



GCC listed banks' results

New Age Banking

Year-ended 31 December 2019

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May 2020

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Basis of preparation

In this report, KPMG professionals have analyzed the results of leading listed commercial banks from each GCC country — the Kingdom of Bahrain (Bahrain), the State of Kuwait (Kuwait), the Sultanate of Oman (Oman), the State of Qatar (Qatar), the Kingdom of Saudi Arabia (Saudi Arabia or KSA) and the United Arab Emirates (UAE). The results and selected key performance indicators (KPIs) of the 55 selected GCC banks for the year-ended 31 December 2019 are summarized and compared with those from last year (year-ended 31 December 2018).



Foreword

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



The 2019 report, titled '**New age banking**', focusses on some of the key financial trends identified in the banking sector across the region, including:

- **asset and profitability growth**
- **modest cost efficiencies**
- **higher share prices**
- **higher NPL ratios**
- **increased loan impairment charges.**

The financial trends identified through our analysis were largely positive, which, given the unique political and economic circumstances the region has witnessed in recent years, is particularly impressive, reflecting the continued resilience of the banking sector. This report highlights the optimism on the back of these positive financial results, which coupled with the increasing focus on 'digitization' in the region, has resulted in banks moving toward a more innovative approach. With the constant advancement and evolution of technology, we are witnessing banks gear up for this 'new age banking,' albeit in a measured manner.

As the preparation of this report is underway, we are going through an unprecedented pandemic, unlike anything that the current generation has experienced, which will have a major impact on economies across the globe. The increased optimism immediately after the end of 2019 referred to above will now clearly be affected, and given the current uncertainties, banking leaders will be compelled to rethink their strategies and business models for the future. However, it is clear that banks that

have been, and will continue to be, more nimble, agile and responsive to the digital agenda, will succeed in the long term. This has become even more apparent in the current crisis where branches are closed, face-to-face contact is limited, and the demand for digital banking channels has soared.

Last year, we made a number of predictions in specific areas including: regulatory reform; customer focus; cost efficiencies; credit and profit growth; capital/fundraising; consolidation, and technological investments, with many of these predictions being realized in 2019.

Looking forward, key predictions for the sector in 2020 explored in this report include:

- **Continued customer focus through innovation**
- **Cost and operational efficiencies will remain a priority**
- **Limited asset and profit growth**
- **Increasing capital and fundraising activity**
- **Further consolidation**
- **Rethinking of business models.**

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



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Executive summary



16.9% 

Remarkable profitability growth, with overall
net profit up by 16.9 percent to
US\$36.5 billion.



0.1% 

Nominal increase in total capital adequacy ratio, to 18.5 percent, yet still well above minimum regulatory requirements.



12.8% 

Total assets up by 12.8 percent to US\$2.3 trillion with robust asset growth across all GCC countries.

0.0%
ROA

0.2%
ROE 

Overall average **ROA (1.3 percent)** remains **in line** with 2018 while **ROE (10.3 percent) decreased** marginally from 2018.



9.5% 

Bank share prices have exhibited an **upward trend** with an average increase of **9.5 percent** over the year. However, the same share prices witnessed an average **decline of 18.9 percent** between 31 December 2019 and 30 April 2020.



0.5% 

The overall **cost-to-income ratio** has increased marginally by **0.5 percent** from 2018, averaging **41 percent** in 2019.

Loan provisions



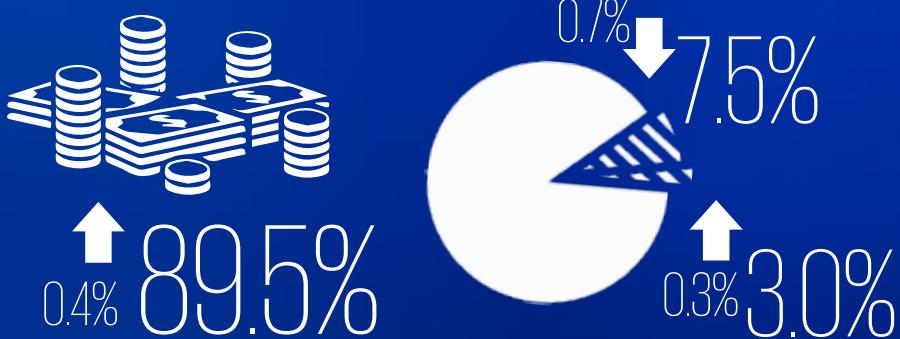
Net provision on loans

increased by **25.3** percent to **US\$12.9 billion** in 2019.



Average coverage ratio on stage 3

loans reduced by **7.0** percent to **62.6 percent** as at 31 December 2019.



Out of the **total loan exposure subject to ECL** as at 31 December 2019, **89.5 percent** was in **stage 1**, up by **0.4 percent**, **7.5 percent** was in **stage 2**, down by **0.7 percent** and **3.0 percent** was in **stage 3**, up by **0.3 percent**, when compared with 2018

Economic overview

Country	Bahrain	Kuwait	Oman	Qatar	UAE	Saudi Arabia
Debt						
Public debt (% of GDP, 2019) ¹	101.7	15.2	59.9	53.2	20.1	23.2
External debt (% of GDP, 2019) ¹	192.9	46.5	105.6	107.6	72.6	30.4
Credit rating						
Government credit rating	B2	Aa2	Ba2	Aa3	Aa2	A1
Government outlook	Stable	Review	Stable	Stable	Stable	Negative
Date of update	15 April 2020	31 March 2020	30 March 2020	13 April 2020	01 April 2020	01 May 2020
Banking outlook ³	Negative	Negative	Negative	Negative	Negative	Negative
GDP						
GDP for year 2019 (US\$ billion) ²	38.2	137.6	76.6	191.8	405.8	779.3
GDP growth (%, 2019) ⁴	1.8	0.7	0.5	0.1	1.3	0.3
GDP expected growth (%, 2020) ⁴	(3.6)	(1.1)	(2.8)	(4.3)	(3.5)	(2.3)
Fiscal breakeven oil price ⁵ (US\$ per barrel, 2020)	95.6	61.1	86.8	39.9	76.1	69.1

Source: ¹Bloomberg; ²IMF estimates, [Link](#); ³Moody's Investor Service, as on 2 April 2020, [Link](#), ⁴World Economic Outlook: The Great Lockdown published by IMF in April 2020, ⁵IMF Data, [Link](#);

The coronavirus pandemic has come as a shock for the global economy since the start of 2020, despite the effective policies adopted by economies across the globe to combat and mitigate its impact. Containment and social distancing measure to enhance healthcare systems and protect lives have disrupted the economic cycle and daily activities at a country level, which is expected to have a sharp negative effect on the global economy. The world has entered a recession that could be worse than the 2008 financial crisis, and according to the IMF, the global economy is expected to contract by 3.0 percent in 2020.

