

## MENA Banks

A deep dive into emerging themes; favor UAE, Egypt over Saudi Arabia, Qatar

Our formerly prosaic MENA banking investment thesis is now molded by themes of low visibility on rates, rising liquidity premium amid narrow opportunity, and asset quality vulnerability to a cyclical downturn. We incorporate the impact of these trends in our estimates, rejig our sector preferences and roll forward our Gordon growth-based PTs to Dec-16 (prev Dec-15). While the defensive characteristics of MENA banks remain intact and have supported their recent outperformance vs. GEM, we see few catalysts to close the gap to fair values. We stick with quality amidst risk aversion and prefer banks in UAE & Egypt over Saudi Arabia & Qatar.

- **16E-17E ROE evolution in regional banks will be a function of** a) higher NIM on a positive duration gap, hikes in 16E-17E; funding costs need to be closely monitored amid dearer liquidity), and concern around pegs; b) lower asset growth as sovereign spending and subsidy allocation are rationed in an uncertain oil outlook; and c) asset quality deterioration risks under-pinned by tougher macro and risk-averse credit pricing. Regulation remains a potential drag on EPS. GCC banks could be opportunistic acquirers in GEMs helped by USD (currency peg) strength and capital comfort.
- **We prefer positioning in UAE and Egyptian banks over Saudi Arabian and Qatari.** **UAE:** Economic diversification and lower reliance of banks on state capex for future growth intuitively backs this view; positive effect of higher rates may be curbed by tighter liquidity and Basel III-driven costs. **EGYPT:** 'High 20s' ROE aided by economic recovery driving credit demand, resilient spreads, cross-sell and manageable franchise risks; correction within the recent GEM sell-off offers a good entry opportunity, in our view. **QATAR:** Private sector feeding credit growth, but liquidity tightening as public sector deposits contract and capital just about okay; FIFA World Cup concerns have kept investor interest muted; banks are less likely to be immediate beneficiaries of rate hikes. **SAUDI:** Conventional banks best positioned in GCC, in our view, to benefit from higher rates but lack secular growth drivers as asset mix gradually shifts to sovereign deficit financing; conservative regulation may keep ROE below potential.
- **Key changes.** We add COMI, the most compelling risk-reward exposure in MENA, to the CEEMEA Analyst Focus List. For a combination of double-digit EPS growth, c30% ROE, 8.5x16E P/E, a solid franchise and mgmt. track record, we are willing to take some macro risk. We remove FGB from the AFL and shift our preference into ADCB within UAE banks, while retaining OW on both stocks. ENBD offers value, however capped FOL is a dampener. While we like CBQ for private sector exposure, its current capital level could limit growth; any relief rally in Turkey and y/e dividends could support valuations. QNB's fair valuation of 2.4x trailing implies >35% upside over the next year. In Saudi Arabia, we upgrade BSFR to N from UW; however, better dividends, better ROE vs. 13-14 and gearing to a US rate hike though valuation risk-reward remains better in peer SAMBA, our favored Saudi exposure now (vs. SABB prev.). DHBK, NBAD, RJHI and RIBL remain our least favored in the sector. Key risks for all MENA banks are largely around macro volatility and execution/regulation.

See page 68 for analyst certification and important disclosures, including non-US analyst disclosures.

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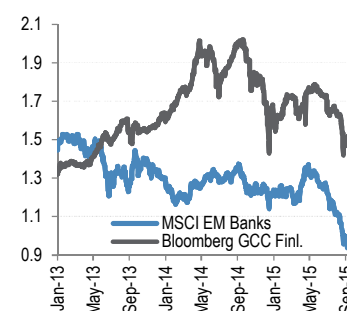
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**Figure 1: GCC Financials vs. MSCI EM Banks**



Source: Bloomberg

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### Related research:

[Em. EMEA Economics](#) Presentation

[Key trades & risks](#): EM equity strategy

[Level Pegging](#): Assessing EMEA EM managed FX regimes; [Saudi](#) Peg explained

[Saudi Arabia 101](#): Equity investors' guide

## Equity Ratings and Price Targets

Company	Ticker	Mkt Cap (\$ mn)	Price CCY	Price	Rating		Price Target	
					Cur	Prev	Cur	Prev
Commercial International Bank (Egypt)	COMI EY	6,209.76	EGP	52.95	OW	n/c	76.00	n/c
Abu Dhabi Commercial Bank	ADCB UH	11,686.06	AED	7.67	OW	n/c	10.30	9.50
Samba Financial Group	SAMBA AB	12,286.03	SAR	23.04	OW	n/c	33.00	30.00
Qatar National Bank	QNBK QD	35,542.65	QAR	185.00	OW	n/c	255.00	230.00
First Gulf Bank	FGB UH	17,031.53	AED	13.90	OW	n/c	19.50	19.10
SABB	SABB AB	10,946.54	SAR	27.37	OW	n/c	40.00	44.50
Commercial Bank of Qatar	CBQK QD	5,022.17	QAR	56.00	OW	n/c	67.00	73.00
Banque Saudi Fransi	BSFR AB	9,770.12	SAR	30.40	N	UW	38.50	n/c
Emirates NBD	EMIRATES UH	13,377.64	AED	8.84	N	n/c	11.50	n/c
Doha Bank	DHBK QD	3,582.49	QAR	50.50	N	n/c	61.00	60.00
Al Rajhi Bank	RJHI AB	24,259.10	SAR	55.99	UW	n/c	60.00	58.00
National Bank of Abu Dhabi	NBAD UH	13,901.67	AED	9.80	UW	n/c	11.50	13.15
Riyad Bank	RIBL AB	11,358.49	SAR	14.20	UW	n/c	15.00	18.00

Source: Company data, Bloomberg, J.P. Morgan estimates. n/c = no change. All prices as of 22 Sep 15 except for SAMBA AB [21 Sep 15] SABB AB [21 Sep 15] BSFR AB [21 Sep 15] RJHI AB [21 Sep 15] RIBL AB [21 Sep 15].

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## Investment summary

### Rejigging the portfolio / key preference & rating changes

Table 1: CIB Egypt – key metrics

	15E	16E	17E
ROE	29%	30%	29%
ROA	2.87%	2.99%	3.04%
NI growth	29%	30%	29%
L/D	43%	45%	47%
Tier I	14.0%	14.8%	15.5%
NIM	5.31%	5.10%	5.10%
C/I	47%	45%	43%
Coverage	137%	144%	149%
CoR	1.73%	1.34%	1.10%

Source: J.P. Morgan estimates.

Table 2: ADCB – key metrics

	15E	16E	17E
ROE	20%	19%	19%
ROA	2.19%	2.21%	2.27%
NI growth	10%	7%	9%
L/D	105%	104%	103%
Tier I	16.2%	16.3%	16.3%
NIM	3.08%	3.10%	3.18%
C/I	34%	34%	34%
Coverage	140%	128%	114%
CoR	0.48%	0.48%	0.50%

Source: J.P. Morgan estimates.

Table 3: FGB – key metrics

	15E	16E	17E
ROE	21%	21%	21%
ROA	2.6%	2.6%	2.7%
NI growth	1%	9%	10%
L/D	104%	104%	104%
Tier I	15.7%	15.9%	16.1%
NIM	3.17%	3.21%	3.31%
C/I	24%	24%	24%
Coverage	131%	123%	114%
CoR	0.86%	0.86%	0.84%

Source: J.P. Morgan estimates.

Table 4: Samba – key metrics

	15E	16E	17E
ROE	13%	13%	14%
ROA	2.28%	2.29%	2.38%
NI growth	3%	9%	13%
L/D	77%	77%	76%
Tier I	19.6%	19.7%	19.9%
NIM	2.27%	2.30%	2.41%
C/I	31%	30%	29%
Coverage	161%	156%	151%
CoR	0.17%	0.26%	0.30%

Source: J.P. Morgan estimates.

**CIB Egypt (OW / AFL).** *We reiterate OW and add CIB to our CEEMEA Analyst Focus List. CIB shares offer the best risk-reward within MENA banks in our view.*

At CIB's current valuation of 8.5x 16E P/E and 2.4x P/B, we see avg. 20%yoy earnings growth 15E-17E, avg. 29% ROE 15E-17E and 4%-6% 15E-17E div. yield. This is backed by a liquid, well-capitalized balance sheet (<50% L/D with comfortable liquidity in both EGP and FX), a robust domestic credit growth cycle (c25% 15E, >30% 16E on mgmt. guidance) incl. resilient spreads helped by an asset mix trending towards better-yield EGP business, manageable asset quality risks (counter-cyclical provision build-up with rising coverage), adaptable competitive pressure (c30% credit to GDP in our view makes the pie big enough for new foreign banks entering the system) and a solid management track record. We are willing to take some macro risk that comes along with the stock, largely on the currency and regulatory fronts.

**Abu Dhabi Commercial Bank (OW).** *ADCB is our now our preferred pick among UAE banks.* While ADCB remains a more UAE-leveraged thesis in our view vs. its peer UAE banks, the UAE economy itself is less exposed to risks from a protracted lower oil price vs. peer GCC. Post active restructuring in the past few years, ADCB's franchise in our view is significantly better positioned in the form of: a) 49% of deposits in CASA (non-interest bearing), better vs. domestic peers; b) c3% NPL ratio and limited risk through y/e backed by >140% coverage; and c) well-capitalized b/s with >16% Tier I 15E (incl. c14% core). We also believe the asset and funding mix is supportive of better NIM uplift, vs. peers, as rates increase, while given its Dubai penetration, the bank could be a better beneficiary of Iran opening than its peer Abu Dhabi banks. The stock trades at <9x 16E earnings and c1.6x16E tangible book for a 19% tangible ROE 16E-17E.

**First Gulf Bank (OW).** *We retain our OW but remove the stock from the AFL.* We have long liked the FGB franchise, its attractive ROE, mgmt. quality, asset mix (c40% retail + growing international mix within corporate) and dividend returns, and these characteristics remain intact. *However from a positioning perspective, a) Q3 is unlikely to be a catalyst while Q4 revenues may be driven by non-core revenues (real estate revaluation gains); and b) NIMs look vulnerable to downside risk near term*, impacted by higher liquidity costs (FGB has lower mix of cheaper-priced CASA deposits, 19% of the book vs. NBAD 32%, ADCB 49%, and ENBD 58%); in the context of a rising rate environment boosting NIMs, we believe ADCB looks relatively better vs. FGB. Rich dividend yield (c6% 15E-17E currently) is perhaps the best angle currently going into Q4 for what is a well-known story and, in our view, offers little new to be excited about.

**Samba Financial Group (OW).** *Samba is our preferred pick in Saudi banks (vs. SABB prev.). Its balance sheet characteristics on key metrics of liquidity, asset quality, capital, ALM, etc. are among the most attractive in CEEMEA* backed by conservative regulation. Saudi conventional banks including Samba appear best positioned in MENA to benefit from higher US rates, as we discuss in detail within this report. Should regulatory pressure on contracting exposure increase, Samba looks well-positioned to bear the higher cost of risk. While Saudi Arabia has

Table 5: QNB – key metrics

	15E	16E	17E
ROE	22%	21%	21%
ROA	2.19%	2.22%	2.28%
NI growth	7%	11%	12%
L/D	94%	95%	95%
Tier I	16.3%	15.9%	15.7%
NIM	2.65%	2.67%	2.73%
C/I	22%	22%	21%
Coverage	127%	126%	124%
CoR	0.33%	0.32%	0.32%

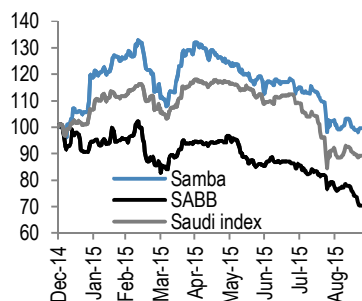
Source: J.P. Morgan estimates.

Table 6: BSFR – key metrics

	15E	16E	17E
ROE	15%	15%	15%
ROA	2.02%	2.07%	2.11%
NI growth	12%	10%	10%
L/D	84%	83%	81%
Tier I	14.9%	15.1%	15.4%
NIM	2.33%	2.39%	2.50%
C/I	34%	34%	33%
Coverage	200%	187%	177%
CoR	0.18%	0.20%	0.25%

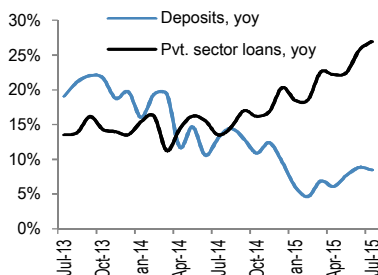
Source: J.P. Morgan estimates.

Figure 2: SABB performance vs. peers, rebased, YTD



Source: Bloomberg

Figure 3: Qatar deposit vs. loan growth



Source: QCB

somewhat lower macro visibility given the muddled oil price outlook and low visibility on banking asset growth which is now largely expected from sovereign deficit financing, valuation of Samba shares, following their recent correction (-15% -3M / -18% -6M), looks very attractive, in our view, at 1.1x16E book and 8.2x16E earnings for 13-14% 15E-17E ROE and around 5% 15E div. yield.

**Qatar National Bank (OW).** *We shift our preference back into QNB over CBQ while generally preferring exposure to Egypt and UAE over Qatari banks* given a) delayed benefits from US rate hikes; and b) overhang from uncertainty around FIFA. While we have always liked QNB's franchise and its rising revenue mix from growth markets (Egypt / SSA; 35% revenues from international business), current valuation (incl. 30% peak to trough decline, -12m) now compensates for a) some funding cost pressure (mainly from declining public sector deposits, though QNB still attracts wholesale funding at a tight price); and b) loss of previously robust lending volume growth (driven by public sector lending which is now on a declining trend. Some re-rating that we have seen in the stock from c2.0x book (trailing) in Aug is largely a result of anticipation of Qatar's upgrade to EM status by FTSE (which has now materialized). Positive newsflow around FIFA, strong 2H and dividend could be catalysts.

**Banque Saudi Fransi (upgrade to N from UW).** *We upgrade BSFR to Neutral from Underweight. Management has commendably resolved the historical asset quality issues, and the medium-term strategy put in place by the BoD in FY14 in our view looks to be on track to deliver a 15% tangible ROE 15E-17E.* Within the context of recent newsflow on risks within the contracting sector in Saudi Arabia, from a provisioning perspective, BSFR looks better provisioned on the segment vs. its peers. 19% correction (-3M) in the stock offers an attractive entry opportunity, in our view, although we think Samba and SABB remain relatively better exposures within Saudi banks on current levels.

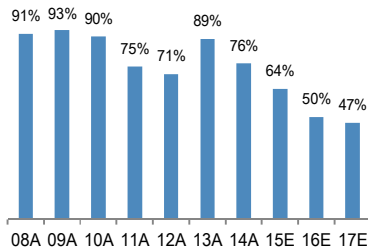
## Brief view on other MENA bank stocks

**Saudi British Bank (OW).** *Shares are backed by franchise quality and experienced management, although in the current risk-averse scenario, we think stock is likely to be less favored than its peer Samba* given relatively limited room for qualified foreign investors (QFIs) and lower liquidity in its shares. SABB could be vulnerable to higher impairment pressure potentially arising within the Saudi contracting sector given the lower coverage of NPLs within the building & construction segment; although given its healthy operating buffer (c19% pre-provisioning t. ROE) these charges are bearable. Improvement in div. payout could help sentiment on the stock, which has surprisingly suffered more on valuations than its peers as the QFI event failed to meet domestic investor expectations.

**Commercial Bank of Qatar (OW).** While we consider valuation attractive, a) *asset quality visibility, within the domestic real estate sector, remains limited* esp. on the back of negative FIFA-related newsflow; and b) *Turkish exposure is less exciting* given macro volatility especially as US rates are expected to rise in FY16E, which negatively impacts Turkish banking NIM. *Risk also remains on overall funding costs* with liquidity, seen in the context of L/D where the regulator prefers to gradually move to 100% level, looks tighter vs. peers (CBQ at 113% vs. peers Doha Bank at 103% and QNB 93% Q2'15). Exposure of the book to private sector lending mix, which is growing at a healthy rate domestically (27%yoy Jul-15), is the key

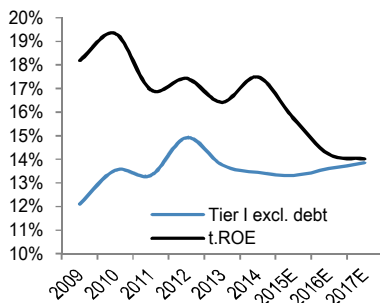


Figure 4: Doha Bank – Dividend payout



Source: J.P. Morgan estimates, Company data

Figure 5: NBAD – capital vs. t. ROE



Source: J.P. Morgan estimates, Company data

bright spot, in our view, although it could be at a risk from signs of pressure on domestic liquidity (public sector deposits -13%YTD). Capital levels in the current scenario, given its div. payout trend, need to be closely monitored.

**Emirates NBD (N).** *Tight foreign ownership limit (FOL) resulting in limited room for new foreign money into the structure is the key factor underpinning our Neutral rating for what we see as an attractively valued stock* backed by a robust franchise, good management track record and continuing improvement on fundamental metrics. We are surprised that the board has not prioritized this on its agenda, especially when higher FOL could result in MSCI inclusion for the stock and concurrent potential value creation. NPL pressure from Dubai real estate could pose some downside risks in the current scenario. **ENBD franchise is likely among the best leveraged in MENA to benefit from Iran opening.**

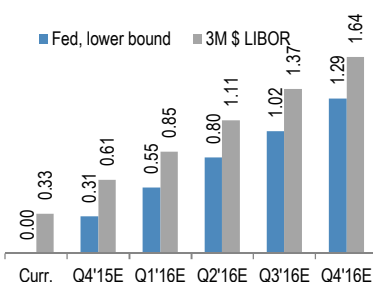
**Doha Bank (N).** *Dividend may look visibly attractive* (>6% div. yield 15E and a trend of rich payout over the past few years), although we think this comes at the cost of core capital, which the bank should retain for future RWA growth. 2H has historically been affected by weak core revenue growth and asset quality clean-up.

**Al Rajhi Bank (UW).** *Stock is backed by a franchise that has many attractions (e.g. cheapest funding cost in GEM, #1 Islamic bank globally) though ROE evolution has suffered due to* a) competitive pressure on NIM; b) regulatory pressure on core revenues (e.g., retail lending fees, LTV cap); and c) volatility in asset quality. There is lower visibility still on how well the franchise could see a reversal in NIM vs. strong competition from peers within a higher US rates.

**National Bank of Abu Dhabi (UW).** *We are less convinced by the risk-reward relative to where shares of its peers are trading*, especially when seen in the context of a) pressure on funding costs resulting from volatility in its funding mix (sovereign & quasi-sovereign deposits mix reduced to 36% Q2'15 vs. c45% avg. in the past eight quarters); and b) core Tier I of c13% 15E (excl. Tier I debt on the books) could look lower vs. peers when seen in light of NBAD's medium-term growth ambition.

**Riyad Bank (UW).** *Riyad Bank has had a stable historical delivery on core revenue vs. peers. However, despite the recent correction in the shares, valuation esp. on P/E, looks less attractive* than that observed for Samba and SABB or even BSFR. Q2 performance was disappointing (core revenues lowest in the past six quarters and bottom-line supported by one-off gains from asset sales), though we believe dividend payout, and ability to maintain an attractive level on the same, could offer upside risk to the valuation going into year-end.

Figure 6: Expectations on US rates

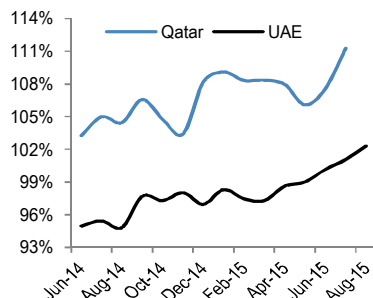


Source: Bloomberg median consensus (24 Sep 15)

## Thematic trends

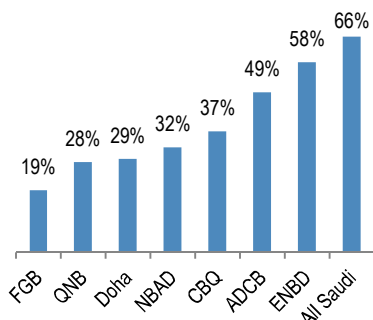
**US rates / GCC monetary policy:** The Fed's recent decision not to hike rates was not as much of a surprise as the dovish tone of the Chair, in our view, including concerns that weakness in GEM and USD strength are restraining US inflation. **However, there is still a 47% chance of a move in Dec-15E as per Bloomberg consensus (25 Sep) and over course of FY16, JPM economists and consensus still expect a total of 100bps higher US rates. This shift in rates will effectively pass-through into the regional monetary policy through GCC currencies' peg to the USD, which we expect will stay unchanged** despite market concerns in this regard as reflected in currency forwards and option positions mainly against the SAR; we note

Figure 8: L/D ratio trend in UAE & Qatar



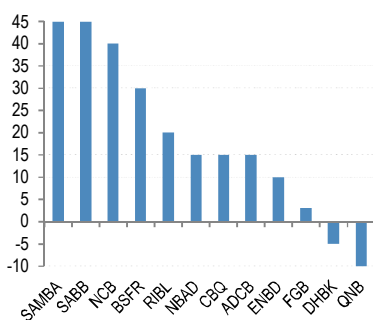
Source: Central Banks

Figure 7: Cheap curr + savings accounts mix, % of deposits, Q2'15



Source: Company data

Figure 9: Approx. 14A NIM uplift (bps) on +100bps rates, ceteris paribus



Source: Company reports, J.P. Morgan calculations

the decline in differential between LIBOR and regional reference rates over the past 12-18m and expect the transmission of higher US rates into GCC to be more defined.

**Tighter liquidity.** *The GCC region has firmly moved from an era of excess liquidity (2012-14) to dearer liquidity (from Q1'15 onwards)* notably in UAE and Qatar. This is largely attributable to the decline in public sector funding mix within the banking system, as lower hydrocarbon revenues create a call on the sovereign liquidity sitting within domestic banks, and to the premium building on global USD liquidity, ahead of higher rate expectations, which is reflected in the cross-currency basis swaps vs. global liquid currencies.

**Regulation.** *Implementation of Basel III liquidity ratios starting this year (and full compliance through FY19) underpins competition for stickier operational deposits vs. higher cost, non-operational deposits. In such a scenario, and especially in the context of rate hikes, franchises with a higher mix of cheaper CASA deposits (e.g. ADCB, ENBD, all Saudi banks) are potential winners.* UAE NIM could be impacted by lack of the depth in AED-denominated 'high-quality liquid assets', required by Basel III for LCR compliance, in the absence of a federal bond. Ad hoc regulation could continue to affect EPS evolution – e.g. treatment of MoF Tier I capital in Abu Dhabi banks under Basel III where guidance is still awaited, reduction of large exposure concentration in UAE and Saudi Arabian banks over next few years, requirement to cap L/D at 100% in Qatar over the next 2-3yrs, etc. The region remains comfortable on Basel III capital although requires selective monitoring, most prominently in Qatar. We think it is worth highlighting stocks like FGB, ADCB, Doha Bank and Riyadh Bank, which offer attractive dividend payouts.

**Net interest margin.** *Positive duration gap benefits Saudi banks' NIM the most, followed by UAE, on higher rates.* Higher funding cost and competitive pressure within a lower opportunity environment may not permit full pass-through of higher rates. On avg. we build-in c5-10bp increase in the NIM for all GCC banks over 16E-17E vs. 15E levels. These estimates are susceptible to upside risks should current rate expectations actually materialize; at this stage, it is the direction of the trend, rather than the quantum, that can be better estimated. Qatari banks could be delayed beneficiaries of rate hikes given their asset structure. Egyptian banks may see some decline in NIM from current high levels; we are comfortable with our estimates even within our base case of about 20-25bps NIM contraction over 16E-17E.

**Credit growth.** *UAE and Saudi banking growth is likely to range mid-high single digits until FY17E. Qatari banks' credit could continue growing in low-teens through year-end* (including private sector credit >20%yoy), although 16E growth could be impacted by developments around FIFA and how that affects the domestic economic sentiment. Overall credit growth, esp. in UAE and Qatar, will likely be more a function of liquidity trends, which look less promising currently as we note in YTD system data. Egyptian private sector banks are guiding a comfortably >20%yoy credit growth for next year, with guidance from likes of CIB Egypt in the 30%yoy range. On avg. for our coverage in GCC, we see c8%yoy growth in 16E and 17E vs. c10%yoy 15E. *We discuss in detail the approach taken by national authorities in funding deficits and how that impacts banks*, mainly in Saudi Arabia where asset mix should gradually shift towards securities, in the form of govt. bonds, through FY16E. These bonds should be NIM enhancing, depending on how purchases are funded, and RORWA positive given the zero risk weighted nature of these assets. We also discuss the subsidy rationalization approach taken by UAE in this regard.

Table 7: Comparative volume growth rates in MENA banks

	15E	16E	17E	15E	16E	17E	15E	16E	17E
	Loan growth, yoy			Deposit growth, yoy			L/D ratio		
First Gulf Bank	10%	8%	8%	6%	8%	9%	104%	104%	104%
Natnl Bk of Abu Dhabi	18%	6%	6%	6%	8%	8%	89%	87%	85%
Abu Dhabi Commml Bk	7%	7%	7%	8%	8%	7%	105%	104%	103%
Emirates NBD	9%	7%	7%	10%	8%	7%	94%	93%	93%
Qatar National Bk	10%	11%	11%	9%	10%	11%	94%	95%	95%
Commml Bk of Qatar	6%	8%	10%	11%	12%	14%	112%	109%	105%
Doha Bank	15%	15%	14%	18%	14%	12%	106%	103%	100%
SABB	13%	8%	7%	8%	10%	10%	83%	81%	79%
Samba	8%	8%	8%	7%	8%	9%	77%	77%	76%
Al Rajhi	7%	8%	9%	6%	12%	13%	81%	78%	75%
Riyad Bank	3%	4%	4%	4%	6%	6%	81%	79%	77%
Saudi Fransi	10%	7%	7%	5%	9%	9%	84%	83%	81%
CIB Egypt	23%	20%	17%	25%	15%	11%	43%	45%	47%

Source: J.P. Morgan estimates

**Asset quality.** *FY15E asset quality trend and guidance through year-end remains sanguine and a positive surprise vs. previous expectations* although 16E-17E are likely to see a manageable rise in cost of credit risk; we estimate annual cost of risk in 16E-17E around 70bps annually vs. 60bps 15E, although risks remain to the downside mainly from current trends within the real estate / contracting sector and asset / counterparty concentration on GCC banking balance sheets. Avg. provision coverage in GCC remains around 140%. Egyptian cost of risk increase is more of a counter-cyclical provisioning as guided by banks rather than pressure from fundamental asset quality deterioration.

Table 8: Comparative volume growth rates in MENA banks

	2015	2016	2017	2015	2016	2017	2015	2016	2017
	NPL ratio			NPL coverage			Cost of risk		
First Gulf Bank	2.4%	2.7%	2.9%	131%	123%	114%	0.86%	0.86%	0.84%
Natnl Bk of Abu Dhabi	2.7%	2.9%	3.1%	109%	105%	100%	0.35%	0.41%	0.45%
Abu Dhabi Commml Bk	3.0%	3.1%	3.2%	140%	128%	114%	0.48%	0.48%	0.50%
Emirates NBD	7.5%	7.8%	8.1%	114%	119%	122%	1.60%	1.60%	1.55%
Qatar National Bk	1.5%	1.6%	1.6%	127%	126%	124%	0.33%	0.32%	0.32%
Commml Bk of Qatar	3.5%	3.8%	4.0%	88%	95%	101%	1.05%	1.16%	1.21%
Doha Bank	2.8%	3.0%	3.2%	120%	114%	110%	0.50%	0.60%	0.70%
SABB	1.2%	1.2%	1.3%	167%	164%	160%	0.45%	0.45%	0.48%
Samba	1.2%	1.2%	1.3%	161%	156%	151%	0.17%	0.26%	0.30%
Al Rajhi	1.2%	1.3%	1.4%	207%	206%	193%	1.07%	1.10%	1.12%
Riyad Bank	0.9%	0.9%	1.0%	184%	184%	186%	0.66%	0.68%	0.70%
Saudi Fransi	0.9%	0.9%	1.0%	200%	187%	177%	0.18%	0.20%	0.25%
CIB Egypt	4.9%	4.7%	4.6%	137%	144%	149%	1.73%	1.34%	1.10%

Source: J.P. Morgan estimates

**Themes that matter for FY16E.** We discuss in this report two key themes on which we will focus in 16E *a) Iran.* Clearly an attractive revenue opportunity for UAE banks, in our view, given the business / trade linkages, although it is too early to get excited; likely to be a 2H' 16E story although worthwhile progress continues to made in this direction (e.g. comments from IAEA, Bloomberg 21 Sep); *b) M&A.* While we are yet to see resurgence in sizeable activity within the space, large GCC banks check many boxes of being potential acquirers e.g. strength of USD-pegged currencies while EM assets are cheap, strong core-capital & credit ratings to fund potential M&A, supportive / non-activist / stable core shareholder base, and most important, limited domestic growth opportunity. Egypt, Turkey, and Sub-Saharan Africa remain natural frontier extensions for potential inorganic growth. We discuss the banks that we believe could participate as acquirers within the medium term.

## Valuation & risks

**Changes to our net income and ROE estimates are as below.** The company section explains changes to our model assumptions for each stock. Given that most of the changes come at the level of NIM and cost of risk assumptions, we also highlight below the changes to these metrics for the coverage universe.

**Table 9: Changes to our net income estimates**

LCY mn	New			Old			Change		
	15E	16E	17E	15E	16E	17E	15E	16E	17E
First Gulf	5,718	6,207	6,811	5,879	6,281	6,503	-3%	-1%	5%
NBAD	5,694	5,980	6,426	5,623	6,048	6,733	1%	-1%	-5%
ADCB	4,613	4,946	5,395	4,241	4,565	4,978	9%	8%	8%
ENBD	6,394	6,987	7,598	5,047	5,414	6,298	27%	29%	21%
QNB	11,172	12,421	13,941	11,029	12,259	13,928	1%	1%	0%
CBQ	1,873	1,997	2,273	2,164	2,440	2,739	-13%	-18%	-17%
Doha	1,413	1,545	1,636	1,435	1,571	1,734	-2%	-2%	-6%
SABB	4,411	4,932	5,506	4,546	4,982	5,588	-3%	-1%	-1%
Samba	5,160	5,621	6,345	5,088	5,538	6,075	1%	1%	4%
Al Rajhi	6,902	7,588	8,545	6,891	7,447	8,272	0%	2%	3%
Riyad	4,324	4,392	4,804	4,534	4,865	5,215	-5%	-10%	-8%
Saudi Fransi	3,932	4,319	4,766	3,793	4,152	4,589	4%	4%	4%
CIB Egypt	4,623	5,683	6,494	4,623	5,683	6,494	0%	0%	0%

Source: J.P. Morgan estimates

**Table 10: Changes to our ROE (tangible) estimates**

	New			Old			Change		
	15E	16E	17E	15E	16E	17E	15E	16E	17E
First Gulf	21%	21%	21%	21%	21%	21%	0%	0%	0%
NBAD	16%	14%	14%	16%	16%	16%	0%	-2%	-2%
ADCB	20%	19%	19%	18%	17%	17%	2%	2%	2%
ENBD	18%	17%	17%	15%	16%	16%	3%	1%	1%
QNB	22%	21%	21%	22%	21%	21%	0%	0%	0%
CBQ	15%	15%	16%	17%	18%	18%	-2%	-3%	-2%
Doha	14%	15%	15%	15%	16%	16%	-2%	-1%	-2%
SABB	17%	18%	18%	17%	17%	17%	0%	1%	1%
Samba	13%	13%	14%	13%	13%	14%	0%	0%	0%
Al Rajhi	17%	17%	17%	17%	16%	17%	0%	0%	1%
Riyad	12%	12%	12%	13%	13%	13%	-1%	-1%	-1%
Saudi Fransi	15%	15%	15%	14%	14%	14%	0%	1%	1%
CIB Egypt	29%	30%	29%	29%	30%	29%	0%	0%	0%

Source: J.P. Morgan estimates

**Table 11: Changes to our NIM estimates**

	New			Old			Change		
	15E	16E	17E	15E	16E	17E	15E	16E	17E
First Gulf	3.2%	3.2%	3.3%	3.2%	3.3%	3.5%	0.0%	-0.1%	-0.2%
NBAD	1.9%	2.0%	2.1%	2.0%	2.0%	2.1%	-0.1%	0.0%	0.0%
ADCB	3.1%	3.1%	3.2%	2.9%	3.0%	3.1%	0.1%	0.1%	0.1%
ENBD	2.9%	3.0%	3.0%	2.9%	3.0%	3.0%	0.0%	0.0%	0.0%
QNB	2.6%	2.7%	2.7%	2.7%	2.7%	2.8%	0.0%	0.0%	0.0%
CBQ	2.3%	2.2%	2.3%	2.5%	2.6%	2.7%	-0.2%	-0.3%	-0.3%
Doha	2.5%	2.5%	2.6%	2.6%	2.7%	2.8%	-0.1%	-0.2%	-0.2%
SABB	2.5%	2.5%	2.6%	2.5%	2.6%	2.7%	-0.1%	-0.1%	-0.1%
Samba	2.3%	2.3%	2.4%	2.4%	2.5%	2.6%	-0.1%	-0.2%	-0.2%
Al Rajhi	3.6%	3.5%	3.6%	3.8%	3.8%	3.9%	-0.2%	-0.3%	-0.3%
Riyad	2.7%	2.7%	2.8%	2.8%	2.9%	2.9%	-0.1%	-0.1%	-0.1%
Saudi Fransi	2.3%	2.4%	2.5%	2.4%	2.4%	2.5%	-0.1%	0.0%	0.0%
CIB Egypt	5.3%	5.1%	5.1%	5.3%	5.1%	5.1%	0.0%	0.0%	0.0%

Source: J.P. Morgan estimates



Table 12: Changes to our cost of risk estimates

	15E	New 16E	17E	15E	Old 16E	17E	15E	Change 16E	17E
First Gulf	0.9%	0.9%	0.8%	0.9%	1.0%	1.1%	-0.1%	-0.1%	-0.2%
NBAD	0.4%	0.4%	0.5%	0.5%	0.6%	0.6%	-0.1%	-0.2%	-0.2%
ADCB	0.5%	0.5%	0.5%	0.7%	0.8%	0.8%	-0.2%	-0.3%	-0.3%
ENBD	1.6%	1.6%	1.6%	1.8%	1.6%	1.4%	-0.2%	0.0%	0.1%
QNB	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	-0.1%	-0.1%	-0.1%
CBQ	1.1%	1.2%	1.2%	0.8%	0.8%	0.9%	0.3%	0.4%	0.3%
Doha	0.5%	0.6%	0.7%	0.9%	1.0%	1.0%	-0.4%	-0.4%	-0.3%
SABB	0.5%	0.5%	0.5%	0.4%	0.5%	0.5%	0.0%	0.0%	0.0%
Samba	0.2%	0.3%	0.3%	0.3%	0.3%	0.4%	-0.1%	0.0%	-0.1%
Al Rajhi	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	0.0%	0.0%	0.0%
Riyad	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.0%	0.0%	0.0%
Saudi Fransi	0.2%	0.2%	0.3%	0.6%	0.7%	0.7%	-0.5%	-0.5%	-0.5%
CIB Egypt	1.7%	1.3%	1.1%	1.7%	1.3%	1.1%	0.0%	0.0%	0.0%

Source: J.P. Morgan estimates

**We have rolled forward the price targets for all MENA bank stocks in our coverage to Dec-16 vs. Dec-15 previously** (except for CIB Egypt, where we make no changes to our estimates or our current Dec-16 price target). We use a Gordon growth methodology to derive fair value for all MENA bank stocks. We have made small changes to our cost of equity or normalized growth rate assumptions within the Gordon growth valuation. For all stocks except CIB Egypt we continue to use costs of equity close to 11-12% and a growth rate close to 6% (for CIB Egypt we use 17% cost of equity and 12% growth rate). As such the changes to our price target are largely a result of i) changes to ROE resulting from net income changes as listed above; and ii) usage of Dec-16 equity base for fair valuation vs. Dec-15 previously.

