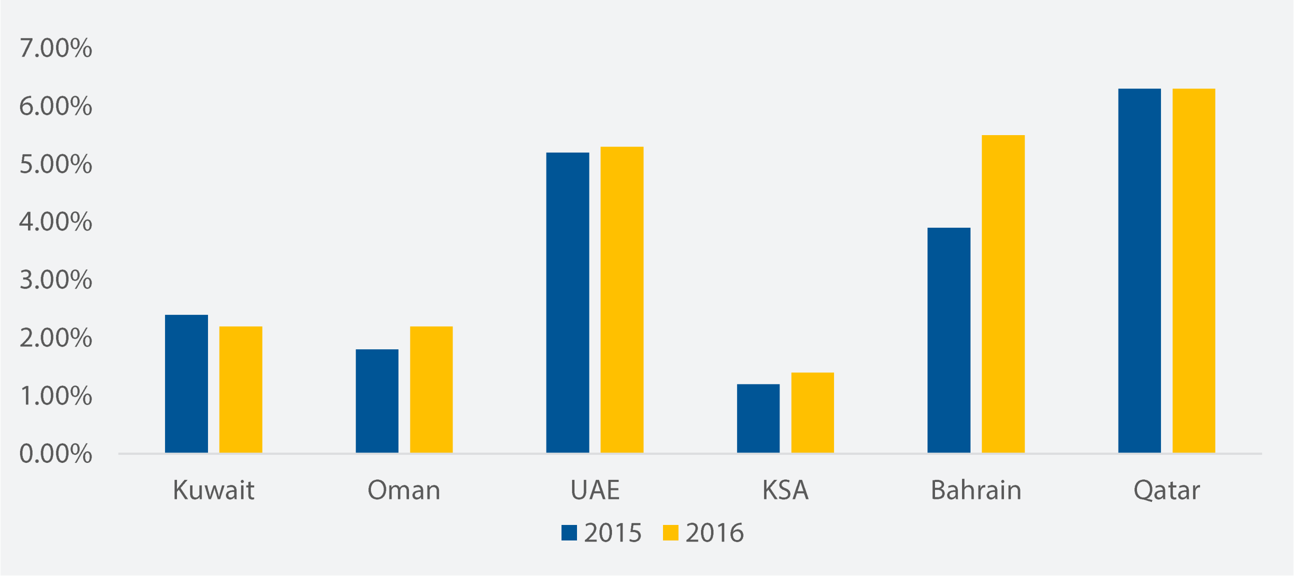
International sovereign debt issuance from the region increased from $2.1 billion in 2015 to record level of $38.9 billion in 2016. Low-cost and stable deposits anchor GCC bank funding. A lengthy funding squeeze, stemming from low oil prices, eased in 2017 after government's injected liquidity from international debt issuances. However, private-sector deposit growth remains low and the banks' heightened dependence on public-sector deposits increases their vulnerability to deposit volatility. The sovereign issuance from the region stood at $37.6 billion in 2017, and is expected to reduce in 2018. As per Marmore's research, GCC government could raise $28.1 billion through sovereign issuance equivalent to the combined fiscal deficit of 40% in 2018. In addition, large GCC banks with an international footprint are also anticipated to raise funds in the global market.

4

NPL's for GCC Banks - Mostly in control

The 2018 sector outlook for GCC banks remains neutral to slightly negative as weaker economic growth feeds through to credit fundamentals, particularly credit growth. As a result, asset-quality metrics will deteriorate slightly. Nevertheless, liquidity will improve further from the tighter conditions seen in 2016 and 2017, with government issuance and lower loan growth. Lending portfolios are expected to season quicker resulting in mild deterioration in impaired loans ratios[5]. Deterioration in certain corporate segments, particularly contracting and SMEs is filtering down to other segments, including retail. Credit concentration remains a key risk.

Figure 4.1: Non-Performing Loans to Gross Loans %



Source: IIF

[5] *Fitch*

By the end of Q2 2017, NPLs to total loans for the rated GCC banks reached 3.1 per cent, compared with 2.9 per cent at year-end 2016. NPL ratios are estimated to have further deteriorated in the 3rd quarter of 2017 but are expected to progressively stabilize, mirroring the stabilization of the GCC countries' real economy. On a positive note, S&P rated GCC banks still enjoy strong NPL coverage by provisions, at 139 per cent. These provisions will prove helpful as banks move to IFRS 9 in January 2018.

While nonperforming loan (NPL) ratios will remain low in 2018 with a GCC average 3 to 4 per cent, overall NPLs are expected to increase incrementally but not exceed 5 percent in the next 24 months, driven by factors such as stagnant economic conditions and loan restructurings. Overall, banks are expected to be selective in risk appetite. Any increase beyond expectations in fiscal consolidation measures in Bahrain and Oman, where deficits are the highest, would increase stress on borrowers' repayment capacity.

Sectors sensitive to fiscal consolidation such as contracting, construction, real estate, retail and small and medium-sized enterprises are likely to face higher loan impairments. Loan quality of banks across the region is likely to be impacted by exposure to large single borrowers and some sectors' exposure to unexpected shocks. However, the introduction of credit bureaus and the use of forward-looking credit management tools in line with new IFRS 9 accounting standards will further improve banks' risk controls and strong provisioning coverage levels.

However, other GCC countries especially Bahrain has struggled to keep NPLs under check. As the historical data shows, periods with low oil prices and government spending have coincided with high NPL ratios. As a result, GCC countries have faced significant challenges to maintain low level of NPLs in unfavorable environment. Credit quality has remained strong for Saudi Arabian banks as indicated by the low NPL ratios due to various factors such as SAMA's hands-on regulatory oversight coupled with risk-based supervision, and the obligation for banks to adopt improved risk assessment and management practices.

Since the financial developments in GCC and oil price developments are interlinked, the extent of oil price recovery in the coming years will play a crucial role in determining the improvement in the asset quality. The banks in the region are also enhancing their risk management and implementing countercyclical capital buffers and loan loss provisions to limit systemic financial sector risks. Qatar's banking sector's provisions towards potential bad loans stood at 100% compared to a high of 170% in Saudi Arabia and 106% in the UAE in 2016.

