

GCC Regional economic Review: Banking industry

The financial sector in the GCC, which remains dominated by banks, presents a degree of depth and intermediation capacity in line with overall level of financial development and structural characteristics of its member countries.

GCC Banks remain relatively resilient, and long-term outlook remains positive despite economic uncertainty. Banks are experiencing new challenges because of the current economic environment, greater regulatory oversight, supervision and stiffer competition. However, the sector is still growing, although at a slower pace than previous years. The coming year is likely to see further capital and fundraising activity to support growth and to manage Basel III capital and liquidity requirements.

GCC: Dependence on Oil Revenues

Fiscal oil revenues as percent of total fiscal revenues

	2000-05	2006-10	2011-14
Bahrain	71.7	82.2	87.2
Kuwait	72.7	79.2	83.6
Oman	83.4	83.4	88.7
Qatar	90.5	88.3	90.7
Saudi Arabia	82.8	88.3	90.3
UAE	60.2	65.1	69.9

Source: IMF working paper, WP/16/161

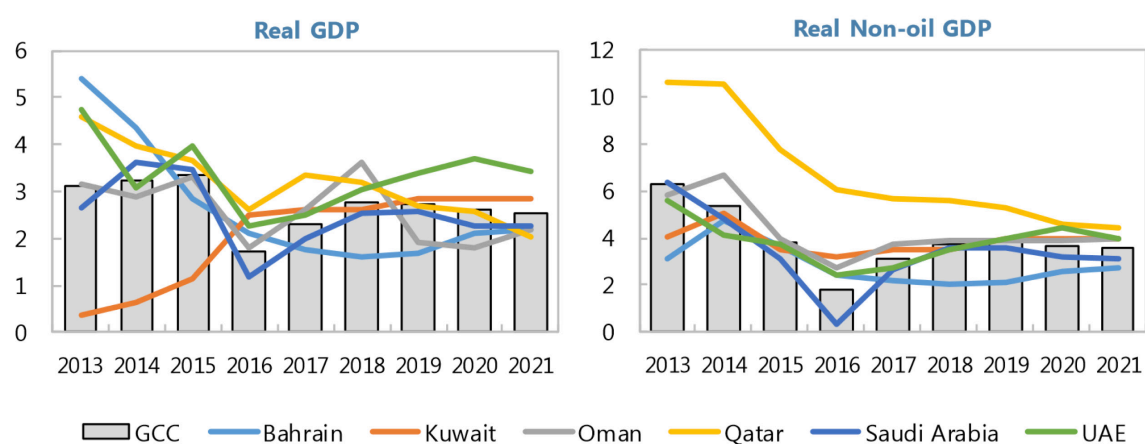
GCC: size of the financial system (Percentage of GDP)

	Bank Assets	Market capitalization
Bahrain	259.7	64.1
Kuwait	165.5	72.8
Oman	121.4	28.1
Qatar	148.7	73.7
Saudi Arabia	92.6	71.0
UAE	193.4	59.7

Source: GCC authorities, Bloomberg, IMF Working Paper WP/16/161.

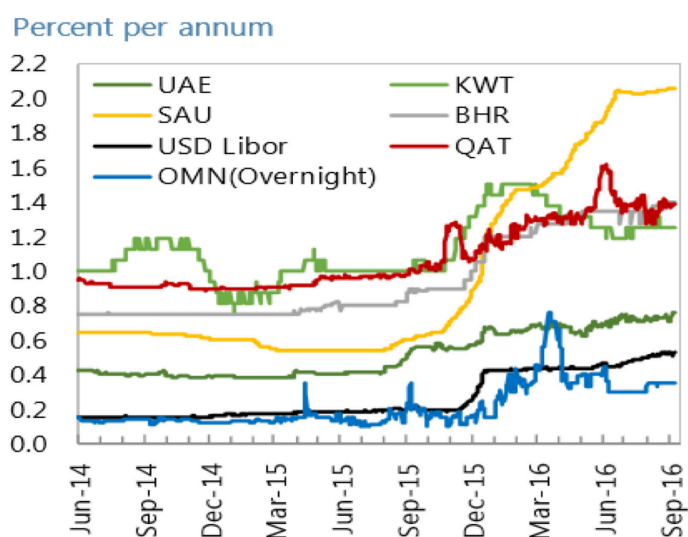
Note: data as sep.2015, UAE data from Abu Dhabi and Dubai Stock Market. Bahrain excludes the wholesales banks