Table 13: Changes to our Gordon Growth model valuation for MENA banks

	Abu Dhabi Comml Bk		CIB Egypt		Samba Financial Grp		Qatar National Bk		First Gulf Bank	
	New	Old	New	Old	New	Old	New	Old	New	Old
Approx. cost of equity	11.00%	11.00%	17.00%	17.00%	11.25%	11.00%	11.75%	11.75%	11.00%	11.00%
Approx. norm. growth	6.0%	6.0%	12.0%	12.0%	6.0%	6.0%	7.5%	7.5%	6.5%	6.5%
Approx. ROE	16%	16%	29%	29%	14%	13%	18%	18%	18%	18%
Fair P/B	2.0	2.1	3.4	3.4	1.5	1.4	2.4	2.4	2.5	2.6
Fair core equity value	61,635	57,147	69,744	69,744	66,005	59,998	178,434	160,936	87,732	85,969
PT	10.3	9.5	76.0	76.0	33.0	30.0	255.0	230.0	19.5	19.1
PT date	Dec-16E	Dec-15E	Dec-16E	Dec-16E	Dec-16E	Dec-15E	Dec-16E	Dec-15E	Dec-16E	Dec-15E
	SABB		Comml Bank of Qatar		Banque Saudi Fransi		Emirates NBD		Doha Bank	
	New	Old	New	Old	New	Old	New	Old	New	Old
Approx. cost of equity	11.50%	11.00%	12.00%	12.00%	11.25%	11.00%	12.00%	12.00%	11.00%	11.00%
Approx. norm. growth	6.0%	6.0%	6.5%	6.0%	6.0%	6.0%	6.0%	5.5%	6.0%	6.0%
Approx. ROE	17%	17%	13%	14%	14%	14%	13%	14%	12%	13%
Fair P/B	2.0	2.3	1.2	1.3	1.5	1.6	1.2	1.3	1.2	1.4
Fair core equity value	60,003	66,747	21,885	23,843	46,407	46,411	63,939	63,914	15,760	15,503
PT	40.0	44.5	67.0	73.0	38.5	38.5	11.5	11.5	61.0	60.0
PT date	Dec-16E	Dec-15E	Dec-16E	Dec-16E	Dec-16E	Dec-15E	Dec-16E	Dec-15E	Dec-16E	Dec-15E
	Al Rajhi Bank		Natnl Bk of Abu Dhabi		Riyad Bank					
	New	Old	New	Old	New	Old				
Approx. cost of equity	11.25%	11.00%	11.00%	11.00%	11.25%	11.00%				
Approx. norm. growth	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%				
Approx. ROE	16%	16%	12%	14%	12%	13%				
Fair P/B	2.0	2.1	1.2	1.7	1.1	1.4				
Fair core equity value	97,499	94,249	59,919	68,505	44,995	53,995				
PT	60.0	58.0	11.50	13.15	15.0	18.0				
PT date	Dec-16E	Dec-15E	Dec-16E	Dec-16E	Dec-16E	Dec-15E				

Source: J.P. Morgan estimates

**We have listed specific investment risks for each stock within the ITV&R section at the end of this report.** In general, risks to our ratings and fair valuation of the MENA banking stocks are largely derived from changes to our view on the macro outlook incl. GDP, inflation and currency. Within the time frame of our forecasts, we believe our PT and rating are most likely to be susceptible to changes in our views on US and regional interest rates, extent of deterioration that we see within asset quality and how asset books evolve within the current low oil price environment. Beyond those, geopolitical, regulatory (mainly on liquidity & capital) and execution risks (mainly from any potential M&A – a theme that we discuss in this report) are drivers of our ratings and views on the MENA banking stocks.

Table 14: CEEMEA banks comparative valuation \*

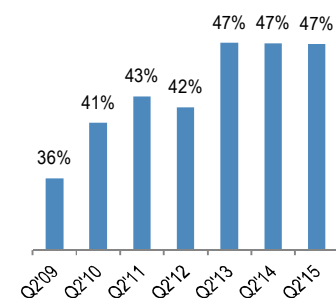
	Mkt Cap \$mn	15E	P/E 16E	17E	15E	P/B (tangible) 16E	17E	15E	ROE (tangible) 16E	17E	15E	Div. Yield 16E	17E
<b>UAE</b>													
First Gulf Bk	17,031	10.9	10.1	9.2	2.3	2.1	1.9	21%	21%	21%	6.1%	5.5%	6.0%
Abu Dhabi Comml Bk	11,685	9.3	8.7	8.0	1.8	1.6	1.5	20%	19%	19%	5.4%	5.8%	6.3%
Natnl Bk of Abu Dhabi	13,901	9.0	8.5	7.9	1.4	1.2	1.1	16%	14%	14%	4.1%	4.6%	5.1%
Emirates NBD	13,377	7.7	7.0	6.5	1.4	1.2	1.1	18%	17%	17%	5.2%	6.4%	7.0%
<b>Qatar</b>													
Qatar Natnl. Bank	35,550	11.6	10.4	9.3	2.3	2.0	1.8	22%	21%	21%	4.1%	4.3%	4.3%
Comml Bank of Qatar	5,023	9.8	9.2	8.0	1.5	1.4	1.3	15%	15%	16%	5.4%	5.4%	5.4%
Doha Bank	3,583	9.2	8.4	8.0	1.5	1.4	1.3	14%	15%	15%	6.9%	5.9%	5.9%
<b>Saudi Arabia</b>													
Saudi British Bank	10,946	9.3	8.3	7.5	1.6	1.4	1.2	17%	18%	18%	3.5%	3.7%	4.0%
Samba Finl. Group	12,286	8.9	8.2	7.3	1.1	1.1	1.0	13%	13%	14%	4.8%	5.2%	5.9%
Al Rajhi	24,258	13.2	12.0	10.6	2.1	1.9	1.8	17%	17%	17%	3.8%	4.2%	4.7%
Riyad Bank	11,358	9.9	9.7	8.9	1.2	1.1	1.1	12%	12%	12%	5.6%	6.0%	6.3%
Bk Saudi Fransi	9,770	9.3	8.5	7.7	1.3	1.2	1.1	15%	15%	15%	3.6%	3.9%	4.4%
<b>Egypt</b>													
Comml Intl Bank	6,209	10.5	8.5	7.5	2.8	2.4	2.0	29%	30%	29%	4.1%	5.3%	6.0%
<b>Nigeria</b>													
Guaranty Trust Bk	3,569	7.5	6.9	5.7	1.8	1.5	1.3	25%	24%	25%	6.7%	7.3%	8.8%
Zenith Bank	2,857	5.7	5.3	4.3	1.0	0.9	0.8	18%	17%	19%	8.8%	9.5%	11.7%
<b>Turkey</b>													
Garanti	9,727	7.8	6.7	5.7	1.0	0.9	0.8	14%	15%	15%	2.1%	2.6%	2.8%
Akbank	8,922	8.2	6.6	5.8	1.0	0.9	0.8	12%	14%	14%	2.3%	2.9%	3.2%
Isbank	7,066	6.2	5.5	4.8	0.7	0.6	0.6	12%	13%	13%	3.1%	3.4%	3.6%
Yapi Kredi	4,998	7.2	5.7	5.1	0.7	0.6	0.6	10%	12%	12%	2.0%	2.3%	2.8%
Halkbank	4,188	5.4	4.5	3.9	0.7	0.6	0.5	15%	14%	14%	2.2%	3.0%	3.4%
Vakifbank	3,186	6.0	5.0	5.1	0.6	0.5	0.5	12%	13%	13%	1.0%	1.1%	1.3%
<b>South Africa</b>													
First Rand	20,407	13.4	12.1	10.7	3.1	2.8	2.4	24%	24%	24%	4.0%	4.5%	5.1%
Std Bank Group	15,819	10.2	9.1	8.0	1.5	1.4	1.3	15%	16%	17%	5.1%	5.7%	6.6%
Barclays Africa	10,437	10.1	9.1	8.2	1.6	1.5	1.4	17%	17%	18%	5.9%	6.5%	7.2%
<b>Russia</b>													
Sberbank	24,615	8.9	4.8	3.6	0.8	0.7	0.6	9%	15%	17%	1.6%	3.6%	4.9%
<b>CE-3</b>													
Erste	12,408	12.8	10.3	9.0	1.0	1.0	0.9	8%	9%	10%	1.9%	2.8%	3.4%
Raiffeisen	3,792	63.7	7.4	4.4	0.4	0.4	0.4	0%	6%	8%	0.0%	3.4%	5.4%
PKO BP	9,574	13.3	11.7	10.1	1.2	1.1	1.1	9%	10%	11%	2.9%	3.7%	4.5%
Pekao	10,932	16.7	15.5	13.6	1.7	1.7	1.7	10%	11%	13%	5.9%	6.3%	6.8%
OTP	5,328	15.4	9.4	7.6	1.1	1.0	1.0	8%	11%	13%	3.0%	4.5%	5.7%
Komerčni	8,050	15.1	14.7	13.8	1.9	1.8	1.8	12%	12%	13%	6.0%	6.1%	6.5%

Source: J.P. Morgan estimates, Bloomberg. NOTE: \* based on last price available as of COB 25 Sep 15; JPM estimates used for MENA and Nigerian banks, Bloomberg consensus estimates used for all other banks mentioned in the above table.

## Key investment themes

### Impact of US rates

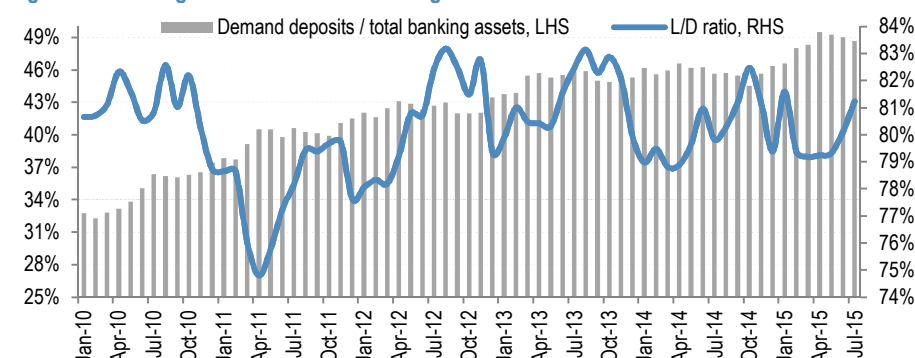
**Figure 10: Mix of Saudi loans with 1Y or more maturity (largely floating rate priced), as a % of total loans**



Source: SAMA

**Most GCC banks exhibit a positive duration gap implying benefit to their NIM in a higher rate environment.** Banking balance sheets in the region are largely wholesale driven (priced floating) while funding mix is increasingly non-interest bearing on what are well-capitalized balance sheets. This is a positive gearing to rate hikes. We show an example of Saudi Arabia in the below (and LHS) chart.

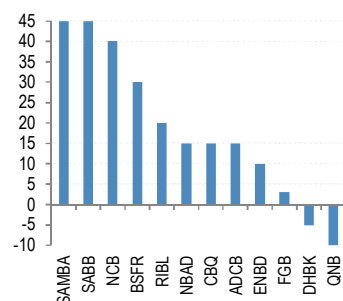
**Figure 11: Funding structure of Saudi banking balance sheets**



Source: SAMA

**In our view, Saudi conventional banks like Samba and SABB offer the best EPS gearing to a higher rate environment, followed by UAE banks like ENBD.** Our gap analysis reflects that a 100bps rate hike could theoretically add 18-19% of 14A NII for SABB and Samba and >10% for NCB and Saudi Fransi. Within UAE banks, NBAD, ADCB and ENBD look better positioned to benefit from higher rates over FGB. Qatari banks are less geared to benefit immediately; banks like QNB have a higher mix of loans (c36% 2014) with extended reset periods (1Y-5Y bucket) on their b/s and which need to mature before this liquidity can be deployed at a higher yield. While CBQ may theoretically look positioned to benefit from rate hikes over a 12m period, in the near term (3m), it runs a negative gap; its Turkish business NIMs could suffer a squeeze in a scenario of rate rise, in our view.

**Figure 12: Approximate 14A NIM uplift (bps) assuming +100bps rates, ceteris paribus**



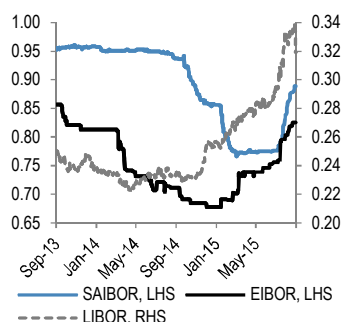
Source: Company reports, J.P. Morgan calculations

**Table 15: Theoretical impact, ceteris paribus, of 100bps rate hike based on FY14 data \***

LCY bn	1Y Cum. Gap, FY14	1Y Cum. Gap, % of assets, FY14	+100bps hike, boost to FY14 NII
<b>Samba</b>	<b>87.5</b>	<b>40%</b>	<b>19%</b>
<b>SABB</b>	<b>73.1</b>	<b>39%</b>	<b>18%</b>
NCB	142.1	33%	13%
Saudi Fransi	44.6	24%	12%
Riyad Bk	38.9	18%	8%
NBAD	53.0	14%	8%
CBQ	14.8	13%	6%
ADCB	25.9	13%	5%
ENBD	27.0	7%	3%
FGB **	5.9	3%	1%
Doha Bk	-4.9	-7%	-3%
QNB	-47.5	-10%	-4%

Source: Company reports, J.P. Morgan calculations; \* Al Rajhi does not report its interest rate gap data; \*\* Q2'15 for FGB

**Figure 13: Convergence of reference money market rates (3m rates)**



Source: Bloomberg

**The narrowing differential between LIBOR and regional reference rates like SAIBOR, vs. 12m back,** and the pressure that we have seen on currency forwards recently, esp. in SAR, lead us to believe that the transmission of higher US rates into regional monetary policy, underpinned by the peg of most GCC currencies to the USD, is likely to be more defined.

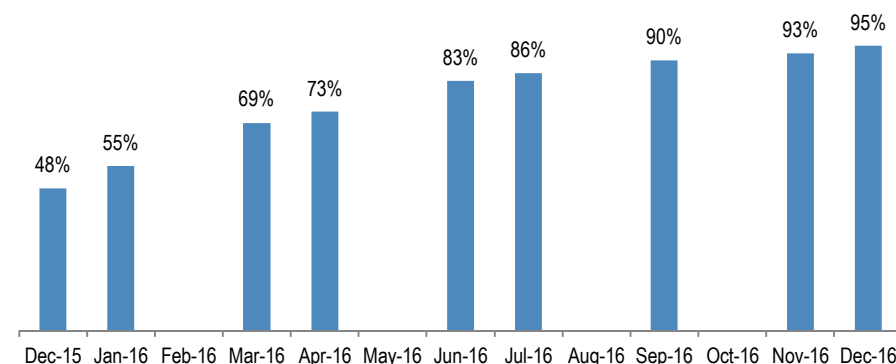
**That said, the jury is still out on the timing of Fed lift-off – especially following no action** at the recent, highly anticipated FOMC meeting in Sep; while probability of a hike in Sep has declined in the past few weeks, Bloomberg consensus still assigns a 55%/66% chance of a rate hike in Q1'16E and possibility of a lift-off in Dec-15E still remains with probability close to c47% (25 Sep). Currently, JPM economists expect US rates to rise by a total of c100bps over the next four quarters including a first hike in Dec-15E.

**Table 16: Bloomberg & JP Morgan expectations of US rates**

	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Fed funds rate target – lower bound	0.31%	0.55%	0.80%	1.02%	1.29%
where: JPM estimate	0.25%	0.50%	0.75%	1.00%	n/a
Fed funds rate target – upper bound	0.55%	0.80%	1.05%	1.25%	1.55%
3M US\$ LIBOR	0.61%	0.85%	1.11%	1.37%	1.64%
US 2yr treasury	1.04%	1.28%	1.50%	1.73%	1.96%
US 10yr treasury	2.46%	2.59%	2.74%	2.89%	3.05%
US 30yr treasury	3.20%	3.34%	3.45%	3.59%	3.70%

Source: J.P. Morgan estimates, Bloomberg (as of 25 Sep 15)

**Figure 14: Bloomberg consensus assigned probability of a rate hike on future FOMC meetings**



Source: Bloomberg (25 Sep 15)

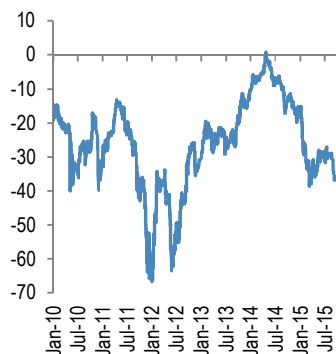
**However, we would caution against much reliance on gap analysis,** given the timing lag of data (gaps are presented by most GCC banks only in their annual reports) and known limitations of gap analysis (e.g. assumption of parallel rate hike across the curve, timing mismatch, ignoring embedded options, etc.). The sensitivity that Saudi banks provide with regard to rate changes affecting NII in their annual reports could also be misleading for practical analysis (shows NII negatively impacted in a rate hike), given exclusion of fixed-rate assets & liabilities and, more importantly, the behavior of hedges in place for floating-rate assets (e.g. short IRS positions of last year to hedge floating loans would be NII negative in a higher rate environment).

**In our view, banks are less likely to see a threat of competitive refinancing within the rate hike scenario.** In general, banking ROEs, which previously suffered from thin spreads and regulation, are likely to still be affected by a more limited

volume growth opportunity in 16E-17E vs. previous years. Amidst pressure on regional banking liquidity, as we discuss in the next section, acting as a pricing disruptor in a higher rate environment is likely to be a value-destructive strategy for any bank in our view.

## Tightening liquidity

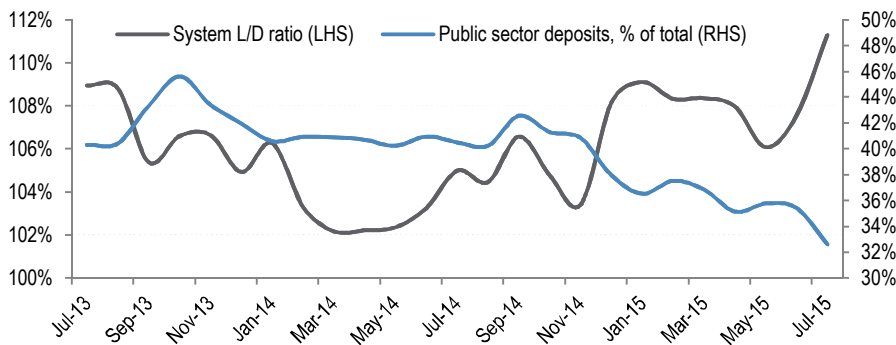
**Figure 15: Contraction in EUR-USD 5Y cross-currency basis swap (decline reflects USD funding premium), bps**



Source: Bloomberg

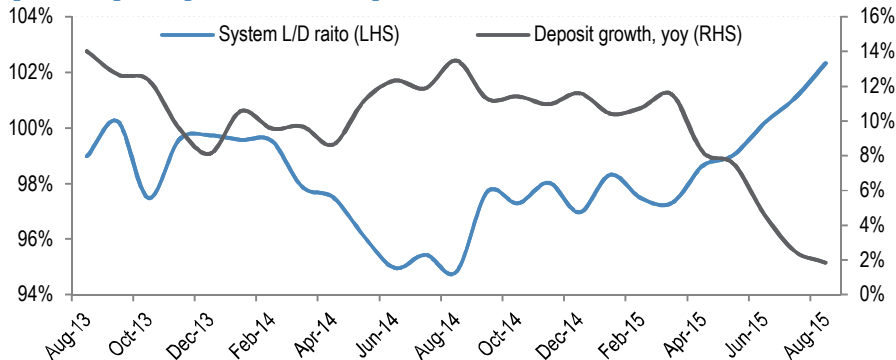
**We note with concern the emerging signs of liquidity squeeze and a concurrent rise in funding premium within GCC.** As per many bank managements, the current rise in funding costs is largely attributable to withdrawal of liquidity contribution from sovereigns which hitherto came in the form of public sector deposits – mix of which has been declining gradually YTD most notably in Qatar (public sector deposits are 35% of system total vs. 41% -12m). We note the widening of system L/D ratios by 4-5pp in both UAE and Qatar over the past 3-6m. This is exacerbated by premium building on USD funding globally, as we observe in the cross-currency basis swaps for more liquid currencies and to some extent in AED. It is worth keeping in context that hydrocarbon revenues form the prime source of regular dollar supply in GCC (and these have halved over the past 12 months), while the region remains import-dependent – i.e., dollar demand remains relatively unchanged yet.

**Figure 16: Reducing mix of public sector deposits in Qatar**



Source: Qatar Central Bank

**Figure 17: Tightening L/D in UAE banking**



Source: UAE Central Bank

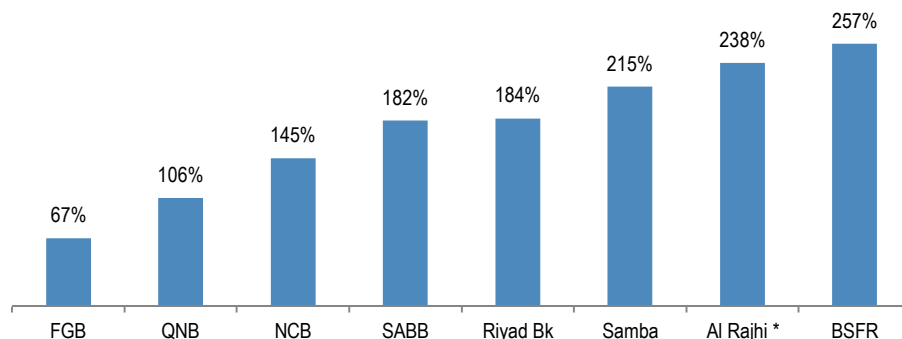
**We are less concerned about compliance of GCC banks to Basel III liquidity ratios,** where the glide-path towards full compliance (by 2019) commences this year. Regulatory monitoring towards this aim has been ongoing for the past two to three



years, and many banks that regularly (Saudi) or sporadically (UAE) report their LCR show comfortable levels of well over 100% (in Saudi, this is despite banks taking no benefit yet on lower applicable run-off factors for operational deposits).

**That said, LCR application costs for UAE banks could be more onerous vs. GCC peers** (like Qatar and Saudi Arabia). While the final guidance manual is still awaited, this cost pressure is like to come from lack of depth in local currency sovereign assets and Basel's conservative approach, in our view, in limiting eligibility of quasi-sovereign and foreign assets for compliance within interim ratios (implying that in the absence of an AED sovereign yield curve, higher mix of assets may have to be placed in cash / cen. bank CDs thereby potentially hurting NIMs).

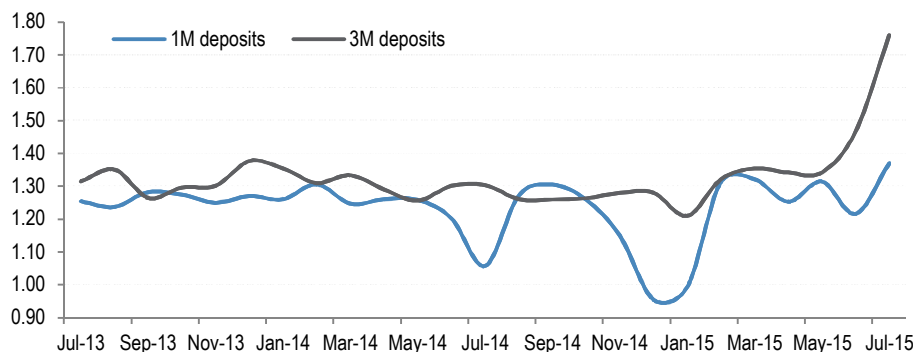
Figure 18: Basel III Liquidity Coverage Ratios, Q2'15, for banks that disclose this data



Source: Company data; NOTE: \* Al Rajhi Bank as of Q1'15

**Higher US rates could auger a shift away from CASA into more plain vanilla time deposits although:** a) visibility on the extent of possible rate hikes over 16E-17E has declined over the past 6m; and b) we keep in context the relatively lower elasticity of regional depositors to higher rates vs. those in GEMs, at least at the shorter end, given cultural attitudes. Nearly all bank managements that we have spoken with agree to limited upside on further CASA mix evolution; anecdotal evidence (incl. our research and comments from bank managements) shows banks starting to pay up for deposits and a resurgence of products like MMDAs and 31-day rolling structures (e.g., e-saver offered by HSBC and ADCB in UAE) could add to the funding costs for banks going into the next few quarters. As an example below, we note the sharp increase in the cost of time deposits in Qatar, a trend that is likely to have developed within the UAE space also.

Figure 19: Pick-up in deposit funding costs in Qatar



Source: Qatar Central Bank

## JPM economists' view on the currency pegs

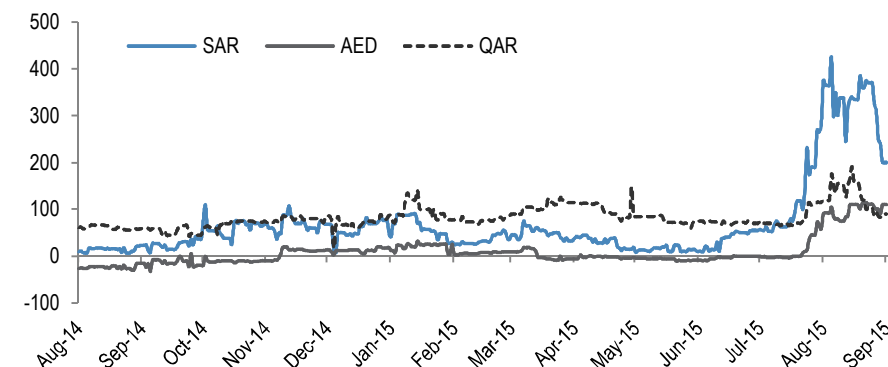
**We expect the long-standing pegs in key currencies like the SAR, AED and QAR to stay in place** despite pressure on them following recent devaluations in China, Kazakhstan, Vietnam and Nigeria. GCC countries have maintained the peg during several decades, and in our view, no single GCC country is likely to change its long-standing peg without prior coordination with the rest of the region.

### Saudi Arabian Riyal

**Interest in the SAR peg has risen since Sep-14 but accelerated this year, especially given the relative depth and liquidity of the market vs. peers.** Unlike during 2008-09, when financial markets expected a currency appreciation, positions taken against the SAR have been mainly through FX options this year. For instance, the year-to-date cumulative notional on USD calls increased to c\$35bn (DTCC data through mid-Aug), which is much higher than the c\$21bn in HKD. It is noteworthy, in our view, that the volume of positions taken against the SAR is likely much higher since DTCC reporting includes only the US.

**With oil prices likely staying low-for-longer, pressure on Saudi FX forward points will most probably be extended this year,** unlike the pressure we observed on the SAR spot rate in Jan-15 (amidst leadership changes). Movements in the spot market will probably be muted as SAMA would most likely intervene (although as per SAMA charter any FX intervention has to be done confidentially). 3.76 (vs. peg at 3.75) is the threshold at which SAMA typically intervenes in spot markets, although given the pressure, we believe we could see intervention at lower levels. Also, we believe the central bank often intervenes when 12m fwd points trade outside the  $\pm 200$  pips range. However, temporary deviations in FX forwards are likely more tolerated than in spot market.

Figure 20: Spike in 12m forward points in GCC currencies



Source: Bloomberg

**Since oil is priced in USD and forms 90% of Saudi revenues, the peg has substantially reduced uncertainty of the public revenue stream.** In addition, Saudi Arabia also holds c\$670bn of reserve assets mainly denominated in USD. The trade-weighted appreciation of SAR led by the dollar has therefore increased Saudi purchasing power, thereby cushioning the impact of lower oil prices and providing stability to financial wealth. Importing the credibility of US monetary policy represents the strongest argument in favor of the dollar peg, in our view. In fact, the

peg has been pivotal to anchor inflation expectations and keeping inflation variability lower than most other major oil producers.

**A more flexible exchange regime may in fact weaken inflation expectations in our economists' view.** Any potential one-off devaluation of the currency may weaken the credibility of the peg, especially if Saudi Arabia sees the fall in oil prices as temporary. We also think that, in a pessimistic scenario, alternative approaches like reduction in industrial subsidies and cutting sovereign capex plans would be a more palatable approach to the authorities rather than de-peg.

### Other key GCC currencies

**UAE has among the largest fiscal buffers within EM countries,** and the central bank typically intervenes in the forward market to stabilize the exchange rate during periods of speculation against the dirham. Unlike Saudi Arabia, UAE has faced little speculation against the sustainability of the peg since mid-2014. The spot has remained stable near the 3.67 fixing, while 12m fwd points were little affected until the Chinese devaluation. Notional interest in FX options has also been small compared to SAR. The central bank is unlikely to intervene, in our view, in the absence of pressure on the spot rate and heightened volatility in forward markets.

**Similar to the UAE dirham, Qatar's currency has faced relatively muted pressure** on the peg relationship recently and should be backed by ample fiscal buffers and elevated current account surpluses in the coming years.

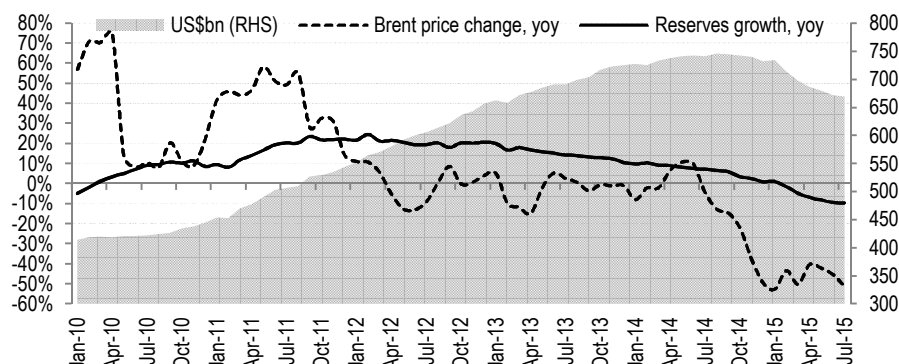
### Banks' participation in deficit funding

**Two approaches have been taken by national authorities** to counter the impact of lower oil prices on fiscal deficits: a) *local bond issuance* as recently observed in Qatar and more prominently in Saudi Arabia; this is combined with rationalization in spending plans; and b) *subsidy rationalization* as recently observed in UAE. Below incorporates views from JP Morgan economics research team.

### Saudi Government Development Bonds

Investors are focusing significantly on the size of Saudi reserve assets; the future trend of these assets is closely linked to the pace of public spending in the coming years (i.e. drawdowns) and oil price (i.e. inflows).

Figure 21: Saudi Arabia sovereign reserves and trend compared to oil price



Source: SAMA

Saudi Arabia's 2015 budget expects a deficit of SAR145bn, although if we assume a steady state of spending in 15E vs. 14A at current crude price and production levels, we could see the deficit closer to SAR357bn (14% of GDP), in our view. Assuming our base-case scenario of 8.4%yoy decline in public spending 15E (cSAR1.0trn) and 5%yoy growth 16E onwards and assuming production output stays at 10.2mbpd (through end of the decade), then the table below shows the sensitivity of the size of available sovereign reserve assets to various oil price assumptions.

**Table 17: Sensitivity of Saudi Arabia's net foreign reserve assets in scenario of no domestic debt issuance, US\$ bn**

Oil price assumption	2015	2016	2017	2018	2019	2020
\$50/bbl	578	463	335	193	37	-
\$60/bbl	616	528	426	310	180	34
\$70/bbl	655	593	517	428	323	204
\$80/bbl	693	657	608	545	467	373

Source: SAMA, J.P. Morgan estimates

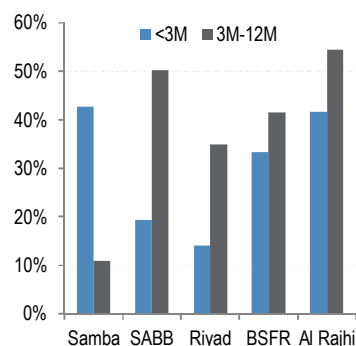
**Saudi Arabia has ample room to increase its public debt borrowing, given its low leverage currently** (public debt to GDP c1.6% in 2014). In the past 3 months, SAR55bn of bonds have reportedly been issued (Bloomberg) – SAR15bn to public financial institutions and SAR40bn to banks (5Y/7Y/10Y tranches with pricing in the range of 1.92%-2.65% in the first SAR20bn tranche and 1.86%-2.70% in the second SAR20bn tranche); further issuance could continue through into FY16E. From the available information, the bond issuance to banks has been a conventional structure and Islamic structure issuances could follow-on. These issuances would reduce the call on SAMA reserve assets. We show in the below table (in the context of the one above), how reserve assets would trend amidst various scenarios of local bond issuance.

**Table 18: Sensitivity of Saudi Arabia's net foreign reserve assets in scenario of 50% deficit financed by local debt issuance, US\$ bn**

Oil price assumption	2015	2016	2017	2018	2019	2020	Cum. debt, % of 20E GDP
\$50/bbl	629	605	572	531	490	447	51.8%
\$60/bbl	654	645	626	600	573	545	41.8%
\$70/bbl	679	684	680	669	667	643	31.8%
\$80/bbl	704	724	734	737	740	741	21.8%

Source: SAMA, J.P. Morgan estimates

**Figure 22: Maturity profile of Saudi banks' investments portfolio**



Source: Company data

**We believe banks' demand for net issuance of govt. bonds will be strong through year-end.** A large portion of these is likely to be financed by the outstanding stock of SAMA bills (cSAR207bn end-Jul) and excess reserves of banks sitting on SAMA b/s (cSAR38bn). Furthermore, the comfortable liquidity in Saudi banks' b/s (81% L/D) should enable banks to absorb much higher domestic issuance in coming years.

As per our economics team and based on Jun-15 data from SAMA, assuming that growth of banks' assets decelerates to 2%oya by mid-2016 and recovers to 5%oya by end-2018, banks should be able to hold SAR730bn in govt. securities if their share to total assets were to increase back to the 2003 peak level (28%-29%). This would cover cumulative 2015-18 local debt issuance under the scenario of oil prices at \$60/bbl. Should oil prices stay low at \$50/bbl during this period, cumulative domestic debt issuance would account for 35% of banks' assets by end-2018.

Such elevated levels would substantially reduce banks' investments in foreign securities, in our view, while the impact on the availability of credit to the private sector (58% of banks' assets in Jul-15) would still be limited.

**Table 19: Structure of Saudi banks' investments book, FY14**

	Samba	SABB	Saudi Fransi	Riyad Bk	NCB	Al Rajhi
Investments book, SAR mn	64,516	45,281	45,102	46,963	152,903	42,550
- as % of total assets	30%	24%	24%	22%	35%	14%
<b>Composition by type</b>						
Fixed rate	73%	90%	84%	80%	77%	n/a
Floating rate	15%	8%	8%	13%	18%	n/a
Other (incl. equity, MFs, etc.)	12%	2%	8%	7%	5%	n/a
<b>Composition by quality</b>						
Saudi govt. bonds & bills	49%	67%	80%	n/a	24%	n/a
Investment grade	42%	19%	6%	n/a	70%	n/a
Other	9%	15%	13%	n/a	6%	n/a
<b>Composition by counterparty</b>						
Govt. & quasi govt.	69%	78%	82%	58%	87%	94%
Other	31%	22%	18%	42%	13%	6%
L/D ratio, Q2'15	77%	84%	87%	82%	65%	79%
Tier 1 (Basel III) ratio, Q2'15	19.3%	15.1%	14.6%	16.7%	14.0%	18.0%

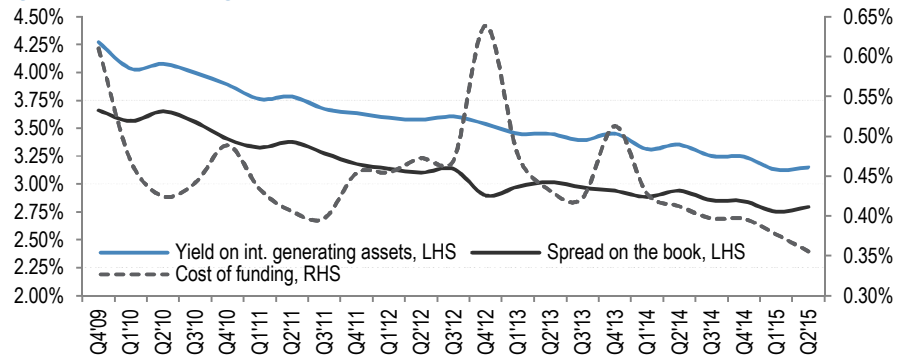
Source: Company data

### Whether these bonds are NIM dilutive or accretive would depend on the funding source.

Currently, Saudi banks generate a yield of just over 3%pa on their interest earning assets, as such prima facie these bonds (5Y-10Y range priced around c1.9-2.7%) may look slightly NIM dilutive.