5

Fed rate hike - Largely Positive on GCC Banks

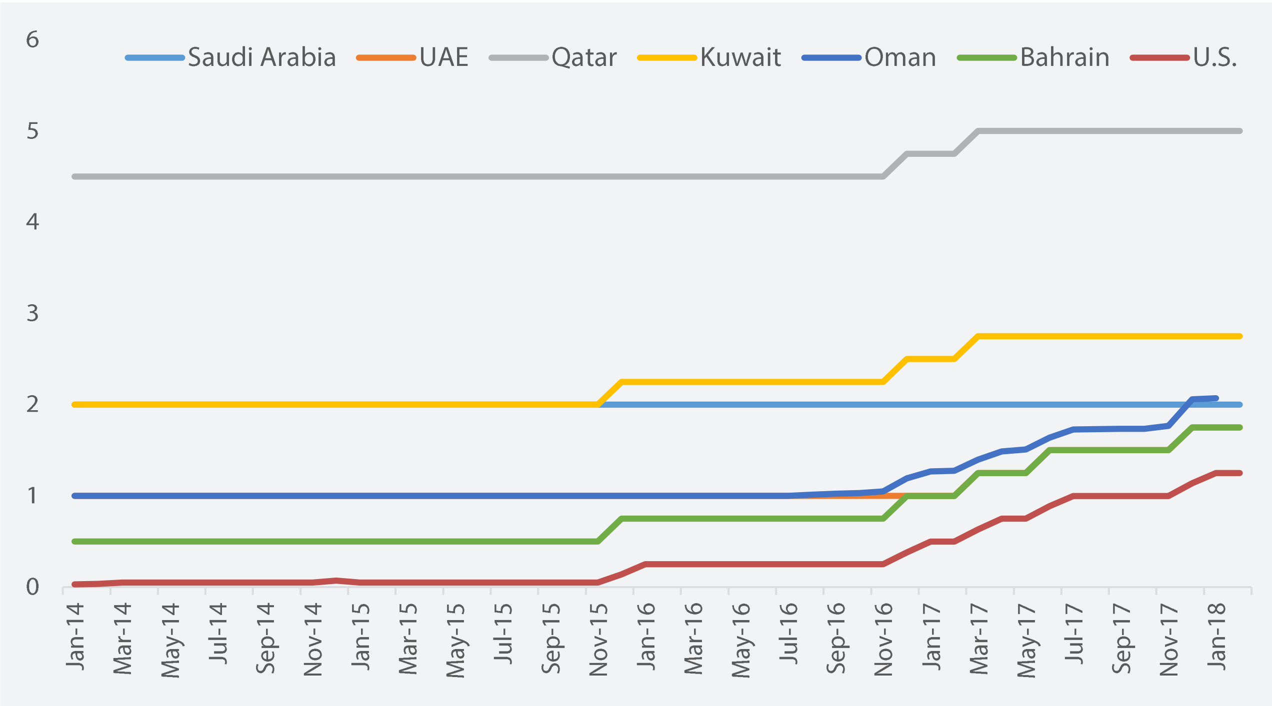
Gulf central banks usually mimic US Fed interest rate moves since all of the region's states peg their currencies to the dollar except for Kuwait (which pegs against basket of currencies). The US Federal Reserve in December raised the interest rates to 1.50 per cent, a third rise in 2017, reflecting the progress in the world's largest economy that continued to add employment at a solid pace.

Consequently, Central Bank of the UAE and Bahrain both raised interest rates by 25 basis points to 1.75, paving the way for higher borrowing costs in 2018. Saudi Arabian Monetary Authority raised the reverse repo rate from 125 basis points to 150 basis points and kept repo rate unchanged in order to maintain liquidity in banking sector while keeping a lid on cost of funds in the domestic market. Meanwhile, Qatar Central Bank amended its repo rate to 2.50 per cent from 2.25 per cent. The hike in Fed rates will have repercussion across most GCC states as the consequent escalation in bank finance rates will likely stoke up cost of living and doing business.

However, while the interest rates for depositors usually move in the same direction as the US Fed rate, banks' will attempt to widen their low net interest margins given that they have a comfortable loans-to-deposit ratio. The Gulf banking sector is also set to benefit from interest rate increase as a higher interest rate environment results in expanding net interest margins for banks because of a large share of non-interest bearing deposits, creating significant upside potential from further Fed rate hike in 2018. Though the rate hike is on short-term interest rates, it is expected to trickle down to medium-term and long-term rates affecting various sectors.

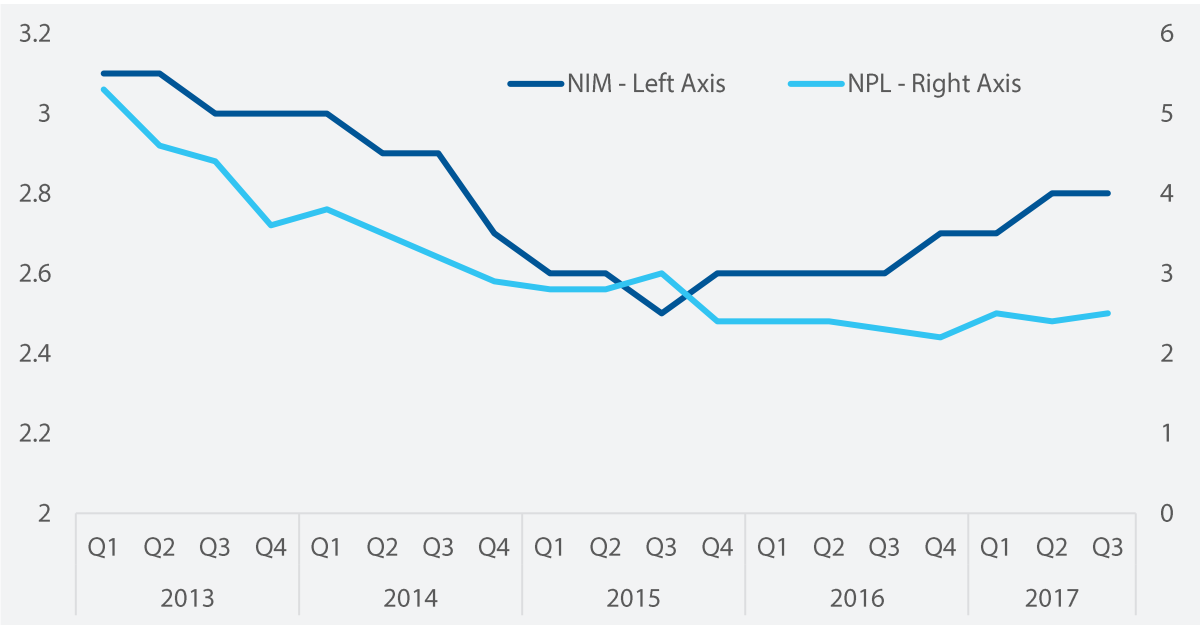
The net interest margins for Kuwait have been on a rise since the past two years as its currency unlike other GCC nations is pegged against a basket of currencies. U.S has hiked the Fed rates five times during these two years while Kuwait has been more rigid and has only raised its interest rate twice since 2016. As a result, the Kuwait banking sector benefitted from the relatively cheaper lending rates thus attracting wider demand for loans.

Figure 5.1: GCC policy rates



Source: Reuters

Figure 5.2: Kuwait Net interest margin (in %) and NPLs to Gross Loans Ratio (in %)



Source: Central Bank of Kuwait

The peg between GCC currencies and the U.S dollar eliminates the past currency volatility experienced by other emerging market economies, making the region attractive to foreign investors looking for equity exposure that is tied to the US dollar. Customers who are planning to avail loans should thus take advantage of the current low interest rate regime and opt for fixed rate loans than for the loans with floating rates as we move forward into 2018.

6

Impact of IFRS 9 - Mostly Neutral

Prior to 2018, banks were required to set aside specific provisions only when they incur losses, or when the counterparty or financial asset defaults on its obligations. Under IFRS 9 (international financial reporting standards) implemented from Jan 1st 2018, banks will have to set aside provisions in advance, based on their loss expectations. It will thus require banks to take a forward-looking approach to provisioning with bankers asked to provide 12 month expected credit losses on loans and investments from the day they were acquired.

Under base-case scenario, rated GCC banks will have to set aside additional provisions equivalent to 17 per cent of their net operating income on average following the adoption of IFRS 9[6]. Excluding banks with no provision shortfall, the same measure rises to 27 per cent under the base-case scenario. However, it is possible that there could be significant variation between banks.