Growth in GCC countries has declined sharply due to the plunge in oil prices by more than 60 percent since the COVID-19 outbreak, falling to the lowest levels in the last two decades. The containment and restrictions measures implemented worldwide have reduced the demand for oil, which compelled the Organization of Petroleum Exporting Countries and other major oil producers (OPEC+) to cut oil production. According to the IMF regional economic outlook, GCC countries are projected to contract by 2.7 percent in 2020.

In 2020, the majority of banks across the world will unavoidably face challenges, the GCC banking sector being no exception. However, the impact is expected to be cushioned by the resilience and strength of the banking systems in the GCC countries.

As more containment measures are introduced in the region because of COVID-19, financial conditions have tightened. Central banks across the GCC have taken significant strides to ease policy and provide liquidity to commercial banks and other non-financial institutions to ensure enough support to the private sector to mitigate the impact of COVID-19 and the recent drop in oil prices. Central banks are expected to provide more support to banks in the future to maintain financial sector stability, and despite the announced stimulus packages, we expect there may be challenges for the profitability of the GCC banks.



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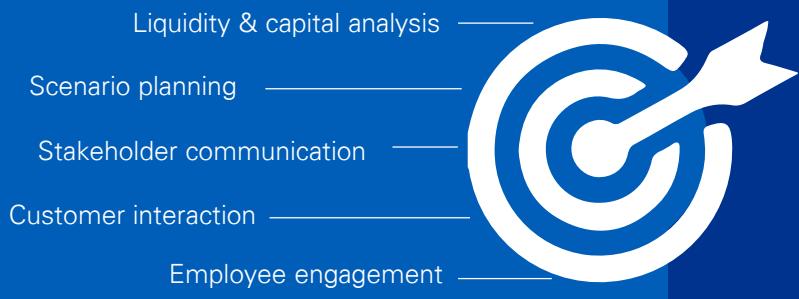
Implications of COVID-19

The COVID-19 pandemic is having an unprecedented impact on financial markets globally and regionally, with implications for operating models, employees, suppliers, customers, and in turn financial results. This coupled with the effects of the drop in oil prices, has created the unique situation the industry is faced with today. While proactive economic support measures have been put in place across the region to ensure that the financial system and wider economy are protected as far as possible, there are implications that banks will inevitably face.

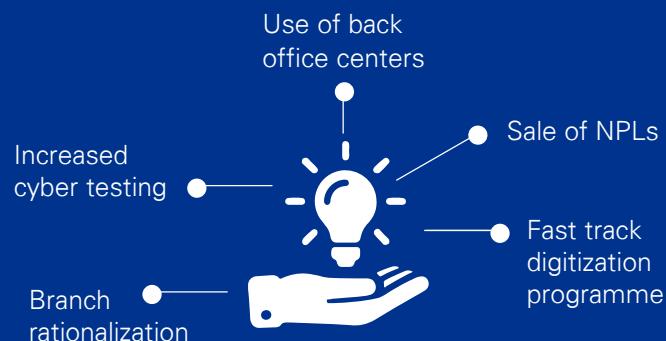
IThe key challenges faced by the banking sector are



IAs a result of these challenges banks will have to focus on the following areas



IBanks are also presented with the following opportunities due to the pandemic



While there are wide-ranging views on how this situation will affect the financial markets, one point unanimously agreed upon is that we will be dealing with the effects of the COVID-19 pandemic for the foreseeable future, and the banking sector as a whole will most certainly evolve attributed to this. Banks that are agile, flexible and willing to transform their business models will succeed, and secure their financial strength for future growth, while those that rest on their laurels will be left behind.

Country highlights



Bahrain

The Kingdom of Bahrain recorded 1.8 percent year-on-year real growth in 2019 and 2.4 percent in nominal terms. While the oil sector rebounded in 2019 due to planned maintenance in 1Q18, the non-oil sector continued its positive growth although at a slower pace. The banking sector's contribution to GDP is 16.5 percent with the overall increase in the balance sheet of the banking sector growing 6.4 percent and loans to the private sector up by 2.3 percent.



Kuwait

The Kuwait banking sector experienced a healthy growth of 8.2 percent in total assets with a marginal decline in net profits by 0.9 percent, mainly on account of higher expected credit losses in 2019. Non-oil growth was a moderate 2.5 percent in 2019, which resulted in stable consumer spending and supported the growth in banking assets. The Kuwait banking sector is well capitalized with the average CAR at 18 percent in 2019. The non-performing loans ratio for the sector remained low at 1.3 percent as of December 2019.



Oman

The banking sector in Oman has shown resilience to the tightening of operating conditions since the decline in oil price. Banks maintained sufficient capital buffers and remained fairly liquid. The Oman banking sector experienced a growth of 4.3 percent in total assets with a decline in profits by 4.7 percent mainly on account of higher than expected credit losses in 2019. The average CAR stood at 17 percent in 2019, reflecting that the Oman banking sector has sufficient capital buffers.





Qatar

Qatar's listed banks enjoyed a progressive financial year in 2019, reporting on an average, a 5.5 percent profit increase year-on-year. This is mainly attributable to higher margins, continued cost control and a clear focus on risk. Despite liquidity pressures, banks in Qatar saw a 9.3 percent growth in their asset base. Banks absorbed the impact of IFRS 9 in 2018, hence the overall provision charge on lending to customers only increased by US\$67.0 million (4.2 percent) compared with 2018. Market sentiment has also reflected fundamentals with the share prices of all listed banks, except one, showing an upward trend, which was a positive signal from the market on the resilience and strength of the banking sector in Qatar.