GCC: Dependence on Oil Revenues



Source: IMF Staff Estimates

GCC: Month Interbank Rates



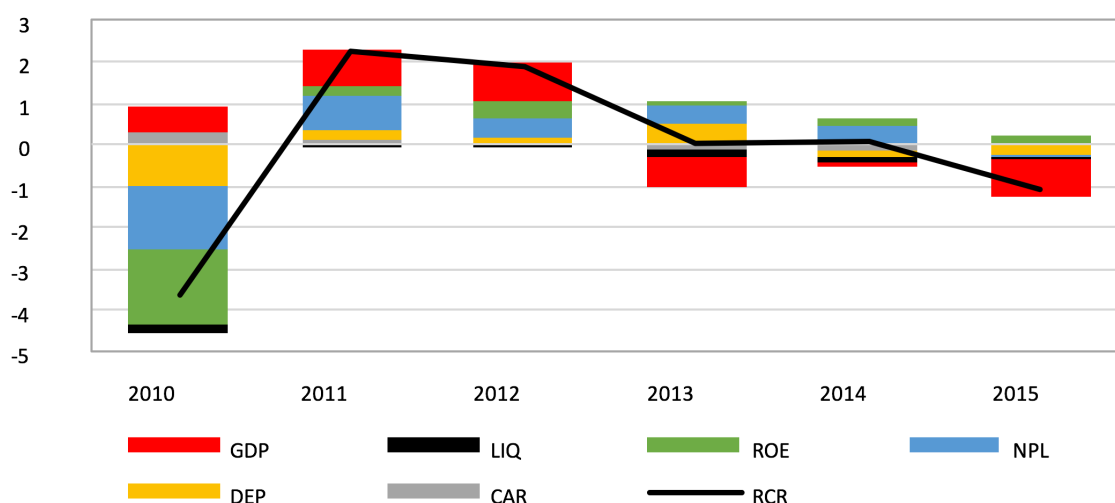
Source: Bloomberg.

Interbank rates have increased in most cases indicating at least some pockets of liquidity pressure.

The demand for credit from the private sector increases with high oil prices and stronger activity in the non-oil sector.

The slowdown in bank credit growth was due to both supply and demand factors. Looking ahead, banks need to maintain sufficient capital even as low oil prices start putting balance sheets under pressure.

GCC: Contributions to change in predicted real credit growth



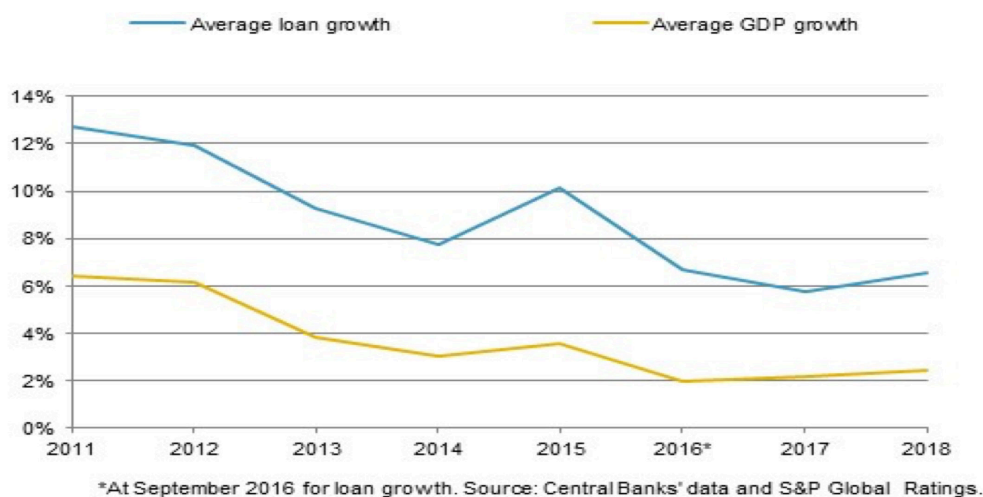
Source: IMF, GCC surveillance note, 10/2016.

RCR: predicted real credit growth, GDP: real non-oil GDP growth, LIQ: liquid assets to short term funding .

NPL= difference in NPL ratio, DEP: real deposit growth, CAR: capital ratio, ROE: return on equity