The current financial disclosures do not allow calculating the potential impact of lifetime losses from other assets that are in scope of IFRS 9, such as financial instruments accounted for at amortized cost. However, the effect of calculating the potential losses from these assets will be limited because of the relatively conservative approach that the GCC banks take toward the quality of their investment portfolios.

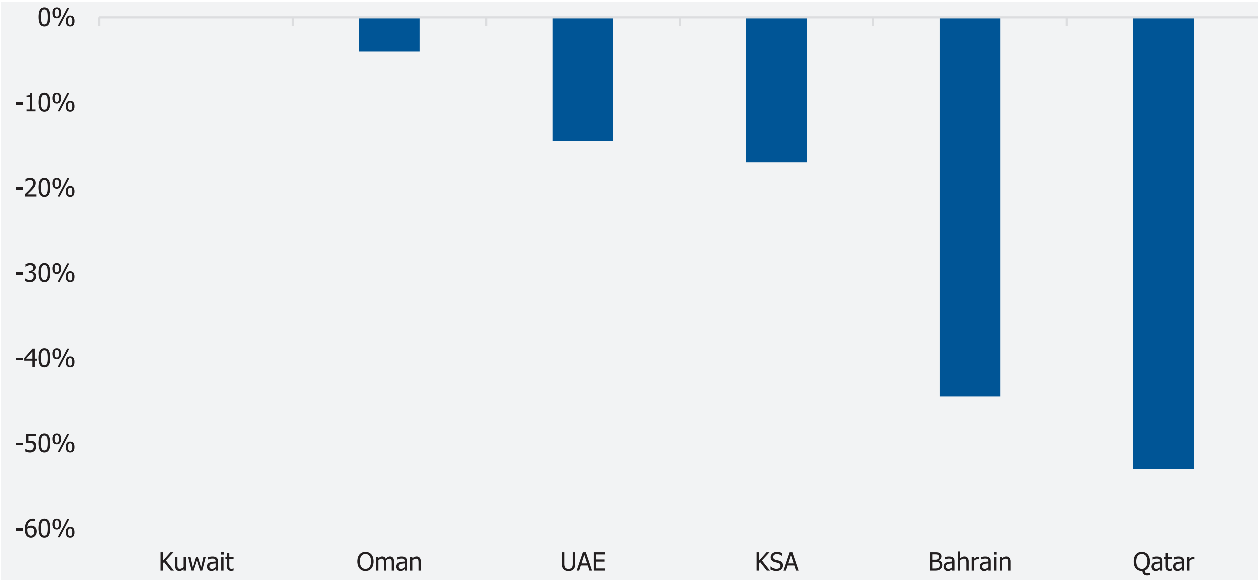
The least affected rated banks would be in Kuwait as the regulations in the country already requires banks to set aside a general provision on their performing facilities equivalent to 1 per cent of cash facilities and 0.5 per cent of non-cash facilities. The most affected rated banks as we progress in 2018 could be in Qatar, primarily due to the occurrence of some cases of Qatari banks that have either seen a significant deterioration in their asset quality indicators, or an increase in past due but not impaired loans, over the past couple of years[7]. However, on contrary, officials in Qatar are of the opinion that the banks have high capitalization levels and can readily absorb any opening impacts.

Despite the relatively low impact on provisioning, switching to IFRS9 will be challenging for GCC banks. The absence of a long default history in many countries, coupled with difficulties in correctly assessing collateral values and timeframe for realizations, makes it particularly tricky to assess expected loan losses.

[6] *S&P*

[7] *Gulfnews*

Figure 6.1: Provision shortfall/Net Operating Income before Loan loss provision (Alternative Scenario)



Source: S&P

The impact on capital ratio will be limited as majority of banks have been well provisioned having high coverage ratio and banks have built up risk reserves which puts them in a good position. IFRS 9 will also provide support to banks in changing their business models focused on capital planning and product mix evaluation, leading to more prudent and stringent lending and investing. This could ultimately boost investor's confidence.

S&P's estimates shows that of the 27 banks that it rates in the GCC, the impact of IFRS 9 on eight (nine under the alternative scenario) would be neutral[8]. At the same time, the impact on four banks (the same number under the alternative scenario) would be meaningful in the sense that they will have to set aside additional provisions equivalent to more than 50 percent of their net operating income starting in 2018.

These banks are highly exposed to riskier countries, have asset quality indicators that have deteriorated recently, or are exposed to risky business (primarily SMEs and financing subcontractors). In contrast, banks for which the impact would be limited already have high provisions, or are exposed to less-risky asset classes, such as retail lending.

There will be a rise in the cost of risk of the bank in the region in 2018 because of the adoption of IFRS 9 and the higher amount of restructured and past due but not impaired loans present in their balance sheets. However, the general provisions that GCC banks have accumulated over the years will help a smooth transition to the new accounting standard. While the overall impact of IFRS 9 adoption on GCC banks will be manageable, a higher cost of risk will persist for some time.

[8] *The Peninsula*

7

Fintech disruption of GCC Banks - Minimal as of now

The financial technology (fintech) revolution that is sweeping across the banking and financial services industry across the world is likely to disrupt the retail banking business in the GCC. The overall impact on balance sheets and bank ratings is going to be minimal in the near future, as corporate lending constitutes a major portion of the loan books of GCC banks. In a survey by E&Y, 86 per cent of GCC banks estimated that no more than 15 per cent of banks' business could be lost to fintech in the next five years, believing fund transfer and brokerage to be the main business lines most likely to be disrupted.

FinTech solutions might lower the profitability of some business units of the Arab banks and change their operation models in time. Traditionally, the GCC banks would remain focused on the corporate sector. Therefore, no adverse changes in the lending activity in the region are expected. However, block chain might have an impact on the retail banking and more particularly, on the money transfers and foreign currency exchange. While savings and lending involve the balance sheet and regulation, in the case of payments, business is balance sheet-light and regulations are relatively lower, attracting most innovators to this segment. This would push some banks to adjust their operations through increased digitalization, branch network reduction, and staff rationalization.

Conventional banking's value chain essentially involves functions such as taking savings, providing loans and facilitating payments. In this value chain, at the most risk of disruption is the payments business model since it is the least capital intensive and most tech intensive. While block chain and cryptocurrencies were the main competitors of brick-and-mortar banking, the local banks would cope with the FinTech competition either through collaboration or via cost-reduction measures.

Fintech effect on GCC banks' profitability will be limited to certain business lines. In 2016, the GCC banks generated around one-quarter of their revenues from fees and commission and foreign exchange gains. The latter contributed around 6 per cent of rated GCC banks' operating revenues over the same period. While a significant portion of these revenues relates to lending and advisory activity, part of it also relates to money transfer and currency exchange. The sooner GCC banks understand FinTech's potential threats, the better they will be able to implement defensive measures or develop collaborative strategies with new fintech players[9]. Collaboration could take the form of collaborating with some fintech companies for specific services, for example, allowing fintech companies to use the banking system infrastructure for clearing and settlement operations.

Defensive measures would primarily take the form of strengthening mobile banking services, rationalizing branch networks, and refocusing staff on value-added services rather than repetitive and less-profitable operations. More importantly, there is a strong case for collaboration among participation banks for the mutual Benefit from fintech innovations. These Benefits will accrue from network effects economies of scale efficiency in jointly exploring emerging fintech innovations and avoidance of creating a two-tier participation banking sector due to the uneven adoption of fintech innovations.