UAE

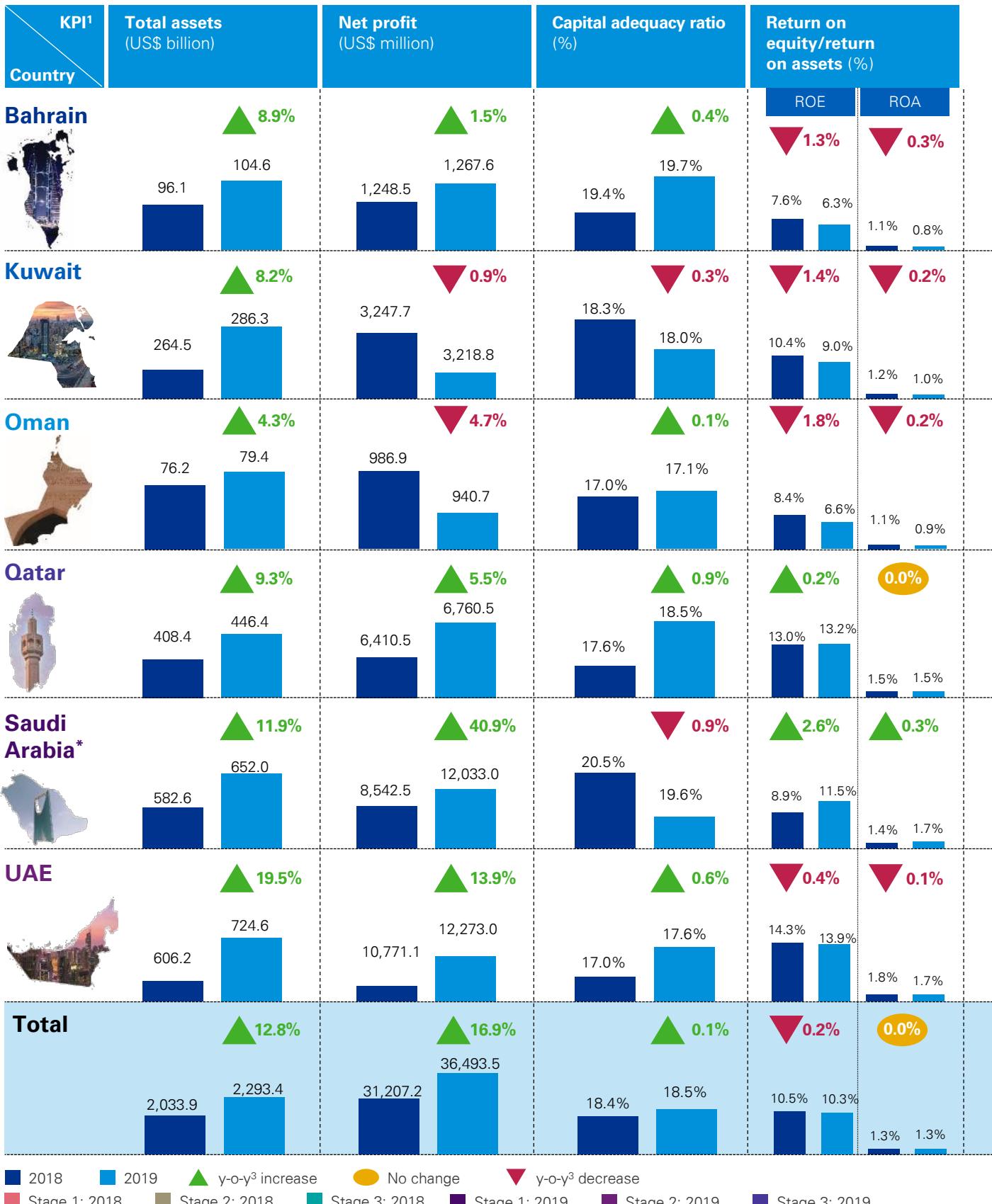
2019 was an impressive year for the UAE banking sector, despite the turbulent economic environment, with the top 10 listed banks experiencing a healthy surge of 13.9 percent in their net profits, driven by an increase in the overall loan book and inorganic growth. In the wake of the COVID-19 pandemic, the Central Bank of the UAE announced several relief packages for banks. Banks must contend with a slew of new regulations, as well as consumer demands for innovative new digital banking products.