However, as we have discussed above, a portion of this public debt is likely to be funded by maturing SAMA bills and banks' excess reserves with SAMA – both of which offer lower yield vs. these bonds (e.g. Sep-15 1wk/52wk SAMA bills pricing in range of 15-63bps).

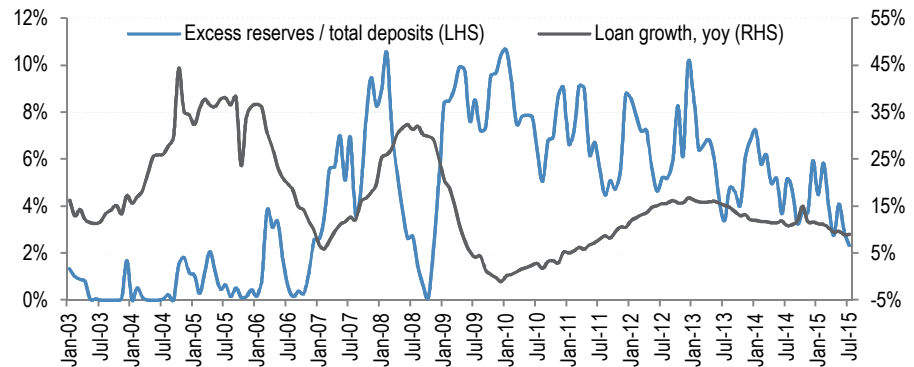
**Figure 23: Saudi banking spread trends \***



Source: Company data, J.P. Morgan calculations; NOTE: \* calculations are average of NCB, Al Rajhi, Samba, SABB, Riyad and BSFR

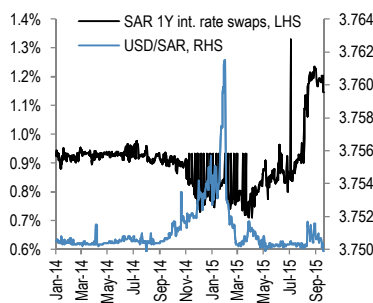


Figure 24: Historical trend of Saudi banks' excess reserves with SAMA vs. loan growth



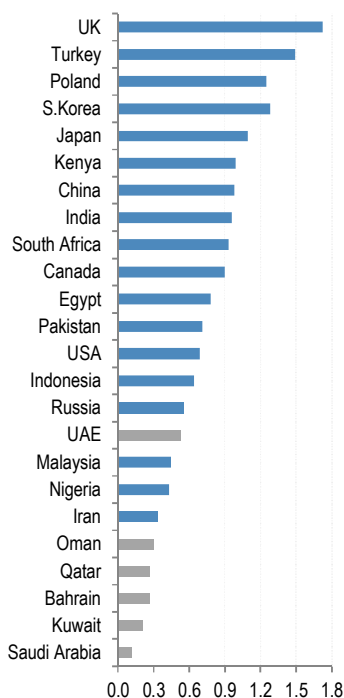
Source: SAMA

Figure 25: SAR 1Y IRS



Source: Bloomberg

Figure 26: Comparative prices of gasoline per liter, US\$



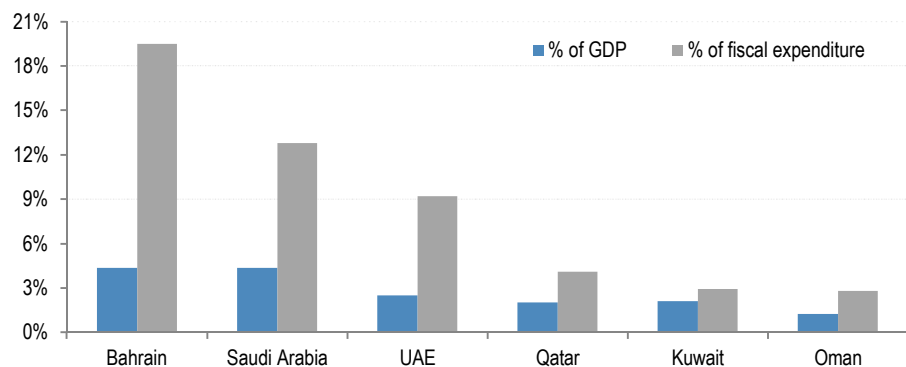
Source: Bloomberg

These bonds should also be seen in context of their i) **RORWA generation** – given nil risk weight, these bonds would be immediately RORWA accretive (even in case of their replacing the existing T-bills on bank books) and ii) **their potential HQLA qualification** providing support to banks' LCR. Banks would likely swap the fixed coupons via short IRS (although pricing has moved materially higher in the past few months), as such these bonds may not be seen very negatively amidst risk of a rising rate environment, while Saudi banks hold high equity base to bear any potential AFS losses from such bonds within rate hikes.

### Subsidy rationalization

In our view, the impact from subsidy rationalization to: a) banking volumes (which comes from financial intermediation filling up the working capital gap resulting from a subsidy loss) and b) asset quality (risk of which arises as consumer wealth and corporate margins get impacted), form tail risks at this stage given gradual pace and selective targeting of this approach.

Figure 27: Weight of subsidies on fiscal balances of GCC economies, 2015F



Source: IMF

The most prominent move within subsidy rationalization has been the removal of fuel subsidies in UAE, linking prices of key petroleum products, including gasoline and diesel, to global prices starting Aug-15. The near-term direct impact on domestic prices and the budget will be small, in our view, though it eliminates fiscal opportunity costs for the sovereign over the medium term.

**As per Moody's, the annual fuel subsidy formed about \$730 per capita** (for 9.6mn population with oil at \$58/bbl) o/w roughly 50% was a direct cost to the sovereign – this will result in fiscal savings of about \$7bn p.a. at current crude prices. Higher prices will also result in discouraging excessive consumption which, as per Moody's, has been eating into UAE's exports with the share of oil consumption domestically rising to c23.5% in FY14 vs. <20% in FY09. Petrol prices currently are just about 3-4% of avg. household expenditure; hence, the near-term impact on spending overall should remain limited.

**Beyond fuel subsidies, electricity and water subsidies have been targeted in Abu Dhabi.** Expat residents have seen the price of electricity rise by c40% and water c170%, while nationals will now have to pay for water consumption (albeit at about 30% the price levied on expats) vs. no charge for water consumption previously. As per the IMF, these savings should amount to about 0.5% of non-hydrocarbon GDP 15E and about 1.1% of non-hydrocarbon GDP by 2020. The IMF has also recommended levying taxes for revenue enhancement. The measures suggested by the IMF – like application of a 10% corporate income tax (to UAE, GCC and foreign cos), introduction of 5% VAT and 15% excise on automobiles – could result in revenues equivalent to 7.4% of non-hydrocarbon GDP (4.1% from CIT, 2.7% from VAT and 0.6% from autos excise).

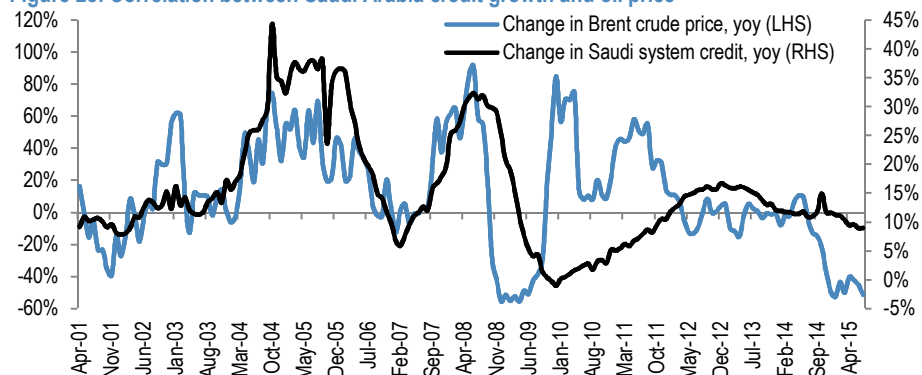
### Asset quality pressure in 16E-17E

**Our thesis, set earlier this year, of regional asset quality potentially starting to show signs of pressure from mid-15E onwards, has yet not materialized.**

Contrary to our earlier expectations, banks still anticipate metrics to show consistent improvement, as observed YTD, into year-end.

**Nevertheless, we continue to expect some pressure on impairment charges, with risks skewed to the downside over FY16E and continuing through 17E.** This is largely premised on scope for a tick-up in NPLs amidst the non-hydrocarbon growth slowdown within the regional economies and rise in credit pricing resulting from rate hikes & risk aversion within a tighter funding environment as discussed above.

Figure 28: Correlation between Saudi Arabia credit growth and oil price

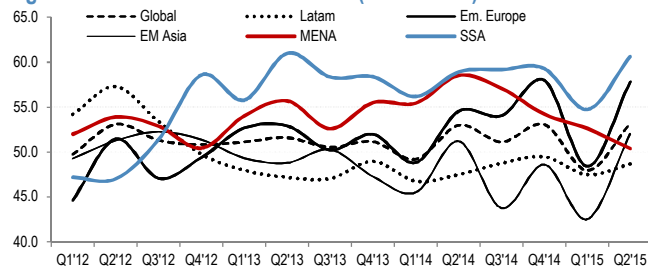


Source: Bloomberg, SAMA

**IIF's recent EM banks lending survey highlights a general decline in demand for credit within MENA,** the only region to see this trend across GEM. Although expectations for NPL development over the next 3m are not excessively bearish (as

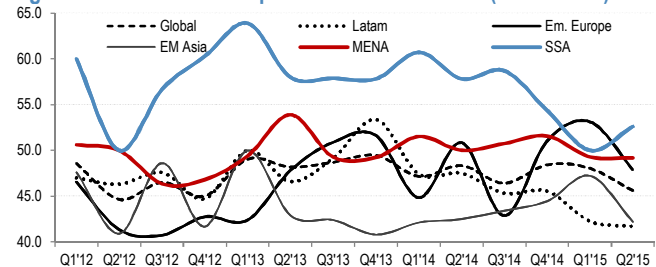
is the case in Em. Asia or Latam), we expect the direction of this trend to be towards the downside. [Click here](#) for more details on this survey.

Figure 29: Index of demand for loans (GEM banks)



Source: IIF

Figure 30: Index of NPL expectations over next 3m (GEM banks)



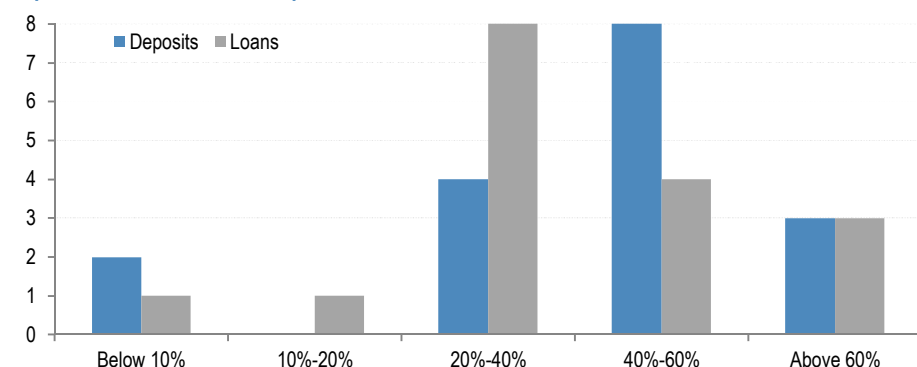
Source: IIF

**We have observed that, for GCC banking, the time-lag of macro stress reflecting into NPL is more elongated vs. peer GEMs.** There are two key reasons for this.

***Absence of a mass market, as is generally seen in peer GEMs.*** The majority of the population in this region is expatriate (roughly 80% in UAE, 90% in Qatar, 70% in Kuwait; comparatively lower at 35% in Saudi Arabia). This demographic mix materially reduces the risk of retail NPL formation, given the punitive repercussions of defaulting for this population group compared to other EMs, especially in the absence of a proper bankruptcy law.

***Middle Eastern banking balance sheets are largely corporate and GRE/public-sector driven, rather than retail.*** As such, the banking sector is more exposed to risks of one large corporate exposure turning into an NPL and materially swaying the asset quality metrics. This is noteworthy given the concentration risk and high level of ownership / economic linkages in the GCC region, as has been often highlighted by regulators (see IMF report [here](#)). An example of this is noticeable in NPL trend of Commercial Bank of Qatar in Q2'13, where large exposure in real estate sector increased the NPL ratio from c1.4% to c3.5% and almost halved the coverage to c46% on our calculations (this NPL has been resolved now, including by seizure of collateral) and Emirates NBD in 2009-10 (where exposure to Dubai World significantly increased NPLs and cost of risk in the following fiscals).

Figure 31: Qatar concentration – Number of banks in the system with share of top-10 customers in private sector credit and deposits



Source: Qatar Central Bank

**Table 20: Comments on concentration of exposures from key regional banks**

Bank	Concentration
First Gulf Bank	Funded & unfunded credit exposure to top-5 customers formed 8% of total in 2014 (versus c9% in 2013, 2012); top-5 depositors formed 29% of total deposits and top-10 formed c39% of total deposits (in 2014)
Nat Bk of Abu Dhabi	Top-12 borrowers formed 30% of total loans as of Q1'15 (vs. 31% in 2014, 36% in 2013)
NCB Saudi Arabia	Top-10 borrowers formed 25% of domestic loan portfolio and top-10 depositors formed 32% of domestic deposit balances in 2013.
Emirates NBD	Related party lending (to majority shareholder of the ultimate parent) forms >40% of conventional + Islamic loans, Q2'15
Qatar National Bank	Top 20 loans constituted c64% of group's total loan portfolio and top-20 depositors constituted c48% of total deposits as of Q3'14

Source: Company data

Monitoring of concentration risks has been enhanced post the regional crisis in 2009-10, which highlighted the risks of leverage in government-related entities (UAE) and name-related lending (Saudi Arabia). We present the details of outstanding debt of Abu Dhabi and Dubai GREs in the tables below. Regional regulators have enforced concentration limits towards single (and related) counterparties including GREs towards compliance with Basel III.

- **UAE** – [click here](#) for the regulation in detail. Exposure to single borrowers or groups of related borrowers is capped at 25% of capital base (no aggregate percentage); exposure to UAE local governments is maximum 100% of capital in aggregate; exposure to commercial GREs (of both federal and local government) at maximum 100% in aggregate and 25% individually. We understand that compliance is required by 2017-18.
- **Saudi Arabia** – [click here](#) for the regulation in detail. Exposure to a non-bank single counter-party to be gradually reduced to 15% maximum of capital base by end-2018 vs. 25% currently; exposure to individuals/sole-props/partnerships to be reduced to 5% maximum of capital (vs. 20% currently). In general, aggregate of all large exposures cannot exceed 6x banks' capital.

Table 21: Dubai: Maturing bonds and syndicated loans 1/ 2/

US\$ million	Debt Type	2015	2016	2017	2018	2019	2020	2015-20	Beyond	Unallocated	Total
Government of Dubai 3/											
	Bonds	500	900	600	20,000	0	750	22,750	3,800		26,550
	Loans	180	418	1,064	36	36	0	1,734	181		1,915
	Total	680	1,318	1,664	20,036	36	750	24,484	3,981		28,465
Dubai, other sovereign 4/											
	Loans domestic									29,047	29,047
	Total									29,047	29,047
Investment Corporation of Dubai and subsidiaries 5/											
	Bonds	908	2,564	1,588	832	1,419	761	8,072	5,724		13,797
	Loans	851	1,779	1,093	4,331	47	0	8,101	3,068		11,169
	Total	1,759	4,343	2,681	5,163	1,466	761	16,174	8,792		24,966
Dubai World and subsidiaries											
	Bonds	0	42	1,500	0	650	0	2,192	3,310		5,502
	Loans	0	1,125	2,698	3,793	0	0	7,616	12,900		20,516
	Total	0	1,167	4,198	3,793	650	0	9,808	16,210		26,018
Nakheel											
	Bonds	0	1,195	0	0	0	0	1,195	0		1,195
	Loans	0	0	0	0	0	0	0	0		0
	Total	0	1,195	0	0	0	0	1,195	0		1,195
Dubai Holding and subsidiaries											
	Bonds	0	0	984	0	0	0	984	0		984
	Loans	31	6,300	2,150	0	1,400	0	9,881	6,159		16,040
	Total	31	6,300	3,134	0	1,400	0	10,865	6,159		17,024
Other Dubai Inc. 6/											
	Bonds	325	500	0	1,000	0	1,500	3,325	700		4,025
	Loans	0	855	1,185	588	540	0	3,168	1,939		5,107
	Total	325	1,355	1,185	1,588	540	1,500	6,493	2,639		9,132
<b>Total Dubai Inc.</b>		<b>2,115</b>	<b>14,361</b>	<b>11,199</b>	<b>10,545</b>	<b>4,056</b>	<b>2,261</b>	<b>44,535</b>	<b>33,800</b>		<b>78,335</b>
<b>Total Dubai Debt</b>		<b>2,795</b>	<b>15,679</b>	<b>12,862</b>	<b>30,581</b>	<b>4,092</b>	<b>3,011</b>	<b>69,020</b>	<b>37,780</b>	<b>29,047</b>	<b>135,847</b>
Dubai Inc (less than 50% govt. ownership) 7/											
	Bonds	0	500	800	500	500	0	2,300	1,212		3,512
	Loans	0	951	0	450	500	0	1,901	1,500		3,401
	Total	0	1,451	800	950	1,000	0	4,201	2,712		6,914
<b>Total, incl. GREs with minority ownership</b>		<b>2,795</b>	<b>17,130</b>	<b>13,662</b>	<b>31,531</b>	<b>5,092</b>	<b>3,011</b>	<b>73,221</b>	<b>40,492</b>	<b>29,047</b>	<b>142,761</b>
<b>As % of Dubai's 2014 GDP</b>		<b>2.7%</b>	<b>16.3%</b>	<b>13.0%</b>	<b>30.1%</b>	<b>4.9%</b>	<b>2.9%</b>	<b>69.9%</b>	<b>38.6%</b>	<b>27.7%</b>	<b>136.2%</b>
Memorandum items:											
Restructured debt of Dubai Inc.		31	7,195	4,148	0	0	0	11,374	13,000		24,374
Government Guaranteed 8/		427	452	322	2,420	68	645	4,334	0		4,334
Total Govt. of Dubai including guarantees		1,107	1,770	1,986	22,456	104	1,395	28,818	3,981		32,799
of total debt: bonds and loans by banks		908	2,397	2,388	832	1,419	0	7,944	4,667		12,612

Source: IMF, Dealogic, Zawya, Bloomberg, Govt. authorities; NOTES: 1/ Excluding bilateral bank loans and accounts payable, except for the sovereign.2/ Regardless of residency of debt holders.3/ Includes syndicated and bilateral loans.4/ Emirates National Bank of Dubai related party lending.5/ Does not include financial leases.6/ Includes DEWA, DIFC, DAE, Borse Dubai, and others.7/ Dubai GREs with government ownership below 50% (Emaar, DIB, CBD).8/ RTA, Dubai World, and Dubai Airport.

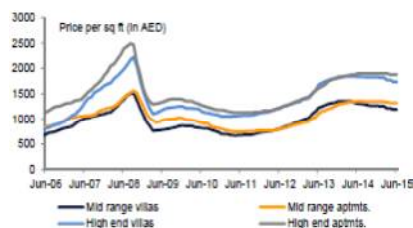


Table 22: Abu Dhabi: Maturing bonds, syndicated and bilateral loans

US\$ million	Debt Type	2015	2016	2017	2018	2019	2020	2015-20	Beyond	Total
Government of Abu Dhabi										
	Bonds	0	0	0	0	1,500	0	1,500	0	1,500
	Loans	375	360	346	347	348	324	2,100	331	2,430
	Guarantees	176	176	176	163	163	163	1,018	26	1,045
	Total	551	536	522	510	2,011	487	4,618	357	4,975
Abu Dhabi Water & Electricity Authority 1/										
	Bonds	0	1,000	1,250	1,250	500	0	4,000	4,111	8,111
	Loans	885	537	524	569	376	103	2,995	52	3,047
	Total	885	1,537	1,774	1,819	876	103	6,995	4,163	11,159
Etihad Airways										
	Bonds	0	0	0	0	0	0	0	0	0
	Loans	830	638	518	692	536	405	3,618	1,165	4,783
	Total	830	638	518	692	536	405	3,618	1,165	4,783
Etihad Rail										
	Bonds	0	0	0	0	0	0	0	0	0
	Loans	0	246	492	246	0	0	985	0	985
	Total	0	246	492	246	0	0	985	0	985
International Petroleum Investment Company										
	Bonds	1,750	1,711	1,500	1,095	0	4,999	11,055	6,065	17,121
	Loans	0	851	0	663	0	0	1,514	0	1,514
	Total	1,750	2,562	1,500	1,759	0	4,999	12,569	6,065	18,635
Mubadala Development Company 2/										
	Bonds	0	750	0	109	500	0	1,359	1,648	3,007
	Loans	393	28	29	72	357	449	1,327	175	1,501
	Total	393	778	29	181	857	449	2,686	1,822	4,509
Tourism and Development Investment Company										
	Bonds	0	0	0	0	0	0	0	600	600
	Loans	0	300	0	1,913	0	0	2,213	0	2,213
	Total	0	300	0	1,913	0	0	2,213	600	2,814
Other Abu Dhabi Inc. 3/										
	Bonds	0	0	0	0	0	0	0	0	0
	Loans	243	344	386	309	209	231	1,722	177	1,899
	Total	243	344	386	309	209	231	1,722	177	1,899
<b>Total Abu Dhabi Inc.</b>		<b>4,101</b>	<b>6,404</b>	<b>4,699</b>	<b>6,919</b>	<b>2,478</b>	<b>6,187</b>	<b>30,788</b>	<b>13,994</b>	<b>44,782</b>
<b>Total Abu Dhabi Debt</b>		<b>4,652</b>	<b>6,940</b>	<b>5,221</b>	<b>7,429</b>	<b>4,489</b>	<b>6,675</b>	<b>35,406</b>	<b>14,351</b>	<b>49,757</b>
ADCB, NBAD, UNB and Al Hilal										
	Bonds	1,803	1,499	1,893	2,210	2,111	156	9,672	1,717	11,389
	Loans	50	0	0	0	0	0	50	0	50
	Total	1,853	1,499	1,893	2,210	2,111	156	9,722	1,717	11,439
Total Abu Dhabi Debt, including banks										
		6,505	8,439	7,114	9,639	6,600	6,830	45,128	16,068	61,196
Abu Dhabi Inc (less than 50% govt. ownership) 4/										
	Bonds	855	1,529	1,150	0	825	21	4,380	1,219	5,599
	Loans	1,036	0	340	750	0	0	2,127	70	2,197
	Total	1,891	1,529	1,490	750	825	21	6,506	1,289	7,796
<b>Total, including GRE's with minority ownership</b>		<b>8,396</b>	<b>9,969</b>	<b>8,604</b>	<b>10,389</b>	<b>7,424</b>	<b>6,851</b>	<b>51,634</b>	<b>17,358</b>	<b>68,992</b>
<b>As % of Abu Dhabi 2014 GDP</b>		<b>3.3%</b>	<b>3.9%</b>	<b>3.4%</b>	<b>4.1%</b>	<b>2.9%</b>	<b>2.7%</b>	<b>20.0%</b>	<b>6.9%</b>	<b>27.3%</b>

Source: IMF, Dealogic, Zawya, Bloomberg, Govt. authorities; NOTE: 1/ Includes TAQA & US\$6.6 billion non-recourse debt for IWPP.2/ Includes Dolphin, EMAL.3/ Includes ADPC, GHC, ADNEC.4/ Below 50 percent government-owned entities; includes Aldar, FGB, NCCC, Sorouh, ADIB.

Figure 32: Dubai real estate prices



Source: Emirates NBD presentation; Cluttons

**Risks to asset quality arising from real estate sector need to be closely watched.**  
These come in various forms:

**UAE** – We note an average 10%-12% decline in Dubai real estate prices yoy although this is still very project-specific and lacks broad-based robust data. Pressure on the sector, while not fully visible in some reported indices, is largely manifested in muted secondary market activity, reflected in a 69%yoy drop in transactions (66%yoy in value) in 1H'15 (The National, 29 Jul) and pressure on the domestic real estate brokerage industry, as we understand from our channel checks. (Gulf News, 5 June; The National, 28 July). The stronger USD (vs. INR, RUB), potentially lower new demand from GCC and regulatory steps taken by the authorities (e.g. higher registration fees, higher down-payment requirements) to prevent over-heating within

the market offer some risks of further downside. UAE banks have added direct exposure to the real estate sector on the pick-up in activity over the last two years. We understand the banks in our coverage have not participated materially in off-plan mortgages although indirect linkages to lending in real estate exist in various portfolios (e.g. consumer, trade/services, etc.).

Table 23: Evolution of UAE lending mix (proforma loan book)

	2007	2008	2009	2010	2011	2012	2013	2014	Q2'15
Agriculture	0%	0%	0%	0%	0%	0%	0%	0%	0%
Mining	1%	1%	1%	1%	3%	2%	1%	1%	1%
Manufacturing	5%	5%	5%	5%	5%	4%	5%	5%	5%
Utilities	2%	2%	3%	2%	2%	2%	2%	1%	2%
<b>Construction</b>	<b>11%</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>	<b>12%</b>	<b>13%</b>	<b>16%</b>	<b>17%</b>	<b>16%</b>
<b>Trade</b>	<b>16%</b>	<b>13%</b>	<b>10%</b>	<b>10%</b>	<b>11%</b>	<b>10%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>
Transport & Comm.	3%	3%	3%	3%	3%	3%	3%	4%	5%
Non-banks FI	6%	8%	9%	8%	7%	7%	9%	10%	10%
Government	9%	8%	10%	10%	10%	12%	13%	11%	11%
<b>Personal loans</b>	<b>24%</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>	<b>29%</b>	<b>31%</b>	<b>30%</b>
Others	22%	22%	22%	23%	22%	21%	11%	8%	8%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total, AED bn	626.7	924.4	958.6	972.1	992.9	1,026.3	1,116.4	1,277.6	1,335.8
<b>Total loan growth, yoy</b>	<b>42%</b>	<b>48%</b>	<b>4%</b>	<b>1%</b>	<b>2%</b>	<b>3%</b>	<b>9%</b>	<b>14%</b>	<b>7%</b>

Source: Central Bank of UAE

Figure 33: Qatar real estate price index



Source: QCB

**Qatar** – The Central Bank's real estate price index, although still reflecting no signs of decline, may look to be at peak levels given the global & regional macro trends. Despite the trend in prices, we note the recent specific case of sizeable real estate related NPL (which has now been resolved) on CBQ's books. Negative newsflow around FIFA, which offers medium-term support to the domestic growth pipeline, indicates some potential risk to the hosting rights and a scenario of loss of hosting rights could have a material negative impact on the domestic business sentiment and on the real estate sector overall in our view.

Table 24: Evolution of Qatari lending mix (proforma loan book)

	2007	2008	2009	2010	2011	2012	2013	2014	Q2'15
Public sector	22%	25%	27%	33%	37%	43%	42%	36%	32%
General trade	11%	9%	9%	8%	7%	7%	6%	7%	8%
Industry	2%	2%	2%	2%	2%	2%	2%	2%	2%
<b>Contractors</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>6%</b>	<b>4%</b>	<b>3%</b>	<b>4%</b>	<b>5%</b>	<b>5%</b>
<b>Real estate</b>	<b>12%</b>	<b>14%</b>	<b>15%</b>	<b>16%</b>	<b>19%</b>	<b>17%</b>	<b>15%</b>	<b>15%</b>	<b>14%</b>
<b>Consumption</b>	<b>29%</b>	<b>23%</b>	<b>20%</b>	<b>18%</b>	<b>17%</b>	<b>14%</b>	<b>14%</b>	<b>15%</b>	<b>16%</b>
<b>Services</b>	<b>7%</b>	<b>11%</b>	<b>12%</b>	<b>9%</b>	<b>7%</b>	<b>7%</b>	<b>9%</b>	<b>10%</b>	<b>10%</b>
Other	2%	2%	3%	1%	1%	1%	1%	1%	2%
International	9%	9%	7%	7%	7%	6%	7%	10%	11%
Total loans	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total loans, QAR bn	160.6	242.7	271.0	315.4	403.6	508.6	575.4	650.2	692.4
<b>Total loan growth, yoy</b>	<b>57%</b>	<b>51%</b>	<b>12%</b>	<b>16%</b>	<b>28%</b>	<b>26%</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>

Source: Qatar Central Bank

**Saudi Arabia** – Prices have not been materially impacted, although transactions have declined mainly on the commercial side (Bloomberg). In general over the past year, the Saudi construction & real estate sector has suffered in particular from regulatory pressure in the form of SAMA capping LTV ratios for bank financing and labor-related rules (Nitaqat, work visa regularization, etc). This has increased domestic banks' caution towards the contracting sector, as we have sensed in our discussions with them over the past few quarters. The recent case of Saudi Binladin Group ([click here](#) for our view) could create risk of provisioning pressure in 2H'15E.

Table 25: Saudi banks' exposure to building & construction sector

SAR mn	System	NCB	Al Rajhi	Samba	SABB	Riyad Bk	Saudi Fransi
	Q2'15	FY14	FY14	FY14	FY14	FY14	FY14
Total gross loans	1,318,741	225,855	211,134	126,747	117,623	135,477	118,844
<b>Bldng &amp; construction sector gross loans</b>	<b>94,610</b>	<b>16,452</b>	<b>15,457</b>	<b>10,000</b>	<b>7,651</b>	<b>13,147</b>	<b>10,869</b>
- % of total NPLs	7.2%	7.3%	7.3%	7.9%	6.5%	9.7%	9.1%
NPLs	15,825	2,851	2,656	1,660	1,495	1,050	1,182
Total NPL ratio	1.2%	1.3%	1.3%	1.3%	1.3%	0.8%	1.0%
<b>Bldng &amp; construction sector NPLs</b>	<b>n/a</b>	<b>560</b>	<b>207</b>	<b>811</b>	<b>471</b>	<b>277</b>	<b>194</b>
- % of total NPLs	n/a	19.6%	7.8%	48.9%	31.5%	26.4%	16.4%
- segment NPL ratio	n/a	3.4%	1.3%	8.1%	6.2%	2.1%	1.8%
Total provisions	n/a	5,132	5,194	2,668	2,403	1,987	2,303
o/w specific	n/a	2,377	1,778	2,668	1,254	914	2,303
Bldng & construction sector provisions (specific)	n/a	512	27	1,001	171	222	413
- % of total specific provisions	n/a	22%	2%	38%	14%	24%	18%
Total coverage	n/a	180%	196%	161%	161%	189%	195%
Total coverage (specific only)	n/a	83%	67%	161%	84%	87%	195%
<b>Bldng &amp; construction sector coverage (specific)</b>	<b>n/a</b>	<b>92%</b>	<b>13%</b>	<b>123%</b>	<b>36%</b>	<b>80%</b>	<b>212%</b>
Total equity	301,619	45,214	41,896	38,784	26,071	35,537	26,471
- net bldng & construction loans, % of equity	31%	35%	37%	23%	29%	36%	39%

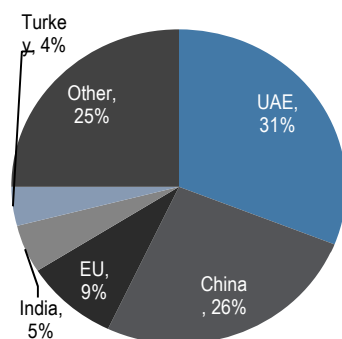
Source: Company data, J.P. Morgan calculations, SAMA

Table 26: Evolution of Saudi Arabian lending mix (proforma loan book)

	2007	2008	2009	2010	2011	2012	2013	2014	Q2'15
Agri & fishing	1%	1%	1%	1%	1%	1%	1%	1%	1%
Manufacturing	9%	11%	10%	12%	13%	13%	12%	13%	12%
Mining	1%	1%	1%	1%	1%	1%	1%	2%	1%
Utilities	1%	1%	2%	2%	3%	3%	3%	3%	3%
<b>Building &amp; const.</b>	<b>7%</b>	<b>7%</b>	<b>6%</b>	<b>7%</b>	<b>8%</b>	<b>8%</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>
<b>Commerce</b>	<b>21%</b>	<b>24%</b>	<b>23%</b>	<b>23%</b>	<b>21%</b>	<b>21%</b>	<b>21%</b>	<b>20%</b>	<b>21%</b>
Transport & comm.	4%	5%	5%	6%	5%	4%	3%	3%	3%
Finance	11%	2%	3%	2%	3%	3%	2%	3%	3%
<b>Services</b>	<b>5%</b>	<b>4%</b>	<b>6%</b>	<b>5%</b>	<b>4%</b>	<b>6%</b>	<b>6%</b>	<b>5%</b>	<b>5%</b>
Miscellaneous	34%	39%	39%	37%	37%	37%	39%	40%	40%
<b>o/w Retail</b>	<b>30%</b>	<b>23%</b>	<b>24%</b>	<b>25%</b>	<b>27%</b>	<b>27%</b>	<b>26%</b>	<b>26%</b>	<b>25%</b>
Govt. & quasi-govt.	6%	4%	4%	4%	4%	4%	4%	4%	3%
Total loans	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total loans, SAR bn	594.8	744.8	736.9	775.3	856.6	1,000.1	1,120.5	1,250.6	1,318.7
<b>Total loans, yoy</b>	<b>20%</b>	<b>25%</b>	<b>-1%</b>	<b>5%</b>	<b>10%</b>	<b>17%</b>	<b>12%</b>	<b>12%</b>	<b>9%</b>

Source: SAMA

Figure 34: Iran's import partners, 2014



Source: IIF

## Iran – emerging opportunity

**In our view the UAE banks, especially the Dubai banks (incl. ADCB which has a significant presence in Dubai), are best positioned to benefit from the lifting of Iranian sanctions.** This is under-pinned by the historical trade links of UAE with Iran, potential for inward investments into the UAE real estate sector by Iranians (who were the second largest group of property purchasers in Dubai in 2008 and fourth in 2010 vs. an immaterial contribution currently) and vice versa UAE becoming the hub for international businesses venturing into Iran.

**Iran offers an attractive growth opportunity.** Over the next three years, real GDP is expected to grow at 5%-6% rate including non-hydrocarbons at 4%-5%. The economy is diverse by the standards of other oil-exporting countries (in recent years resulting largely from dependency on domestic production due to sanctions) and under-pinned by attractive demographics of a growing, educated, population base (around 80mn, the majority being in the 20-34yrs bracket).

**UAE is the largest trading partner of Iran.** Its exports to Iran form about 13% of total exports; 31% of Iran's imports come from UAE. However, trade volumes in

FY14 were about 26% lower than the amount recorded in FY11 prior to sanctions intensification in FY12. Most of this trade originates from Dubai, which also remains home to about 400k expats of Iranian origin (Khaleej Times).