Banks in the GCC have not been oblivious to the technological developments transforming the financial services industry. Over the past couple of years, banks have been investing in digital and artificial intelligence as consumers increasingly favor online banking over going to a physical branch.

In this regard, Emirates NBD, for example plans to spend USD 270 million on digital technology over the next three years to help reduce costs. Many banks are also increasingly approaching FinTech favorably by underwriting substantial amounts of capital in the FinTech start-ups as institutional investors.

Investments in technology and digitization are also timely as profitability has been on the wane in the wake of the biggest oil price slump since the 2008 financial crash. In UAE, lenders have added advantage as the country has one of the highest smartphone penetration rates in the world.

In developed markets, online banking has been growing at an average of 10 percent annually over the past decade with overall penetration close to 50 percent. However, in GCC, internet banking is still relatively nascent, with only a third of all GCC bank account holders having online accounts and only about half of those actively use their online bank account for transactions.

The bulk of the banks business in the region would remain insulated for the time being from fintech as human interaction is still key when it comes to banking business. These include corporate lending, which is one of GCC banks' main business lines. Corporate lending remains relationship-based and the human added value remains significant in the GCC, from corporate relationship managers all the way up to decision makers.

[9] S&P

8

M&A outlook in banking industry - Gaining Traction

Banks across the region are facing pressure on profitability and tighter liquidity, especially in countries where public sector deposits have been withdrawn from banks to shore up government finances weakened by lower oil prices. In the event where oil price pressure continues, banking industry in the GCC could undergo a round of consolidation to cut costs and address liquidity shortages in order to better safeguard itself from similar situations in the future.

The region appears to be overbanked with small population size and could benefit from consolidation as many banks in the region also lack sufficient scale. The UAE has 46 commercial banks and offices for another nine lenders excluding offshore investment banks in the Dubai International Finance Centre[10]. Bahrain is even more intensively banked, with 79 "conventional bank licensees" and 24 Islamic bank licensees.

Table 8.1: M&A deals

Year	Target	Acquirer	Country
2016	First Gulf Bank	National Bank of Abu Dhabi	UAE
2014	Barclays PLC-Retail Operations	Abu Dhabi Islamic Bank	UAE
2013	BMI Bank	Al Salam Bank Bahrain	Bahrain
2012	Boubyan Bank	National Bank of Kuwait	Kuwait
2012	Dubai Bank	Emirates Islamic Bank	UAE
2011	HSBC Bank Middle East Ltd	Oman International Bank	Oman

Source: Reuters

[10] *Financial Times*

Table 8.2: Cost to income Ratio: Pre and Post merger

Company	2012	2013	2014	2015	2016	2017
First Abu Dhabi bank	35.8%	37.7%	39.9%	45.3%	23.4%	34.6%
Abu Dhabi Islamic Bank	43.8%	50.6%	51.0%	50.3%	50.5%	-
Al Salam Bank Bahrain	58.0%	45.1%	62.1%	43.8%	41.0%	-
National Bank of Kuwait	30.5%	35.7%	36.1%	39.0%	39.7%	36.1%
Emirates Islamic Bank	44.4%	44.7%	52.2%	45.9%	49.9%	45.6%

Source: Reuters

Represents post-merger values

Table 8.3: ROE: Pre and Post Merger

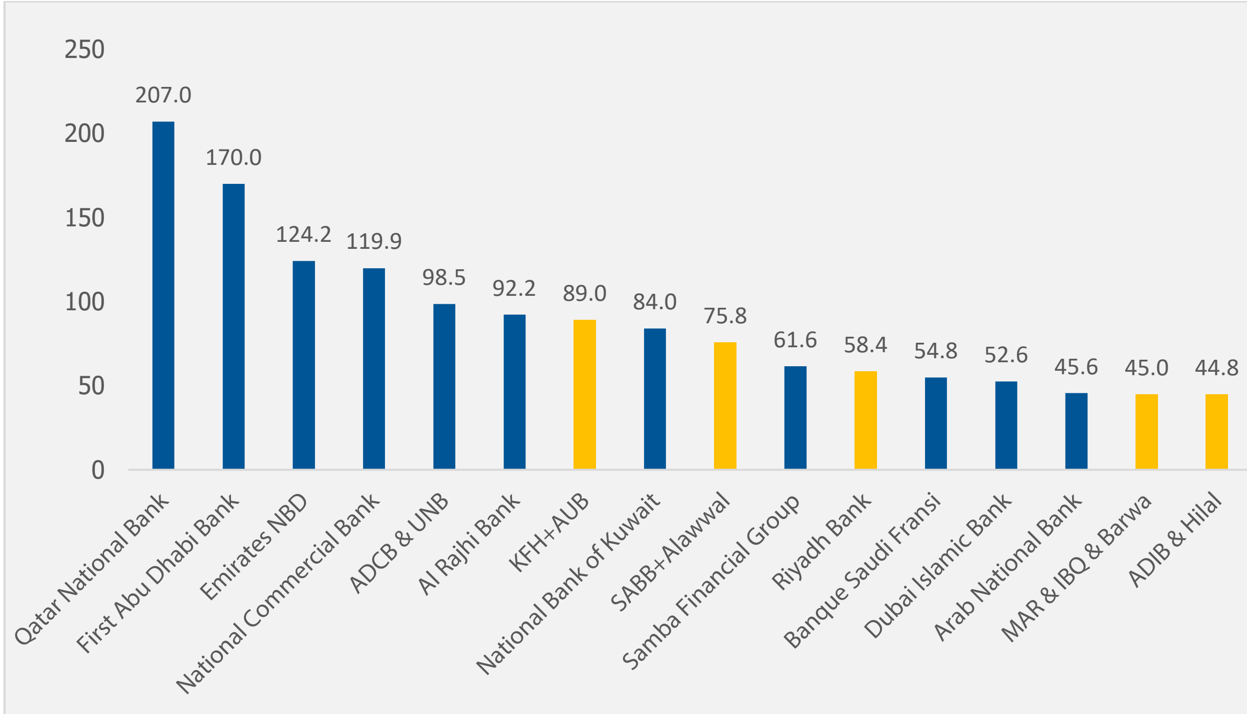
Company	2012	2013	2014	2015	2016	2017
First Abu Dhabi bank	15.5%	15.1%	16.1%	13.6%	15.2%	13.5%
Abu Dhabi Islamic Bank	11.4%	11.3%	13.1%	13.5%	12.9%	-
Al Salam Bank Bahrain	5.1%	5.6%	5.7%	3.3%	5.0%	-
National Bank of Kuwait	13.8%	11.0%	11.6%	11.7%	11.2%	11.6%
Emirates Islamic Bank	3.2%	4.1%	8.4%	13.4%	1.8%	10.0%

Source: Reuters

Analyzing the pre and post-merger performance of some of the banks, we did not see significant impact on key measures such as cost to income ratio and ROE post mergers. For most of the banks key performance ratio dipped for the year merger took place and gradually adjusted to pre-merger levels. Emirates Islamic bank however witnessed an improved return on equity since the merger took place in 2012. Thus, it is not clear if banks have really benefited from mergers.

The environment for consolidation is stronger now than a decade ago. The fall in oil prices may be a significant trigger as more than 80 per cent of the Gulf's top 50 banks by assets are part-owned by arms of GCC states. M&A deals are much more likely to complete if they create domestic market leaders. Becoming a bigger bank strengthens ties to the government through business flow, and shareholders are also often attracted by stronger resilience of the new entity to credit or liquidity risk.