Saudi Arabia

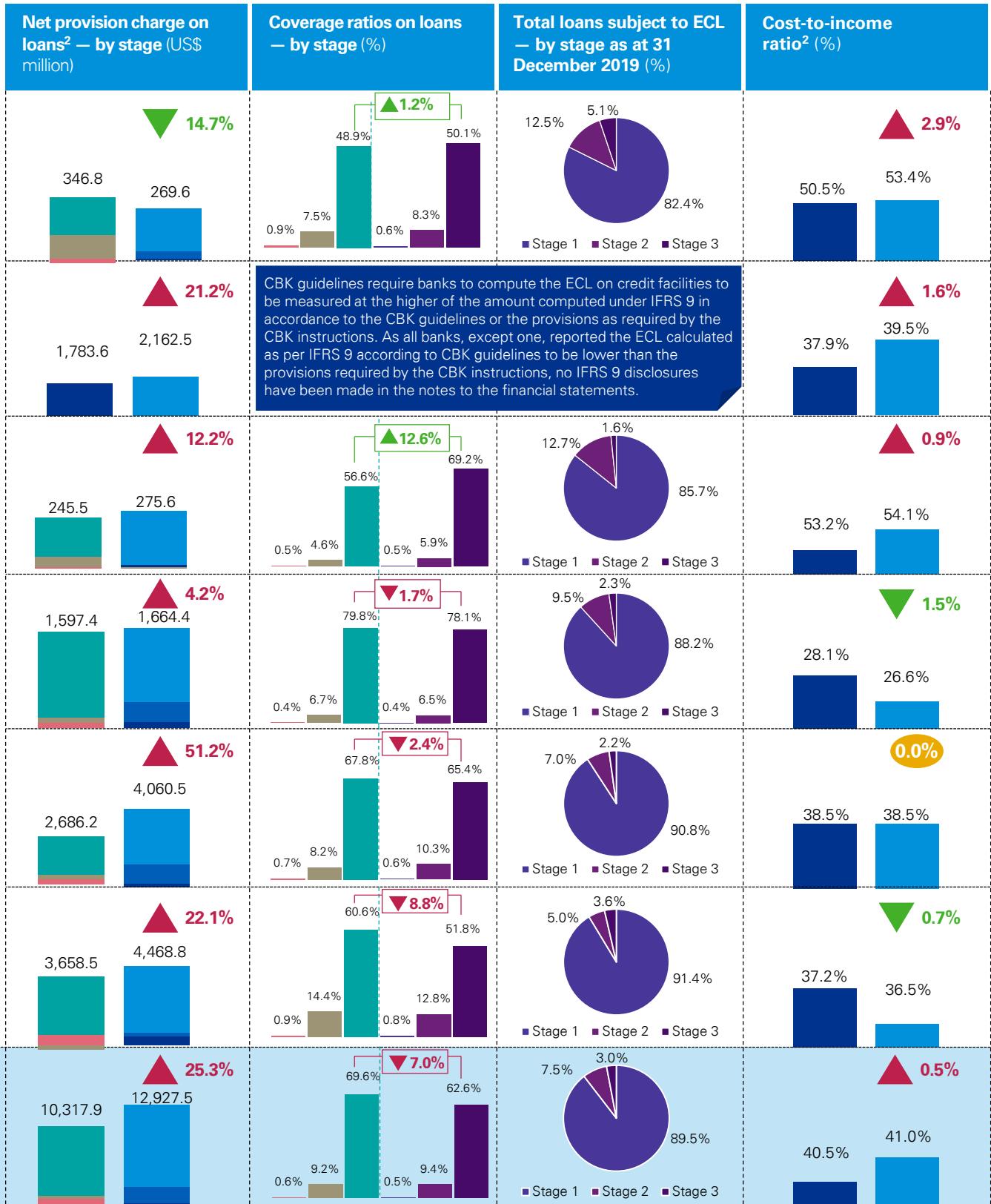
Our evaluation of the key financial indicators for the past year suggested growth and a positive outlook for the banking environment in Saudi Arabia, fueled by a proactive government and bespoke initiatives by the regulators. The 11 listed banks have reported asset growth of 12.0 percent during FY19 with a healthy 40.9 percent growth in net profit. More recently, the COVID-19 situation has not only tested the strong capitalization and high profitability of the sector, it has indicated a dynamic shift in investment toward digital platforms and omnichannel functionalities.



Results snapshot



Note: *For the banks in Saudi Arabia, the increase in net profit for the year also reflects growth arising out of change in accounting framework during 2019. This has resulted in a restatement of the comparative results and recognition of zakat and income tax charge in the statement of income.



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.

¹All KPIs have been calculated as of, or for the year-ended 31 December 2019; Total loans subject to ECL (by stage) and coverage ratios on loans (by stage) does not include banks from Kuwait

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

³Y-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

The overall positivity for the long-term outlook of the GCC banking sector remained consistent. Banks were able to withstand the economic and political challenges, given continued government support, stable oil prices, and committed infrastructure investment, which helped maintain stability and growth in the sector.

Positive long-term outlook



The increase in regulatory oversight and supervision witnessed over the last few years continued in 2019, and is expected to continue in the foreseeable future. With IFRS 9 fully implemented in the region, the Central Banks turned their attention to more pressing issues namely Anti Money Laundering (AML), Financial Crime, Culture and Conduct, Know Your Customer (KYC) and overall Corporate Governance.

Evolving regulatory regimes



Banks continued to focus on their customer's ever-changing needs and requirements and looked to implement technological advancements to gain a competitive advantage over their peers. An increased focus on branchless banking and cashless transactions was seen throughout the banking sector.

Greater customer focus



Despite the challenging political environment and increasing regulatory capital requirements, we have seen banks being active in their lending activities, however, focused on the higher-end customer base. This was supported by double-digit credit growth rates compared with what we have seen in recent years.

Modest credit growth





Cost and operational efficiencies remain a priority

In line with our expectations, banks continued focusing on cost and operational efficiencies in 2019, with the overall cost-to-income ratios increasing slightly on a year-on-year basis. In the midst of various conventional methods to reduce costs, banks also looked to take advantage of the technological innovation and other sophisticated ways to manage costs through the use of robotics, analytics and FinTech, among others.



Sustainable profit growth rates

We expected an upward trend in the profitability growth rates to continue in 2019, not necessarily in the double digits. However, the collective profitability growth for listed banks in the region was in fact in the double digits. This is mainly due to a modest growth in loan books, a lower cost of funds, and sustained cost efficiencies.



Increased capital and fundraising activity

Amid the challenging global macro-economic conditions, as regulators increase the minimum capital adequacy and liquidity requirements are in-line with Basel III regulations, we expected capital and fundraising activity to pick up in 2019. However, capital and fundraising activity did not live up to the expectations during the year.



Consolidation drive

The consolidation drive continued in 2019 as most GCC countries experienced mergers or potential mergers, both in the conventional and Islamic banking sector, thus looking to create larger, stronger and more resilient financial institutions. This year we also saw the creation of the largest Islamic bank in the region as result of the merger between a Bahraini and a Kuwaiti bank.



Embracing digital

There was heightened focus and greater investments in the digital arena where banks sought to bring innovative means in both the back and front office. Banks continue to digitize to remain relevant in the financial sector, gain a competitive advantage over their peers, and provide customers a distinct banking experience.