Table 27: Iran – key economic projections

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Nominal GDP, \$bn	448.7	514.5	424.9	351.3	387.5	371.9	435.4	495.4	555.3
Real GDP growth	6.6	3.9	-6.6	-1.9	3.0	2.0	6.1	6.0	5.0
o/w: hydrocarbon	4.2	-1.0	-37.4	-8.9	4.8	2.5	18.0	10.0	5.0
o/w non-hydrocarbon	7.0	5.4	-0.9	-1.1	2.8	1.9	4.0	5.3	5.0
Oil & condensates production, mbpd	4.4	4.4	3.7	3.5	3.6	3.7	4.3	4.6	4.8
Natural gas production, mbpd, oe	1.0	1.1	1.1	1.1	1.1	1.2	1.3	1.4	1.6
Exports growth, yoy, %	-0.4	-6.8	-19.5	-1.2	4.2	1.6	10.7	9.8	5.0
Imports growth, yoy, %	3.0	-9.4	-23.1	-7.5	7.0	5.5	16.0	13.0	10.0
CPI inflation, avg, %	12.4	24.7	30.5	34.7	15.6	12.8	8.8	9.0	8.0
Fiscal balance, % of GDP	3.7	-0.8	-0.6	-0.9	-1.2	-2.9	-2.2	-1.7	-1.3
Govt. debt, % of GDP	11.3	9.3	14.0	16.5	14.9	15.5	17.4	17.8	19.2
C/Acc balance, % of GDP	6.1	11.5	5.5	7.5	4.5	-0.5	-0.2	-0.6	-1.2

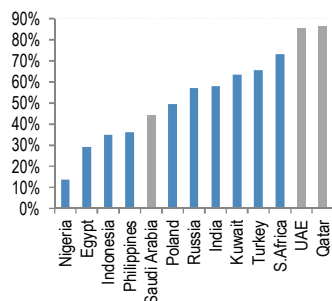
Source: IIF estimates

**Trading opportunities with Iran.** The gradual elimination of international sanctions on Iran and its crude exports, including return of foreign expertise and much-needed spare-parts and marine insurance, could add about \$12bn to Iran's oil & gas revenues in the following year. The revenue gains should support the ongoing recovery in Iranian imports, which have increased to \$97bn, near their FY12 peak, and could increase to \$120bn by 2017 as per JPM estimates. Further integration of Iran into the world economy should thus boost the country's trade openness to be more in line with that of other regional oil producers over the medium term. The lifting of sanctions would allow Iran access to about \$80bn of its assets internationally as per IIF estimates (o/w c\$20bn will be used to settle existing obligations). These could find their way into trading partner banks in countries like India, China and UAE and could be used to help rebuild the domestic infrastructure in key sectors like hydrocarbons, transportation, IT and recapitalization of domestic banks and likely to require involvement of international firms. As per IIF, much of the new infrastructure investment is likely to run through Dubai's Jebel Ali port, which is a major regional logistical hub. [Click here](#) to listen to the replay of the call organized by us on assessing the impact of the Iran Nuclear Deal.

**However, it is likely still too early to start factoring in the benefits into our estimates.** While sanctions have created significant pent-up demand for investments into the country, the decline in oil revenues and higher funding costs globally could limit investor appetite in the medium term. The possibility of Iran's non-compliance with commitments of P5+1 agreement and a snapback of sanctions remains a material investment risk.

**International financial transactions are severely curtailed currently** due to exclusion of Iranian banks, including the central bank, from SWIFT in 2012; re-inclusion could take some time given the lack of backbone infrastructure and compliance with SWIFT's likely enhanced AML requirements, although we understand that some progress in this direction has commenced. The domestic financial infrastructure remains mired with questionable assets, capital allocation to non-core investments, negative impact from populist policies of the previous government, all notwithstanding the illicit credit intermediation (FT, 4 Aug 15, estimates 25% of domestic banking loans are non-performing).

Figure 35: Bank credit to GDP, 14A



Source: Central Banks, IMF, IIF, Bloomberg

## M&A within the regional banking space

**We think M&A, which has sporadically occurred within the regional banking space over the past few years, is likely to see a secular pick-up over 16E-17E.**

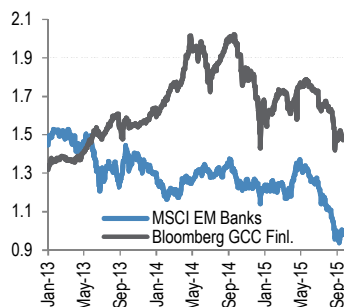
A sustained low oil price environment within a competitive, and to some extent overbanked, GCC market is likely to be a key catalyst for this (see LHS chart showing the high credit to GDP in GCC vs. peer GEMs markets).

Table 28: Noteworthy M&A transactions in MENA banking in the past few years

Acquirer	Country	Target	Country	Date	Comments
Qatar National Bank	Qatar	Kuwait Fin. House	Malaysia	Sep-15	QNB was in talks to acquire Malaysia ops of KFH; talks reportedly now halted
Al Ahli Bank	Kuwait	Piraeus Bank	Egypt	Aug-15	98.5% stake sold for \$150mn
Qatar National Bank	Qatar	Ecobank Trans.	Togo	Sep-14	c20% stake currently created via two step acquisition; valued close to 1x book
Abu Dhabi Islamic Bk	UAE	Barclays	UAE	Sep-14	Sale of Barclays UAE retail ops (consideration \$177mn)
Doha Bank	Qatar	HSBC	Oman	Sep-14	Sale of India operations to Doha Bank in India
Qatar Islamic Bank	Qatar	Bank Asya	Turkey	Mar-14	Transaction withdrawn in Jul-14
First Gulf Bank	UAE	Dubai First	UAE	Nov-13	Purchase of 100% stake for AED601mn
First Gulf Bank	UAE	Aseel Finance	UAE	Oct-13	Purchase of controlling stake in the associate investment
Comml Bk of Qatar	Qatar	Alternatifbank	Turkey	Mar-13	c71% stake for 2x future (Q2'13) book
Qatar National Bank	Qatar	Soc Gen	Egypt	Dec-12	Largest transaction recently in the space; 77% stake for 2x book (\$1.97bn)
Emirates NBD	UAE	BNP Paribas	Egypt	Dec-12	95.2% stake sold at 1.6x book
National Bk of Kuwait	Kuwait	Boubyan Bank	Kuwait	Jun-12	11.3% stake purchased to become the controlling shareholder
Qatar Islamic Bank	Qatar	EFG Hermes	Egypt	Jun-12	Deal not cleared by regulator; QInvest intended purchase of 60% of business
Burgan Bank	Kuwait	Burgan Bank AS	Turkey	Apr-12	99% stake acquired for TRY641mn
Qatar National Bank	Qatar	Mansour Bank	Iraq	Apr-12	27.7% stake acquired to become the controlling shareholder
Qatar National Bank	Qatar	Denizbank	Turkey	Oct-11	Denizbank was eventually sold to Sberbank
EFG Hermes	Egypt	Credit Libanais	Lebanon	Aug-10	65% stake for \$542mn incl. option to buy another 25%

Source: Bloomberg

Figure 36: EM vs. GCC Banks P/B



Source: Bloomberg

**In our view, country champions like QNB, NBAD, ENBD and Samba are likely to be acquirers.** Our view is premised on our understanding of the longer-term growth strategy on which these banks have embarked. We also believe that the well-penetrated domestic space in their respective markets offers little opportunity for secular ROE growth to these banks in the medium to long term.

**These banks generally check the following key boxes for being acquirers in our view:**

- Proficient managements with a proven track record of successfully building their home base and international presence and with a proven experience of facing volatility in previous stress cycles;
- Strength of their USD-pegged currencies in an environment where EM assets look increasingly cheap in dollar terms;
- Relatively healthy core capital (or capacity to raise capital) to fund value-enhancing acquisitions, strong credit ratings to raise required funding to purchase assets and;
- Importantly, stable, supportive & non-activist shareholder bases.



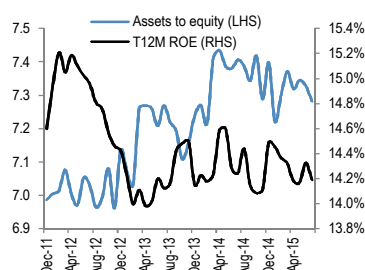
Table 29: Key metrics for the country champions

Q2'15	Qatar National Bank	National Bk of Abu Dhabi	Emirates NBD	Samba Financial Group
Tier I ratio, 16E	c16%	c16%	c19%	c20%
B/S leverage (assets to equity)	9.0x	9.4x	8.1x	5.7x
Capacity to raise Tier I if reqd. for M&A	Yes	Yes	Yes	Yes
L/D ratio	93%	95%	93%	77%
(Cash & res. + interbank + investments), % of assets	26%	40%	28%	39%
Credit rating *	AA-	AA-	A+	A+
Currency risk	Low, peg to USD	Low, peg to USD	Low, peg to USD	Low, peg to USD
NPL ratio	1.5%	2.6%	7.3%	1.2%
Coverage	133%	112%	109%	162%
NPL risk	Medium	Medium	Medium	Medium
t. ROE trend – 5Y **	-1.0%	-1.9%	+3.1%	-0.6%
t. ROE trend – 1Y ***	-1.0%	-1.4%	-0.5%	+0.1%
Key shareholder	Qatar SWF (c50%)	Abu Dhabi SWF (c70%)	Dubai SWF (c56%)	Saudi State funds (c50%)

Source: J.P. Morgan estimates, Company data, Bloomberg; NOTE: \* Fitch Long Term Issuer Default Rating; \*\* 16E t. ROE vs. avg. of 12A-16E; \*\*\* 16E t. ROE vs. 15E

**In general, we believe three key geographies are sources of future growth and form a natural extension for GCC banks:** 1) **Egypt** (culturally akin, politically favored; opportunity lies in the exit of western banks as observed in QNB's acquisition of Soc Gen's network and ENBD's of BNP Paribas' network; NBAD has a long experience in Egypt and organic presence of about 30 branches); 2. **Turkey** (politics supportive of inward M&A from GCC, some cultural similarities; competitive market but offers healthy ROE opportunity; NCB of Saudi present within Islamic space; potential exit of foreign banks like Sberbank and NBD could offer opportunity); and iii. **Sub Saharan Africa** space like Nigeria / Kenya (culturally different although increasing cross-border trade & investment between UAE and SSA could offer synergies to UAE banks).

Figure 37: Limited growth in Saudi



Source: SAMA

**Saudi banks should prioritize M&A on their agenda in our view.** From a b/s health perspective, given the strict monitoring of SAMA, Saudi banks stand out within the GEM space. Failure to progress in this direction over the medium term may, in our view, puts their healthy b/s (characterized by ample liquidity & capital base) & executive potential (capable managements) into an insipid cycle of asset growth generally led by sovereign deficit funding given lack of catalysts for secular credit expansion (as discussed previously overall credit growth in Saudi Arabia is likely to remain in the mid-high single digit range through the next 12-18 months).

**Within GCC itself, the Qatari banking space could offer potential for domestic M&A, although we are yet to hear of any progress in this direction.** Qatari banks have been active on M&A as seen in table above and this has been cross-border M&A for obvious reasons of tapping the better opportunity in growth markets. The reducing public sector business wallet (as observed in declining public sector credit and deposits), increasing regulatory costs (mainly on implementation of Basel III related liquidity and capital standards) and intense competition for limited private sector opportunity – all in a small market where the structure is skewed by the presence of one domestic giant (QNB) – may result in rent-seeking behavior and hence offers limited scope for sustainable, long-term value creation within the second tier banks. Such a need could be exacerbated in the existing conditions amidst a scenario of the potential loss of FIFA World Cup hosting rights, which currently remains an overhang on the domestic valuations from investor perspective.

Table 30: Qatari banking league

	Mkt cap, \$bn	Assets, \$bn	Equity/assets	ROE, 14A *	ROA, 14A	Trailing P/E	Trailing P/B
Qatar National Bank	35.9	140.2	11.3%	19%	2.2%	11.9	2.3
Masraf Al Rayan	8.7	22.3	12.8%	18%	2.7%	15.2	3.2
Qatar Islamic Bank	7.5	31.9	13.9%	13%	1.8%	15.5	1.9
Comml Bk of Qatar	5.0	32.7	14.5%	11%	1.6%	9.8	1.1
Doha Bank	3.6	22.7	15.8%	12%	1.9%	9.5	1.0
Barwa Bank **	n/a	11.3	15.7%	13%	2.1%	n/a	n/a
Qatar Intnl Islamic Bank	3.1	10.6	13.5%	15%	2.3%	13.2	2.2
Al Ahli Bank	2.5	9.1	12.8%	16%	2.1%	14.1	2.1
Al Khalij Comml Bank	2.1	15.5	10.3%	19%	1.9%	12.5	1.3

Source: Company data, Bloomberg (intra-day 22 Sep 15); NOTE: \* unadjusted, as sourced from Bloomberg; \*\* unlisted, financials sourced from company website

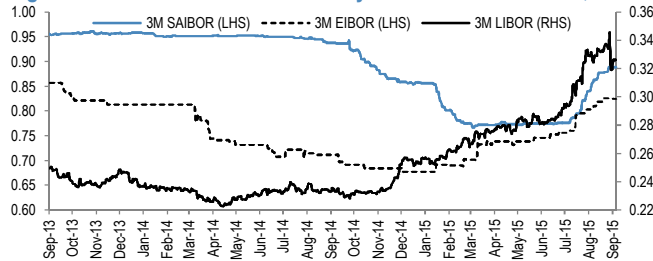
## Key industry data

Table 31: J.P. Morgan macro forecasts

	Long-run	Real GDP growth (%oya)			Consumer prices (% ave)			Current account bal (%GDP)			Fiscal balance (% GDP)		
	Potential Growth	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
<b>EMEA EM economies</b>	<b>3.3</b>	<b>2.3</b>	<b>0.9</b>	<b>2.4</b>	<b>5.4</b>	<b>8.3</b>	<b>6.5</b>	<b>2.8</b>	<b>2.1</b>	<b>0.9</b>	<b>-0.8</b>	<b>-3.9</b>	<b>-2.8</b>
Bulgaria	3.0	1.5	1.5	1.2	-1.4	0.8	1.8	0.1	-0.8	-0.8	-3.8	-3.3	-2.8
Croatia	2.0	-0.4	0.6	0.9	-0.2	0.2	1.7	0.6	0.0	-0.2	-5.7	-5.2	-4.5
Czech Republic	2.5	2.0	4.5	3.4	0.4	0.5	1.1	0.6	0.6	0.4	-2.0	-2.5	-2.4
Egypt	5.0	2.1	4.2	3.2	10.1	12.1	10.1	-1.6	-2.6	-2.6	-12.2	-11.4	-9.8
Hungary	2.5	3.6	3.0	2.7	-0.2	0.2	2.3	4.0	5.4	6.3	-2.6	-2.4	-2.5
Israel	4.0	2.9	2.6	3.0	0.5	-0.2	0.6	3.9	5.1	4.2	-2.7	-3.2	-3.0
Kazakhstan	5.0	4.3	0.9	1.5	6.7	5.2	8.2	2.1	-2.4	-3.0	1.7	-3.4	-1.6
Nigeria	6.5	6.2	2.7	3.9	7.8	9.3	11.1	1.6	-1.4	-0.6	-1.2	-2.5	-2.9
Poland	3.3	3.4	3.6	3.5	0.0	-0.8	1.1	-1.3	-0.3	-0.8	-3.2	-3.0	-2.8
Romania	3.5	2.8	3.9	3.5	1.1	-0.7	-0.4	-0.5	-0.2	-0.9	-1.5	-1.2	-2.4
Russia	1.5	0.6	-3.7	1.0	7.8	15.4	7.2	3.2	6.2	5.2	-0.5	-3.2	-2.8
Serbia	3.0	-1.8	0.5	1.0	2.1	2.6	4.0	-6.0	-4.2	-4.5	-6.6	-4.9	-4.6
South Africa	2.5	1.5	1.4	1.3	6.1	4.8	6.2	-5.4	-4.7	-4.1	-3.5	-4.0	-3.3
Turkey	4.0	2.9	3.3	2.8	8.9	7.6	6.2	-5.7	-5.2	-4.7	-1.3	-1.3	-1.2
Ukraine	4.5	-6.8	-9.7	3.8	12.1	49.0	27.3	-4.0	0.4	0.2	-11.8	-14.4	-5.1
GCC	3.9	3.9	3.6	2.9	2.6	2.7	3.3	13.9	5.7	5.9	5.3	-5.6	-2.5
Bahrain	4.2	4.2	3.5	3.9	2.7	3.0	3.1	4.0	1.0	1.0	-2.4	-3.9	-2.4
Kuwait	5.2	3.1	1.3	1.4	2.9	3.4	3.3	28.9	11.2	12.7	21.3	-2.9	7.4
Oman	4.3	3.4	3.4	3.0	1.0	0.5	1.5	7.5	6.7	5.2	2.2	-3.1	-0.5
Qatar	4.8	6.1	5.5	6.2	3.1	1.6	1.9	21.6	17.9	24.5	14.9	7.0	9.0
Saudi Arabia	3.3	3.6	3.6	1.9	2.7	2.3	3.0	10.5	0.4	-1.5	-1.9	-14.0	-11.9
United Arab Emirates	3.9	4.0	3.8	3.8	2.3	4.3	4.8	11.4	7.2	7.6	7.6	2.0	4.2

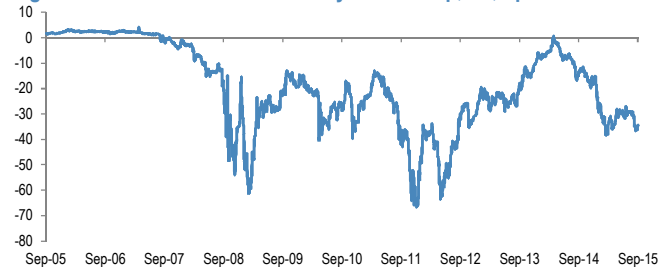
Source: J.P. Morgan Economics estimates

Figure 38: Trend of benchmark money market reference rates, %



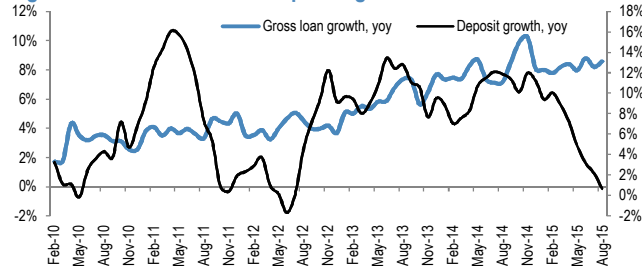
Source: Bloomberg

Figure 39: EUR USD cross currency basis swap, 5Y, bps



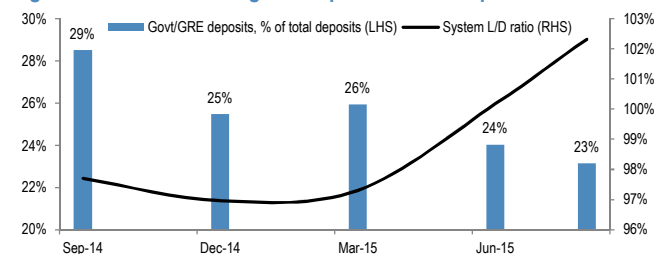
Source: Bloomberg

Figure 40: UAE – Loans vs. deposits growth



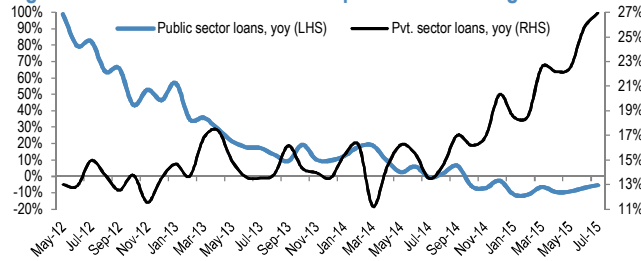
Source: Central Bank data

Figure 41: UAE - Reducing mix of public sector deposits



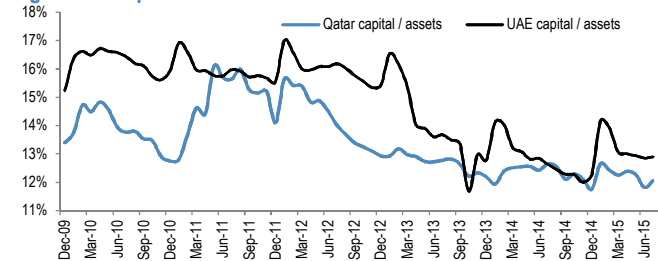
Source: Central Bank data

Figure 42: Qatar – Public sector vs. pvt. sector credit growth



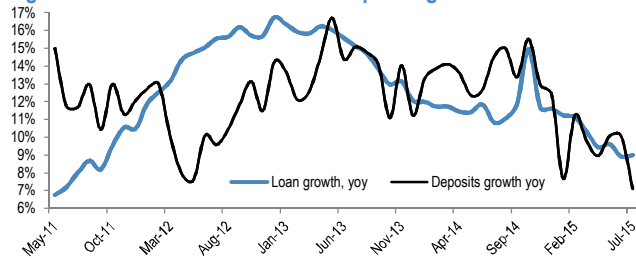
Source: Central Bank data

Figure 43: Capital trends in UAE and Qatar banks



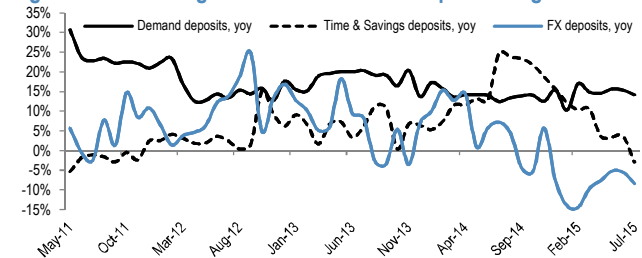
Source: Central Bank data

Figure 44: Saudi Arabia – loans vs. deposits growth



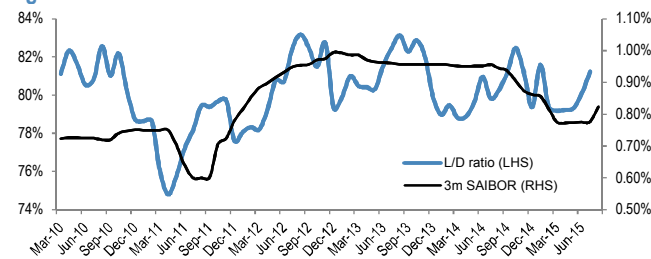
Source: Central Bank data

Figure 45: Trend of growth in Saudi Arabia deposit categories



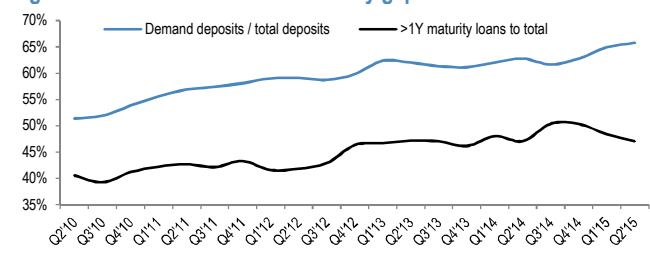
Source: Central Bank data

Figure 46: Saudi Arabia – LDR vs. 3M SAIBOR



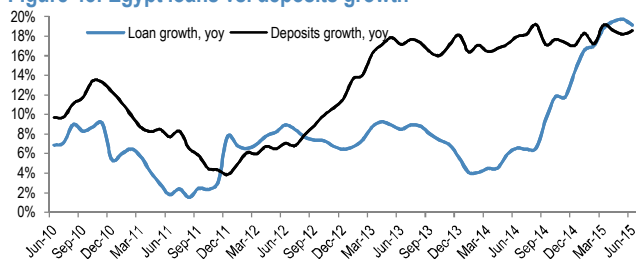
Source: Central Bank data

Figure 47: Saudi Arabia - Asset liability gap in banks



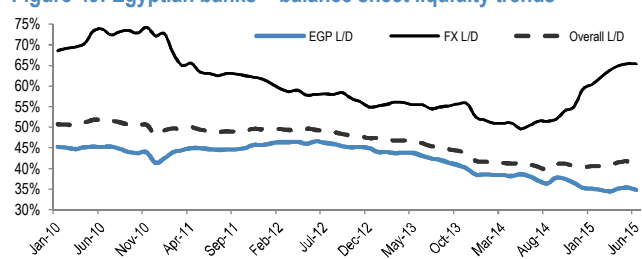
Source: Central Bank data

Figure 48: Egypt loans vs. deposits growth



Source: Central Bank data

Figure 49: Egyptian banks – balance sheet liquidity trends



Source: Central Bank data

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CEEMEA Equity Research  
28 September 2015

# Company Section

## Commercial International Bank (Egypt)

### Overweight

Company Data		Commercial International Bank (Egypt) (COMI.CA;COMI EY)					
		FYE Dec	2013A	2014A	2015E	2016E	2017E
Price (E£)	52.95	Adj.P/E FY	15.9	12.9	10.5	8.5	7.5
Date Of Price	22 Sep 15	P/BV FY	4.0	3.3	2.8	2.4	2.0
Price Target (E£)	76.00	ROE FY	26.5%	28.0%	28.7%	29.8%	29.0%
Price Target End Date	31-Dec-16	ROA FY	2.9%	2.9%	2.9%	3.0%	3.0%
52-week Range (E£)	59.20-43.61	P/NAV FY	4.0	3.3	2.8	2.4	2.0
Market Cap (E£ bn)	48.59	RoNAV FY	26.5%	28.0%	28.7%	29.8%	29.0%
Shares O/S (mn)	918	Gross Yield FY	3.2%	3.3%	4.1%	5.3%	6.0%
Market Cap (\$ bn)	6.21	Tier 1 Ratio FY	15.2%	13.0%	14.0%	14.8%	15.5%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Table 32: CIB Egypt – Key model estimates

E£mn	FY08A	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
NIM	3.95%	3.78%	3.64%	3.79%	4.89%	5.33%	5.34%	5.31%	5.10%	5.10%
NII growth	50%	13%	11%	19%	45%	29%	24%	22%	13%	12%
Fee inc. % of assets	1.42%	1.26%	1.22%	1.05%	1.03%	1.26%	1.33%	1.22%	1.19%	1.22%
Total revenues	3,283	3,384	3,956	3,942	5,317	6,960	7,976	9,903	11,140	12,537
Total revenues growth	36%	3%	17%	0%	35%	31%	15%	24%	12%	13%
C/I ratio	32%	35%	33%	37%	29%	27%	24%	23%	24%	24%
Pre-provisioning ROE	44%	35%	34%	29%	39%	45%	46%	47%	45%	43%
NPL ratio	3.0%	3.0%	2.7%	2.8%	3.6%	4.0%	4.7%	4.9%	4.7%	4.6%
Cost of risk	1.68%	0.35%	0.02%	0.82%	1.44%	2.07%	1.20%	1.73%	1.34%	1.10%
Coverage	171%	151%	125%	117%	118%	158%	138%	137%	144%	149%
Net income	1,371	1,708	2,021	1,614	2,226	3,006	3,741	4,623	5,683	6,494
Net income growth	7%	25%	18%	-20%	38%	35%	24%	24%	23%	14%
Tangible ROE	28%	28%	27%	19%	23%	26%	28%	29%	30%	29%
ROA	2.60%	2.81%	2.89%	2.01%	2.48%	2.89%	2.91%	2.87%	2.99%	3.04%
Cash d/p ratio	35%	39%	42%	50%	47%	42%	42%	43%	45%	45%
Loans % of assets	46%	42%	46%	46%	43%	37%	34%	34%	36%	37%
Deposits, % of assets	85%	85%	84%	84%	84%	85%	85%	86%	87%	87%
L/D ratio	54%	50%	55%	58%	55%	47%	43%	43%	45%	47%
Securities, % of assets	29%	34%	32%	30%	37%	47%	49%	49%	48%	46%
Equity % of assets	10%	11%	11%	10%	12%	11%	10%	10%	10%	11%
Loan growth	29%	3%	29%	13%	3%	3%	17%	23%	20%	17%
Deposits growth	24%	12%	16%	13%	10%	23%	26%	25%	15%	11%
Total assets, EGPbn	57.5	64.3	75.4	85.5	94.0	113.8	143.8	177.8	202.2	225.0
Assets growth	20%	12%	17%	13%	10%	21%	26%	24%	14%	11%
Tier I ratio *	0.0%	15.3%	15.7%	14.1%	14.3%	15.2%	13.0%	14.0%	14.8%	15.5%

Source: J.P. Morgan estimates, Company data.



## Abu Dhabi Commercial Bank

### Overweight

Company Data	
Price (Dh)	7.67
Date Of Price	22 Sep 15
Price Target (Dh)	10.30
Price Target End Date	31-Dec-16
52-week Range (Dh)	8.91-5.05
Market Cap (Dh bn)	42.92
Shares O/S (mn)	5,596
Market Cap (\$ bn)	11.69

#### Abu Dhabi Commercial Bank (ADCB.AD;ADCB UH)

FYE Dec	2012A	2013A	2014A	2015E	2015E	2016E	2016E	2017E	2017E
				(Prev)	(Curr)	(Prev)	(Curr)	(Prev)	(Curr)
Adj.P/E FY	15.7	12.8	10.6	10.1	9.3	9.4	8.7	8.6	8.0
P/BV FY	1.8	1.8	1.6	1.4	1.4	1.3	1.3	1.2	1.2
ROE FY	11.8%	13.9%	16.0%	15.1%	16.3%	14.7%	15.7%	14.8%	15.8%
P/NAV FY	2.3	2.3	2.1	1.8	1.8	1.7	1.6	1.5	1.5
RoNAV FY	13.9%	16.7%	19.6%	18.2%	20.3%	17.5%	19.2%	17.5%	19.0%
Gross Yield FY	3.3%	3.6%	4.8%	4.9%	5.4%	5.3%	5.8%	5.8%	6.3%
Tier 1 Ratio FY	17.5%	16.6%	17.0%	16.5%	16.2%	16.5%	16.3%	16.6%	16.3%
ROA FY	1.5%	1.8%	2.1%	2.0%	2.2%	2.0%	2.2%	2.1%	2.3%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Table 33: Abu Dhabi Commercial Bank – Key model estimates and changes

AED mn / YoY growth	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
						New estimates			Previous estimates		
NIM, JPM calc.	2.44%	2.90%	3.10%	3.16%	3.03%	3.08%	3.10%	3.18%	2.94%	2.98%	3.06%
NII growth	12%	27%	11%	4%	3%	10%	7%	9%	5%	8%	9%
Fee inc. % of assets	0.57%	0.50%	0.52%	0.55%	0.64%	0.66%	0.67%	0.68%	0.66%	0.67%	0.69%
Total revenues	5,000	6,069	6,595	7,320	7,529	8,153	8,725	9,484	8,021	8,654	9,413
Total revenue growth	10%	21%	9%	11%	3%	8%	7%	9%	7%	8%	9%
C/I ratio	33%	34%	31%	32%	34%	34%	34%	34%	34%	33%	32%
Pre-provisioning ROE	17%	19%	20%	20%	20%	19%	18%	18%	19%	19%	19%
NPL ratio	5.8%	4.6%	5.4%	4.1%	3.1%	3.0%	3.1%	3.2%	3.2%	3.2%	3.3%
Provisioning charges	2.63%	1.85%	1.31%	1.02%	0.57%	0.48%	0.48%	0.50%	0.70%	0.75%	0.81%
Coverage	44%	95%	93%	120%	147%	140%	128%	114%	142%	136%	131%
Adj. net income	381	1,712	2,736	3,365	4,050	4,613	4,946	5,395	4,241	4,565	4,978
Net income growth	-168%	349%	60%	23%	20%	14%	7%	9%	5%	8%	9%
Tangible ROE	1%	10%	14%	17%	20%	20%	19%	19%	18%	17%	17%
ROA	0.23%	0.95%	1.50%	1.85%	2.09%	2.19%	2.21%	2.27%	2.02%	2.04%	2.10%
Cash D/P ratio	0%	37%	51%	46%	51%	50%	50%	50%	50%	50%	50%
Loans, % of assets	69%	68%	68%	72%	69%	69%	69%	70%	69%	69%	69%
Deposits, % of assets	60%	60%	63%	66%	65%	66%	67%	67%	66%	67%	68%
L/D ratio	116%	114%	108%	108%	106%	105%	104%	103%	105%	103%	103%
Equity, % of assets	11%	12%	13%	13%	13%	14%	14%	15%	14%	14%	14%
Loan growth	5%	2%	-1%	7%	7%	7%	7%	7%	6%	6%	6%
Deposits growth	23%	4%	4%	7%	9%	8%	8%	7%	8%	8%	7%
Total assets, \$bn	48.5	50.0	49.2	49.9	55.6	59.1	62.8	66.8	59.0	62.6	66.5
Assets growth	11%	3%	-2%	1%	11%	6%	6%	6%	6%	6%	6%
Tier I ratio	12.0%	15.9%	17.5%	16.6%	17.0%	16.2%	16.3%	16.3%	16.5%	16.5%	16.6%
CAR	16.7%	22.5%	23.0%	21.2%	21.0%	19.8%	19.6%	19.3%	20.1%	19.9%	19.7%

Source: J.P. Morgan estimates, Company data.

## Samba Financial Group

### Overweight

Company Data	
Price (SRIs)	23.04
Date Of Price	21 Sep 15
Price Target (SRIs)	33.00
Price Target End Date	31-Dec-16
52-week Range (SRIs)	31.00-20.88
Market Cap (SRIs bn)	46.08
Shares O/S (mn)	2,000
Market Cap (\$ bn)	12.29

#### Samba Financial Group (1090.SE;SAMBA AB)

FYE Dec	2013A	2014A	2015E	2015E	2016E	2016E	2017E	2017E
			(Prev)	(Curr)	(Prev)	(Curr)	(Prev)	(Curr)
Adj.P/E FY	4.6	5.5	9.1	8.9	8.3	8.2	7.6	7.3
P/BV FY	0.6	0.7	1.1	1.1	1.0	1.0	1.0	1.0
ROE FY	13.6%	13.6%	12.7%	12.8%	12.9%	13.0%	13.2%	13.6%
ROA FY	2.2%	2.4%	2.3%	2.3%	2.3%	2.3%	2.4%	2.4%
P/NAV FY	0.6	0.7	1.1	1.1	1.1	1.1	1.0	1.0
RoNAV FY	13.9%	14.0%	13.0%	13.2%	13.2%	13.3%	13.5%	14.0%
Gross Yield FY	9.4%	8.1%	5.0%	4.8%	5.4%	5.2%	5.9%	5.9%
Tier 1 Ratio FY	18.6%	19.2%	19.1%	19.6%	19.1%	19.7%	19.1%	19.9%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Table 34: Samba Financial Group – Key model estimates and changes

SAR mn	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
						New estimates			Previous estimates		
NIM	2.97%	2.92%	2.75%	2.68%	2.45%	2.27%	2.30%	2.41%	2.42%	2.48%	2.57%
NII growth	-11%	-4%	-2%	6%	1%	1%	11%	14%	7%	10%	11%
Fee inc. % of assets	0.67%	0.74%	0.87%	0.80%	0.84%	0.84%	0.83%	0.83%	0.85%	0.85%	0.86%
Total revenues	6,901	6,562	6,694	7,001	7,385	7,832	8,548	9,526	7,779	8,446	9,265
Total revenues growth	-3%	-5%	2%	5%	5%	6%	9%	11%	5%	9%	10%
C/I ratio	28%	30%	31%	31%	30%	31%	30%	29%	30%	30%	29%
Pre-provisioning ROE	21%	17%	15%	15%	14%	13%	14%	15%	13%	14%	14%
NPL ratio	3.7%	3.0%	2.2%	1.7%	1.3%	1.2%	1.2%	1.3%	1.3%	1.3%	1.4%
Provisioning charges	0.65%	0.34%	0.30%	0.32%	0.12%	0.17%	0.26%	0.30%	0.25%	0.29%	0.36%
Coverage	118%	124%	133%	145%	161%	161%	156%	151%	163%	164%	2
Net income	4,429	4,303	4,330	4,510	5,005	5,160	5,621	6,345	5,088	5,538	6,075
Net income growth	-3%	-3%	1%	4%	11%	3%	9%	13%	2%	9%	10%
Tangible ROE	19%	16%	15%	14%	14%	13%	13%	14%	13%	13%	14%
ROA	2.38%	2.26%	2.22%	2.24%	2.37%	2.28%	2.29%	2.38%	2.26%	2.31%	2.37%
RORWA	3.12%	2.87%	2.68%	2.54%	2.56%	2.49%	2.55%	2.69%	2.43%	2.47%	2.52%
Cash d/p ratio	36%	37%	42%	43%	45%	43%	43%	43%	45%	45%	44%
Loans % of assets	43%	46%	52%	55%	57%	57%	57%	56%	57%	57%	58%
Deposits, % of assets	71%	71%	75%	77%	75%	75%	74%	74%	75%	74%	74%
L/D ratio	60%	65%	69%	72%	76%	77%	77%	76%	76%	77%	78%
Equity % of assets	14%	15%	16%	17%	18%	18%	17%	17%	18%	18%	18%
Loan growth	-5%	11%	15%	11%	9%	8%	8%	8%	7%	7%	8%
Deposits growth	-9%	3%	8%	6%	3%	7%	8%	9%	6%	6%	7%
Total assets, SAR bn	187.4	192.8	197.1	205.0	217.4	234.7	256.6	277.2	232.1	247.7	265.8
Assets growth	1%	3%	2%	4%	6%	8%	9%	8%	7%	7%	7%
Total Tier I ratio	17.8%	18.1%	19.0%	18.6%	19.2%	19.6%	19.7%	19.9%	19.1%	19.1%	19.1%

Source: J.P. Morgan estimates, Company data.