Figure 8.1: Top GCC banks by assets after potential Mergers (USD Bn)



Source: Bloomberg

Merger of National Bank of Abu Dhabi and First Gulf Bank in the UAE that created the largest bank in the UAE and second largest in the region could well be the beginning of the consolidation trend. In Saudi Arabia, potential merger between Saudi British Bank and Alawwal Bank would create the third-largest bank in Saudi Arabia. A shake-up in the Qatari banking sector was long been mooted given that 18 local and international commercial banks serve a population of 2.6 million. Masraf Al Rayan, International Bank of Qatar and Barwa Bank are in the due diligence phase of a planned three-way merger that would create the largest Islamic bank in Qatar.

The much in news, possible merger between Kuwait Finance House and Ahli United Bank is expected to result in second biggest Islamic bank in the GCC after Al Rajhi Bank. Standalone KFH and AUB have their footprint in six and eight countries respectively. If merger materializes, the merged entity will have presence in twelve countries. As KFH will account for 64% of the merged assets and assuming the merged bank would operate from Kuwait, it would surpass National Bank of Kuwait to become the biggest bank in Kuwait.

Table 8.4: Number of listed banks and total population in GCC countries

Country	No. of Listed Banks with Retail services	Population (in Mn)
Bahrain	12	1.5
Kuwait	12	4.14
Oman	13	4.64
Qatar	9	2.64
Saudi Arabia	11	32.94
UAE	27	9.40

Source: Respective Stock Exchange

The ownership structures of Gulf banks, in which local, private shareholders often own significant stakes and are reluctant to relinquish their positions, could pose as one of the main obstacle to a spur in merger and acquisitions. In terms of composition of banking systems while UAE, Oman and Bahrain are deemed overbanked, Saudi Arabia has relatively few domestic banking institutions which points to a less likelihood of M&A activity in the country. Large shareholders in Gulf-based banks are particularly averse to M&A activity because it would mean a dilution of their position.

However going forward, 2018 could see a number of deals in banking industry of sizeable values as most GCC countries are overbanked and saturated by the number of operating banks. M&A is a cost effective way to restructure the banking system by eliminating institutions that are perceived as inefficient and without adequate liquidity and strong asset bases, thus creating larger entities that are financially more robust and efficient, as they benefit from more economies of scale.

9 Appendix[11]

Total Assets

The assets under banking sector have been consistently rising over the years. Asset growth remained robust at 6.5 percent in 2016, particularly when compared to the more developed markets[12]. The key driver of growth was increased lending to government and related entities.

Table 9.1: Total Assets in USD Billion

Company	Country	2013	2014	2015	2016	2017
Qatar National Bank	Qatar	121.8	133.6	147.9	197.7	222.7
Emirates NBD Bank	UAE	93.1	98.8	110.7	122.0	128.1
Al Rajhi Banking & Investment Corporation	KSA	74.6	82.0	84.1	90.6	91.5
National Bank of Kuwait	Kuwait	65.9	74.4	77.8	79.4	86.3
Abu Dhabi Commercial Bank	UAE	49.9	55.5	62.2	70.3	72.2
Samba Financial Group	KSA	54.7	57.9	62.7	61.7	60.7
First Abu Dhabi Bank	UAE	88.5	102.4	110.7	61.0	182.2
Riyad Bank	KSA	54.7	57.2	59.5	58.0	57.7
Banque Saudi Fransi	KSA	45.3	50.3	49.0	54.2	-
Kuwait Finance House	Kuwait	54.2	58.7	54.4	54.0	57.5
Saudi British Bank	KSA	47.3	50.0	50.0	49.6	50.0
Dubai Islamic Bank	UAE	30.8	33.7	40.8	47.6	56.5
Arab National	KSA	36.8	43.9	45.4	45.3	45.8

[11] *Top 50 banks by market capitalization have been considered*

[12] *KPMG*

Company	Country	2013	2014	2015	2016	2017
Qatar Islamic Bank	Qatar	21.2	26.4	35.0	38.4	41.3
Commercial Bank	Qatar	31.1	31.8	33.9	35.8	38.0
Mashreqbank	UAE	24.4	28.8	31.4	33.4	34.1
Abu Dhabi Islamic Bank	UAE	28.1	30.5	32.2	33.3	33.6
Ahli United Bank	Bahrain	32.7	33.4	34.0	31.3	33.2
Arab Banking Corporation	Bahrain	26.5	29.4	28.2	30.1	-
Union National Bank	UAE	23.8	25.4	27.7	28.3	29.3
Bank Muscat	Oman	22.0	25.3	32.6	28.1	-
Alawwal	KSA	21.5	25.8	28.8	28.0	26.6
Alinma Bank	KSA	16.8	21.6	23.6	27.9	30.7
Masraf Al Rayan	Qatar	18.3	22.0	22.9	25.1	28.3
Doha Bank	Qatar	18.4	20.7	22.9	24.8	25.7
Saudi Investment Bank	KSA	21.5	25.0	24.9	24.8	25.0
Burgan Bank	Kuwait	25.3	26.5	22.5	23.8	24.6
Gulf Bank	Kuwait	17.9	18.2	17.9	17.9	18.8
Bank Aljazira	KSA	16.0	17.7	16.9	17.7	18.2
Commercial Bank of Dubai	UAE	12.1	12.8	15.8	17.4	19.2
Al Khalij Commercial Bank	Qatar	11.3	14.1	15.6	16.6	15.9
Emirates Islamic Bank	UAE	10.8	11.7	14.5	16.1	16.8
Bank Albilad	KSA	9.7	12.1	13.7	14.3	16.9
Al Ahli Bank of Kuwait	Kuwait	11.3	12.0	14.4	14.0	14.5
Commercial Bank of Kuwait	Kuwait	13.9	14.4	13.3	13.5	14.6
Ahli United Bank	Kuwait	11.2	12.3	12.9	12.1	12.1
Qatar International Islamic Bank	Qatar	9.3	10.5	11.1	11.7	12.8

Company	Country	2013	2014	2015	2016	2017
National Bank of Ras Al Khaimah	UAE	8.2	9.5	11.1	11.6	13.2
Boubyan Bank	Kuwait	7.8	9.0	10.3	11.4	13.2
Ahli Bank	Qatar	7.2	8.6	8.9	10.5	11.0
Bank Dhofar	Oman	6.8	8.3	9.3	10.3	11.0
BBK	Bahrain	8.6	9.3	9.7	9.8	10.0
National Bank of Fujairah	UAE	5.8	6.7	8.2	9.7	10.0
National Bank of Oman	Oman	7.5	7.7	8.5	9.2	9.0
Sharjah Islamic Bank	UAE	5.9	7.1	8.1	9.1	10.4
National Bank of Bahrain	Bahrain	7.3	7.3	8.0	7.9	8.2
United Arab Bank	UAE	5.9	7.0	6.4	5.8	5.6
Invest Bank	UAE	3.3	3.8	4.1	4.4	-
Warba Bank	Kuwait	1.4	2.0	2.6	3.7	5.9
National Bank of Umm Al Qaiwain	UAE	3.4	3.6	3.6	3.7	3.8

Source: Reuters

Net Interest Income

Over the past decade, the margins have declined significantly, as low interest rate environment negatively impacted bank pricing of assets. However, in past two years interest rate are on the rise, which has resulted in widening of net interest margins that are further expected to improve in 2018 in tandem with interest rate hikes. Among GCC countries, Saudi Arabia banking sector showed strongest margins. Saudi banks specially benefit from the low cost of funds. Saudi banks' low funding cost is supported by their balance sheet structure, which comprise of demand deposits accounting for over 60% of total deposits). The low funding costs of Saudi banks have proven resilient despite of the volatility in the Saudi Interbank Rate (SAIBOR), which fluctuated between the low of 1.2% and high of 2.14% because of the government issuing domestic bonds to bridge the fiscal gap in a low oil price environment draining liquidity. GCC banks were able to slightly grow the margins in 2017 despite the rising cost of funds as they effectively managed to re-price the asset side (particularly the corporate loan book that is linked to interbank rates) and benefits from sovereign bond issuances done in 2016 and 2017.