Bank rankings

	By y-o-y growth rate (2018 vs. 2019)			By value/percent as of, or for the y/e, 31 December 2019		
	Bank	Country	Δ y-o-y	Bank	Country	Value/percent
TOTAL ASSETS (US\$ billion)	1 The Saudi British Bank	Saudi Arabia	51.9%	1 Qatar National Bank	Qatar	259.5
	2 Abu Dhabi Commercial Bank	UAE	44.8%	2 First Abu Dhabi Bank	UAE	223.8
	3 <i>Warba Bank</i>	Kuwait	42.5%	3 Emirates NBD	UAE	186.0
	4 Emirates NBD	UAE	36.6%	4 The National Commercial Bank	Saudi Arabia	135.3
	5 <i>Kuwait International Bank.</i>	Kuwait	23.3%	5 Abu Dhabi Commercial Bank	UAE	110.3
	6 <i>Boubyan Bank</i>	Kuwait	21.4%	6 <i>Al Rajhi Bank</i>	Saudi Arabia	102.4
NET PROFIT (US\$ million)	1 <i>Al Rajhi Bank</i>	Saudi Arabia	169.5%	1 Emirates NBD	UAE	3,947.9
	2 <i>Bank Al Jazira</i>	Saudi Arabia	161.8%	2 Qatar National Bank	Qatar	3,942.5
	3 Banque Saudi Fransi	Saudi Arabia	121.9%	3 First Abu Dhabi Bank	UAE	3,408.2
	4 <i>Bank Albilad</i>	Saudi Arabia	102.9%	4 The National Commercial Bank	Saudi Arabia	3,040.4
	5 Riyad Bank	Saudi Arabia	81.1%	5 <i>Al Rajhi Bank</i>	Saudi Arabia	2,708.9
	6 Emirates NBD	UAE	44.4%	6 Riyad Bank	Saudi Arabia	1,493.9
NET PROVISION CHARGE ON LOANS¹ (US\$ million)	1 <i>Alizz Islamic Bank Oman</i>	Oman	1399.5%	1 Emirates NBD	UAE	1,391.1
	2 Saudi British Bank (SABB)	Saudi Arabia	1371.2%	2 <i>Qatar National Bank</i>	Qatar	872.8
	3 The Saudi Investment Bank	Saudi Arabia	476.0%	3 <i>Al Rajhi Bank</i>	Saudi Arabia	799.3
	4 Bank Dhofar	Oman	346.1%	4 SAMBA	Saudi Arabia	686.9
	5 <i>Khaleeji Commercial Bank BSC</i>	Bahrain	293.3%	5 Abu Dhabi Commercial Bank	UAE	630.1
	6 Kuwait Finance House	Kuwait	208.3%	6 <i>Kuwait Finance House</i>	Kuwait	607.8
RETURN ON EQUITY (%)	1 <i>Al Rajhi Bank</i>	Saudi Arabia	13.2%	1 Emirates NBD	UAE	21.8%
	2 <i>Ithmaar Holding</i>	Bahrain	10.8%	2 <i>Al Rajhi Bank</i>	Saudi Arabia	20.4%
	3 <i>Bank Albilad</i>	Saudi Arabia	6.5%	3 The National Commercial Bank	Saudi Arabia	19.1%
	4 Riyad Bank	Saudi Arabia	6.3%	4 Qatar National Bank	Qatar	19.0%
	5 Banque Saudi Fransi	Saudi Arabia	5.3%	5 <i>Dubai Islamic Bank</i>	UAE	18.4%
	6 <i>Bank AlJazira</i>	Saudi Arabia	4.9%	6 <i>Qatar Islamic Bank</i>	Qatar	17.5%
RETURN ON ASSETS (%)	1 <i>Al Rajhi Bank</i>	Saudi Arabia	1.7%	1 <i>Al Rajhi Bank</i>	Saudi Arabia	2.7%
	2 Banque Saudi Fransi	Saudi Arabia	1.0%	2 Emirates NBD	UAE	2.5%
	3 <i>Riyad Bank</i>	Saudi Arabia	0.9%	3 The National Commercial Bank	Saudi Arabia	2.4%
	4 <i>Bank AlJazira</i>	Saudi Arabia	0.7%	4 National Bank of Bahrain	Bahrain	2.3%
	5 Bank Albilad	Saudi Arabia	0.7%	5 Riyad Bank	Saudi Arabia	2.3%
	6 Emirates NBD	UAE	0.4%	6 <i>Dubai Islamic Bank</i>	UAE	2.2%

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 (2018 vs. 2019)			By value/percent as of, or for the y/e, 31 December 2019		
	Bank	Country	Δ y-o-y	Bank	Country	Value/percent
CAPITAL ADEQUACY RATIO (%)	1 Sharjah Islamic Bank	UAE	5.1%	1 National Bank of Bahrain	Bahrain	37.3%
	2 Sohar International	Oman	3.8%	2 Bank Al Jazira	Saudi Arabia	24.6%
	3 National Bank of Bahrain	Bahrain	3.5%	3 Sharjah Islamic Bank	UAE	22.8%
	4 Kuwait International Bank	Kuwait	2.6%	4 Bank of Bahrain and Kuwait	Bahrain	21.7%
	5 National Bank of Fujairah	UAE	2.6%	5 SAMBA	Saudi Arabia	21.1%
	6 Al Khaliji Commercial Bank	Qatar	2.2%	6 Al Salam Bank Bahrain	Bahrain	20.9%
COST-TO-INCOME RATIO ¹ (%)	1 Ithmaar Holding	Bahrain	(8.3)%	1 Masraf Al Rayan	Qatar	22.8%
	2 Bank Nizwa	Oman	(5.7)%	2 Qatar Islamic Bank	Qatar	22.8%
	3 Sharjah Islamic Bank	UAE	(5.2)%	3 Qatar International Islamic Bank	Qatar	24.1%
	4 The National Commercial Bank	Saudi Arabia	(4.5)%	4 Qatar National Bank	Qatar	26.1%
	5 The Commercial Bank	Qatar	(3.5)%	5 Dubai Islamic Bank	UAE	26.7%
	6 Riyad Bank	Saudi Arabia	(3.3)%	6 First Abu Dhabi Bank	UAE	27.2%
COVERAGE RATIOS ON LOANS—STAGE 3 ² (%)	1 National Bank of Oman	Oman	95.9%	1 National Bank of Oman	Oman	160.0%
	2 Bank of Bahrain and Kuwait	Bahrain	15.8%	2 Bank Albilad	Saudi Arabia	101.7%
	3 Alizz Islamic Bank Oman	Oman	15.6%	3 Qatar Islamic Bank	Qatar	100.0%
	4 Khaleeji Commercial Bank	Bahrain	14.1%	4 Al Rajhi Bank	Saudi Arabia	100.0%
	5 Al Rajhi Bank	Saudi Arabia	11.2%	5 Qatar National Bank	Qatar	100.0%
	6 Ahli Bank	Qatar	9.1%	6 Al Khaliji Commercial Bank	Qatar	94.4%
STAGE 3 LOANS SUBJECT TO ECL ^{1,2} (%)	1 Al Salam Bank Bahrain	Bahrain	(3.3)%	1 Bank Nizwa	Oman	0.1%
	2 Bank of Bahrain and Kuwait	Bahrain	(2.1)%	2 Al Rajhi Bank	Saudi Arabia	0.9%
	3 The National Bank of Ras Al-Khaimah	UAE	(0.7)%	3 Masraf Al Rayan	Qatar	1.0%
	4 Commercial Bank Qatar	Qatar	(0.7)%	4 Bank Albilad	Saudi Arabia	1.2%
	5 National Bank of Bahrain	Bahrain	(0.6)%	5 Qatar Islamic Bank	Qatar	1.3%
	6 Emirates NBD	UAE	(0.3)%	6 Ahli Bank	Oman	1.7%