GCC: Lending Growth

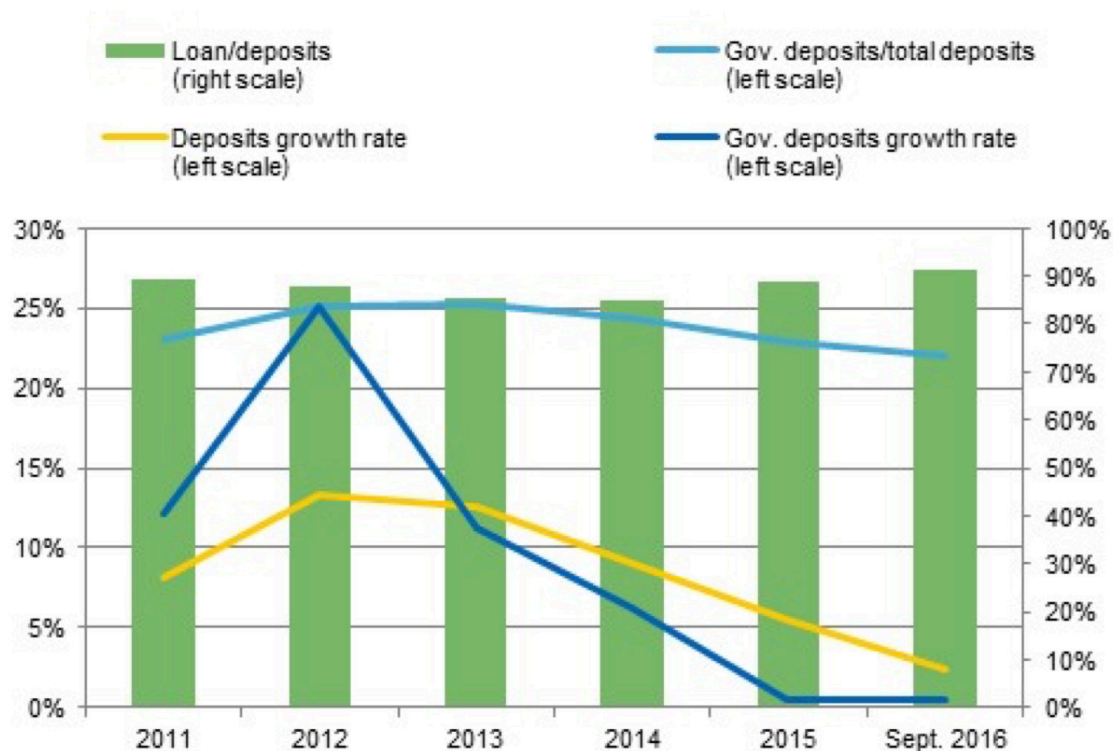
Growth of GCC Banks' Loan Portfolios Versus GDP Growth



Source: S&P Global, Rating Direct, January 23, 2017

GCC: Funding Profile

GCC Banks Funding Profile



Source: S&P Global, Rating Direct, January 23, 2017

GCC: Banks Financial Soundness Indicators

Total Assets

	Total Assets: (US\$billion) 2014	Total Assets: (US\$billion) 2015	Percentage change (%)
Bahrain	90.4	93.1	2.9%
Kuwait	239.4	233.5	-2.5%
Oman	57.6	68.1	18.3%
Qatar	267.2	297.7	11.4%
Saudi Arabia	559.5	578.2	3.3%
UAE	455.1	504.3	10.8%

Source: KPMG, GCC listed bank result, 31/12/2015

Net Profit

	Net Profit (US\$billion) 2014	Net Profit (US\$billion) 2015	Percentage change (%)
Bahrain	1.0	1.0	-
Kuwait	2.3	2.4	2.2%
Oman	0.8	0.9	10.4%
Qatar	5.3	5.5	4.5%
Saudi Arabia	11.1	11.6	5.3%
UAE	8.7	9.7	11.3%

Source: KPMG, GCC listed bank result, 31/12/2015

Capital Adequacy Ratio

	Capital Adequacy Ratio (%) 2014	Capital Adequacy Ratio (%) 2015	Percentage change (%)
Bahrain	18.9%	18.2%	-0.7%
Kuwait	19.1%	18.1%	-1.0%
Oman	29.9%	20.9%	-9.0%
Qatar	16.8%	15.5%	-1.3%
Saudi Arabia	17.8%	17.8%	-
UAE	18.4%	18.1%	-0.3%

Source: KPMG, GCC listed bank result, 31/12/2015

Cost to income ratio

	Cost to income ratio (%) 2014	Cost to income ratio (%) 2015	Percentage change (%)
Bahrain	53.7%	46.5%	7.2%
Kuwait	42.3%	40.5%	-1.8%
Oman	110.9%	74.3%	36.6%
Qatar	31.7%	31.7%	-
Saudi Arabia	38.9%	39.0%	0.1%
UAE	34.2%	34.8%	0.6%

Source: KPMG, GCC listed bank result, 31/12/2015

ROE

	ROA (%) 2014	ROA (%) 2015	Percentage change (%)
Bahrain	9.1%	8.3%	-0.8%
Kuwait	8.2%	8.2%	-
Oman	7.8%	7.6%	-0.2%
Qatar	14.6%	14.2%	-0.4%
Saudi Arabia	14.4%	14.5%	0.1%
UAE	17.4%	17.3%	-0.1%

Source: KPMG, GCC listed bank result, 31/12/2015

ROA

	ROE (%) 2014	ROE (%) 2015	Percentage change (%)
Bahrain	1.0%	1.0%	-
Kuwait	0.9%	0.9%	-
Oman	0.0%	0.5%	0.5%
Qatar	2.0%	1.8%	-0.2%
Saudi Arabia	2.0%	2.0%	-
UAE	2.4%	2.2%	-0.2%

Source: KPMG, GCC listed bank result, 31/12/2015

Liquidity Ratio

	Liquidity Ratio (%) 2014	Liquidity Ratio (%) 2015	Percentage change (%)
Bahrain	33.6%	30.4%	-3.2%
Kuwait	33.1%	31.5%	-1.6%
Oman	48.2%	31.5%	-27.0%
Qatar	27.5%	23.1%	-4.4%
Saudi Arabia	23.7%	22.4%	-1.3%
UAE	29.1%	30.2%	1.1%

Source: KPMG, GCC listed bank result, 31/12/2015