Table 9.2: Net Interest Income in USD Million

Company	Country	2013	2014	2015	2016	2017
Qatar National Bank	Qatar	3,175	3,368	3,500	4,913	4,912
Al Rajhi Banking & Investment Corporation	KSA	2,573	2,616	2,654	2,992	3,208
Emirates NBD Bank	UAE	2,216	2,586	2,789	2,753	2,937
National Bank of Kuwait	Kuwait	1,599	1,604	1,748	1,866	2,084
First Abu Dhabi Bank	UAE	1,772	1,911	1,990	1,730	3,103
Abu Dhabi Commercial Bank	UAE	1,478	1,521	1,690	1,689	1,825
Samba Financial Group	KSA	1,207	1,224	1,243	1,435	-
Kuwait Finance House	Kuwait	1,192	1,242	1,423	1,424	1,474
Riyad Bank	KSA	1,252	1,367	1,381	1,413	1,583
Saudi British Bank	KSA	992	1,083	1,134	1,268	1,359
Dubai Islamic Bank	UAE	810	992	1,216	1,265	1,439
Abu Dhabi Islamic Bank	UAE	896	1,019	1,102	1,172	1,161
Banque Saudi Fransi	KSA	897	1,017	1,081	1,135	-
Arab National	KSA	900	966	1,025	1,105	-
Mashreqbank	UAE	642	828	888	916	953
Ahli United Bank	Bahrain	713	763	815	828	877
National Bank of Ras Al Khaimah	UAE	671	751	830	769	-
Union National Bank	UAE	709	727	796	716	721
Bank Muscat	Oman	611	633	677	713	-
Alinma Bank	KSA	489	553	607	707	931
Alawwal	KSA	433	524	613	669	738
Commercial Bank	Qatar	601	709	696	643	692

Company	Country	2013	2014	2015	2016	2017
Masraf Al Rayan	Qatar	543	566	583	630	763
Qatar Islamic Bank	Qatar	379	469	573	599	783
Doha Bank	Qatar	501	533	562	566	619
Arab Banking Corporation	Bahrain	504	541	502	538	-
Burgan Bank	Kuwait	586	505	516	510	-
Emirates Islamic Bank	UAE	335	407	473	486	470
Commercial Bank of Dubai	UAE	394	431	447	470	496
Saudi Investment Bank	KSA	364	410	461	446	545
Bank Aljazira	KSA	326	385	427	418	485
Gulf Bank	Kuwait	430	402	392	382	438
Bank Albilad	KSA	252	272	310	375	464
Al Ahli Bank of Kuwait	Kuwait	297	288	311	358	373
Qatar International Islamic Bank	Qatar	292	298	325	327	344
Boubyan Bank	Kuwait	215	226	262	290	343
Ahli United Bank	Kuwait	276	272	294	290	345
Commercial Bank of Kuwait	Kuwait	308	289	275	278	310
National Bank of Oman	Oman	195	214	246	264	-
Bank Dhofar	Oman	173	199	235	254	242
Al Khalij Commercial Bank	Qatar	162	206	254	251	270
National Bank of Fujairah	UAE	159	185	218	231	250
BBK	Bahrain	183	192	193	228	241
Ahli Bank	Qatar	188	206	209	202	229
National Bank of Bahrain	Bahrain	164	161	159	177	196

Company	Country	2013	2014	2015	2016	2017
United Arab Bank	UAE	215	275	269	173	-
Invest Bank	UAE	120	126	136	139	-
Sharjah Islamic Bank	UAE	124	151	143	131	173
National Bank of Umm Al Qaiwain	UAE	115	136	129	121	-
Warba Bank	Kuwait	25	35	45	60	107

Source: Reuters

Cost to Income Ratio

Cost to Income ratios were the highest amongst UAE and Saudi Arabia banks in 2016. Most of the banks improved their CIRs, primarily due to an increase in income, which outstripped the increase in costs. Qatar's listed banks were amongst 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 nine listed banks reported a slight decrease in their CIRs during 2017. To keep cost-to-income in check, most banks in GCC countries are deploying innovative digital technologies for engagement with customers and partners. Banks are expected to further increase their focus on cost efficiencies in 2018 to mitigate profitability pressures.

Table 9.3: Cost to Income Ratio in Percentage

Company	Country	2013	2014	2015	2016	2017
Warba Bank	Kuwait	112.2	85.8	77.6	66.3	49.8
Bank Albilad	KSA	55.9	61.4	64.6	64.4	59.0
Bank Aljazira	KSA	59.1	59.7	55.7	62.2	59.4
Boubyan Bank	Kuwait	49.0	49.4	51.4	55.9	54.3
Commercial Bank	Qatar	43.8	42.9	46.9	54.7	42.2
Saudi Investment Bank	KSA	39.7	38.9	49.8	53.8	46.4

Company	Country	2013	2014	2015	2016	2017
Arab Banking Corporation	Bahrain	50.6	50.0	59.0	52.0	-
Kuwait Finance House	Kuwait	48.3	61.7	53.3	51.6	47.4
Burgan Bank	Kuwait	46.5	46.5	49.0	51.3	-
Abu Dhabi Islamic Bank	UAE	50.6	51.0	50.3	50.5	49.7
Mashreqbank	UAE	53.2	49.1	51.9	50.1	50.9
Emirates Islamic Bank	UAE	44.7	52.2	45.9	49.9	45.6
Gulf Bank	Kuwait	37.1	39.6	40.6	49.8	39.8
Alinma Bank	KSA	43.5	45.6	45.9	49.0	41.2
Bank Dhofar	Oman	51.1	47.4	47.6	47.1	48.2
Doha Bank	Qatar	37.9	38.7	42.6	46.6	44.7
National Bank of Oman	Oman	46.8	47.9	45.3	46.2	-
Arab National	KSA	44.0	43.3	45.8	46.2	-
BBK	Bahrain	52.1	43.9	47.1	45.5	44.8
United Arab Bank	UAE	30.6	28.7	42.5	44.5	-
Riyad Bank	KSA	39.8	38.8	40.5	44.5	41.3
Al Ahli Bank of Kuwait	Kuwait	31.6	32.8	34.3	43.1	39.7
Bank Muscat	Oman	86.7	41.4	42.9	42.9	-
Alawwal Bank	KSA	36.1	33.8	38.3	41.4	35.7
Sharjah Islamic Bank	UAE	48.7	41.9	37.6	41.2	47.1
National Bank of Bahrain	Bahrain	36.9	36.3	36.0	40.8	35.2
National Bank of Kuwait	Kuwait	35.7	36.1	39.0	39.7	36.1
Al Rajhi Banking & Investment Corporation	KSA	33.6	37.2	38.8	37.7	38.1
Ahli United Bank	Kuwait	31.7	34.2	45.0	37.5	35.4