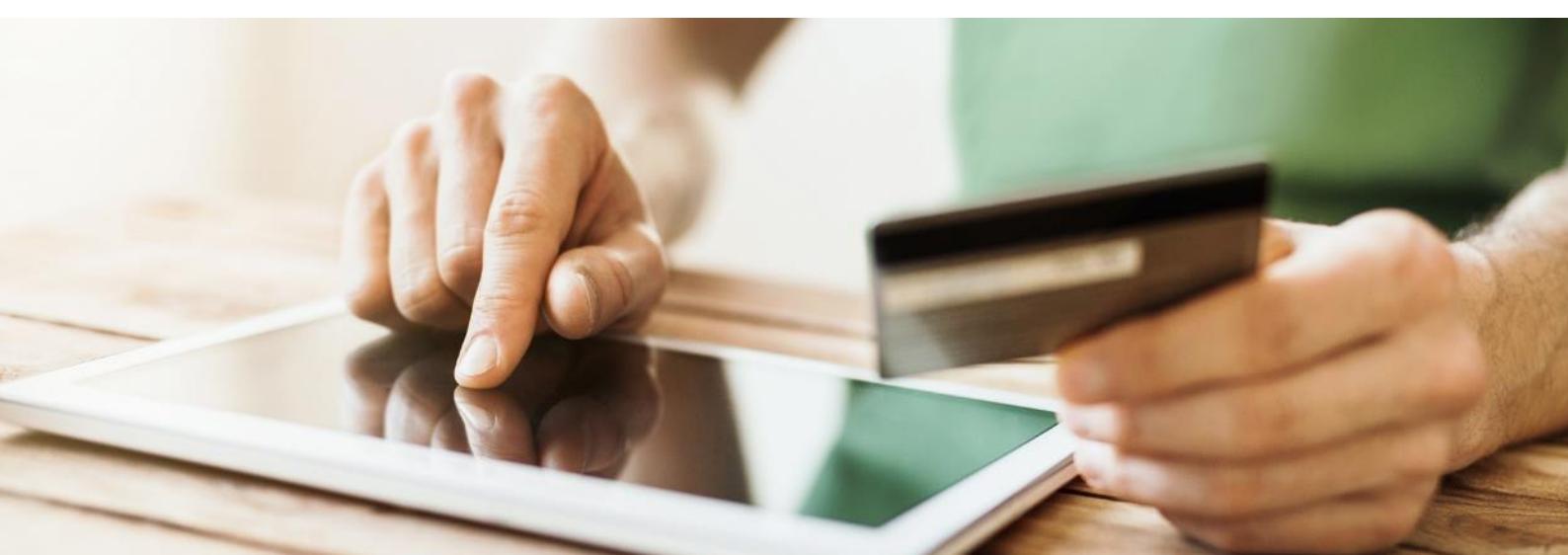
● Bahrain ● Kuwait ● Oman ● Qatar ● Saudi Arabia ● United Arab Emirates

Note: ¹Rankings for CIR and stage 3 loans subject to ECL have been sorted from smallest to largest, reflecting preferred negative movement.

²Total loan exposure subject to ECL and coverage ratios on loans does not include banks from Kuwait