## Qatar National Bank

### Overweight

Company Data	
Price (QR)	185.00
Date Of Price	22 Sep 15
Price Target (QR)	255.00
Price Target End Date	31-Dec-16
52-week Range (QR)	237.00-159.90
Market Cap (QR bn)	129.45
Shares O/S (mn)	700
Market Cap (\$ bn)	35.54

#### Qatar National Bank (QNBK.QA;QNBK.QD)

FYE Dec	2013A	2014A	2015E (Prev)	2015E (Curr)	2016E (Prev)	2016E (Curr)
Adj.P/E FY	13.7	12.4	11.7	11.6	10.6	10.4
ROE FY	19.0%	19.0%	17.8%	18.0%	17.3%	17.5%
P/BV FY	2.5	2.3	1.9	1.9	1.7	1.7
RoNAV FY	22.3%	23.6%	21.5%	21.7%	20.5%	20.7%
P/NAV FY	3.1	2.8	2.3	2.3	2.0	2.0
ROA FY	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%
Gross Yield FY	3.8%	4.1%	4.3%	4.1%	4.3%	4.3%
Tier 1 Ratio FY	15.6%	16.9%	16.6%	16.3%	16.2%	15.9%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Table 35: Qatar National Bank – Key model estimates and changes

QAR mn	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
						New estimates			Previous estimates		
NIM, JPM calc.	3.01%	3.07%	2.82%	2.96%	2.75%	2.65%	2.67%	2.73%	2.67%	2.70%	2.76%
NII growth	52%	37%	17%	26%	6%	6%	11%	12%	6%	11%	13%
Fee inc. % of assets	0.56%	0.49%	0.39%	0.48%	0.45%	0.45%	0.45%	0.46%	0.45%	0.46%	0.48%
Total revenues	7,393	10,018	11,238	14,447	15,415	16,313	18,015	20,101	16,408	18,127	20,426
Total revenue growth	38%	36%	12%	29%	7%	6%	10%	12%	6%	10%	13%
Core revenue growth	45%	34%	15%	29%	7%	6%	11%	12%	6%	11%	13%
C/I ratio	17%	16%	17%	21%	21%	22%	22%	21%	22%	22%	21%
Pre-prov. ROE, tangible	30%	27%	23%	27%	27%	25%	24%	23%	25%	24%	24%
NPL ratio	0.95%	1.15%	1.33%	1.64%	1.62%	1.55%	1.57%	1.63%	1.63%	1.68%	1.74%
Cost of risk	0.47%	0.59%	0.48%	0.57%	0.38%	0.33%	0.32%	0.32%	0.38%	0.38%	0.38%
Coverage	118%	119%	115%	123%	126%	127%	126%	124%	125%	126%	124%
Net income	5,704	7,509	8,339	9,479	10,455	11,172	12,421	13,941	11,029	12,259	13,928
Net income growth	36%	32%	11%	14%	10%	7%	11%	12%	5%	11%	14%
Tangible ROE	28%	24%	20%	22%	24%	22%	21%	21%	22%	21%	21%
ROA	2.83%	2.86%	2.49%	2.34%	2.25%	2.19%	2.22%	2.28%	2.17%	2.22%	2.29%
Cash D/P ratio	34%	34%	50%	52%	50%	47%	45%	40%	51%	46%	43%
Loans, % of assets	59%	64%	68%	70%	70%	70%	71%	72%	70%	71%	73%
Deposits, % of assets	74%	66%	74%	76%	74%	74%	74%	75%	74%	74%	74%
L/D ratio	80%	97%	93%	93%	94%	94%	95%	95%	96%	96%	98%
Equity, % of assets	11%	14%	13%	12%	12%	13%	13%	13%	13%	13%	13%
Loan growth	21%	47%	29%	24%	9%	10%	11%	11%	10%	11%	13%
Deposits growth	31%	21%	35%	24%	7%	9%	10%	11%	8%	10%	11%
Total assets, \$bn	61.4	83.0	100.8	121.8	133.6	146.8	160.6	175.2	145.2	158.5	175.6
Assets growth	25%	35%	21%	21%	10%	10%	9%	9%	9%	9%	11%
Tier I ratio	15.3%	22.0%	21.0%	15.6%	16.1%	16.3%	15.9%	15.7%	16.6%	16.2%	16.0%
CAR	15.3%	22.0%	21.0%	15.6%	16.2%	16.3%	15.9%	15.7%	16.6%	16.2%	16.0%

Source: J.P. Morgan estimates, Company data.

## First Gulf Bank

### Overweight

Company Data	
Price (Dh)	13.90
Date Of Price	22 Sep 15
Price Target (Dh)	19.50
Price Target End Date	31-Dec-16
52-week Range (Dh)	16.77-12.39
Market Cap (Dh bn)	62.55
Shares O/S (mn)	4,500
Market Cap (\$ bn)	17.03

#### First Gulf Bank (FGB.AD;FGB UH)

FYE Dec	2013A	2014A	2015E	2015E	2016E	2016E	2017E	2017E
			(Prev)	(Curr)	(Prev)	(Curr)	(Prev)	(Curr)
Adj.P/E FY	8.7	9.6	10.6	10.9	10.0	10.1	9.1	9.2
P/BV FY	1.3	1.6	1.8	1.8	1.6	1.7	1.5	1.5
ROE FY	15.8%	17.3%	17.0%	16.6%	17.2%	17.3%	17.4%	17.5%
ROA FY	2.6%	2.8%	2.7%	2.6%	2.7%	2.6%	2.8%	2.7%
P/NAV FY	1.7	2.1	2.3	2.3	2.0	2.1	1.9	1.9
RoNAV FY	19.3%	21.9%	21.3%	21.0%	21.1%	21.5%	21.1%	21.4%
Gross Yield FY	7.2%	7.2%	5.2%	6.1%	5.5%	5.5%	6.1%	6.0%
Tier One Ratio FY	16.3%	16.2%	16.0%	15.7%	16.1%	15.9%	16.1%	16.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Table 36: First Gulf Bank – Key model estimates and changes

AED mn	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
						New estimates			Previous estimates		
NIM, JPM calc.	3.4%	3.6%	3.6%	3.5%	3.5%	3.2%	3.2%	3.3%	3.2%	3.3%	3.5%
NII growth	11%	19%	9%	9%	8%	-1%	10%	10%	0%	13%	14%
Fee inc. % of assets	1.1%	0.8%	0.78%	0.84%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%
Total revenues	6,343	6,490	7,227	8,422	9,232	9,370	10,189	11,117	9,495	10,432	11,627
Total revenue growth	3%	2%	11%	17%	10%	2%	9%	9%	3%	10%	11%
C/I ratio	18%	19%	20%	21%	23%	24%	24%	24%	24%	24%	24%
Pre-provisioning t.ROE	28%	25%	25%	28%	28%	27%	27%	27%	27%	27%	28%
NPL ratio	3.7%	3.4%	3.3%	3.3%	2.5%	2.4%	2.7%	2.9%	2.7%	2.9%	3.1%
Provisioning charges	1.71%	1.50%	1.46%	1.47%	1.00%	0.86%	0.86%	0.84%	0.94%	0.99%	1.05%
Coverage	89%	98%	96%	91%	127%	131%	123%	114%	115%	109%	109%
Net income	3,420	3,707	4,154	4,774	5,656	5,718	6,207	6,811	5,879	6,281	6,903
Net income growth	-5%	8%	12%	15%	18%	1%	9%	10%	4%	7%	10%
Tangible ROE	17%	17%	17%	19%	22%	21%	21%	21%	21%	21%	21%
ROA	2.6%	2.5%	2.5%	2.6%	2.8%	2.6%	2.6%	2.7%	2.6%	2.6%	2.7%
Cash D/P ratio	26%	40%	60%	63%	69%	67%	55%	55%	55%	55%	55%
Loans, % of assets	68%	66%	65%	63%	66%	66%	67%	69%	67%	69%	70%
Deposits, % of assets	70%	66%	68%	70%	67%	64%	65%	66%	64%	66%	69%
L/D ratio	97%	101%	96%	91%	99%	104%	104%	104%	105%	104%	102%
Equity, % of assets	17%	17%	17%	16%	16%	15%	15%	15%	15%	15%	16%
Loan growth	6%	10%	9%	10%	11%	10%	8%	8%	12%	9%	9%
Deposits growth	14%	5%	15%	16%	2%	6%	8%	9%	5%	10%	11%
Total assets, \$bn	38.3	42.9	47.7	54.0	57.8	63.4	67.4	71.8	63.2	67.4	71.7
Assets growth	12%	12%	11%	13%	7%	10%	6%	6%	9%	7%	7%
Total Tier I ratio	19.6%	18.5%	18.8%	16.3%	16.2%	15.7%	15.9%	16.1%	16.3%	16.5%	16.7%
CAR	22.9%	21.5%	21.3%	17.4%	17.5%	16.8%	16.9%	17.0%	17.5%	17.5%	17.6%

Source: J.P. Morgan estimates, Company data.

## SABB

### Overweight

Company Data	
Price (SRIs)	27.37
Date Of Price	21 Sep 15
Price Target (SRIs)	40.00
Price Target End Date	31-Dec-16
52-week Range (SRIs)	41.33-27.00
Market Cap (SRIs bn)	41.06
Shares O/S (mn)	1,500
Market Cap (\$ bn)	10.95

#### The Saudi British Bank (1060.SE;SABB AB)

FYE Dec	2012A	2013A	2014A	2015E (Prev)	2015E (Curr)	2016E (Prev)	2016E (Curr)	2017E (Prev)	2017E (Curr)
Adj.P/E FY	8.4	7.3	6.4	9.0	9.3	8.2	8.3	7.3	7.5
P/BV FY	1.4	1.2	1.0	1.4	1.5	1.2	1.3	1.1	1.2
ROE FY	17.4%	17.6%	17.4%	16.4%	16.5%	16.0%	17.0%	16.0%	16.8%
P/NAV FY	1.4	1.3	1.1	1.5	1.6	1.3	1.4	1.2	1.2
RoNAV FY	18.2%	18.5%	18.3%	17.2%	17.3%	16.7%	17.9%	16.7%	17.7%
ROA FY	2.2%	2.3%	2.3%	2.3%	2.2%	2.4%	2.3%	2.4%	2.4%
Gross Yield FY	3.7%	4.0%	4.2%	3.1%	3.5%	3.5%	3.7%	3.8%	4.0%
Tier 1 Ratio FY	12.0%	15.1%	15.6%	15.8%	15.5%	15.9%	15.7%	16.0%	16.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Table 37: Saudi British Bank – Key model estimates and changes

SAR mn / YoY growth	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
						New estimates			Previous estimates		
Net int. margin, JPM calc.	3.10%	2.78%	2.69%	2.67%	2.62%	2.46%	2.49%	2.59%	2.53%	2.57%	2.68%
NII growth	-6%	-7%	8%	14%	9%	6%	14%	14%	8%	13%	14%
Fee inc. % of assets	0.94%	0.92%	0.90%	0.86%	0.90%	0.85%	0.81%	0.78%	0.91%	0.89%	0.91%
Total revenues	4,839	4,899	5,166	5,815	6,502	6,918	7,664	8,507	6,987	7,747	8,679
Total revenues growth	-6%	1%	5%	13%	12%	6%	11%	11%	7%	11%	12%
C/I ratio	36%	33%	31%	30%	29%	30%	29%	29%	29%	29%	29%
Pre-provisioning ROE	22%	20%	19%	19%	19%	18%	19%	18%	18%	18%	18%
NPL ratio	3.4%	1.9%	1.6%	1.4%	1.3%	1.2%	1.2%	1.3%	1.2%	1.2%	1.3%
Provisioning charges	1.59%	0.58%	0.48%	0.36%	0.40%	0.45%	0.45%	0.48%	0.41%	0.46%	0.50%
Coverage	100%	124%	151%	148%	161%	167%	164%	160%	165%	162%	160%
Net income	1,883	2,888	3,240	3,774	4,266	4,411	4,932	5,506	4,546	4,982	5,588
Net income growth	-7%	53%	12%	16%	13%	3%	12%	12%	7%	10%	12%
Tangible ROE	14%	19%	18%	18%	18%	17%	18%	18%	17%	17%	17%
ROA	1.49%	2.19%	2.19%	2.26%	2.34%	2.25%	2.30%	2.35%	2.29%	2.29%	2.38%
Cash d/p ratio	30%	24%	31%	29%	27%	32%	30%	30%	28%	29%	28%
Loans % of assets	59%	61%	61%	60%	61%	64%	63%	62%	62%	63%	63%
Deposits, % of assets	76%	76%	77%	78%	78%	77%	77%	78%	75%	75%	75%
L/D ratio	78%	80%	80%	76%	79%	83%	81%	79%	83%	83%	84%
Equity % of assets	12%	12%	13%	13%	14%	13%	14%	14%	14%	15%	15%
Loan growth	-3%	14%	13%	10%	9%	13%	8%	7%	13%	9%	9%
Deposits growth	6%	12%	14%	15%	5%	8%	10%	10%	8%	8%	8%
Total assets, SAR bn	125.4	138.7	156.7	177.3	187.6	204.6	225.0	243.2	208.8	225.7	244.1
Assets growth	-1%	11%	13%	13%	6%	9%	10%	8%	11%	8%	8%
Total Tier I ratio	11.9%	11.8%	12.0%	15.1%	15.6%	15.5%	15.7%	16.1%	15.3%	15.4%	15.5%

Source: J.P. Morgan estimates, Company data.

## Commercial Bank of Qatar

### Overweight

Company Data	
Price (QR)	56.00
Date Of Price	22 Sep 15
Price Target (QR)	67.00
Price Target End Date	31-Dec-16
52-week Range (QR)	69.82-53.50
Market Cap (QR bn)	18.29
Shares O/S (mn)	327
Market Cap (\$ bn)	5.02

#### Commercial Bank of Qatar (COMB.QA;CBQK QD)

FYE Dec	2011A	2012A	2013A	2014A	2015E	2015E	2016E	2016E	2017E	2017E
					(Prev)	(Curr)	(Prev)	(Curr)	(Prev)	(Curr)
Adj.P/E FY	7.3	6.9	8.6	8.8	8.5	9.8	7.5	9.2	6.7	8.0
P/BV FY	1.0	0.9	0.9	1.0	1.0	1.0	0.9	1.0	0.8	0.9
ROE FY	14.1%	13.8%	10.4%	11.4%	12.3%	10.8%	12.8%	11.0%	13.2%	11.6%
P/NAV FY	1.3	1.2	1.3	1.5	1.5	1.5	1.3	1.4	1.2	1.3
RoNAV FY	19.1%	18.1%	14.5%	16.4%	17.3%	15.2%	17.6%	15.0%	17.6%	15.5%
Gross Yield FY	10.7%	10.8%	3.6%	6.3%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
ROA FY	2.8%	2.7%	1.7%	1.6%	1.8%	1.6%	1.8%	1.5%	1.9%	1.6%
Tier 1 Ratio FY	16.4%	15.4%	12.6%	13.1%	11.9%	12.2%	12.0%	12.1%	12.2%	12.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Table 38: Commercial Bank of Qatar – Key model estimates and changes

QAR mn / YoY growth	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
						New estimates			Previous estimates		
NIM, JPM calc.	3.37%	3.17%	2.68%	2.46%	2.45%	2.28%	2.25%	2.32%	2.50%	2.57%	2.67%
NII growth	7%	9%	-4%	17%	18%	-2%	7%	12%	9%	13%	15%
Fee inc. % of assets	0.88%	0.87%	0.68%	0.70%	0.77%	0.87%	0.95%	1.01%	0.87%	0.93%	0.98%
Total revenues	2,562	2,864	2,984	3,434	3,902	4,106	4,491	5,032	4,314	4,888	5,566
Total revenue growth	-8%	12%	4%	15%	14%	5%	9%	12%	11%	13%	14%
C/I ratio	31%	31%	34%	42%	40%	40%	40%	39%	40%	40%	39%
Pre-provisioning ROE	20%	20%	18%	18%	21%	21%	21%	22%	22%	22%	23%
NPL ratio	3.2%	1.2%	1.1%	3.6%	3.8%	3.5%	3.8%	4.0%	2.0%	2.2%	2.5%
Provisioning charges	0.88%	0.79%	0.44%	1.21%	0.94%	1.05%	1.16%	1.21%	0.75%	0.78%	0.88%
Net income	1,635	1,884	2,012	1,604	1,880	1,873	1,997	2,273	2,164	2,440	2,739
Net income growth	7%	15%	7%	-20%	17%	0%	7%	14%	15%	13%	12%
Tangible ROE	19%	19%	18%	15%	16%	15%	15%	16%	17%	18%	18%
ROA	2.7%	2.8%	2.7%	1.7%	1.6%	1.6%	1.5%	1.6%	1.8%	1.8%	1.9%
Cash D/P ratio	97%	79%	74%	31%	52%	49%	46%	40%	43%	38%	34%
Loans, % of assets	54%	58%	61%	59%	63%	61%	61%	62%	63%	65%	66%
Deposits, % of assets	53%	53%	52%	56%	53%	54%	56%	59%	54%	55%	57%
L/D ratio	101%	110%	117%	105%	118%	112%	109%	105%	118%	117%	116%
Equity, % of assets	20%	20%	19%	14%	15%	14%	14%	14%	14%	14%	14%
Loan growth	5%	24%	17%	38%	8%	6%	8%	10%	11%	12%	13%
Deposits growth	27%	14%	9%	53%	-3%	11%	12%	14%	11%	12%	14%
Total assets, \$bn	17.2	19.7	22.0	31.1	31.8	34.6	37.2	40.5	34.8	38.2	42.3
Assets growth	9%	15%	12%	41%	2%	9%	8%	9%	10%	10%	11%
Total Tier I ratio	16.6%	16.4%	15.4%	12.6%	13.1%	12.2%	12.1%	12.2%	11.9%	12.0%	12.2%
CAR	18.5%	17.9%	17.0%	14.1%	15.2%	14.0%	13.7%	13.7%	13.9%	13.8%	13.9%

Source: J.P. Morgan estimates, Company data.



## Banque Saudi Fransi

### Neutral

Company Data	
Price (SRIs)	30.40
Date Of Price	21 Sep 15
Price Target (SRIs)	38.50
Price Target End Date	31-Dec-16
52-week Range (SRIs)	40.90-28.90
Market Cap (SRIs bn)	36.64
Shares O/S (mn)	1,205
Market Cap (\$ mn)	9,770.12

#### Banque Saudi Fransi (1050.SE;BSFR AB)

FYE Dec	2012A	2013A	2014A	2015E	2015E	2016E	2016E	2017E	2017E
				(Prev)	(Curr)	(Prev)	(Curr)	(Prev)	(Curr)
Adj.P/E FY	9.1	11.4	10.4	9.7	9.3	8.8	8.5	8.0	7.7
P/BV FY	1.2	1.2	1.4	1.3	1.3	1.2	1.1	1.0	1.0
ROE FY	14.2%	10.5%	14.2%	13.7%	14.2%	13.7%	14.2%	13.7%	14.2%
ROA FY	2.0%	1.5%	2.0%	1.9%	2.0%	1.9%	2.1%	2.0%	2.1%
P/NAV FY	1.3	1.2	1.4	1.3	1.3	1.2	1.2	1.1	1.1
RoNAV FY	14.5%	10.7%	14.3%	14.0%	14.5%	14.0%	14.5%	14.0%	14.6%
Gross Yield FY	2.9%	1.4%	3.4%	3.3%	3.6%	3.3%	3.9%	3.3%	4.4%
Tier 1 Ratio FY	14.7%	13.9%	14.8%	14.3%	14.9%	14.1%	15.1%	14.0%	15.4%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Table 39: Banque Saudi Fransi – Key model estimates and changes

SAR mn	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
						New estimates			Previous estimates		
NIM	2.94%	2.83%	2.63%	2.38%	2.46%	2.33%	2.39%	2.50%	2.39%	2.41%	2.48%
NII growth	1%	2%	5%	2%	13%	5%	12%	13%	8%	11%	13%
Fee inc. % of assets	0.73%	0.80%	0.79%	0.70%	0.72%	0.70%	0.70%	0.69%	0.72%	0.72%	0.72%
Total revenues	4,395	4,590	5,010	5,053	5,786	6,263	6,908	7,668	6,359	7,020	7,813
Total revenue growth	2%	4%	9%	1%	15%	8%	10%	11%	10%	10%	11%
C/I ratio	29%	33%	31%	33%	33%	34%	34%	33%	33%	33%	32%
Pre-provisioning ROE	19%	16%	16%	15%	16%	15%	15%	15%	15%	16%	16%
NPL ratio	1.2%	1.2%	1.0%	1.3%	1.0%	0.9%	0.9%	1.0%	1.0%	1.0%	1.1%
Provisioning charges	0.42%	0.18%	0.46%	0.88%	0.28%	0.18%	0.20%	0.25%	0.38%	0.42%	0.49%
Coverage	147%	136%	149%	146%	195%	200%	187%	177%	202%	201%	199%
Net income	2,801	2,916	3,015	2,406	3,516	3,932	4,319	4,766	3,793	4,152	4,589
Net income growth	13%	4%	3%	-20%	46%	12%	10%	10%	8%	9%	11%
Tangible ROE	18%	16%	15%	11%	14%	15%	15%	15%	14%	14%	14%
ROA	2.30%	2.21%	2.02%	1.47%	1.96%	2.02%	2.07%	2.11%	1.92%	1.94%	1.98%
Cash d/p ratio	29%	19%	27%	17%	36%	34%	33%	34%	32%	29%	26%
Loans, % of assets	66%	66%	65%	65%	62%	64%	63%	63%	61%	61%	61%
Deposits, % of assets	76%	78%	73%	77%	77%	76%	77%	77%	76%	77%	77%
L/D ratio	87%	84%	89%	85%	80%	84%	83%	81%	80%	79%	79%
Equity, % of assets	15%	14%	14%	14%	14%	14%	15%	15%	14%	14%	15%
Loan growth	3%	14%	11%	8%	5%	10%	7%	7%	8%	8%	9%
Deposits growth	3%	18%	5%	14%	10%	5%	9%	9%	8%	9%	9%
Total assets, SAR bn	123.2	140.5	157.8	170.1	188.8	200.8	216.8	234.9	205.5	221.7	241.2
Asset growth	2%	14%	12%	8%	11%	6%	8%	8%	9%	8%	9%
Total Tier I ratio	14.2%	13.9%	14.7%	13.9%	14.8%	14.9%	15.1%	15.4%	15.0%	15.2%	15.6%

Source: J.P. Morgan estimates, Company data.

## Emirates NBD

### Neutral

Company Data		Emirates NBD PJSC (ENBD.DU;EMIRATES UH)								
		FYE Dec	2012A	2013A	2014A	2015E	2015E	2016E	2016E	2017E
						(Prev)	(Curr)	(Prev)	(Curr)	(Prev)
Price (Dh)	8.84									
Date Of Price	22 Sep 15	Adj.P/E FY	19.2	15.1	9.6	9.1	7.7	7.8	7.0	6.9
Price Target (Dh)	11.50	P/BV FY	1.3	1.2	1.1	1.0	1.0	0.9	0.9	0.9
Price Target End Date	31-Dec-16	ROE FY	7.2%	8.3%	11.6%	11.1%	13.1%	12.1%	13.1%	12.7%
52-week Range (Dh)	10.95-6.08	P/NAV FY	1.8	1.7	1.6	1.4	1.4	1.3	1.2	1.2
Market Cap (Dh bn)	49.13	RoNAV FY	8.8%	10.5%	15.7%	14.8%	17.6%	15.9%	17.1%	16.4%
Shares O/S (mn)	5,558	ROA FY	0.9%	1.0%	1.5%	1.5%	1.7%	1.6%	1.7%	1.7%
Market Cap (\$ mn)	13,377.64	Gross Yield FY	2.8%	2.8%	4.0%	5.5%	5.2%	6.4%	6.4%	7.2%
		Tier 1 Ratio FY	13.8%	15.3%	18.0%	17.9%	18.8%	18.2%	19.2%	18.5%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Table 40: Emirates NBD – Key model estimates and changes

AED mn	2010A	2011A	2012A	2013A	2014	2015E	2016E	2017E	2015E	2016E	2017E
						New estimates			Previous estimates		
Net interest income growth	-8%	7%	-5%	18%	17%	10%	12%	9%	8%	10%	8%
Net interest margin, JPM calc.	2.59%	2.77%	2.55%	2.73%	2.91%	2.92%	2.99%	3.03%	2.92%	2.98%	3.02%
Fee income, % of avg. assets	0.65%	0.64%	0.53%	0.60%	0.73%	0.76%	0.77%	0.79%	0.75%	0.75%	0.76%
Total revenues	9,721	9,930	10,217	11,856	14,442	15,556	16,968	18,266	15,047	16,330	17,500
Core revs (NII+fees), % of total	89%	92%	83%	85%	84%	85%	87%	89%	87%	88%	88%
C/I ratio	31%	35%	36%	35%	30%	30%	30%	30%	31%	32%	32%
Pre-provisioning ROE (tangible)	27%	26%	25%	28%	34%	32%	31%	30%	31%	30%	28%
NPL ratio	9.8%	13.5%	14.1%	13.8%	7.7%	7.5%	7.8%	8.1%	8.0%	8.4%	8.8%
Overall coverage	41%	43%	49%	57%	100%	114%	119%	122%	107%	111%	112%
Cost of risk	1.12%	2.36%	1.78%	1.91%	1.90%	1.60%	1.60%	1.55%	1.76%	1.59%	1.44%
Net income	2,340	2,531	2,554	3,256	5,139	6,394	6,987	7,598	5,414	6,298	7,072
Net income growth	-30%	8%	1%	27%	58%	24%	9%	9%	5%	16%	12%
ROE (tangible)	8%	9%	9%	11%	16%	18%	17%	17%	15%	16%	16%
ROA	0.82%	0.89%	0.86%	1.00%	1.46%	1.68%	1.69%	1.71%	1.43%	1.56%	1.65%
D/P ratio	48%	44%	54%	43%	38%	40%	45%	45%	40%	40%	40%
RORWA	1.05%	1.14%	1.16%	1.46%	2.30%	2.80%	2.85%	2.88%	2.33%	2.49%	2.61%
Loan (incl. Islamic) growth	-9%	4%	7%	9%	3%	9%	7%	7%	9%	7%	7%
Loans, % of assets	69%	71%	71%	70%	68%	67%	67%	67%	68%	69%	69%
Deposits growth	19%	-3%	11%	12%	8%	10%	8%	7%	8%	8%	8%
Deposits, % of assets	70%	68%	69%	70%	71%	71%	71%	72%	71%	72%	73%
L/D ratio	98%	105%	102%	99%	95%	94%	93%	93%	97%	96%	95%
Total assets, AED bn	286.1	284.6	308.3	342.1	363.0	398.7	428.7	458.2	393.0	416.7	442.1
Equity, % of assets	11.8%	12.3%	11.8%	12.2%	12.9%	12.8%	13.0%	13.1%	12.8%	13.1%	13.3%
Tangible equity, % of assets	8.4%	8.9%	8.7%	8.3%	8.7%	9.0%	9.4%	9.8%	8.9%	9.4%	9.9%
Tier I ratio	12.6%	13.0%	13.8%	15.3%	18.0%	18.8%	19.2%	19.5%	17.8%	18.2%	18.6%
Core Tier I ratio	10.7%	11.2%	12.0%	11.9%	13.7%	14.8%	15.5%	16.1%	13.9%	14.6%	15.2%
Capital adequacy ratio	19.8%	20.5%	20.6%	19.6%	21.1%	21.6%	21.8%	22.0%	20.5%	20.7%	21.0%
Leverage ratio (assets to equity)	8.5	8.1	8.5	8.2	7.8	7.8	7.7	7.6	7.8	7.7	7.5

Source: J.P. Morgan estimates, Company data.

## Doha Bank

### Neutral

Company Data	
Price (QR)	50.50
Date Of Price	22 Sep 15
Price Target (QR)	61.00
Price Target End Date	31-Dec-16
52-week Range (QR)	61.80-48.50
Market Cap (QR bn)	13.05
Shares O/S (mn)	258
Market Cap (\$ bn)	3.58

#### Doha Bank (DOBK.QA;DHBK QD)

FYE Dec	2011A	2012A	2013A	2014A	2015E	2015E	2016E	2016E	2017E	2017E
					(Prev)	(Curr)	(Prev)	(Curr)	(Prev)	(Curr)
Adj.P/E FY	8.4	8.0	9.9	9.6	9.1	9.2	8.3	8.4	7.5	8.0
P/NAV FY	1.7	1.6	1.6	1.6	1.5	1.5	1.4	1.4	1.3	1.3
RoNAV FY	22.1%	20.4%	17.8%	15.1%	15.5%	13.9%	16.0%	14.8%	16.4%	14.8%
P/BV FY	1.5	1.4	1.2	1.2	1.1	1.0	1.1	0.9	1.0	0.9
ROE FY	18.9%	17.8%	13.9%	12.0%	12.5%	11.4%	13.2%	11.3%	13.8%	11.5%
ROA FY	2.5%	2.4%	2.1%	1.9%	1.8%	1.7%	1.8%	1.7%	1.8%	1.6%
Gross Yield FY	8.9%	8.9%	8.9%	7.9%	6.9%	6.9%	5.9%	5.9%	5.9%	5.9%
Tier 1 Ratio FY	10.7%	10.9%	14.3%	14.7%	14.0%	15.4%	12.7%	13.8%	12.1%	12.9%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Table 41: Doha Bank - Key model estimates and changes

QAR mn	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
						New estimates			Previous estimates		
NIM	3.38%	3.60%	3.28%	3.06%	2.79%	2.50%	2.54%	2.60%	2.63%	2.72%	2.83%
NII growth	23%	14%	-4%	9%	7%	3%	14%	12%	6%	14%	13%
Fee inc. % of assets	0.85%	0.76%	0.65%	0.66%	0.72%	0.62%	0.59%	0.58%	0.74%	0.75%	0.77%
Total revenues	2,139	2,334	2,419	2,541	2,860	2,837	3,169	3,483	3,046	3,427	3,833
Total revenue growth	5%	9%	4%	5%	13%	-1%	12%	10%	7%	12%	12%
C/I ratio	34%	33%	35%	36%	36%	39%	38%	38%	37%	36%	36%
Pre-provisioning ROE	28%	28%	25%	22%	22%	21%	22%	23%	23%	24%	25%
NPL ratio	3.9%	3.3%	2.8%	3.0%	3.1%	2.8%	3.0%	3.2%	3.3%	3.5%	3.8%
Cost of credit risk	1.15%	0.91%	0.57%	0.77%	0.95%	0.50%	0.60%	0.70%	0.85%	0.95%	1.00%
Coverage	92%	74%	87%	97%	114%	120%	114%	110%	113%	114%	115%
Net income	1,054	1,241	1,305	1,313	1,354	1,413	1,545	1,636	1,435	1,571	1,734
Net income growth	8%	18%	5%	1%	3%	4%	9%	6%	6%	9%	10%
Tangible ROE	21%	22%	20%	18%	15%	14%	15%	15%	15%	16%	16%
ROA	2.3%	2.5%	2.4%	2.1%	1.9%	1.7%	1.7%	1.6%	1.8%	1.8%	1.8%
Cash D/P ratio	90%	75%	71%	89%	76%	64%	50%	47%	63%	49%	45%
Loans, % of assets	56%	59%	61%	61%	64%	66%	68%	71%	66%	68%	70%
Deposits, % of assets	65%	60%	62%	63%	61%	62%	66%	70%	63%	67%	70%
L/D ratio	86%	98%	98%	97%	106%	106%	103%	100%	104%	102%	100%
Equity, % of assets	13%	13%	14%	17%	15%	15%	15%	14%	14%	13%	13%
Loan growth	3%	17%	9%	22%	18%	18%	14%	12%	15%	13%	12%
Deposits growth	11%	3%	9%	24%	8%	18%	17%	15%	16%	15%	14%
Total assets, \$bn	13.0	14.5	15.2	18.4	20.7	23.9	26.3	28.5	23.3	25.4	27.6
Assets growth	3%	12%	5%	21%	13%	15%	10%	9%	12%	9%	9%
CET1, Basel III	-	-	-	-	11.8%	10.5%	9.5%	9.0%	10.9%	9.8%	9.4%
Total Tier I ratio	11.0%	10.7%	10.9%	14.3%	14.7%	15.4%	13.8%	12.9%	15.9%	14.3%	13.3%
CAR	13.6%	13.2%	13.6%	15.9%	15.0%	15.6%	13.8%	12.9%	16.1%	14.3%	13.3%

Source: J.P. Morgan estimates, Company data.

## Al Rajhi Bank

### Underweight

Company Data	
Price (SRIs)	55.99
Date Of Price	21 Sep 15
Price Target (SRIs)	60.00
Price Target End Date	31-Dec-16
52-week Range (SRIs)	72.50-48.40
Market Cap (SRIs bn)	90.98
Shares O/S (mn)	1,625
Market Cap (\$ bn)	24.26

#### Al Rajhi Bank (1120.SE;RJHI AB)

FYE Dec	2013A	2014A	2015E	2016E (Prev)	2016E (Curr)	2017E (Prev)	2017E (Curr)
Adj.P/E FY	11.3	13.3	13.2	12.2	12.0	11.0	10.6
P/BV FY	2.2	2.2	2.0	1.8	1.8	1.7	1.7
ROE FY	19.8%	17.0%	15.6%	15.5%	15.8%	15.7%	16.5%
P/NAV FY	2.3	2.3	2.1	1.9	1.9	1.7	1.8
RoNAV FY	21.6%	17.9%	16.5%	16.0%	16.7%	16.3%	17.3%
ROA FY	2.7%	2.3%	2.1%	2.2%	2.1%	2.2%	2.1%
Gross Yield FY	4.5%	3.9%	3.8%	3.6%	4.2%	4.0%	4.7%
Tier 1 Ratio FY	18.5%	18.5%	18.1%	17.9%	17.7%	17.7%	17.7%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Table 42: Al Rajhi Bank - Key model estimates and changes

SAR mn	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
						New estimates			Previous estimates		
NIM, JPM calc.	5.82%	5.14%	4.42%	4.10%	3.87%	3.59%	3.53%	3.58%	3.76%	3.81%	3.92%
NII growth	-3%	0%	3%	3%	2%	4%	11%	13%	6%	10%	12%
Fee inc. % of avg. assets	0.92%	1.13%	1.26%	1.07%	0.93%	0.82%	0.75%	0.69%	0.84%	0.81%	0.79%
Total revenues	11,661	12,502	13,983	13,845	13,667	14,101	15,375	16,970	14,231	15,418	16,959
Total revenues growth	1%	7%	12%	-1%	-1%	3%	9%	10%	4%	8%	10%
C/I ratio	26%	28%	27%	29%	33%	34%	34%	33%	34%	34%	34%
Pre-provisioning ROE	29%	29%	29%	26%	23%	21%	21%	22%	22%	21%	22%
NPL ratio	2.2%	1.7%	2.0%	1.6%	1.3%	1.2%	1.3%	1.4%	1.3%	1.4%	1.6%
Provisioning charges	1.59%	1.23%	1.45%	1.28%	1.15%	1.07%	1.10%	1.12%	1.10%	1.10%	1.10%
Coverage	136%	148%	137%	144%	196%	207%	206%	193%	208%	217%	218%
Net income	6,771	7,378	7,885	7,438	6,836	6,902	7,588	8,545	6,908	7,466	8,293
Net income growth	0%	9%	7%	-6%	-8%	1%	10%	13%	1%	8%	11%
Tangible ROE	25%	26%	26%	22%	18%	17%	17%	17%	17%	16%	17%
ROA	3.81%	3.64%	3.23%	2.72%	2.33%	2.11%	2.08%	2.11%	2.16%	2.16%	2.21%
Cash d/p ratio	78%	66%	62%	50%	53%	51%	50%	50%	41%	44%	44%
Loans % of assets	65%	64%	64%	67%	67%	64%	62%	61%	67%	68%	69%
Deposits, % of assets	77%	79%	83%	83%	83%	79%	79%	81%	84%	85%	84%
L/D ratio	84%	81%	78%	81%	80%	81%	78%	75%	80%	80%	82%
Equity % of assets	16%	15%	14%	14%	14%	13%	13%	13%	14%	14%	14%
Loan growth	7%	17%	22%	9%	10%	7%	8%	9%	9%	9%	11%
Deposits growth	16%	21%	28%	5%	11%	6%	12%	13%	9%	8%	8%
Total assets, SAR bn	184.8	220.8	267.4	279.9	307.7	345.9	385.1	424.2	332.8	358.6	391.2
Assets growth	8%	19%	21%	5%	10%	12%	11%	10%	8%	8%	9%
Total Tier I ratio	15.2%	14.7%	14.7%	18.5%	18.5%	18.1%	17.7%	17.7%	18.0%	18.1%	17.9%

Source: J.P. Morgan estimates, Company data.