Company	Country	2013	2014	2015	2016	2017
Emirates NBD Bank	UAE	36.8	33.0	33.8	37.4	35.6
Commercial Bank of Dubai	UAE	31.8	34.7	38.0	37.2	37.3
Qatar Islamic Bank	Qatar	44.8	38.3	37.7	36.8	37.4
Banque Saudi Fransi	KSA	35.8	36.1	35.6	36.4	-
Qatar International Islamic Bank	Qatar	37.8	33.2	34.6	35.9	41.2
Abu Dhabi Commercial Bank	UAE	34.4	36.2	37.1	35.9	37.4
National Bank of Ras Al Khaimah	UAE	43.8	42.4	37.6	35.7	-
Ahli Bank	Qatar	37.8	31.3	33.4	35.2	32.4
Samba Financial Group	KSA	32.1	32.5	32.5	34.5	-
National Bank of Fujairah	UAE	36.6	37.8	36.8	34.4	33.7
Al Khalij Commercial Bank	Qatar	41.5	43.2	36.4	34.0	30.4
Saudi British Bank	KSA	32.8	31.1	32.5	33.6	34.8
Qatar National Bank	Qatar	22.6	23.2	24.8	33.1	31.7
Union National Bank	UAE	26.7	27.5	28.0	32.7	32.5
National Bank of Umm Al Qaiwain	UAE	28.6	27.0	-11.7	30.8	-
Ahli United Bank	Bahrain	29.9	31.4	29.6	28.9	29.6
Masraf Al Rayan	Qatar	21.7	20.9	26.4	28.4	33.5
Invest Bank	UAE	22.5	24.4	26.4	27.9	-
Dubai Islamic Bank	UAE	38.5	36.7	34.6	25.9	30.5
First Abu Dhabi Bank	UAE	37.7	39.9	45.3	23.4	34.6
Commercial Bank of Kuwait	Kuwait	33.3	48.4	30.0	15.0	75.4

Source: Reuters

Return on Equity

Within the GCC, UAE and Qatar are amongst the markets that generate higher ROEs. The ROEs for Saudi Arabian banks were relatively lower despite high ROAs due to the lower leverage of Saudi banks that tend to reduce ROEs. The overall ROE for GCC banks is estimated to be around 15% for the year 2018[13].

Table 9.4: Return on Equity in Percentage

Company	Country	2013	2014	2015	2016	2017
Qatar National Bank	Qatar	20.0	20.4	20.3	20.4	19.0
Dubai Islamic Bank	UAE	14.7	18.9	21.3	18.0	17.9
Masraf Al Rayan	Qatar	17.3	18.5	17.1	16.7	15.8
Ahli United Bank	Bahrain	22.5	17.8	16.7	16.7	16.6
Al Rajhi Banking & Investment Corporation	KSA	19.8	17.0	16.1	16.5	16.9
First Abu Dhabi Bank	UAE	15.1	16.1	13.6	15.2	13.5
National Bank of Bahrain	Bahrain	15.1	14.4	14.9	14.9	14.1
Abu Dhabi Commercial Bank	UAE	15.0	16.6	17.9	14.2	13.6
Emirates NBD Bank	UAE	8.4	11.9	14.9	14.1	14.9
BBK	Bahrain	14.8	14.6	14.4	13.9	12.4
Bank Muscat	Oman	15.3	14.8	14.6	13.9	-
Ahli Bank	Qatar	15.0	15.5	14.9	13.4	12.6
Saudi British Bank	KSA	17.6	17.4	16.0	13.1	12.2
Abu Dhabi Islamic Bank	UAE	11.3	13.1	13.5	12.9	14.6
Qatar International Islamic Bank	Qatar	14.8	15.7	14.4	12.9	12.3
Qatar Islamic Bank	Qatar	11.2	14.0	14.7	12.6	12.1
Arab National	KSA	13.5	14.4	13.7	12.5	-

[13] *KPMG*

Company	Country	2013	2014	2015	2016	2017
Kuwait Finance House	Kuwait	11.9	11.0	10.7	12.4	13.2
Banque Saudi Fransi	KSA	10.5	14.2	14.9	12.3	-
Samba Financial Group	KSA	13.6	13.6	13.2	12.1	-
National Bank of Oman	Oman	14.9	16.7	15.8	12.0	-
Bank Albilad	KSA	15.4	15.7	12.8	11.9	12.7
Commercial Bank of Dubai	UAE	14.4	16.0	13.3	11.9	11.3
Boubyan Bank	Kuwait	5.1	10.6	12.0	11.7	11.5
National Bank of Kuwait	Kuwait	11.0	11.6	11.7	11.2	11.6
Bank Aljazira	KSA	12.1	9.6	18.9	11.1	10.0
Mashreqbank	UAE	13.9	16.7	14.8	11.1	11.1
Bank Dhofar	Oman	23.4	14.5	13.1	10.8	10.0
National Bank of Fujairah	UAE	14.8	15.8	14.6	10.4	10.0
Ahli United Bank	Kuwait	15.2	15.3	10.8	9.9	10.2
Sharjah Islamic Bank	UAE	6.8	8.3	8.8	9.7	9.2
Burgan Bank	Kuwait	9.9	10.3	9.3	9.7	-
Invest Bank	UAE	13.3	13.4	9.0	9.4	-
Union National Bank	UAE	12.1	12.8	11.1	9.2	9.1
Riyad Bank	KSA	11.8	12.4	11.1	9.0	10.4
Commercial Bank of Kuwait	Kuwait	4.4	9.2	8.5	8.9	9.2
Arab Banking Corporation	Bahrain	9.5	9.7	6.1	8.9	-
National Bank of Ras Al Khaimah	UAE	23.4	21.3	19.0	8.7	-
Alawwal Bank	KSA	17.0	18.1	17.8	8.6	10.2
National Bank of Umm Al Qaiwain	UAE	10.3	8.3	13.9	8.2	-
Gulf Bank	Kuwait	7.2	7.5	7.8	8.1	8.6

Company	Country	2013	2014	2015	2016	2017
Alinma Bank	KSA	6.0	7.3	8.1	8.0	10.1
Doha Bank	Qatar	14.0	12.1	11.1	7.9	7.9
Saudi Investment Bank	KSA	11.5	12.3	9.8	7.1	9.3
Al Ahli Bank of Kuwait	Kuwait	7.0	7.2	6.0	6.6	7.0
Al Khalij Commercial Bank	Qatar	10.1	10.2	11.1	6.4	7.8
Warba Bank	Kuwait	-4.0	0.1	1.1	2.8	5.2
Commercial Bank	Qatar	10.4	12.1	8.7	2.8	3.0
Emirates Islamic Bank	UAE	4.1	8.4	13.4	1.8	10.0
United Arab Bank	UAE	23.4	22.5	-6.7	-22.4	-

Source: Reuters

Return on Assets

Among GCC countries, Saudi banks continue to have some of the highest returns on assets. These figures are comparable to some of the developed nations globally. Low costs, relatively moderate credit cost and zero taxes are amongst the key factors that have contributed to higher returns for Saudi banks. When compared to historical averages, returns in GCC countries are close to the lows of the last 10 year. This has been the case due to heightened competition and collapse of banking margins, as interest rates remained low since financial crisis. Most recently, high credit costs and subdued growth has also affected profitability.