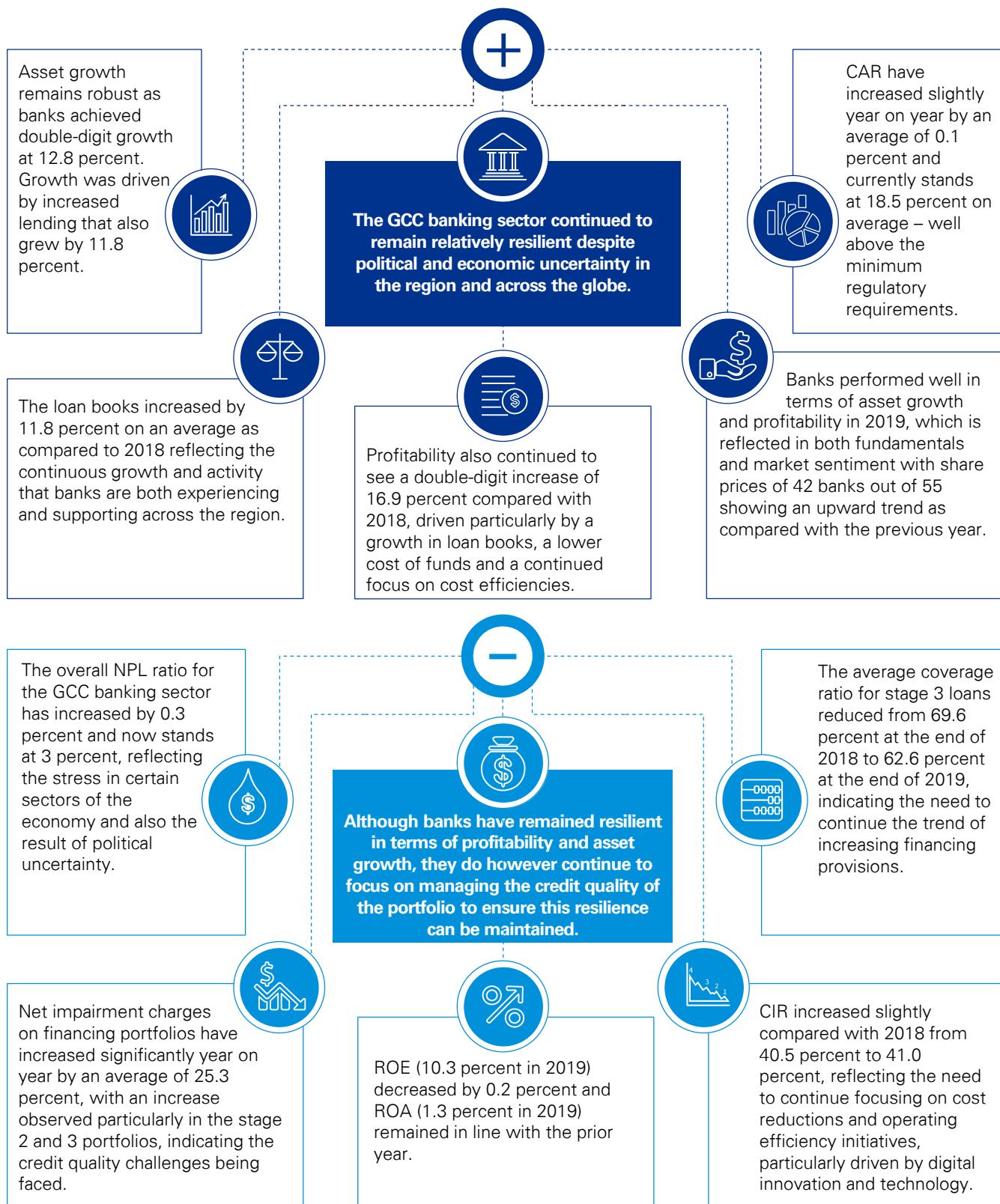
Y-o-y represents year-on-year. Y-o-y change for CAR, ROE, ROA, coverage ratio of loans – stage 3 and CIR are calculated basis absolute change.

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



Insights – 2019

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 2019.



Outlook – 2020

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



Further consolidation

Lenders in the GCC have been rapidly consolidating as they seek to remain competitive. In 2019, 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. One of the mergers announced during 2019, was a cross border merger between a bank from Kuwait and Bahrain. We expect that this consolidation drive will continue in 2020 across the region, with numerous talks or potential further transactions.



Evolving regulatory regimes

The increase in regulatory oversight and supervision witnessed over the last few years continued in 2019, and is expected to continue into the foreseeable future. With IFRS 9 fully implemented in the region, the Central Banks turned their attention to more pressing issues such as Anti Money Laundering (AML), Financial Crime, Culture and Conduct, Know Your Customer (KYC) and overall Corporate Governance.



Continued customer focus through innovation

Banks will continue to focus on their customers' ever-changing needs and requirements. With the rapid pace of technological advancement in the financial services industry, banks will be looking to identify ways in which they can use innovation to gain a competitive advantage over their peers. Traditional banking channels will continue to be challenged in favor of more efficient and effective alternatives.



Limited credit growth

With the challenging political and economic environment and increasing regulatory requirements, banks will continue pursuing a more measured approach in their lending activities and look to focus on the higher-end customer base. Credit growth is not expected to pick up significantly from last year given the economic impact of COVID-19 and significant fall in oil prices. In fact we expect banks to explore possible non-performing loan sales to manage their NPL ratios.



Stability rather than growth

The overall long-term outlook for the GCC banking sector has moved from positive to stable in our view. Banks are well positioned to weather the current economic and political challenges, given the expectation of continue government support and committed infrastructure investment, which will be somewhat offset by uncertainties arising from oil prices fluctuations and the COVID-19 impact, resulting in stable growth in the sector.



Cost and operational efficiencies to remain a priority

Given the margin pressures banks have experienced across the region in 2019, 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 amongst others.



Rethinking of business models

In a world where we are witnessing rapid technological change and evolving customer requirements, banks are redefining how business is executed. We are witnessing banks completely transforming and venturing into new age banking, be it through the use of Artificial Intelligence (AI) or going branchless to serve the customer base. We expect banks to aggressively pursue technological advancement and use revamped business platforms, partnering with various fintech firms.



Sustainable profit growth rates

The upward trend in profitability of GCC banks is expected to continue in 2020, although not necessarily at the double digit levels witnessed in 2019. The growth is likely to be modest and tempered by slower loan growth, shrinking profit margins and rising loan provisioning under the expected credit loss regime mainly driven by the economic impact of COVID-19.



Increased capital and fundraising activity

We do not expect capital and fundraising activity to pick up in 2020, given the uncertainties resulting from COVID-19 and the fact that regulators are relaxing the minimum capital adequacy and liquidity requirements inline with more developed market for the short term. Some banks will however look to tap into bond markets to take advantage of the low interest rate environment in the second half of the year.

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 2019 (reported in local currency), the average daily exchange rate between 1 January 2019 and 31 December 2019 has been used. The exchange rates used in this report are provided in Appendix III: Sources.

Where banks report in both local currency and the US\$, local currency figures have been converted to the US\$ to ensure consistency. The US\$ is also used when calculating percentage changes.

This report reflects restatements/revisions in 2018 numbers, as per the 2019 financial statements published by listed commercial banks. Some of the KPIs for the year-ended 31 December 2019 have been adjusted in this edition (wherever applicable, for consistency purposes) from the last version of the GCC listed banks results report.