## National Bank of Abu Dhabi

### Underweight

Company Data	
Price (Dh)	9.80
Date Of Price	22 Sep 15
Price Target (Dh)	11.50
Price Target End Date	31-Dec-16
52-week Range (Dh)	13.64-8.51
Market Cap (Dh bn)	51.06
Shares O/S (mn)	5,210
Market Cap (\$ mn)	13,901.67

#### National Bank of Abu Dhabi (NBAD.AD;NBAD UH)

FYE Dec	2013A	2014A	2015E (Prev)	2015E (Curr)	2016E (Prev)	2016E (Curr)	2017E (Prev)	2017E (Curr)
Adj.P/E FY	8.9	8.3	9.1	9.0	8.4	8.5	7.6	7.9
P/NAV FY	1.5	1.4	1.4	1.4	1.3	1.2	1.2	1.1
RoNAV FY	16.4%	17.5%	16.1%	15.7%	15.9%	14.2%	16.3%	14.0%
P/BV FY	1.2	1.2	1.2	1.1	1.1	1.0	1.0	0.9
ROE FY	14.4%	15.4%	14.0%	13.5%	13.8%	12.4%	14.2%	12.3%
ROA FY	1.5%	1.6%	1.5%	1.4%	1.5%	1.4%	1.5%	1.4%
Tier 1 Ratio FY	15.6%	15.0%	14.6%	15.7%	14.5%	15.9%	14.4%	16.0%
Gross Yield FY	4.1%	4.1%	5.1%	4.1%	5.6%	4.6%	6.1%	5.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Table 43: National Bank of Abu Dhabi - Key model estimates and changes

AED mn	FY10A	FY11A	FY12A	FY13A	FY14	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
New estimates									Previous estimates		
NIM, JPM calc.	2.67%	2.60%	2.29%	2.17%	2.09%	1.95%	2.03%	2.11%	2.00%	2.03%	2.10%
NII growth	15%	11%	5%	7%	8%	4%	12%	10%	5%	8%	11%
Fee inc. % of assets	0.62%	0.60%	0.57%	0.59%	0.66%	0.58%	0.57%	0.57%	0.72%	0.78%	0.80%
Total revenues	7,179	7,881	8,701	9,398	10,415	10,887	11,791	12,832	10,968	11,994	13,299
Total revenues growth	12%	10%	10%	8%	11%	5%	8%	9%	5%	9%	11%
C/I ratio	30%	33%	33%	34%	35%	37%	37%	37%	37%	36%	35%
Pre-provisioning ROE	22%	21%	20%	19%	18%	16%	15%	15%	17%	17%	18%
NPL ratio	2.3%	2.9%	3.4%	3.2%	3.1%	2.7%	2.9%	3.1%	3.1%	3.2%	3.3%
Provisioning charges	0.87%	0.98%	0.80%	0.67%	0.44%	0.35%	0.41%	0.45%	0.50%	0.56%	0.61%
Coverage	113%	99%	95%	105%	108%	109%	105%	100%	106%	107%	108%
Net income	3,683	3,708	4,362	4,733	5,579	5,694	5,980	6,426	5,623	6,048	6,733
Net income growth	22%	1%	18%	8%	18%	2%	5%	7%	1%	8%	11%
Tangible ROE	19%	17%	17%	16%	17%	16%	14%	14%	16%	16%	16%
ROA	1.80%	1.59%	1.57%	1.51%	1.59%	1.45%	1.41%	1.43%	1.46%	1.47%	1.52%
Cash d/p ratio	19%	23%	31%	36%	34%	37%	39%	41%	46%	47%	46%
Loans % of assets	65%	62%	55%	57%	52%	55%	55%	55%	53%	53%	54%
Deposits, % of assets	58%	59%	63%	65%	65%	63%	64%	65%	67%	67%	67%
L/D ratio	111%	105%	86%	87%	80%	89%	87%	85%	79%	79%	80%
Equity % of assets	11%	10%	10%	11%	10%	11%	12%	12%	11%	11%	11%
Loan growth	3%	17%	3%	12%	6%	18%	6%	6%	8%	8%	9%
Deposits growth	2%	23%	25%	11%	15%	6%	8%	8%	9%	8%	8%
Total assets, \$bn	57.6	69.6	81.9	88.5	102.4	112.1	119.0	126.1	108.0	116.0	125.2
Assets growth	7%	21%	18%	8%	16%	9%	6%	6%	5%	7%	8%
Total Tier I ratio	16.2%	15.6%	17.2%	15.6%	15.0%	15.7%	15.9%	16.0%	14.6%	14.5%	14.4%
CAR	22.6%	20.6%	21.0%	17.2%	16.4%	17.0%	17.1%	17.2%	16.4%	16.2%	16.1%

Source: J.P. Morgan estimates, Company data.

## Riyad Bank

### Underweight

Company Data	
Price (SRIs)	14.20
Date Of Price	21 Sep 15
Price Target (SRIs)	15.00
Price Target End Date	31-Dec-16
52-week Range (SRIs)	21.40-13.80
Market Cap (SRIs bn)	42.60
Shares O/S (mn)	3,000
Market Cap (\$ bn)	11.36

#### Riyad Bank (1010.SE;RIBL AB)

FYE Dec	2012A	2013A	2014A	2015E	2015E	2016E	2016E	2017E	2017E
				(Prev)	(Curr)	(Prev)	(Curr)	(Prev)	(Curr)
Adj.P/E FY	6.1	5.4	9.8	9.4	9.9	8.8	9.7	8.2	8.9
P/BV FY	0.7	0.6	1.2	1.1	1.1	1.1	1.1	1.0	1.0
ROE FY	11.2%	12.0%	12.5%	12.4%	11.9%	12.6%	11.5%	12.7%	12.0%
P/NAV FY	0.7	0.7	1.2	1.2	1.2	1.1	1.1	1.1	1.1
RoNAV FY	11.6%	12.5%	13.0%	12.9%	12.3%	13.1%	11.9%	13.2%	12.4%
ROA FY	1.9%	2.0%	2.1%	2.1%	2.0%	2.1%	1.9%	2.1%	1.9%
Gross Yield FY	9.9%	11.2%	5.6%	5.8%	5.6%	6.2%	6.0%	6.6%	6.3%
Tier 1 Ratio FY	15.3%	16.6%	16.8%	16.6%	16.7%	16.5%	16.6%	16.5%	16.6%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Table 44: Riyad Bank - Key model estimates and changes

SAR mn	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
NIM, JPM calc.	2.83%	2.80%	2.80%	2.80%	2.82%	2.74%	2.75%	2.81%	2.83%	2.86%	2.89%
NII growth	-5%	1%	4%	7%	9%	1%	7%	9%	5%	7%	8%
Fee inc. % of assets	0.81%	0.90%	0.96%	0.92%	0.96%	0.91%	0.88%	0.86%	1.01%	1.04%	1.06%
Total revenues	5,980	6,276	6,786	7,074	8,012	8,204	8,496	9,149	8,410	9,057	9,754
Total revenues growth	0%	5%	8%	4%	13%	2%	4%	8%	5%	8%	8%
C/I ratio	39%	40%	35%	36%	35%	37%	37%	37%	36%	36%	35%
Pre-provisioning ROE	13%	13%	14%	14%	15%	14%	14%	14%	15%	15%	15%
NPL ratio	1.7%	1.6%	1.7%	0.9%	0.8%	0.9%	0.9%	1.0%	0.8%	0.8%	0.9%
Provisioning charges, bps	0.86%	0.59%	1.00%	0.50%	0.67%	0.66%	0.68%	0.70%	0.65%	0.69%	0.72%
Coverage	126%	106%	125%	153%	189%	184%	184%	186%	199%	203%	200%
Net income	2,825	3,149	3,466	3,947	4,352	4,324	4,392	4,804	4,534	4,865	5,215
Net income growth	-7%	11%	10%	14%	10%	-1%	2%	9%	4%	7%	7%
Tangible ROE	10%	11%	12%	12%	13%	12%	12%	12%	13%	13%	13%
ROA	1.61%	1.78%	1.87%	2.00%	2.07%	1.95%	1.85%	1.90%	2.05%	2.08%	2.10%
Cash d/p ratio	72%	67%	61%	60%	55%	56%	58%	56%	55%	54%	54%
Loans % of assets	61%	62%	62%	64%	62%	60%	58%	57%	62%	62%	63%
Deposits, % of assets	73%	77%	77%	75%	76%	75%	74%	74%	76%	76%	76%
L/D ratio	84%	81%	80%	86%	81%	81%	79%	77%	82%	82%	82%
Equity % of assets	17%	17%	17%	17%	17%	16%	16%	16%	16%	17%	17%
Loan growth	0%	7%	4%	12%	2%	3%	4%	4%	6%	6%	7%
Deposits growth	1%	10%	5%	5%	7%	4%	6%	6%	5%	6%	6%
Total assets, SARbn	173.6	180.9	190.2	205.2	214.6	228.3	245.6	258.9	227.6	240.6	255.2
Assets growth	-2%	4%	5%	8%	5%	6%	8%	5%	6%	6%	6%
Tier I ratio	16.0%	14.8%	15.3%	16.6%	16.8%	16.7%	16.6%	16.6%	16.6%	16.5%	16.5%
CAR	18.3%	17.1%	17.7%	17.1%	17.3%	18.9%	18.8%	18.7%	17.0%	17.0%	16.9%

Source: J.P. Morgan estimates, Company data.



## Investment Thesis, Valuation and Risks

### **Commercial International Bank (Egypt)** *(Overweight; Price Target: E£76.00)*

#### **Investment Thesis**

CIB is the #1 pvt. sector Egyptian bank (#3 overall) within the high growth Egyptian banking sector (characterized by a large under-banked population base of c88mn growing >1.5%yoy; Egypt's lending penetration is lower vs. peer EMs (with credit to GDP c30%). CIB commands a network of around 160 branches & units and growing (c.600 ATMs and over 9.0k POS) concentrated primarily in Cairo & Alexandria and it commands a market share of c.8.5% in lending and c7.5% in deposits. We like CIB's franchise and management's execution capability and the ROE delivery (backed by attractive fundamental metrics) is significantly higher vs. what CIB's CEEMEA peers deliver; for this premium delivery, CIB shares are still trading at an attractive valuation in our view.

#### **Valuation**

We value the CIB shares using a Gordon growth model assuming a COE 17%, ROE of c29% and a normalized growth rate of 12% resulting in a fair P/B value of 3.4x. We apply this fair P/B multiple to the Dec-16E equity base to get our PT of E£76.0/sh Dec-16E.

#### **Risks to our Rating and Target Price**

Key downside risks that we see to COMI shares are lower than expected economic and hence credit growth, FX volatility, lack of multilateral support (all of which will negatively impact FDI into the country and future lending growth), asset quality coming worse than expected, higher than expected margin pressure and higher political & regulatory risks following recent changes in the domestic political framework.

### **Abu Dhabi Commercial Bank** *(Overweight; Price Target: Dh10.30)*

#### **Investment Thesis**

ADCB is the #4 bank in the UAE and #3 in Abu Dhabi by total assets, commanding c10% market share in loans & deposits. ADCB has a solid roster of c.0.6mn retail customers and c50,000 corporate and SME clients served by a 50 branch network in addition to a presence in India and Jersey. ADCB is c59% owned by the Abu Dhabi govt. (incl. c58% stake held by Abu Dhabi Inv Council). In our view, ADCB management has turned around the franchise over the last 2-3yrs by cleaning up the asset book, prudently managing liquidity while maintaining spreads better than its regional peers and strengthening the capital base by disposal of non-core assets, thereby making the business model much simpler – simplicity receives a plus from bank investors in the current regulatory scenario. On current valuations, the stock offers an attractive risk-reward vs. its CEEMEA peers.

#### **Valuation**

We value ADCB shares to Dec-16E (Dec-15E prev.) on a Gordon Growth Model assuming c11% cost of equity, c6% growth rate and c16% ROE. These assumptions imply a fair P/B multiple of 2.0x (vs. 2.1xprev.) for core equity of ADCB stock (excl. Tier I notes in equity which we value at 1.0x fair P/B) resulting in a fair value

of AED10.3/sh (vs. AED9.5/sh prev.). We apply the fair value multiple to the Dec-16E (vs. Dec-15E prev.) estimated equity base to get to the fair value.

### **Risks to Our Rating and Price Target**

Key downside risks to our rating and PT come from higher-than-expected asset quality deterioration, competitive and margin pressures beyond current estimates, GDP growth and volume expansion lower than our expectations and regulatory / execution / geo-political risks. ADCB has treasury shares recorded at worth cAED1.83bn currently on its books; tactical changes to this portfolio (e.g. cancellation or re-sale back to the market) could result in concurrent changes to our PT post the corporate action.

## **Samba Financial Group** (*Overweight; Price Target: SRIs33.00*)

### **Investment Thesis**

Samba commands a loans & deposits market share of c.10% underpinned by a domestic network of around 75 branches, c550 ATMs and around 7,000 POS in addition to an international presence in the UAE, Pakistan and other markets. Samba commands solid balance sheet fundamentals on capital, liquidity and asset quality backed by stabilizing margins and offers a defensive exposure within the space. We believe Samba will likely be a key recipient of international fund flows as foreign participation within the domestic market increases. We rate the stock Overweight.

### **Valuation**

We value Samba stock at SAR33.0/sh (vs. SAR30.0/sh prev.) through Dec-16 (vs. Dec-15 prev.) on a Gordon growth model assuming c14% ROE (c13% prev.), 6% LT growth and 11.25% COE (vs. 11% prev.) arriving at a c1.5x fair P/B (vs. c1.45x prev.) for FY16E (vs. FY15E prev.) equity base.

### **Risks to our Rating and Price Target**

Key downside risks to our estimates, rating and PT include lower-than-expected economic growth leading to lower loan growth, greater-than-expected asset quality deterioration, margin & competitive pressure, execution, political & regulatory risks.

## **Qatar National Bank** (*Overweight; Price Target: QR255.00*)

### **Investment Thesis**

QNB is the largest bank in the fast growing Qatari economy and is 50% owned by the sovereign via QIA. It is the largest bank in Middle East & Africa by market value. QNB commands a solid b/s, backed by a comfortable capital base, ample liquidity and low asset quality risk (given that nearly 50% of its lending is to the sovereign and the public sector). We expect the strength in QNB's credit volumes and revenue delivery to continue in the coming quarters underlying Qatar's expansion plans on domestic non-hydrocarbon infrastructure side, turn in the economic cycle of the Egypt (where QNB recently acquired the Egyptian subsidiary of Soc Gen group, making QNB the #2 privately owned bank in Egypt) and QNB's further international expansion focus (recently acquired 23.5% stake in Ecobank Transnational, which commands #1 pan-African banking presence globally), all of which should drive its future earnings growth. We believe valuation, though at a slight premium vs. CEEMEA peers, is still justified for QNB's higher growth potential and quality franchise; we hence remain OW on the shares.

### Valuation

We value the Qatar National Bank stock on Gordon Growth model assuming c.18% ROE, 11.75% cost of equity and a 7.5% normalized growth rate resulting in a fair value of QAR255/sh (vs. QAR230/sh prev.) to Dec 2016e (vs. 2015e prev.).

### Risks to our Rating and Price Target

Key risks to our estimates & PT include lower than expected economic growth in Qatar, elongated political/economic risk in Egypt & Sub-Saharan Africa – both negatively impacting QNB's lending growth and asset quality, deposits concentration, margin pressure and risks to the franchise coming from M&A execution and regulation.

### First Gulf Bank (*Overweight; Price Target: Dh19.50*)

#### Investment Thesis

First Gulf Bank is #1 UAE bank by market value and #3 by assets with UAE loans and deposits market share of c.9%-10% backed by around 21 branches locally; FTE are c1,400, apart from c1,500 outsourced direct sales agents for retail products. FGB remains Top-3 vs. regional peers on most franchise efficiency and shareholder value delivery metrics. We see limited risk to FGB's ROE delivery in the medium term and post the recent share price weakness, the current valuation level in our view offers an attractive entry point to capture the future upside; FGB shares continue to offer an attractive combination of franchise stability, attractive balance sheet positioning and value delivery in a combination of earnings & dividend growth + ROE expansion. However we would keep a close watch on its NIM over the next few quarters given the liquidity tightening within the regional banking system and relatively lower CASA mix within FGB's deposit base.

### Valuation

We value First Gulf Bank shares through Dec-16 (vs. Dec-15 prev.) based on a Gordon Growth model assuming c18% ROE, 11% cost of equity and c6.5% normalized growth rate resulting in a fair value of AED19.15/sh (vs. AED19.1/sh prev.).

### Risks to our Rating and Price Target

Key risks that we see are local and global economic growth coming in worse than expected resulting in lower than expected loan growth, higher than expected deterioration in asset quality resulting in provisioning charges coming in worse than our estimates, increasing competition putting pressure on core revenues incl. margins & fees, regulatory risks on global banks incl. FGB that could hurt future profitability, execution risk in rising international business activity of FGB and regional geo-political risks.

### SABB (*Overweight; Price Target: SRIs40.00*)

#### Investment Thesis

SABB is a Top-5 bank by assets in Saudi Arabia with loans and deposits market shares of c9%. It commands a domestic network of 81 branches, nearly 800 ATMs and over 10,000 POS. SABB is c.40% owned by the HSBC Group. SABB effectively uses the HSBC backing to capture the domestic and international Saudi corporate growth pipeline, and the HSBC brand makes it one of the preferred banking names for expats / affluent retail. We continue to see improvement in SABB's core revenue metrics which combined with its b/s structure should offer better shareholder value delivery vs. peers. In the near term though SABB could be susceptible to higher provisioning pressure on

its exposure to domestic construction sector but we believe that the franchise is well positioned to bear any potential provisioning pressure in the near term. We rate the stock Overweight.

### Valuation

We value SABB stock through Dec-16 (Dec-15 prev.) on a Gordon growth model assuming c17% ROE, 6% LT growth and 11.5% COE (vs. 11.0% prev.) arriving at a 2.0x fair P/B (2.3x prev.), which we apply to our Dec-16E (vs. Dec-15E prev.) equity base to arrive at a SAR40.0/sh (SAR44.5/sh prev.) fair value for Dec-16E (Dec-15E prev.).

### Risks to our Rating and Price Target

Key downside risks to our estimates include lower than expected economic and lending growth, higher than expected asset quality deterioration, competitive & margin pressure, execution, political and regulatory risks. SABB's shares have a tighter trading liquidity and more limited room for foreigners in our view vs. those of its peers like Riyad Bank, BSFR and Samba.

## Commercial Bank of Qatar (Overweight; Price Target: QR67.00)

### Investment Thesis

CBQ is the #4 bank in Qatar by assets with 8-9% domestic market share in loans & deposits. The majority of CBQ's domestic loan book consists of pvt. sector lending and we expect Qatari pvt. sector lending growth to pick up gradually in the next few years, underpinned by the non-hydrocarbon infrastructure development plans of the sovereign. CBQ also owns stakes in good value banking assets in Oman and UAE and has recently ventured into the growth market of Turkey via acquisition of controlling stake in Alternatifbank. Pushback against CBQ largely comes from: a) scope for pressure on liquidity costs given the regional trends and regulatory requirements; b) negative newsflow on FIFA and potential impact to Qatari credit growth; c) low visibility on asset quality and d) capital position. However, we remain OW on CBQ shares mainly for their attractive valuation relative to domestic and regional peers at current levels within the scope of above mentioned factors. Recent upgrade of Qatar to EM by FTSE and removal of political overhang and concurrent relief rally in Turkey could provide some support to valuations in the near to medium term.

### Valuation

We value Commercial Bank of Qatar shares using a Gordon Growth model assuming c.13% ROE (c14% prev.), c12% COE and a 6.5% LT growth rate (c6% prev.) resulting in a fair P/B of c1.2x (vs. c1.3x prev.) which we apply to the Dec-16E equity base (Dec-15E prev.); we value the QAR2.0bn addnl. Tier I at 1.0x book. We arrive at a fair value of QAR67.0/sh for CBQ shares through Dec-16E (vs. QAR73.0/sh Dec-15E prev.).

### Risks to Our Rating and Price Target

Key downside risks to our rating and PT arise from lower-than-expected GDP and hence credit growth mainly in Qatar and Turkey, higher-than-expected asset quality deterioration resulting in higher provisioning charges vs. our current estimates, higher-than-expected margin pressure, deposits concentration, regulatory risks esp. on capital/liquidity metrics, execution risks in international expansion and geo-political risks hurting investor sentiment.

## Banque Saudi Fransi (*Neutral; Price Target: SR138.50*)

### Investment Thesis

BSFR is the #5 bank by assets in Saudi with 9%-10% market share in assets, loans and deposits. It commands a network of around 82 branches, around 500 ATMs and over 8,000 POS. BSFR is 31% owned by Credit Agricole of France and leverages on its network benefits with the parent to capture opportunities in the KSA corporate & project finance pipeline and is gradually penetrating further into the consumer opportunity with Saudi. On the current valuation levels post the recent rally, risk-reward in BSFR shares starts to look attractive vs. its regional peers especially following the consistent value delivery over the past few quarters led by commendable management action of clean-up of legacy asset book and visible delivery of the growth plan put in place by the board last year. We hence upgrade the stock from UW previously to Neutral; however, our preferred exposures Samba and SABB look to offer a better risk-reward in our view.

### Valuation

We value BSFR on a Gordon growth model through Dec-16 (vs. Dec-15 prev.) using c14% ROE, 11.25% COE (vs. 11% prev.) and 6% growth rate which results in a c1.5x fair P/B (c1.6x prev.). We arrive at a Dec-16 PT (vs. Dec-15 prev.) of the stock at SAR38.5/sh (value unchanged vs. prev.) using a Dec-16E equity base (Dec-15E prev.).

### Risks to our Rating and Price Target

Upside and downside risks to our PT and view for BSFR shares are largely around trends on asset quality / impairment charges, expected credit growth and NIM; depending on their direction vs. current estimates, these would be the key drivers to shareholder value and concurrently our view on the stock. Any improvement in dividend payout could improve the sentiment on the stock, while regulatory risks need to be watched for any downside pressure.

## Emirates NBD (*Neutral; Price Target: Dh11.50*)

### Investment thesis

Emirates NBD is the flagship bank of the Dubai government and 56% owned by Dubai sovereign via ICD. ENBD has fully fledged financial services offerings across retail banking, private banking, wholesale banking, global markets & trading, investment banking, brokerage, asset management, merchant acquiring and cards processing. ENBD is among the Top-5 in GCC banks by assets and commanded c16% market share in UAE banking assets, c19% in loans and c18% in deposits with the largest branch network among UAE banks with 156 branches in the country, over 50 of which were Islamic. ENBD also has a branch/rep office presence in India, China, Saudi Arabia, Singapore and UK and has created a sizeable presence outside UAE in Egypt (over 70 branches) via acquisition of BNP Paribas Egypt. ENBD's management has delivered a consistent improvement in operating metrics of the bank. Despite what is an attractive valuation relative to peers, our Neutral rating on the stock is largely based on lack of liquidity in its shares for foreigners esp. given its low foreign ownership limit which has been exhausted.

### Valuation

We value the ENBD stock at AED11.5/sh (value unchanged vs. prev.) based on Gordon Growth Model to Dec-16 (vs. Dec-15 prev.) using a normalized ROE of c13% (vs. c14% prev.), terminal growth rate of 6% (vs. 5.5% prev.) and cost of

equity of 12%. Fair value multiple is assigned to core equity only (i.e. excluding Tier I debt from equity which is valued at 1.0x book) for calculating fair value. Our COE is slightly higher vs. Abu Dhabi banks to account for low liquidity and FOL of the stock vs. its Abu Dhabi peers which are also a part of the widely followed MSCI EM index.

### **Risks to Our Rating and Price Target**

Key downside risks come primarily from lower than expected asset growth, higher than currently estimated asset quality deterioration and margin pressure. Regulatory and execution risks need to be closely watched. ENBD looks to have a more concentrated lending portfolio from related party perspective relative to domestic peers. Increase in foreign ownership limit could offer upside risks to our view on the stock.

### **Doha Bank (Neutral; Price Target: QR61.00)**

#### **Investment Thesis**

Doha Bank is the #3 conventional bank by assets in Qatar and #5 overall, with a rapidly expanding international presence especially in Qatar's key trading partner countries. Doha commands #2 branch network, and, in the key growth categories, it has market shares of c16% in trade finance, c27% in contract lending and c12% in real estate lending. It has an experienced management, the presence of Qatari ruling family members on the board, c17% sovereign ownership and operates in within the purview of an effective market regulator – all of which should provide investor comfort, in our view. However capital consumption is faster vs. peers under-pinned by growth and relatively high level of dividend payout. We think that capital levels, even post the recent Tier I debt raising, need to be kept in check given the growth ambitions. Given relatively lower risk-reward vs. regional peers, we remain Neutral on the stock though highlight Doha Bank's attractive dividend yield on current valuations despite our expectations of lower payout in the coming years.

#### **Valuation**

We value the Doha Bank stock using a Gordon Growth model assuming c.12% normalized ROE (vs. c13% prev.), c.11% COE and a c.6.0% normalized growth rate resulting in a fair P/B for the stock at 1.2x (vs. 1.4x prev.). We add the Addnl. Tier I debt to the equity base used for calculating the fair value but do not apply the fair value multiple to the Tier I debt and instead retain it in our valuation at 1x book. Our PT is QAR61/ sh Dec-16 (vs. QAR60/sh Dec-15 prev.)

### **Risks to our Rating and Price Target**

Downside risks to our PT and view on Doha Bank shares could come from lower than estimated growth, higher than expected asset quality deterioration, margin pressure and regulatory / geopolitical / execution risks. Upside risks could come from potential uplift to NIMs (vs. current expectations) in future years from higher US rates and effective deployment of new capital towards higher sustainable ROE enhancing opportunities.

### **Al Rajhi Bank (Underweight; Price Target: SRIs60.00)**

#### **Investment Thesis**

Al Rajhi is the #1 Islamic bank in the world and #3 bank in MENA by market value. It commands approximately 15% domestic market share in assets and around 17% in financing and deposits with the largest domestic network of close to 500 branches, around 3,900 ATMs and over 31,000 POS. We believe that the bank's healthy b/s



fundamentals, earnings power, brand loyalty and future growth outlook are built into the current valuations and while the stock trades close to the fair value that we assign to its shares. Earnings remain below potential in our view for a strong franchise like Al Rajhi's given the pressure on core revenues from declining spreads and higher regulatory costs. Competitive pressure could continue to bode on EPS in the medium term. We remain UW on the shares.

#### **Valuation**

We value Al Rajhi stock through Dec-16 (Dec-15 prev.) on a Gordon growth model assuming 16% ROE, 6.0% LT growth and 11.25% COE (11% prev.) arriving at a 2.x0 fair P/B (2.1x prev.) for end-FY16E (FY15E prev.) equity base; our Dec-16 (Dec-15 prev.) PT for Al Rajhi stock is SAR60/sh (SAR58/sh prev.).

#### **Risks to our Rating and Price Target**

Upside risks to ratings and PT could come from earlier than expected normalization of the margin environment, faster loan growth vs. our estimates, better than expected asset quality metrics, higher than expected impact from future growth in Al Rajhi's mortgage business (it currently commands the highest market share in this segment) and/or brokerage business where it has a Top-5 positioning and optimization of the capital structure via higher dividend payout or value enhancing M&A.

#### **National Bank of Abu Dhabi** *(Underweight; Price Target: Dh11.50)*

##### **Investment Thesis**

NBAD is c70% owned by the sovereign via Abu Dhabi Inv Council and commands strong credit ratings. The bank has an extensive network of around 130 branches, 8 business banking centres and close to 600 ATMs in the UAE in addition to around 60 units in 16 countries. Despite the fact that NBAD commands an excellent banking franchise overall incl. healthy fundamental metrics, growing international presence and a reputed management team, our rating on NBAD shares is Underweight as its shares are currently trading at a premium, in our view, vs. the peer MENA/CEEMEA banks for estimated levels of return 15E-17E.

##### **Valuation**

We value NBAD stock on Gordon growth model assuming cost of equity at 11%, normalized ROE c12% (c14% prev.) and a growth rate c6.0% giving a Dec-16E (Dec-15E prev.) fair value of AED11.50/sh (vs. dh13.15/sh prev.) based on a fair P/B multiple of 1.2x.

##### **Risks to Our Rating and Price Target**

Key upside risks would arise from better-than-expected balance sheet growth, faster-than-expected rationalization in the C/I ratio and NIM uplift from a higher US rate environment beyond our expectations.

#### **Riyad Bank** *(Underweight; Price Target: SR15.00)*

##### **Investment Thesis**

Riyad Bank is currently among the Top-5 financial institutions in Saudi Arabia by assets with loans and deposits market shares of around 10% and 11%, respectively, with the #3 network in the country (after Al Rajhi and NCB which is close #2) with over 330 branches, over 2,500 ATMs and nearly 23,000 POS backed by a staff strength of over 5,000. Roughly 45% of Riyad Bank's assets sit in the corporate

segment, 35% in treasury and 20% in retail; by net income, corporate is about 50%, retail 25% and remaining 25% is generated from treasury, investment, IB & brokerage. Roughly 50% of the bank's lending book is Islamic. Its shares offer an attractive dividend yield and we believe there is room for further dividend growth from current levels. Higher dividends would further enhance tangible ROE vs. our current base case levels. Riyadh has also had a more consistent level of core revenue delivery vs. its peers in the previous years where core revenues of Saudi banks were characterized by declining NIMs. However, despite attractiveness of the franchise we remain Underweight on the stock as shares are trading close to fair value and valuation multiples look high vs. peers for reward that shareholders receive.

### **Valuation**

We value Riyadh Bank stock through Dec-16 (Dec-15 prev.) on a Gordon growth model assuming 12% ROE (13% prev.), 6% LT growth and 11.25% COE (11% prev.). We use Dec-16E equity base for valuation (vs. Dec-15E prev.). PT for Riyadh stock is SAR15/sh (SAR18/sh prev.).

### **Risks to our Rating and Price Target**

Key upside risk to our rating and PT could come from optimization of the capital structure e.g. (higher dividend payout). Higher than expected loan growth and spread evolution as the rate environment increases also offer upside risks as does better than expected markets related revenues over the next two years. Asset quality could be a swing factor depending on how the economic environment develops domestically in a lower oil price environment; we have started building in conservatism in our estimates though Saudi banks have historically reflected better asset quality metrics, within purview of a conservative regulator, vs. their GEM peers.