Table 9.5: Return on Assets in Percentage

Company	Country	2013	2014	2015	2016	2017
Dubai Islamic Bank	UAE	1.6	2.4	2.8	2.5	2.4
Al Rajhi Banking & Investment Corporation	KSA	2.7	2.3	2.3	2.5	2.7
National Bank of Umm Al Qaiwain	UAE	3.0	2.4	4.1	2.4	-
Masraf Al Rayan	Qatar	2.7	2.8	2.4	2.4	2.1
Samba Financial Group	KSA	2.2	2.4	2.3	2.1	-

Company	Country	2013	2014	2015	2016	2017
Qatar National Bank	Qatar	2.5	2.4	2.3	2.1	1.8
Saudi British Bank	KSA	2.3	2.3	2.3	2.1	2.1
Ahli United Bank	Bahrain	2.1	1.8	1.8	2.1	2.2
National Bank of Bahrain	Bahrain	1.9	1.9	1.9	1.9	2.0
First Abu Dhabi Bank	UAE	1.6	1.7	1.4	1.9	2.1
Qatar International Islamic Bank	Qatar	2.4	2.3	2.0	1.9	1.9
National Bank of Oman	Oman	1.7	2.0	2.2	1.9	-
Banque Saudi Fransi	KSA	1.5	2.0	2.2	1.8	-
Ahli Bank	Qatar	2.2	2.1	2.0	1.8	1.6
Invest Bank	UAE	2.8	2.8	1.8	1.8	-
Bank Muscat	Oman	2.1	2.0	1.8	1.7	-
Emirates NBD Bank	UAE	1.0	1.5	1.9	1.7	1.8
Abu Dhabi Commercial Bank	UAE	2.0	2.2	2.3	1.7	1.6
Mashreqbank	UAE	2.3	2.6	2.3	1.7	1.7
Arab National	KSA	1.8	1.9	1.7	1.7	-
Commercial Bank of Dubai	UAE	2.4	2.6	2.0	1.6	1.5
Abu Dhabi Islamic Bank	UAE	1.5	1.6	1.7	1.6	1.9
Union National Bank	UAE	2.0	2.3	2.0	1.6	1.6
National Bank of Ras Al Khaimah	UAE	5.0	4.5	3.7	1.6	-
Qatar Islamic Bank	Qatar	1.7	2.0	1.8	1.6	1.6
BBK	Bahrain	1.4	1.5	1.4	1.6	1.6
Alinma Bank	KSA	1.7	1.8	1.7	1.6	1.8
Bank Albilad	KSA	2.2	2.1	1.6	1.5	1.6

Company	Country	2013	2014	2015	2016	2017
Riyad Bank	KSA	2.0	2.1	1.8	1.5	1.8
Sharjah Islamic Bank	UAE	1.5	1.6	1.5	1.5	1.3
Bank Dhofar	Oman	2.8	1.6	1.5	1.4	1.4
National Bank of Kuwait	Kuwait	1.5	1.5	1.5	1.4	1.5
National Bank of Fujairah	UAE	2.0	2.2	2.0	1.4	1.3
Kuwait Finance House	Kuwait	1.2	1.2	1.1	1.4	1.4
Bank Aljazira	KSA	1.2	0.9	2.0	1.3	1.3
Boubyan Bank	Kuwait	0.7	1.2	1.3	1.3	1.3
Commercial Bank of Kuwait	Kuwait	0.7	1.3	1.2	1.3	1.4
Doha Bank	Qatar	2.2	1.9	1.7	1.2	1.2
Arab Banking Corporation	Bahrain	1.4	1.4	0.8	1.2	-
Burgan Bank	Kuwait	0.7	0.9	1.0	1.1	-
Ahli United Bank	Kuwait	1.5	1.4	1.0	1.0	1.3
Alawwal	KSA	2.0	2.1	2.0	1.0	1.3
Saudi Investment Bank	KSA	1.6	1.6	1.3	1.0	1.4
Al Ahli Bank of Kuwait	Kuwait	1.2	1.2	0.9	0.8	0.9
Gulf Bank	Kuwait	0.7	0.7	0.8	0.8	0.9
Al Khalij Commercial Bank	Qatar	1.5	1.3	1.2	0.7	0.9
Commercial Bank	Qatar	1.7	1.7	1.2	0.4	0.5
Warba Bank	Kuwait	-1.2	0.0	0.2	0.3	0.5
Emirates Islamic Bank	UAE	0.4	0.9	1.3	0.2	1.2
United Arab Bank	UAE	3.0	2.6	-0.7	-2.3	-

Source: Reuters

About marmore

Our vision

To be the first choice for obtaining strategic intelligence on the MENA region.

Our mission

Serving businesses and institutions with reliable information and intelligence about MENA, needed to catalyse growth, understand the larger environment and facilitate decision-making.

Our aim

Advocate intellectual research on MENA economies, businesses and financial markets and provide customized, actionable solutions.

Our foundation

- A subsidiary of Markaz: Investment bank and asset management firm with 40+ years of history
- Markaz research activities commenced in 2006
- Marmore established in 2010 to intensify the research activities
- Publishes research reports and provides consulting services

Consulting services

Marmore provides customized consulting services based on specific requirements of our clients. Marmore's bespoke consulting services marries the challenges of cost, time, scope and data availability to generate actionable outcomes that are specific to our clients' needs.

What type of consulting services we provide?

- Industry market assessment (market size, competitors, regulations)
- White label reports (industry reports, company newsletters, periodic research)
- Databases (competitors' information, target clients insights)
- Company valuation (buy/sell side advisory)
- Due diligence / Business evaluation
- Feasibility studies (market and financial)
- Business plans
- C-Suite support to leaders with intellectual, industry related needs

How do we execute consulting engagement?

Our seven step process to execute consulting engagements:

- Step 1: Requirement and scope analysis
- Step 2: Proposal submission
- Step 3: Project initiation
- Step 4: Fieldwork / research
- Step 5: Analysis & reporting
- Step 6: Review & approval
- Step 7: Report submission / presentation

Published research

Industry research

Marmore's industry reports provide information on industry structure, key players, market analysis, demand drivers, competitive analysis and regulatory requirements.

Economic research

These reports are produced as thematic discussions based on current issues in the economy. The reports aid key stakeholders such as investors, businessmen, market participants, and policy makers in understanding the impact of a particular theme on the economy.

Infrastructure research

Infrastructure research highlights bottlenecks in the sector and areas requiring urgent investments. Our infrastructure report analyses the link between economic development and infrastructure and showcases supply & demand challenges in the GCC and investment opportunities.

Capital market research

Capital market reports provide an analysis of stock & bond markets in the MENA region including outlook. These reports are strategic in nature and provides investment perspective to readers.

Policy research

Marmore has partnered with several leading thought leaders and institutions of repute to generate economic policy research studies in key areas like energy, labor, economic structure and public sector.

Periodic research

Our periodic reports capture GCC stock markets' earnings, risk premium studies, and economic development & outlook.

Regulatory research

Our regulatory research series is an effective consolidation, analysis and summary of key business, economic, and market regulations that impact business environment.