KPI definitions and assumptions

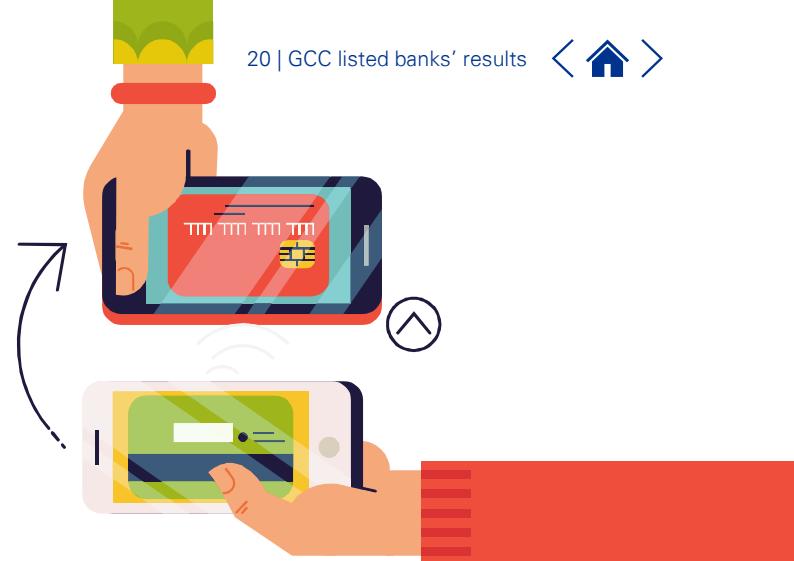
Given the varied accounting frameworks and reporting styles across Islamic and conventional banks in the GCC, the following parameters have been used in calculations for consistency in our analysis:

- **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, URRA 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 2018 and 31 December 2019.
- **Coverage ratios on loans – by stage** is the provisions (including interest in suspense) at 31 December 2018 and 31 December 2019 for the respective stages as a percentage of the relevant exposure.
- **Total loans subject to ECL – by stage at 31 December 2019** is the stage-wise exposure of loans subject to ECL (before the impact of ECL) at 31 December 2019 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 URRA costs have all been netted).
- **Share price** is the quoted price at the close of the last day of each quarter, starting 31 December 2018 and ending 31 December 2019.
- **Loan-to-deposit ratio (LDR)** is calculated by dividing net loans by customer deposits. For Islamic banks, unrestricted investment account (URRA) balances have been included in deposits.
- **Non-performing loan ratio (NPL)** is the ratio of non-performing loans to gross loans and advances.



Glossary

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



Bahrain¹	Abv.	Sign-off date
1 Ahli United Bank	AUB	07-02-2020
2 Al Baraka Banking Group	Al Baraka	10-02-2020
3 Al Salam Bank Bahrain	Al Salam	12-02-2020
4 Bahrain Islamic Bank	BISB	11-02-2020
5 Bank of Bahrain and Kuwait	BBK	18-02-2020
6 Ithmaar Holding (formerly known as Ithmaar Bank)	Ithmaar	13-02-2020
7 Khaleiji Commercial Bank	Khaleiji	03-02-2020
8 National Bank of Bahrain	NBB	12-02-2020

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	09-01-2020
2 Al Ahli Bank of Kuwait	ABK	12-02-2020
3 Boubyan Bank	Boubyan	05-01-2020
4 Burgan Bank	Burgan	05-02-2020
5 Gulf Bank	GBK	16-01-2020
6 Kuwait Finance House	KFH	09-01-2020
7 Kuwait International Bank	KIB	12-01-2020
8 National Bank of Kuwait	NBK	08-01-2020
9 The Commercial Bank of Kuwait	CBK	04-02-2020
10 Warba Bank	Warba	19-02-2020

Oman	Abv.	Sign-off date
1 Ahli Bank	Ahli	23-01-2020
2 Alizz Islamic Bank	Alizz	28-01-2020
3 Bank Dhofar	Dhofar	28-01-2020
4 Bank Muscat	Muscat	05-03-2020
5 Bank Nizwa	Nizwa	28-01-2020
6 HSBC Bank Oman	HSBC	05-03-2020
7 National Bank of Oman	NBO	27-01-2020
8 Sohar International	Sohar	27-01-2020

Qatar	Abv.	Sign-off date
1 Ahli Bank	Ahli	06-02-2020
2 Al Khaliji Commercial Bank	Al Khaliji	04-02-2020
3 Doha Bank	Doha	24-02-2020
4 Masraf Al Rayan	MAR	17-02-2020
5 Qatar International Islamic Bank	QIIB	16-02-2020
6 Qatar Islamic Bank	QIB	02-02-2020
7 Qatar National Bank	QNB	16-01-2020
8 The Commercial Bank	CB	26-02-2020

Saudi Arabia	Abv.	Sign-off date
1 Al Rajhi Bank	Al Rajhi	17-02-2020
2 Alinma Bank	Alinma	27-01-2020
3 Arab National Bank	ANB	19-02-2020
4 Bank Albilad	BAB	06-02-2020
5 Bank AlJazira	BAJ	30-01-2020
6 Banque Saudi Fransi	BSF	31-01-2020
7 Riyad Bank	Riyad	22-01-2020
8 SAMBA Financial Group	SAMBA	02-02-2020
9 The National Commercial Bank	NCB	26-01-2020
10 The Saudi British Bank	SABB	24-02-2020
11 The Saudi Investment Bank	SAIB	27-02-2020

United Arab Emirates¹	Abv.	Sign-off date
1 Abu Dhabi Commercial Bank	ADCB	26-01-2020
2 Abu Dhabi Islamic Bank	ADIB	12-02-2020
3 Commercial Bank of Dubai	CBD	23-02-2020
4 Dubai Islamic Bank	DIB	12-02-2020
5 Emirates NBD	ENBD	26-01-2020
6 First Abu Dhabi Bank	FAB	20-01-2020
7 Mashreq bank	Mashreq	03-02-2020
8 National Bank of Fujairah	NBF	09-02-2020
9 Sharjah Islamic Bank	SIB	23-01-2020
10 The National Bank of Ras Al-Khaimah	RAK	05-02-2020

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.

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