## Commercial International Bank (Egypt): Summary of Financials

Profit and Loss Statement					Ratio Analysis				
££ in millions, year end Dec	FY13A	FY14A	FY15E	FY16E	££ in millions, year end Dec	FY13A	FY14A	FY15E	FY16E
<b>Net interest income</b>					<b>Per Share Data</b>				
Net interest income	5,054	6,255	7,634	8,604	EPS Reported	3.34	4.12	5.04	6.19
% change Y/Y	29.1%	23.8%	22.0%	12.7%	EPS Adjusted	3.34	4.12	5.04	6.19
Non-interest income	1,906	1,721	2,269	2,536	% Change Y/Y	(10.4%)	23.4%	22.3%	22.9%
Fees & commissions	1,307	1,710	1,966	2,261	DPS	1.67	1.72	2.17	2.79
% change Y/Y	41.1%	30.8%	15.0%	15.0%	% Change Y/Y	(5.9%)	2.9%	25.8%	28.6%
Trading revenues	739	689	617	532	Dividend yield	3.2%	3.3%	4.1%	5.3%
% change Y/Y	34.9%	(6.7%)	(10.4%)	(13.8%)	Payout ratio	50.1%	41.8%	43.0%	45.0%
Other Income	1,906	1,721	2,269	2,536	BV per share	13.28	16.25	19.05	22.46
Total operating revenues	6,960	7,976	9,903	11,140	NAV per share	13.28	16.25	19.05	22.46
% change Y/Y	30.9%	14.6%	24.2%	12.5%	Shares outstanding	900	908	918	918
Total expenses	(1,851)	(1,876)	(2,251)	(2,633)	<b>Return ratios</b>				
% change Y/Y	18.7%	1.3%	20.0%	17.0%	RoRWA	4.8%	4.9%	5.1%	5.4%
Pre-provision operating profit	5,109	6,101	7,652	8,507	Pre-tax ROE	36.8%	41.4%	41.3%	39.8%
% change Y/Y	36.0%	19.4%	25.4%	11.2%	ROE	26.5%	28.0%	28.7%	29.8%
Loan loss provisions	(916)	(589)	(1,031)	(969)	RoNAV	26.5%	28.0%	28.7%	29.8%
Other provisions	0	0	0	0	<b>Revenues</b>				
Earnings before tax	4,176	5,536	6,661	7,577	NIM (NII / RWA)	8.1%	8.1%	8.4%	8.2%
% change Y/Y	35.6%	32.6%	20.3%	13.7%	Non-IR / average assets	1.8%	1.3%	1.4%	1.3%
Tax (charge)	(1,170)	(1,793)	(2,038)	(1,894)	Total rev / average assets	6.7%	6.2%	6.2%	5.9%
% Tax rate	28.0%	32.4%	30.6%	25.0%	NII / Total revenues	72.6%	78.4%	77.1%	77.2%
Minorities	0	(2)	0	0	Fees / Total revenues	18.8%	21.4%	19.9%	20.3%
Net Income (Reported)	3,006	3,741	4,623	5,683	Trading / Total revenues	10.6%	8.6%	6.2%	4.8%
<b>Balance sheet</b>					<b>Cost ratios</b>				
££ in millions, year end Dec	FY13A	FY14A	FY15E	FY16E	££ in millions, year end Dec	FY13A	FY14A	FY15E	FY16E
<b>ASSETS</b>					<b>Balance Sheet Gearing</b>				
Net customer loans	41,733	48,686	60,022	72,134	Cost / income	26.6%	23.5%	22.7%	23.6%
% change Y/Y	2.5%	16.7%	23.3%	20.2%	Cost / assets	1.8%	1.5%	1.4%	1.4%
Loan loss reserves	(2,843)	(3,442)	(4,473)	(5,442)	Staff numbers	5,193	0	0	0
Investments	27,585	37,747	51,312	58,158	<b>Asset Quality / Capital</b>				
Other interest earning assets	-	-	-	-	Loan loss reserves / loans	-	-	-	-
% change Y/Y	-	-	-	-	NPLs / loans	-	-	-	-
Average interest earnings assets	94,744	117,026	143,714	168,561	LLP / RWA	(1.3%)	(0.7%)	(1.1%)	(0.9%)
Goodwill	0	0	0	0	Loan loss reserves / NPLs	139.0%	146.0%	137.3%	141.0%
Other assets	-	-	-	-	Growth in NPLs	12.0%	38.7%	30.5%	15.5%
<b>Total assets</b>	<b>113,752</b>	<b>143,813</b>	<b>177,801</b>	<b>202,165</b>	RWAs	70,080	83,671	97,058	112,588
<b>LIABILITIES</b>					% YoY change	27.0%	19.4%	16.0%	16.0%
Customer deposits	96,846	121,975	152,437	175,450	Core Tier 1	15.2%	13.0%	14.0%	14.8%
% change Y/Y	23.0%	25.9%	25.0%	15.1%	Total Tier 1	15.2%	13.0%	14.0%	14.8%
Long term funding	132	243	255	268	<b>Shareholders' equity</b>				
Interbank funding	1,373	1,131	1,018	916	Shareholders' equity	11,960	14,754	17,484	20,610
Average interest bearing liabs	89,555	110,976	138,670	165,318	Minorities	47	49	49	49
Other liabilities	2,824	4,793	5,611	3,840	<b>Total liabilities &amp; Shareholders Equity</b>	<b>113,752</b>	<b>143,813</b>	<b>177,801</b>	<b>202,165</b>
Retirement benefit liabilities	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

## Abu Dhabi Commercial Bank: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
Dh in millions, year end Dec	FY12A	FY13A	FY14A	FY15E	FY16E	Dh in millions, year end Dec	FY12A	FY13A	FY14A	FY15E	FY16E
						<b>Per Share Data</b>					
Net interest income	5,207	5,429	5,585	6,155	6,575	EPS Reported	0.49	0.60	0.72	0.82	0.88
% Change Y/Y	11.2%	4.3%	2.9%	10.2%	6.8%	EPS Adjusted	0.49	0.60	0.72	0.82	0.88
Non-interest income	1,388	1,890	1,945	1,998	2,151	% Change Y/Y	48.6%	23.0%	20.3%	13.9%	7.2%
Fees & commissions	940	993	1,243	1,381	1,503	DPS	0.25	0.28	0.37	0.41	0.44
% change Y/Y	4.7%	5.6%	25.2%	11.1%	8.8%	% Change Y/Y	16.1%	11.7%	33.3%	10.9%	7.2%
Trading revenues	303	537	407	366	385	Dividend yield	3.3%	3.6%	4.8%	5.4%	5.8%
% change Y/Y	(9.6%)	77.5%	(24.3%)	(10.0%)	5.0%	Payout ratio	51.1%	46.4%	51.4%	50.0%	50.0%
Other Income	1,388	1,890	1,945	1,998	2,151	BV per share	4.34	4.32	4.72	5.38	5.85
Total operating revenues	6,595	7,320	7,529	8,153	8,725	NAV per share	3.36	3.32	3.63	4.25	4.69
% change Y/Y	8.7%	11.0%	2.9%	8.3%	7.0%	Shares outstanding	5,596	5,596	5,596	5,596	5,596
Total expenses	(2,069)	(2,358)	(2,563)	(2,791)	(2,991)						
% change Y/Y	0.3%	14.0%	8.7%	8.9%	7.2%	<b>Return ratios</b>					
Pre-provision operating profit	4,526	4,961	4,966	5,362	5,734	RoRWA	2.0%	2.4%	2.7%	2.9%	2.8%
% change Y/Y	13.0%	9.6%	0.1%	8.0%	6.9%	Pre-tax ROE	12.2%	15.0%	16.6%	16.4%	15.8%
Loan loss provisions	(1,710)	(1,334)	(762)	(733)	(771)	ROE	11.8%	13.9%	16.0%	16.3%	15.7%
Other provisions	-	-	-	-	-	RoNAV	13.9%	16.7%	19.6%	20.3%	19.2%
Earnings before tax	2,816	3,627	4,204	4,629	4,963						
% change Y/Y	(8.6%)	28.8%	15.9%	10.1%	7.2%	<b>Revenues</b>					
Tax (charge)	(6)	(7)	(3)	(9)	(10)	NIM (NII / RWA)	3.8%	3.8%	3.7%	3.8%	3.7%
% Tax rate	0.2%	0.2%	0.1%	0.2%	0.2%	Non-IR / average assets	0.8%	1.0%	1.0%	0.9%	1.0%
Minorities	(75)	(254)	(152)	(7)	(7)	Total rev / average assets	3.6%	4.0%	3.9%	3.9%	3.9%
Net Income (Reported)	2,736	3,365	4,050	4,613	4,946	NII / Total revenues	79.0%	74.2%	74.2%	75.5%	75.4%
						Fees / Total revenues	14.3%	13.6%	16.5%	16.9%	17.2%
						Trading / Total revenues	4.6%	7.3%	5.4%	4.5%	4.4%
Balance sheet											
Dh in millions, year end Dec	FY12A	FY13A	FY14A	FY15E	FY16E	Dh in millions, year end Dec	FY12A	FY13A	FY14A	FY15E	FY16E
<b>ASSETS</b>						<b>Cost ratios</b>					
Net customer loans	123,195	131,649	140,562	149,792	159,900	Cost / income	31.4%	32.2%	34.0%	34.2%	34.3%
% change Y/Y	(1.3%)	6.9%	6.8%	6.6%	6.7%	Cost / assets	1.1%	1.3%	1.3%	1.3%	1.3%
Loan loss reserves	(6,464)	(6,890)	(6,778)	(6,675)	(6,558)	Staff numbers	-	-	-	-	-
Investments	19,242	21,415	22,268	24,927	27,649	<b>Balance Sheet Gearing</b>					
Other interest earning assets	-	-	-	-	-	Loan / deposit	108.3%	108.5%	106.2%	104.8%	103.9%
% change Y/Y	-	-	-	-	-	Investments / assets	9.5%	11.2%	11.3%	11.2%	11.7%
Average interest earnings assets	167,849	171,550	184,110	199,600	212,224	Loan / assets	68.0%	70.0%	70.3%	69.0%	69.2%
Goodwill	-	-	-	-	-	Customer deposits / liabilities	72.9%	76.7%	74.5%	76.5%	77.7%
Other assets	-	-	-	-	-	LT Debt / liabilities	0.3%	0.0%	0.0%	0.0%	0.0%
<b>Total assets</b>	<b>180,796</b>	<b>183,143</b>	<b>204,019</b>	<b>216,951</b>	<b>230,654</b>						
						<b>Asset Quality / Capital</b>					
<b>LIABILITIES</b>						Loan loss reserves / loans	(5.0%)	(5.0%)	(4.6%)	(4.3%)	(3.9%)
Customer deposits	113,774	121,368	132,387	142,933	153,853	NPLs / loans	5.0%	4.7%	3.6%	3.1%	3.1%
% change Y/Y	3.5%	6.7%	9.1%	8.0%	7.6%	LLP / RWA	(1.2%)	(0.9%)	(0.5%)	(0.4%)	(0.4%)
Long term funding	0	0	0	0	0	Loan loss reserves / NPLs	93.9%	105.5%	132.3%	143.6%	134.2%
Interbank funding	30,551	28,077	34,409	37,190	37,405	Growth in NPLs	15.2%	(17.5%)	(19.4%)	3.1%	7.4%
Average interest bearing liabs	144,624	146,885	158,120	173,459	185,690	RWAs	138,390	146,866	153,073	169,131	183,660
Other liabilities	6,995	4,911	5,805	1,701	1,631	% YoY change	0.6%	6.1%	4.2%	10.5%	8.6%
Retirement benefit liabilities	-	-	-	-	-	Core Tier 1	14.3%	13.4%	14.3%	13.8%	14.0%
<b>Shareholders' equity</b>	<b>24,270</b>	<b>24,177</b>	<b>26,408</b>	<b>30,121</b>	<b>32,760</b>	Total Tier 1	17.5%	16.6%	17.0%	16.2%	16.3%
Minorities	438	645	10	5	5						
<b>Total liabilities &amp; Shareholders Equity</b>	<b>180,796</b>	<b>183,143</b>	<b>204,019</b>	<b>216,951</b>	<b>230,654</b>						

Source: Company reports and J.P. Morgan estimates.

## Samba Financial Group: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
SRIs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E	SRIs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E
Net interest income	4,593	4,643	5,145	5,891		<b>Per Share Data</b>					
% Change Y/Y	1.4%	1.1%	10.8%	14.5%		- EPS Reported	4.17	2.58	2.81	3.17	-
Non-interest income	2,791	3,189	3,403	3,636		- EPS Adjusted	4.17	2.58	2.81	3.17	-
Fees & commissions	1,775	1,904	2,047	2,204		- % Change Y/Y	(16.8%)	(38.1%)	8.9%	12.9%	-
% change Y/Y	10.9%	7.3%	7.5%	7.7%		- DPS	1.87	1.10	1.20	1.35	-
Trading revenues	700	729	768	809		- % Change Y/Y	(14.1%)	(41.1%)	9.1%	12.5%	-
% change Y/Y	1.2%	4.0%	5.4%	5.4%		- Dividend yield	8.1%	4.8%	5.2%	5.9%	-
Other Income	2,791	3,189	3,403	3,636		- Payout ratio	44.8%	42.6%	42.7%	42.6%	-
Total operating revenues	7,385	7,832	8,548	9,526		- BV per share	32.32	20.86	22.40	24.24	-
% change Y/Y	5.5%	6.0%	9.2%	11.4%		- NAV per share	31.41	20.30	21.85	23.61	-
Total expenses	(2,233)	(2,447)	(2,557)	(2,719)		- Shares outstanding	1,200	2,000	2,000	2,000	-
% change Y/Y	4.5%	9.6%	4.5%	6.3%		- <b>Return ratios</b>					
Pre-provision operating profit	5,152	5,385	5,991	6,807		- RoRWA	2.6%	2.5%	2.6%	2.7%	-
% change Y/Y	5.9%	4.5%	11.3%	13.6%		- Pre-tax ROE	13.6%	12.8%	13.0%	13.6%	-
Loan loss provisions	(141)	(224)	(370)	(461)		- ROE	13.6%	12.8%	13.0%	13.6%	-
Other provisions	0	0	0	0		- RoNAV	14.0%	13.2%	13.3%	14.0%	-
Earnings before tax	5,010	5,160	5,621	6,345		- <b>Revenues</b>					
% change Y/Y	11.1%	3.0%	8.9%	12.9%		- NIM (NII / RWA)	2.4%	2.2%	2.3%	2.5%	-
Tax (charge)	-	-	-	-		- Non-IR / average assets	1.3%	1.4%	1.4%	1.4%	-
% Tax rate	-	-	-	-		- Total rev / average assets	3.5%	3.5%	3.5%	3.6%	-
Minorities	(5)	0	0	0		- NII / Total revenues	62.2%	59.3%	60.2%	61.8%	-
Net Income (Reported)	5,005	5,160	5,621	6,345		- Fees / Total revenues	24.0%	24.3%	23.9%	23.1%	-
						- Trading / Total revenues	9.5%	9.3%	9.0%	8.5%	-
<b>Balance sheet</b>											
SRIs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E	SRIs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E
<b>ASSETS</b>						<b>Cost ratios</b>					
Net customer loans	124,079	134,185	144,970	156,556		- Cost / income	30.2%	31.2%	29.9%	28.5%	-
% change Y/Y	9.4%	8.1%	8.0%	8.0%		- Cost / assets	1.1%	1.1%	1.0%	1.0%	-
Loan loss reserves	(2,668)	(2,702)	(2,868)	(3,109)		- Staff numbers	-	-	-	-	-
Investments	-	-	-	-		- <b>Balance Sheet Gearing</b>					
Other interest earning assets	-	-	-	-		- Loan / deposit	75.8%	76.6%	76.6%	75.9%	-
% change Y/Y	-	-	-	-		- Investments / assets	-	-	-	-	-
Average interest earnings assets	187,327	204,807	224,092	244,418	127,133	- Loan / assets	56.2%	57.1%	56.8%	56.5%	56.5%
Goodwill	-	-	-	-		- Customer deposits / liabilities	91.8%	90.9%	89.4%	90.3%	-
Other assets	-	-	-	-		- <b>LT Debt / liabilities</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Total assets</b>	<b>217,399</b>	<b>234,718</b>	<b>256,563</b>	<b>277,196</b>							
<b>LIABILITIES</b>						<b>Asset Quality / Capital</b>					
Customer deposits	163,795	175,260	189,281	206,317		- Loan loss reserves / loans	(2.1%)	(2.0%)	(1.9%)	(1.9%)	-
% change Y/Y	3.4%	7.0%	8.0%	9.0%		- NPLs / loans	1.5%	1.3%	1.2%	1.3%	1.3%
Long term funding	0	0	0	0		- LLP / RWA	(0.1%)	(0.1%)	(0.2%)	(0.2%)	-
Interbank funding	9,385	10,136	10,947	11,823		- Loan loss reserves / NPLs	152.4%	161.0%	158.2%	152.9%	150.5%
Average interest bearing liabs	169,495	179,288	192,812	209,184	109,070	- Growth in NPLs	(17.5%)	1.0%	10.0%	12.0%	-
Other liabilities	5,307	7,478	11,401	10,455		- RWAs	202,581	212,710	227,599	243,531	-
Retirement benefit liabilities	-	-	-	-		- % YoY change	7.6%	5.0%	7.0%	7.0%	-
<b>Shareholders' equity</b>	<b>38,784</b>	<b>41,716</b>	<b>44,806</b>	<b>48,474</b>		- Core Tier 1	-	-	-	-	-
Minorities	128	128	128	128		- Total Tier 1	19.2%	19.6%	19.7%	19.9%	-
<b>Total liabilities &amp; Shareholders Equity</b>	<b>217,399</b>	<b>234,718</b>	<b>256,563</b>	<b>277,196</b>							

Source: Company reports and J.P. Morgan estimates.

## Qatar National Bank: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
QR in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E	QR in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E
<b>Per Share Data</b>											
Net interest income	12,262	12,994	14,410	16,133		- EPS Reported	14.94	15.97	17.75	19.92	-
% Change Y/Y	6.1%	6.0%	10.9%	12.0%		- EPS Adjusted	14.94	15.97	17.75	19.92	-
Non-interest income	3,153	3,319	3,605	3,968		- % Change Y/Y	10.3%	6.9%	11.2%	12.2%	-
Fees & commissions	2,115	2,297	2,518	2,812		- DPS	7.50	7.50	8.00	8.00	-
% change Y/Y	9.7%	8.6%	9.6%	11.7%		- % Change Y/Y	7.1%	(0.0%)	6.7%	0.0%	-
Trading revenues	911	959	1,018	1,080		- Dividend yield	4.1%	4.1%	4.3%	4.3%	-
% change Y/Y	(3.6%)	5.2%	6.1%	6.1%		- Payout ratio	50.2%	47.0%	45.1%	40.2%	-
Other Income	3,153	3,319	3,605	3,968		- BV per share	81.44	96.12	106.73	118.94	-
Total operating revenues	15,415	16,313	18,015	20,101		- NAV per share	66.13	80.82	90.93	103.14	-
% change Y/Y	6.7%	5.8%	10.4%	11.6%		- Shares outstanding	700	700	700	700	-
Total expenses	(3,277)	(3,554)	(3,889)	(4,257)		<b>Return ratios</b>					
% change Y/Y	9.3%	8.5%	9.4%	9.5%		- RoRWA	4.2%	3.8%	3.7%	3.6%	-
Pre-provision operating profit	12,138	12,759	14,126	15,844		- Pre-tax ROE	20.4%	19.4%	18.9%	19.1%	-
% change Y/Y	6.0%	5.1%	10.7%	12.2%		- ROE	19.0%	18.0%	17.5%	17.7%	-
Loan loss provisions	(1,250)	(1,186)	(1,269)	(1,401)		- RoNAV	23.6%	21.7%	20.7%	20.5%	-
Other provisions	-	-	-	-		<b>Revenues</b>					
Earnings before tax	11,183	12,072	13,426	15,076		- NIM (NII / RWA)	4.9%	4.4%	4.2%	4.1%	-
% change Y/Y	11.8%	8.0%	11.2%	12.3%		- Non-IR / average assets	0.7%	0.7%	0.6%	0.6%	-
Tax (charge)	(665)	(845)	(940)	(1,055)		- Total rev / average assets	3.3%	3.2%	3.2%	3.3%	-
% Tax rate	5.9%	7.0%	7.0%	7.0%		- NII / Total revenues	79.5%	79.7%	80.0%	80.3%	-
Minorities	(63)	(55)	(65)	(80)		- Fees / Total revenues	13.7%	14.1%	14.0%	14.0%	-
Net Income (Reported)	10,455	11,172	12,421	13,941		- Trading / Total revenues	5.9%	5.9%	5.6%	5.4%	-
<b>Balance sheet</b>											
QR in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E	QR in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E
<b>ASSETS</b>						<b>Cost ratios</b>					
Net customer loans	338,130	372,254	413,101	458,397		- Cost / income	21.3%	21.8%	21.6%	21.2%	-
% change Y/Y	8.8%	10.1%	11.0%	11.0%		- Cost / assets	0.7%	0.7%	0.7%	0.7%	-
Loan loss reserves	(7,064)	(7,459)	(8,381)	(9,448)		- Staff numbers	-	-	-	-	-
Investments	67,696	78,478	84,500	88,726		<b>Balance Sheet Gearing</b>					
Other interest earning assets	-	-	-	-		- Loan / deposit	93.8%	94.4%	95.3%	95.2%	-
% change Y/Y	-	-	-	-		- Investments / assets	15.7%	14.3%	14.6%	14.2%	13.9%
Average interest earnings assets	446,031	490,368	539,116	590,378	308,363	- Loan / assets	69.8%	69.6%	70.2%	71.3%	71.9%
Goodwill	-	-	-	-		- Customer deposits / liabilities	84.1%	84.6%	85.2%	86.9%	-
Other assets	-	-	-	-		- LT Debt / liabilities	8.4%	7.8%	7.4%	6.7%	6.5%
<b>Total assets</b>	<b>486,357</b>	<b>534,422</b>	<b>584,668</b>	<b>637,798</b>		<b>Asset Quality / Capital</b>					
<b>LIABILITIES</b>						- Loan loss reserves / loans	(2.0%)	(2.0%)	(2.0%)	(2.0%)	-
Customer deposits	360,338	394,210	433,631	481,330		- NPLs / loans	1.6%	1.6%	1.6%	1.6%	1.6%
% change Y/Y	7.4%	9.4%	10.0%	11.0%		- LLP / RWA	(0.5%)	(0.4%)	(0.3%)	(0.3%)	-
Long term funding	34,304	35,847	35,847	35,847		- Loan loss reserves / NPLs	127.0%	126.8%	126.6%	125.0%	123.8%
Interbank funding	22,114	25,431	27,974	30,771		- Growth in NPLs	7.2%	5.4%	12.8%	15.1%	-
Average interest bearing liabs	399,013	436,122	476,470	522,700	273,974	- RWAs	272,492	316,091	363,504	418,030	-
Other liabilities	11,639	10,694	11,552	5,642		- % YoY change	19.1%	16.0%	15.0%	15.0%	-
Retirement benefit liabilities	-	-	-	-		- Core Tier 1	16.9%	16.3%	15.9%	15.7%	-
<b>Shareholders' equity</b>	<b>56,983</b>	<b>67,261</b>	<b>74,684</b>	<b>83,228</b>		- Total Tier 1	16.9%	16.3%	15.9%	15.7%	-
Minorities	979	979	979	979							
<b>Total liabilities &amp; Shareholders Equity</b>	<b>486,357</b>	<b>534,422</b>	<b>584,668</b>	<b>637,798</b>							

Source: Company reports and J.P. Morgan estimates.



## First Gulf Bank: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
Dh in millions, year end Dec	FY12A	FY13A	FY14A	FY15E	FY16E	Dh in millions, year end Dec	FY12A	FY13A	FY14A	FY15E	FY16E
						<b>Per Share Data</b>					
Net interest income	5,520	5,994	6,470	6,415	7,043	EPS Reported	1.38	1.59	1.45	1.27	1.38
% Change Y/Y	8.7%	8.6%	7.9%	(0.9%)	9.8%	EPS Adjusted	1.38	1.59	1.45	1.27	1.38
Non-interest income	1,706	2,428	2,762	2,955	3,146	% Change Y/Y	(41.6%)	14.9%	(8.9%)	(12.4%)	8.6%
Fees & commissions	1,300	1,564	1,909	2,057	2,269	DPS	0.83	1.00	1.00	0.85	0.76
% change Y/Y	7.2%	20.3%	22.0%	7.8%	10.3%	% Change Y/Y	(16.7%)	20.0%	0.0%	(14.9%)	(10.9%)
Trading revenues	197	333	364	483	494	Dividend yield	6.0%	7.2%	7.2%	6.1%	5.5%
% change Y/Y	85.6%	69.2%	9.3%	32.6%	2.4%	Payout ratio	60.2%	62.8%	69.0%	67.0%	55.0%
Other Income	1,706	2,428	2,762	2,955	3,146	BV per share	9.78	10.41	8.76	7.73	8.25
Total operating revenues	7,227	8,422	9,232	9,370	10,189	NAV per share	7.62	8.06	6.72	5.98	6.60
% change Y/Y	11.3%	16.5%	9.6%	1.5%	8.7%	Shares outstanding	3,000	3,000	3,900	4,500	4,500
Total expenses	(1,426)	(1,766)	(2,130)	(2,291)	(2,488)	<b>Return ratios</b>					
% change Y/Y	16.5%	23.9%	20.6%	7.6%	8.6%	RoRWA	3.0%	3.0%	3.2%	3.0%	3.0%
Pre-provision operating profit	5,801	6,656	7,101	7,079	7,701	Pre-tax ROE	15.0%	16.0%	17.6%	16.8%	17.5%
% change Y/Y	10.1%	14.7%	6.7%	(0.3%)	8.8%	ROE	14.8%	15.8%	17.3%	16.6%	17.3%
Loan loss provisions	(1,653)	(1,820)	(1,372)	(1,299)	(1,421)	RoNAV	17.2%	19.3%	21.9%	21.0%	21.5%
Other provisions	0	0	0	0	0	<b>Revenues</b>					
Earnings before tax	4,191	4,835	5,738	5,785	6,285	NIM (NII / RWA)	4.0%	3.8%	3.6%	3.4%	3.4%
% change Y/Y	13.1%	15.4%	18.7%	0.8%	8.6%	Non-IR / average assets	1.0%	1.3%	1.3%	1.3%	1.3%
Tax (charge)	(20)	(33)	(33)	(32)	(38)	Total rev / average assets	4.3%	4.5%	4.5%	4.2%	4.2%
% Tax rate	0.5%	0.7%	0.6%	0.5%	0.6%	NII / Total revenues	76.4%	71.2%	70.1%	68.5%	69.1%
Minorities	(17)	(28)	(49)	(35)	(40)	Fees / Total revenues	18.0%	18.6%	20.7%	22.0%	22.3%
Net Income (Reported)	4,154	4,774	5,656	5,718	6,207	Trading / Total revenues	2.7%	4.0%	3.9%	5.2%	4.8%
Balance sheet											
Dh in millions, year end Dec	FY12A	FY13A	FY14A	FY15E	FY16E	Dh in millions, year end Dec	FY12A	FY13A	FY14A	FY15E	FY16E
<b>ASSETS</b>						<b>Cost ratios</b>					
Net customer loans	114,644	125,594	139,709	154,308	167,101	Cost / income	19.7%	21.0%	23.1%	24.5%	24.4%
% change Y/Y	9.5%	9.6%	11.2%	10.4%	8.3%	Cost / assets	0.9%	0.9%	1.0%	1.0%	1.0%
Loan loss reserves	(3,752)	(3,905)	(4,478)	(5,018)	(5,609)	Staff numbers	1,112	0	0	0	0
Investments	7,772	8,044	8,470	8,470	8,470	<b>Balance Sheet Gearing</b>					
Other interest earning assets	-	-	-	-	-	Loan / deposit	96.1%	91.0%	98.9%	103.5%	104.0%
% change Y/Y	-	-	-	-	-	Investments / assets	4.6%	4.2%	4.0%	3.8%	3.5%
Average interest earnings assets	154,209	172,307	187,191	202,428	219,327	Loan / assets	66.0%	64.4%	64.6%	66.1%	66.9%
Goodwill	-	-	-	-	-	Customer deposits / liabilities	82.2%	82.9%	79.6%	75.5%	76.5%
Other assets	-	-	-	-	-	LT Debt / liabilities	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total assets</b>	<b>175,034</b>	<b>198,210</b>	<b>212,169</b>	<b>232,734</b>	<b>247,669</b>						
						<b>Asset Quality / Capital</b>					
<b>LIABILITIES</b>						Loan loss reserves / loans	(3.2%)	(3.0%)	(3.1%)	(3.1%)	(3.2%)
Customer deposits	119,305	137,954	141,272	149,083	160,678	NPLs / loans	3.3%	3.3%	2.9%	2.4%	2.5%
% change Y/Y	15.3%	15.6%	2.4%	5.5%	7.8%	LLP / RWA	(1.2%)	(1.1%)	(0.7%)	(0.7%)	(0.7%)
Long term funding	0	0	0	0	0	Loan loss reserves / NPLs	97.2%	93.5%	107.2%	129.1%	126.5%
Interbank funding	3,919	5,205	12,591	22,033	20,932	Growth in NPLs	6.1%	9.8%	(17.6%)	8.2%	19.7%
Average interest bearing liabs	133,826	149,980	164,436	180,431	196,348	RWAs	143,447	172,441	183,621	197,524	212,934
Other liabilities	4,322	7,329	7,671	6,277	8,348	% YoY change	5.5%	20.2%	6.5%	7.6%	7.8%
Retirement benefit liabilities	-	-	-	-	-	Core Tier 1	15.0%	13.2%	13.4%	13.3%	13.7%
<b>Shareholders' equity</b>	<b>29,348</b>	<b>31,231</b>	<b>34,150</b>	<b>34,768</b>	<b>37,139</b>	Total Tier 1	18.8%	16.3%	16.2%	15.7%	15.9%
Minorities	515	540	587	587	587						
<b>Total liabilities &amp; Shareholders Equity</b>	<b>175,034</b>	<b>198,210</b>	<b>212,169</b>	<b>232,734</b>	<b>247,669</b>						

Source: Company reports and J.P. Morgan estimates.

## SABB: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E	SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E
Net interest income	4,063	4,299	4,893	5,571		<b>Per Share Data</b>					
% Change Y/Y	9.2%	5.8%	13.8%	13.9%		- EPS Reported	4.27	2.94	3.29	3.67	-
Non-interest income	2,440	2,619	2,771	2,936		- EPS Adjusted	4.27	2.94	3.29	3.67	-
Fees & commissions	1,645	1,665	1,742	1,825		- % Change Y/Y	13.0%	(31.1%)	11.8%	11.6%	-
% change Y/Y	14.8%	1.2%	4.6%	4.8%		- DPS	1.15	0.95	1.00	1.10	-
Trading revenues	723	807	871	940		- % Change Y/Y	4.5%	(17.4%)	5.3%	10.0%	-
% change Y/Y	24.3%	11.6%	7.9%	7.9%		- Dividend yield	4.2%	3.5%	3.7%	4.0%	-
Other Income	2,440	2,619	2,771	2,936		- Payout ratio	27.0%	32.3%	30.4%	30.0%	-
Total operating revenues	6,502	6,918	7,664	8,507		- BV per share	26.07	18.27	20.51	23.13	-
% change Y/Y	11.8%	6.4%	10.8%	11.0%		- NAV per share	24.92	17.32	19.51	22.03	-
Total expenses	(1,896)	(2,069)	(2,258)	(2,466)		- Shares outstanding	1,000	1,500	1,500	1,500	-
% change Y/Y	10.0%	9.1%	9.2%	9.2%		-					
Pre-provision operating profit	4,606	4,849	5,406	6,041		<b>Return ratios</b>					
% change Y/Y	12.6%	5.3%	11.5%	11.8%		- RoRWA	2.7%	2.5%	2.5%	2.6%	-
Loan loss provisions	(451)	(564)	(622)	(713)		- Pre-tax ROE	17.4%	16.5%	17.0%	16.8%	-
Other provisions	1	0	0	0		- ROE	17.4%	16.5%	17.0%	16.8%	-
Earnings before tax	4,266	4,411	4,932	5,506		- RoNAV	18.3%	17.3%	17.9%	17.7%	-
% change Y/Y	13.0%	3.4%	11.8%	11.6%		-					
Tax (charge)	-	-	-	-		<b>Revenues</b>					
% Tax rate	-	-	-	-		- NIM (NII / RWA)	2.6%	2.4%	2.5%	2.6%	-
Minorities	-	-	-	-		- Non-IR / average assets	1.3%	1.3%	1.3%	1.3%	-
Net Income (Reported)	4,266	4,411	4,932	5,506		- Total rev / average assets	3.6%	3.5%	3.6%	3.6%	-
						- NII / Total revenues	62.5%	62.1%	63.8%	65.5%	-
						- Fees / Total revenues	25.3%	24.1%	22.7%	21.5%	-
						- Trading / Total revenues	11.1%	11.7%	11.4%	11.1%	-
<b>Balance sheet</b>											
SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E	SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E
<b>ASSETS</b>						<b>Cost ratios</b>					
Net customer loans	115,221	130,261	140,687	150,468		- Cost / income	29.2%	29.9%	29.5%	29.0%	-
% change Y/Y	8.6%	13.1%	8.0%	7.0%		- Cost / assets	1.0%	1.1%	1.1%	1.1%	-
Loan loss reserves	(2,403)	(2,653)	(2,860)	(3,128)		- Staff numbers	-	-	-	-	-
Investments	-	-	-	-		-					
Other interest earning assets	-	-	-	-		<b>Balance Sheet Gearing</b>					
% change Y/Y	-	-	-	-		- Loan / deposit	79.0%	82.7%	81.2%	78.9%	-
Average interest earnings assets	154,886	174,558	196,226	215,288	112,134	- Investments / assets	-	-	-	-	-
Goodwill	-	-	-	-		- Loan / assets	60.7%	62.6%	63.1%	62.2%	61.9%
Other assets	-	-	-	-		- Customer deposits / liabilities	90.3%	88.9%	89.2%	91.4%	-
<b>Total assets</b>	<b>187,609</b>	<b>204,593</b>	<b>225,013</b>	<b>243,239</b>		- <b>LT Debt / liabilities</b>	<b>3.4%</b>	<b>3.6%</b>	<b>3.7%</b>	<b>3.4%</b>	<b>3.3%</b>
<b>LIABILITIES</b>						<b>Asset Quality / Capital</b>					
Customer deposits	145,870	157,540	173,294	190,624		- Loan loss reserves / loans	(2.0%)	(2.0%)	(2.0%)	(2.0%)	-
% change Y/Y	5.0%	8.0%	10.0%	10.0%		- NPLs / loans	1.3%	1.2%	1.2%	1.2%	1.3%
Long term funding	5,343	6,817	6,884	6,952		- LLP / RWA	(0.3%)	(0.3%)	(0.3%)	(0.3%)	-
Interbank funding	4,086	4,168	4,251	4,336		- Loan loss reserves / NPLs	154.3%	164.2%	165.7%	162.0%	160.2%
Average interest bearing liabs	151,618	161,834	176,399	193,093	100,917	- Growth in NPLs	(2.0%)	6.0%	10.0%	12.0%	-
Other liabilities	6,239	8,668	9,821	6,633		- RWAs	166,798	186,813	205,495	223,989	-
Retirement benefit liabilities	-	-	-	-		- % YoY change	10.1%	12.0%	10.0%	9.0%	-
<b>Shareholders' equity</b>	<b>26,071</b>	<b>27,401</b>	<b>30,762</b>	<b>34,693</b>		- Core Tier 1	-	-	-	-	-
Minorities	-	-	-	-		- Total Tier 1	15.6%	15.5%	15.7%	16.1%	-
<b>Total liabilities &amp; Shareholders Equity</b>	<b>187,609</b>	<b>204,593</b>	<b>225,013</b>	<b>243,239</b>		-					

Source: Company reports and J.P. Morgan estimates.

## Commercial Bank of Qatar: Summary of Financials

Profit and Loss Statement					Ratio Analysis				
QR in millions, year end Dec	FY13A	FY14A	FY15E	FY16E	QR in millions, year end Dec	FY13A	FY14A	FY15E	FY16E
<b>Net interest income</b>					<b>Per Share Data</b>				
Net interest income	2,188	2,581	2,532	2,709	EPS Reported	6.48	6.33	5.74	6.11
% change Y/Y	17.3%	17.9%	(1.9%)	7.0%	EPS Adjusted	6.48	6.33	5.74	6.11
Non-interest income	1,246	1,322	1,574	1,782	% Change Y/Y	(20.3%)	(2.3%)	(9.4%)	6.6%
Fees & commissions	676	880	1,056	1,241	DPS	2.00	3.50	3.00	3.00
% change Y/Y	30.3%	30.2%	20.0%	17.6%	% Change Y/Y	(66.8%)	75.0%	(14.3%)	0.0%
Trading revenues	389	305	340	359	Dividend yield	3.6%	6.3%	5.4%	5.4%
% change Y/Y	(25.4%)	(21.5%)	11.6%	5.6%	Payout ratio	30.8%	55.3%	52.3%	49.1%
Other Income	1,246	1,322	1,574	1,782	BV per share	64.51	57.35	53.83	57.45
Total operating revenues	3,434	3,902	4,106	4,491	NAV per share	42.91	37.51	36.47	40.09
% change Y/Y	15.1%	13.6%	5.2%	9.4%	Shares outstanding	247	297	327	327
Total expenses	(1,437)	(1,568)	(1,662)	(1,811)	<b>Return ratios</b>				
% change Y/Y	39.8%	9.1%	6.0%	9.0%	RoRWA	2.0%	1.9%	1.8%	1.8%
Pre-provision operating profit	1,997	2,335	2,444	2,680	Pre-tax ROE	10.4%	12.1%	11.5%	11.7%
% change Y/Y	2.1%	16.9%	4.7%	9.6%	ROE	10.4%	11.4%	10.8%	11.0%
Loan loss provisions	(714)	(673)	(810)	(959)	RoNAV	14.5%	16.4%	15.2%	15.0%
Other provisions	-	-	-	-	<b>Revenues</b>				
Earnings before tax	1,608	1,991	1,993	2,131	NIM (NII / RWA)	2.7%	2.7%	2.4%	2.4%
% change Y/Y	(20.1%)	23.8%	0.1%	6.9%	Non-IR / average assets	1.3%	1.2%	1.3%	1.4%
Tax (charge)	(2)	(50)	(60)	(75)	Total rev / average assets	3.6%	3.4%	3.4%	3.4%
% Tax rate	0.1%	2.5%	3.0%	3.5%	NII / Total revenues	63.7%	66.1%	61.7%	60.3%
Minorities	(1)	(60)	(60)	(60)	Fees / Total revenues	19.7%	22.5%	25.7%	27.6%
Net Income (Reported)	1,604	1,880	1,873	1,997	Trading / Total revenues	11.3%	7.8%	8.3%	8.0%
<b>Balance sheet</b>					<b>Cost ratios</b>				
QR in millions, year end Dec	FY13A	FY14A	FY15E	FY16E	QR in millions, year end Dec	FY13A	FY14A	FY15E	FY16E
<b>ASSETS</b>					<b>Balance Sheet Gearing</b>				
Net customer loans	66,863	72,541	76,649	83,149	Loan / deposit	105.4%	117.8%	112.2%	108.6%
% change Y/Y	37.6%	8.5%	5.7%	8.5%	Investments / assets	13.4%	11.5%	11.2%	12.5%
Loan loss reserves	(1,572)	(2,100)	(2,446)	(3,066)	Loan / assets	59.8%	60.9%	61.8%	61.1%
Investments	14,706	11,621	15,529	17,082	Customer deposits / liabilities	65.7%	62.8%	63.4%	65.9%
Other interest earning assets	0	0	0	0	LT Debt / liabilities	18.1%	18.5%	18.8%	17.7%
% change Y/Y	-	-	-	-	<b>Asset Quality / Capital</b>				
Average interest earnings assets	88,293	105,123	111,281	120,548	Loan loss reserves / loans	(2.3%)	(2.8%)	(3.1%)	(3.6%)
Goodwill	-	-	-	-	NPLs / loans	2.6%	3.7%	3.6%	3.6%
Other assets	-	-	-	-	LLP / RWA	(0.8%)	(0.7%)	(0.8%)	(0.8%)
<b>Total assets</b>	<b>113,112</b>	<b>115,652</b>	<b>125,909</b>	<b>135,467</b>	Loan loss reserves / NPLs	72.4%	69.0%	81.2%	91.8%
<b>LIABILITIES</b>					Growth in NPLs	363.1%	13.3%	(2.0%)	16.8%
Customer deposits	63,420	61,561	68,333	76,533	RWAs	95,135	99,020	107,932	117,646
% change Y/Y	53.2%	(2.9%)	11.0%	12.0%	% YoY change	41.8%	4.1%	9.0%	9.0%
Long term funding	17,105	18,884	19,829	19,829	Core Tier 1	11.5%	11.0%	10.4%	10.4%
Interbank funding	12,599	14,125	15,537	17,091	Total Tier 1	12.6%	13.1%	12.2%	12.1%
Average interest bearing liabs	78,272	93,847	99,134	108,575	CAR	14.1%	15.2%	14.0%	13.7%
Other liabilities	-	-	-	-					
Retirement benefit liabilities	-	-	-	-					
<b>Shareholders' equity</b>	<b>15,963</b>	<b>17,028</b>	<b>17,582</b>	<b>18,764</b>					
Minorities	592	668	550	550					
<b>Total liabilities &amp; Shareholders Equity</b>	<b>113,112</b>	<b>115,652</b>	<b>125,909</b>	<b>135,467</b>					

Source: Company reports and J.P. Morgan estimates.

## Banque Saudi Fransi: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E	SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E
<b>Net interest income</b>						<b>Per Share Data</b>					
Net interest income	3,817	3,993	4,473	5,059		- EPS Reported	2.92	3.26	3.58	3.95	-
% change Y/Y	13.5%	4.6%	12.0%	13.1%		- EPS Adjusted	2.92	3.26	3.58	3.95	-
Non-interest income	1,969	2,271	2,435	2,609		- % Change Y/Y	9.6%	11.8%	9.9%	10.3%	-
Fees & commissions	1,292	1,370	1,457	1,552		- DPS	1.04	1.10	1.20	1.35	-
% change Y/Y	12.4%	6.1%	6.4%	6.5%		- % Change Y/Y	137.0%	5.5%	9.1%	12.5%	-
Trading revenues	557	746	810	875		- Dividend yield	3.4%	3.6%	3.9%	4.4%	-
% change Y/Y	43.6%	34.1%	8.6%	8.0%		- Payout ratio	35.7%	33.7%	33.5%	34.1%	-
Other Income	1,969	2,271	2,435	2,609		- BV per share	21.96	24.07	26.44	29.06	-
Total operating revenues	5,786	6,263	6,908	7,668		- NAV per share	21.40	23.52	25.84	28.38	-
% change Y/Y	14.5%	8.2%	10.3%	11.0%		- Shares outstanding	1,205	1,205	1,205	1,205	-
Total expenses	(1,904)	(2,109)	(2,321)	(2,543)		-					
% change Y/Y	13.0%	10.8%	10.0%	9.6%		<b>Return ratios</b>					
Pre-provision operating profit	3,882	4,154	4,588	5,126		- RoRWA	2.0%	2.1%	2.1%	2.2%	-
% change Y/Y	15.3%	7.0%	10.4%	11.7%		- Pre-tax ROE	14.2%	14.2%	14.2%	14.2%	-
Loan loss provisions	(321)	(225)	(271)	(362)		- ROE	14.2%	14.2%	14.2%	14.2%	-
Other provisions	(46)	0	0	0		- RoNAV	14.3%	14.5%	14.5%	14.6%	-
Earnings before tax	3,516	3,932	4,319	4,766		-					
% change Y/Y	46.2%	11.8%	9.9%	10.3%		<b>Revenues</b>					
Tax (charge)	-	-	-	-		- NIM (NII / RWA)	2.2%	2.1%	2.2%	2.3%	-
% Tax rate	-	-	-	-		- Non-IR / average assets	1.1%	1.2%	1.2%	1.2%	-
Minorities	0	0	0	0		- Total rev / average assets	3.2%	3.2%	3.3%	3.4%	-
Net Income (Reported)	3,516	3,932	4,319	4,766		- NII / Total revenues	66.0%	63.7%	64.7%	66.0%	-
						- Fees / Total revenues	22.3%	21.9%	21.1%	20.2%	-
						- Trading / Total revenues	9.6%	11.9%	11.7%	11.4%	-
<b>Balance sheet</b>											
SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E	SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E
<b>ASSETS</b>						<b>Cost ratios</b>					
Net customer loans	116,541	128,388	137,471	147,118		- Cost / income	32.9%	33.7%	33.6%	33.2%	-
% change Y/Y	4.7%	10.2%	7.1%	7.0%		- Cost / assets	1.1%	1.1%	1.1%	1.1%	-
Loan loss reserves	(2,303)	(2,341)	(2,408)	(2,553)		- Staff numbers	-	-	-	-	-
Investments	-	-	-	-		-					
Other interest earning assets	-	-	-	-		<b>Balance Sheet Gearing</b>					
% change Y/Y	-	-	-	-		- Loan / deposit	80.2%	84.2%	82.7%	81.2%	-
Average interest earnings assets	155,401	171,471	186,777	202,756	105,624	- Investments / assets	-	-	-	-	-
Goodwill	-	-	-	-		- Loan / assets	63.5%	62.9%	63.7%	63.0%	62.6%
Other assets	-	-	-	-		- Customer deposits / liabilities	89.5%	88.8%	89.9%	90.7%	-
<b>Total assets</b>	<b>188,777</b>	<b>200,794</b>	<b>216,829</b>	<b>234,930</b>		- <b>LT Debt / liabilities</b>	<b>5.3%</b>	<b>4.9%</b>	<b>4.0%</b>	<b>3.7%</b>	<b>3.6%</b>
<b>LIABILITIES</b>						<b>Asset Quality / Capital</b>					
Customer deposits	145,275	152,539	166,268	181,232		- Loan loss reserves / loans	(1.9%)	(1.8%)	(1.7%)	(1.7%)	-
% change Y/Y	10.4%	5.0%	9.0%	9.0%		- NPLs / loans	1.2%	0.9%	0.9%	0.9%	1.0%
Long term funding	9,131	7,131	7,131	7,131		- LLP / RWA	(0.2%)	(0.1%)	(0.1%)	(0.2%)	-
Interbank funding	3,863	4,829	5,554	6,220		- Loan loss reserves / NPLs	167.5%	197.3%	193.2%	181.7%	177.0%
Average interest bearing liabs	150,334	161,385	171,726	186,768	97,291	- Growth in NPLs	(22.1%)	(1.0%)	10.0%	12.0%	-
Other liabilities	4,036	7,286	6,004	5,321		- RWAs	178,490	194,554	210,119	226,928	-
Retirement benefit liabilities	-	-	-	-		- % YoY change	7.6%	9.0%	8.0%	8.0%	-
<b>Shareholders' equity</b>	<b>26,471</b>	<b>29,009</b>	<b>31,873</b>	<b>35,025</b>		- Core Tier 1	-	-	-	-	-
Minorities	0	0	0	0		- Total Tier 1	14.8%	14.9%	15.1%	15.4%	-
<b>Total liabilities &amp; Shareholders Equity</b>	<b>188,777</b>	<b>200,794</b>	<b>216,829</b>	<b>234,930</b>		-					

Source: Company reports and J.P. Morgan estimates.

## Emirates NBD: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
Dh in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E	Dh in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E
						<b>Per Share Data</b>					
Net interest income	9,496	10,405	11,606	12,684		- EPS Reported	0.92	1.15	1.26	1.37	-
% Change Y/Y	16.7%	9.6%	11.5%	9.3%		- EPSAdjusted	0.92	1.15	1.26	1.37	-
Non-interest income	4,946	5,151	5,362	5,582		- % Change Y/Y	57.8%	24.4%	9.3%	8.8%	-
Fees & commissions	2,563	2,877	3,190	3,507		- DPS	0.35	0.46	0.57	0.62	-
% change Y/Y	30.9%	12.2%	10.9%	9.9%		- % Change Y/Y	40.1%	31.5%	22.9%	8.8%	-
Trading revenues	110	116	122	128		- Dividend yield	4.0%	5.2%	6.4%	7.0%	-
% change Y/Y	390.8%	5.0%	5.0%	5.0%		- Payout ratio	37.9%	40.0%	45.0%	45.0%	-
Other Income	4,946	5,151	5,362	5,582		- BV per share	8.41	9.19	10.00	10.80	-
Total operating revenues	14,442	15,556	16,968	18,266		- NAV per share	5.70	6.47	7.28	8.08	-
% change Y/Y	21.8%	7.7%	9.1%	7.6%		- Shares outstanding	5,558	5,558	5,558	5,558	-
Total expenses	(4,296)	(4,625)	(5,053)	(5,522)							
% change Y/Y	4.4%	7.7%	9.3%	9.3%		- <b>Return ratios</b>					
Pre-provision operating profit	10,146	10,931	11,915	12,744		- RoRWA	2.3%	2.8%	2.8%	2.9%	-
% change Y/Y	31.1%	7.7%	9.0%	7.0%		- Pre-tax ROE	11.9%	13.5%	13.5%	13.6%	-
Loan loss provisions	(4,995)	(4,473)	(4,867)	(5,080)		- ROE	11.6%	13.1%	13.1%	13.1%	-
Other provisions	-	-	-	-		- RoNAV	15.7%	17.6%	17.1%	16.8%	-
Earnings before tax	5,268	6,594	7,207	7,848							
% change Y/Y	59.8%	25.2%	9.3%	8.9%		- <b>Revenues</b>					
Tax (charge)	(129)	(200)	(220)	(250)		- NIM (NII / RWA)	4.2%	4.6%	4.7%	4.8%	-
% Tax rate	2.5%	3.0%	3.1%	3.2%		- Non-IR / average assets	1.4%	1.4%	1.3%	1.3%	-
Minorities	(0)	0	0	0		- Total rev / average assets	4.1%	4.1%	4.1%	4.1%	-
Net Income (Reported)	5,139	6,394	6,987	7,598		- NII / Total revenues	65.8%	66.9%	68.4%	69.4%	-
						- Fees / Total revenues	17.7%	18.5%	18.8%	19.2%	-
						- Trading / Total revenues	0.8%	0.7%	0.7%	0.7%	-
<b>Balance sheet</b>											
Dh in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E	Dh in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E
<b>ASSETS</b>						<b>Cost ratios</b>					
Net customer loans	245,974	267,136	286,306	305,537		- Cost / income	29.7%	29.7%	29.8%	30.2%	-
% change Y/Y	3.2%	8.6%	7.2%	6.7%		- Cost / assets	1.2%	1.2%	1.2%	1.2%	-
Loan loss reserves	(20,777)	(25,279)	(29,690)	(33,950)		- Staff numbers	-	-	-	-	-
Investments	-	-	-	-		<b>Balance Sheet Gearing</b>					
Other interest earning assets	-	-	-	-		- Loan / deposit	95.2%	94.0%	93.4%	93.2%	-
% change Y/Y	-	-	-	-		- Investments / assets	-	-	-	-	-
Average interest earnings assets	293,113	317,670	343,727	368,307	190,359	- Loan / assets	68.7%	67.4%	66.9%	66.7%	66.7%
Goodwill	-	-	-	-		- Customer deposits / liabilities	81.7%	81.7%	82.1%	82.3%	-
Other assets	-	-	-	-		- <b>LT Debt / liabilities</b>	7.6%	9.0%	9.5%	9.3%	9.2%
<b>Total assets</b>	<b>363,021</b>	<b>398,735</b>	<b>428,732</b>	<b>458,166</b>							
<b>LIABILITIES</b>						<b>Asset Quality / Capital</b>					
Customer deposits	258,259	284,118	306,441	327,702		- Loan loss reserves / loans	(7.8%)	(8.6%)	(9.4%)	(10.0%)	-
% change Y/Y	7.8%	10.0%	7.9%	6.9%		- NPLs / loans	10.8%	7.7%	7.7%	8.0%	8.2%
Long term funding	26,698	33,372	35,041	36,793		- LLP / RWA	(2.3%)	(1.9%)	(1.9%)	(1.9%)	-
Interbank funding	15,386	16,155	16,963	17,811		- Loan loss reserves / NPLs	73.1%	107.4%	116.7%	120.7%	122.0%
Average interest bearing liabs	242,588	261,072	286,660	307,270	158,637	- Growth in NPLs	(42.6%)	7.1%	12.2%	11.7%	-
Other liabilities	14,235	12,232	12,863	13,889		- RWAs	220,240	236,134	254,759	273,608	-
Retirement benefit liabilities	-	-	-	-		- % YoY change	(2.9%)	7.2%	7.9%	7.4%	-
<b>Shareholders' equity</b>	<b>46,758</b>	<b>51,087</b>	<b>55,566</b>	<b>60,021</b>		- Core Tier 1	-	-	-	-	-
Minorities	5	5	5	5		- Total Tier 1	18.0%	18.8%	19.2%	19.5%	-
<b>Total liabilities &amp; Shareholders Equity</b>	<b>363,021</b>	<b>398,735</b>	<b>428,732</b>	<b>458,166</b>							

Source: Company reports and J.P. Morgan estimates.

## Doha Bank: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
QR in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E	QR in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E
<b>Net interest income</b>						<b>Per Share Data</b>					
Net interest income	1,941	1,997	2,283	2,547		- EPS Reported	5.24	5.47	5.98	6.33	-
% change Y/Y	6.5%	2.9%	14.3%	11.6%		- EPS Adjusted	5.24	5.47	5.98	6.33	-
Non-interest income	918	840	886	936		- % Change Y/Y	3.1%	4.3%	9.4%	5.8%	-
Fees & commissions	516	505	540	577		- DPS	4.00	3.50	3.00	3.00	-
% change Y/Y	27.3%	(2.2%)	6.9%	6.9%		- % Change Y/Y	(11.1%)	(12.5%)	(14.3%)	0.0%	-
Trading revenues	319	246	253	259		- Dividend yield	7.9%	6.9%	5.9%	5.9%	-
% change Y/Y	34.1%	(22.8%)	2.7%	2.7%		- Payout ratio	76.3%	64.0%	50.2%	47.4%	-
Other Income	918	840	886	936		- BV per share	43.69	52.19	53.74	56.15	-
Total operating revenues	2,860	2,837	3,169	3,483		- NAV per share	31.95	33.21	35.26	37.66	-
% change Y/Y	12.5%	(0.8%)	11.7%	9.9%		- Shares outstanding	258	258	258	258	-
Total expenses	(1,025)	(1,105)	(1,203)	(1,310)		-					
% change Y/Y	11.7%	7.8%	8.9%	8.9%		<b>Return ratios</b>					
Pre-provision operating profit	1,835	1,732	1,966	2,173		- RoRWA	2.0%	1.9%	1.8%	1.7%	-
% change Y/Y	13.0%	(5.6%)	13.5%	10.5%		- Pre-tax ROE	12.1%	11.5%	11.4%	11.6%	-
Loan loss provisions	(439)	(274)	(382)	(503)		- ROE	12.0%	11.4%	11.3%	11.5%	-
Other provisions	(30)	(37)	(30)	(24)		- RoNAV	15.1%	13.9%	14.8%	14.8%	-
Earnings before tax	1,365	1,421	1,554	1,646		-					
% change Y/Y	3.6%	4.0%	9.4%	5.9%		<b>Revenues</b>					
Tax (charge)	(12)	(8)	(9)	(10)		- NIM (NII / RWA)	2.9%	2.7%	2.6%	2.6%	-
% Tax rate	0.8%	0.6%	0.6%	0.6%		- Non-IR / average assets	1.3%	1.0%	1.0%	0.9%	-
Minorities	-	-	-	-		- Total rev / average assets	4.0%	3.5%	3.5%	3.5%	-
Net Income (Reported)	1,354	1,413	1,545	1,636		- NII / Total revenues	67.9%	70.4%	72.0%	73.1%	-
						- Fees / Total revenues	18.0%	17.8%	17.0%	16.6%	-
						- Trading / Total revenues	11.1%	8.7%	8.0%	7.4%	-
<b>Balance sheet</b>											
QR in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E	QR in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E
<b>ASSETS</b>						<b>Cost ratios</b>					
Net customer loans	48,559	57,435	65,477	73,192		- Cost / income	35.8%	39.0%	38.0%	37.6%	-
% change Y/Y	18.1%	18.3%	14.0%	11.8%		- Cost / assets	1.4%	1.4%	1.3%	1.3%	-
Loan loss reserves	(1,775)	(1,984)	(2,289)	(2,706)		- Staff numbers	0	0	0	0	-
Investments	-	-	-	-		-					
Other interest earning assets	15,953	16,603	16,769	16,936		<b>Balance Sheet Gearing</b>					
% change Y/Y	26.5%	4.1%	1.0%	1.0%		- Loan / deposit	105.7%	105.7%	103.4%	100.3%	-
Average interest earnings assets	69,697	79,738	89,717	97,970	51,009	- Investments / assets	-	-	-	-	-
Goodwill	-	-	-	-		- Loan / assets	62.9%	65.2%	67.3%	69.5%	70.5%
Other assets	-	-	-	-		- Customer deposits / liabilities	71.5%	73.8%	77.5%	81.8%	-
<b>Total assets</b>	<b>75,514</b>	<b>87,131</b>	<b>95,614</b>	<b>103,787</b>		- <b>LT Debt / liabilities</b>	<b>5.3%</b>	<b>5.5%</b>	<b>5.6%</b>	<b>5.1%</b>	<b>4.9%</b>
<b>LIABILITIES</b>						<b>Asset Quality / Capital</b>					
Customer deposits	45,947	54,355	63,339	72,987		- Loan loss reserves / loans	(3.5%)	(3.3%)	(3.4%)	(3.6%)	-
% change Y/Y	8.1%	18.3%	16.5%	15.2%		- NPLs / loans	3.1%	2.9%	2.9%	3.1%	3.2%
Long term funding	3,310	4,303	4,346	4,390		- LLP / RWA	(0.6%)	(0.3%)	(0.4%)	(0.5%)	-
Interbank funding	12,795	11,771	11,183	10,623		- Loan loss reserves / NPLs	103.5%	116.8%	116.4%	111.7%	110.0%
Average interest bearing liabs	57,662	66,240	74,649	83,434	44,000	- Growth in NPLs	22.6%	6.4%	21.1%	22.4%	-
Other liabilities	2,174	3,217	2,860	1,280		- RWAs	68,456	81,463	92,053	103,099	-
Retirement benefit liabilities	-	-	-	-		- % YoY change	6.7%	19.0%	13.0%	12.0%	-
<b>Shareholders' equity</b>	<b>11,288</b>	<b>13,485</b>	<b>13,886</b>	<b>14,506</b>		- Core Tier 1	-	-	-	-	-
Minorities	-	-	-	-		- Total Tier 1	14.7%	15.4%	13.8%	12.9%	-
<b>Total liabilities &amp; Shareholders Equity</b>	<b>75,514</b>	<b>87,131</b>	<b>95,614</b>	<b>103,787</b>		-					

Source: Company reports and J.P. Morgan estimates.



## Al Rajhi Bank: Summary of Financials

Profit and Loss Statement					Ratio Analysis				
SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E
Net interest income	9,817	10,173	11,336	12,814	<b>Per Share Data</b>				
% change Y/Y	1.7%	3.6%	11.4%	13.0%	EPS Reported	4.21	4.25	4.67	5.26
Non-interest income	3,850	3,927	4,040	4,156	EPS Adjusted	4.21	4.25	4.67	5.26
Fees & commissions	2,738	2,681	2,737	2,795	% Change Y/Y	(15.2%)	1.0%	9.9%	12.6%
% change Y/Y	(6.7%)	(2.1%)	2.1%	2.1%	DPS	2.21	2.15	2.35	2.65
Trading revenues	1,435	1,581	1,860	2,280	% Change Y/Y	(11.5%)	(2.8%)	9.3%	12.8%
% change Y/Y	0.9%	10.2%	17.7%	22.6%	Dividend yield	3.9%	3.8%	4.2%	4.7%
Other Income	3,850	3,927	4,040	4,156	Payout ratio	52.6%	50.6%	50.3%	50.4%
Total operating revenues	13,667	14,101	15,375	16,970	BV per share	25.78	28.54	30.43	33.22
% change Y/Y	(1.3%)	3.2%	9.0%	10.4%	NAV per share	24.57	26.89	29.08	31.57
Total expenses	(4,519)	(4,860)	(5,202)	(5,570)	Shares outstanding	1,625	1,625	1,625	1,625
% change Y/Y	11.4%	7.6%	7.0%	7.1%	<b>Return ratios</b>				
Pre-provision operating profit	9,148	9,240	10,173	11,400	RoRWA	3.1%	2.9%	2.9%	3.0%
% change Y/Y	(6.5%)	1.0%	10.1%	12.1%	Pre-tax ROE	17.0%	15.6%	15.8%	16.5%
Loan loss provisions	(2,312)	(2,338)	(2,584)	(2,856)	ROE	17.0%	15.6%	15.8%	16.5%
Other provisions	-	-	-	-	RoNAV	17.9%	16.5%	16.7%	17.3%
Earnings before tax	6,836	6,902	7,588	8,545	<b>Revenues</b>				
% change Y/Y	(8.1%)	1.0%	9.9%	12.6%	NIM (NII / RWA)	4.5%	4.2%	4.3%	4.4%
Tax (charge)	-	-	-	-	Non-IR / average assets	1.3%	1.2%	1.1%	1.0%
% Tax rate	-	-	-	-	Total rev / average assets	4.7%	4.3%	4.2%	4.2%
Minorities	-	-	-	-	NII / Total revenues	71.8%	72.1%	73.7%	75.5%
Net Income (Reported)	6,836	6,902	7,588	8,545	Fees / Total revenues	20.0%	19.0%	17.8%	16.5%
					Trading / Total revenues	10.5%	11.2%	12.1%	13.4%
<b>Balance sheet</b>									
SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E
<b>ASSETS</b>					<b>Cost ratios</b>				
Net customer loans	205,940	220,129	237,498	258,641	Cost / income	33.1%	34.5%	33.8%	32.8%
% change Y/Y	10.2%	6.9%	7.9%	8.9%	Cost / assets	1.5%	1.5%	1.4%	1.4%
Loan loss reserves	(5,194)	(5,784)	(6,489)	(7,305)	Staff numbers	-	-	-	-
Investments	-	-	-	-	<b>Balance Sheet Gearing</b>				
Other interest earning assets	92,651	116,051	137,050	154,121	Loan / deposit	80.4%	80.7%	78.0%	75.0%
% change Y/Y	9.0%	25.3%	18.1%	12.5%	Investments / assets	-	-	-	-
Average interest earnings assets	253,427	283,633	320,934	358,192	Loan / assets	66.8%	65.2%	62.6%	61.3%
Goodwill	-	-	-	-	Customer deposits / liabilities	96.3%	91.0%	90.7%	93.1%
Other assets	4,027	4,430	4,784	5,167	<b>LT Debt / liabilities</b>	-	-	-	-
<b>Total assets</b>	<b>307,712</b>	<b>345,906</b>	<b>385,104</b>	<b>424,220</b>					
<b>LIABILITIES</b>					<b>Asset Quality / Capital</b>				
Customer deposits	256,077	272,716	304,553	344,868	Loan loss reserves / loans	(2.5%)	(2.6%)	(2.7%)	(2.7%)
% change Y/Y	10.6%	6.5%	11.7%	13.2%	NPLs / loans	1.4%	1.2%	1.3%	1.4%
Long term funding	-	-	-	-	LLP / RWA	(1.0%)	(0.9%)	(0.9%)	(0.9%)
Interbank funding	2,135	6,118	6,480	6,866	Loan loss reserves / NPLs	168.0%	201.7%	206.6%	199.0%
Average interest bearing liabs	246,721	268,523	294,934	331,384	Growth in NPLs	(11.7%)	5.0%	13.0%	20.0%
Other liabilities	7,603	20,693	24,624	18,504	RWAs	226,736	253,944	276,799	301,711
Retirement benefit liabilities	-	-	-	-	% YoY change	9.2%	12.0%	9.0%	9.0%
<b>Shareholders' equity</b>	<b>41,896</b>	<b>46,380</b>	<b>49,446</b>	<b>53,981</b>	Core Tier 1	18.5%	18.1%	17.7%	17.7%
Minorities	-	-	-	-	Total Tier 1	18.5%	18.1%	17.7%	17.7%
<b>Total liabilities &amp; Shareholders Equity</b>	<b>307,712</b>	<b>345,906</b>	<b>385,104</b>	<b>424,220</b>					

Source: Company reports and J.P. Morgan estimates.

## National Bank of Abu Dhabi: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
Dh in millions, year end Dec	FY12A	FY13A	FY14A	FY15E	FY16E	Dh in millions, year end Dec	FY12A	FY13A	FY14A	FY15E	FY16E
<b>Net interest income</b>						<b>Per Share Data</b>					
	6,096	6,510	7,018	7,316	8,172	EPS Reported	1.13	1.10	1.18	1.09	1.15
% change Y/Y	5.1%	6.8%	7.8%	4.2%	11.7%	EPS Adjusted	1.13	1.10	1.18	1.09	1.15
Non-interest income	2,605	2,888	3,397	3,572	3,619	% Change Y/Y	(12.8%)	(2.4%)	7.2%	(7.2%)	5.0%
Fees & commissions	1,577	1,852	2,311	2,302	2,437	DPS	0.35	0.40	0.40	0.40	0.45
% change Y/Y	13.4%	17.5%	24.8%	(0.4%)	5.9%	% Change Y/Y	17.0%	14.0%	0.0%	0.0%	12.5%
Trading revenues	940	701	960	1,138	1,041	Dividend yield	3.6%	4.1%	4.1%	4.1%	4.6%
% change Y/Y	52.7%	(25.5%)	37.0%	18.5%	(8.5%)	Payout ratio	31.2%	36.4%	34.0%	36.6%	39.2%
Other Income	88	335	126	132	141	BV per share	8.04	8.05	8.02	8.91	9.65
Total operating revenues	8,701	9,398	10,415	10,887	11,791	NAV per share	6.65	6.73	6.77	7.21	7.91
% change Y/Y	10.4%	8.0%	10.8%	4.5%	8.3%	Shares outstanding	3,875	4,306	4,736	5,210	5,210
Total expenses	(2,870)	(3,239)	(3,696)	(4,063)	(4,415)	<b>Return ratios</b>					
% change Y/Y	11.9%	12.8%	14.1%	9.9%	8.7%	RoRWA	2.5%	2.4%	2.4%	2.2%	2.1%
Pre-provision operating profit	5,831	6,159	6,719	6,825	7,376	Pre-tax ROE	15.6%	15.1%	16.1%	14.4%	13.2%
% change Y/Y	9.7%	5.6%	9.1%	1.6%	8.1%	ROE	15.2%	14.4%	15.4%	13.5%	12.4%
Loan loss provisions	(1,337)	(1,206)	(868)	(767)	(994)	RoNAV	17.4%	16.4%	17.5%	15.7%	14.2%
Other provisions	0	0	0	0	0	<b>Revenues</b>					
Earnings before tax	4,494	4,953	5,851	6,057	6,382	NIM (NII / RWA)	3.5%	3.3%	3.0%	2.8%	2.8%
% change Y/Y	17.7%	10.2%	18.1%	3.5%	5.4%	Non-IR / average assets	0.9%	0.9%	1.0%	0.9%	0.9%
Tax (charge)	(132)	(220)	(272)	(363)	(402)	Total rev / average assets	3.1%	3.0%	3.0%	2.8%	2.8%
% Tax rate	2.9%	4.4%	4.6%	6.0%	6.3%	NII / Total revenues	70.1%	69.3%	67.4%	67.2%	69.3%
Minorities	0	0	0	0	0	Fees / Total revenues	18.1%	19.7%	22.2%	21.1%	20.7%
Net Income (Reported)	4,362	4,733	5,579	5,694	5,980	Trading / Total revenues	10.8%	7.5%	9.2%	10.5%	8.8%
<b>Balance sheet</b>						<b>Cost ratios</b>					
Dh in millions, year end Dec	FY12A	FY13A	FY14A	FY15E	FY16E	Dh in millions, year end Dec	FY12A	FY13A	FY14A	FY15E	FY16E
<b>ASSETS</b>						<b>Balance Sheet Gearing</b>					
Net customer loans	164,599	183,811	194,279	228,397	241,906	Loan / deposit	86.5%	87.1%	79.9%	88.6%	86.9%
% change Y/Y	3.2%	11.7%	5.7%	17.6%	5.9%	Investments / assets	10.6%	13.3%	16.9%	17.6%	17.5%
Loan loss reserves	(6,225)	(7,228)	(7,793)	(8,027)	(8,704)	Loan / assets	58.3%	55.7%	53.9%	53.7%	55.4%
Investments	32,287	50,846	67,493	70,868	77,246	Customer deposits / liabilities	70.6%	72.7%	71.9%	70.6%	72.0%
Other interest earning assets	91,343	76,740	97,857	91,659	94,357	<b>LT Debt / liabilities</b>					
% change Y/Y	58.4%	(16.0%)	27.5%	(6.3%)	2.9%		9.6%	8.0%	5.8%	4.8%	4.5%
Average interest earnings assets	265,996	299,813	335,513	375,277	402,216	<b>Asset Quality / Capital</b>					
Goodwill	-	-	-	-	-	Loan loss reserves / loans	(3.6%)	(3.8%)	(3.9%)	(3.4%)	(3.5%)
Other assets	12,370	13,665	16,470	20,715	23,516	NPLs / loans	3.2%	3.3%	3.1%	2.9%	2.8%
<b>Total assets</b>	<b>300,599</b>	<b>325,062</b>	<b>376,099</b>	<b>411,639</b>	<b>437,024</b>	LLP / RWA	(0.8%)	(0.6%)	(0.3%)	(0.3%)	(0.3%)
<b>LIABILITIES</b>						Loan loss reserves / NPLs	108.5%	114.1%	123.4%	126.2%	124.0%
Customer deposits	190,304	211,097	243,185	257,776	278,398	Growth in NPLs	19.5%	4.0%	2.5%	3.6%	11.5%
% change Y/Y	25.4%	10.9%	15.2%	6.0%	8.0%	RWAs	177,068	216,900	250,213	278,285	298,739
Long term funding	24,736	20,202	16,515	16,947	16,897	% YoY change	1.3%	22.5%	15.4%	11.2%	7.4%
Interbank funding	35,477	35,760	36,680	39,247	41,209	Core Tier 1	14.1%	12.9%	12.6%	12.5%	12.8%
Average interest bearing liabs	236,815	265,265	295,452	325,366	347,166	Total Tier 1	17.2%	15.6%	15.0%	15.7%	15.9%
Other liabilities	14,101	15,219	22,396	30,247	27,388						
Retirement benefit liabilities	-	-	-	-	-						
<b>Shareholders' equity</b>	<b>31,133</b>	<b>34,679</b>	<b>37,963</b>	<b>46,400</b>	<b>50,296</b>						
Minorities	0	0	0	0	0						
<b>Total liabilities &amp; Shareholders Equity</b>	<b>300,599</b>	<b>325,062</b>	<b>376,099</b>	<b>411,639</b>	<b>437,024</b>						

Source: Company reports and J.P. Morgan estimates.

## Riyad Bank: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E	SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E
<b>Net interest income</b>						<b>Per Share Data</b>					
Net interest income	5,130	5,191	5,563	6,078		- EPS Reported	1.45	1.44	1.46	1.60	-
% change Y/Y	9.2%	1.2%	7.2%	9.3%		- EPS Adjusted	1.45	1.44	1.46	1.60	-
Non-interest income	2,882	3,013	2,933	3,071		- % Change Y/Y	(44.9%)	(0.7%)	1.6%	9.4%	-
Fees & commissions	2,020	2,021	2,097	2,181		- DPS	0.80	0.80	0.85	0.90	-
% change Y/Y	10.9%	0.0%	3.7%	4.0%		- % Change Y/Y	(49.7%)	0.4%	6.3%	5.9%	-
Trading revenues	656	561	600	641		- Dividend yield	5.6%	5.6%	6.0%	6.3%	-
% change Y/Y	78.6%	(14.5%)	6.9%	6.9%		- Payout ratio	54.9%	55.5%	58.1%	56.2%	-
Other Income	2,882	3,013	2,933	3,071		- BV per share	11.85	12.47	13.06	13.73	-
Total operating revenues	8,012	8,204	8,496	9,149		- NAV per share	11.43	12.02	12.59	13.25	-
% change Y/Y	13.3%	2.4%	3.6%	7.7%		- Shares outstanding	3,000	3,000	3,000	3,000	-
Total expenses	(2,806)	(3,020)	(3,181)	(3,352)		<b>Return ratios</b>					
% change Y/Y	8.8%	7.6%	5.3%	5.4%		- RoRWA	2.1%	2.0%	1.9%	2.0%	-
Pre-provision operating profit	5,206	5,184	5,316	5,797		- Pre-tax ROE	12.5%	11.9%	11.5%	12.0%	-
% change Y/Y	15.8%	(0.4%)	2.5%	9.1%		- ROE	12.5%	11.9%	11.5%	12.0%	-
Loan loss provisions	(900)	(907)	(971)	(1,041)		- RoNAV	13.0%	12.3%	11.9%	12.4%	-
Other provisions	0	0	0	0		<b>Revenues</b>					
Earnings before tax	4,352	4,324	4,392	4,804		- NIM (NII / RWA)	2.5%	2.4%	2.4%	2.5%	-
% change Y/Y	10.3%	(0.7%)	1.6%	9.4%		- Non-IR / average assets	1.4%	1.4%	1.2%	1.2%	-
Tax (charge)	-	-	-	-		- Total rev / average assets	3.8%	3.7%	3.6%	3.6%	-
% Tax rate	-	-	-	-		- NII / Total revenues	64.0%	63.3%	65.5%	66.4%	-
Minorities	-	-	-	-		- Fees / Total revenues	25.2%	24.6%	24.7%	23.8%	-
Net Income (Reported)	4,352	4,324	4,392	4,804		- Trading / Total revenues	8.2%	6.8%	7.1%	7.0%	-
<b>Balance sheet</b>						<b>Cost ratios</b>					
SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E	SRLs in millions, year end Dec	FY14A	FY15E	FY16E	FY17E	FY18E
<b>ASSETS</b>						- Cost / income	35.0%	36.8%	37.4%	36.6%	-
Net customer loans	133,490	137,995	143,314	148,800		- Cost / assets	1.3%	1.4%	1.3%	1.3%	-
% change Y/Y	1.8%	3.4%	3.9%	3.8%		- Staff numbers	-	-	-	-	-
Loan loss reserves	(133,490)	(137,995)	(143,314)	(148,800)		<b>Balance Sheet Gearing</b>					
Investments	46,963	51,842	62,144	68,147		- Loan / deposit	81.4%	80.5%	78.9%	77.4%	-
Other interest earning assets	-	-	-	-		- Investments / assets	21.6%	22.3%	24.0%	25.8%	26.3%
% change Y/Y	-	-	-	-		- Loan / assets	63.0%	61.3%	59.3%	57.9%	57.5%
Average interest earnings assets	181,768	189,451	202,462	216,258	111,063	- Customer deposits / liabilities	91.6%	89.7%	87.9%	88.3%	-
Goodwill	-	-	-	-		- LT Debt / liabilities	2.3%	3.2%	4.0%	3.8%	3.7%
Other assets	-	-	-	-		<b>Asset Quality / Capital</b>					
<b>Total assets</b>	<b>214,589</b>	<b>228,349</b>	<b>245,637</b>	<b>258,887</b>		- Loan loss reserves / loans	(100.0%)	(100.0%)	(100.0%)	(100.0%)	-
<b>LIABILITIES</b>						- NPLs / loans	0.9%	0.8%	0.9%	1.0%	1.0%
Customer deposits	164,079	171,361	181,532	192,309		- LLP / RWA	(0.4%)	(0.4%)	(0.4%)	(0.4%)	-
% change Y/Y	7.1%	4.4%	5.9%	5.9%		- Loan loss reserves / NPLs	11436.0%	12026.8%	10938.2%	10051.7%	9651.4%
Long term funding	4,000	8,000	8,000	8,000		- Growth in NPLs	(17.0%)	15.0%	13.0%	13.0%	-
Interbank funding	3,790	4,169	4,794	5,513		- RWAs	211,217	223,890	235,084	246,838	-
Average interest bearing liabs	168,324	177,699	188,928	200,074	102,911	- % YoY change	3.3%	6.0%	5.0%	5.0%	-
Other liabilities	7,183	7,412	12,136	11,869		- Core Tier 1	16.8%	16.7%	16.6%	16.6%	-
Retirement benefit liabilities	-	-	-	-		- Total Tier 1	16.8%	16.7%	16.6%	16.6%	-
<b>Shareholders' equity</b>	<b>35,537</b>	<b>37,407</b>	<b>39,174</b>	<b>41,196</b>		<b>Asset Quality / Capital</b>					
Minorities	-	-	-	-		- Loan loss reserves / loans	(100.0%)	(100.0%)	(100.0%)	(100.0%)	-
<b>Total liabilities &amp; Shareholders Equity</b>	<b>214,589</b>	<b>228,349</b>	<b>245,637</b>	<b>258,887</b>		- NPLs / loans	0.9%	0.8%	0.9%	1.0%	1.0%

Source: Company reports and J.P. Morgan estimates.

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