

GCC Market Update



Market Commentary

Abu Dhabi's NPCC signs an eight-year AED2.2mn loan

Abu Dhabi's National Petroleum Construction Company (NPCC), a subsidiary of the General Holding Cooperation has signed an eight year syndicated loan facility of AED2.2bn. The deal includes a conventional loan of AED1.4bn, proceeds of which will be used for construction purpose. While the remaining AED730mn signed under Murabaha financing will be used for refinancing other loans. However the pricing for these tranches were not disclosed. (Source: Global Capital)

Saudi's Aramco seeks USD10bn RCF

Saudi Arabian Oil Company (Aramco) is looking forward to replace its undrawn USD4bn revolving-credit-facility (RCF), maturing later this year, with a larger financing of USD10bn. The proceeds from the deal would be used for general business purpose or to fund some acquisition. Aramco will be self-arranging the new RCF with JP Morgan acting as the advisor on the deal. (Source: Global Capital)

Emirates Airline hire banks for sukuk issuance of USD1bn

Emirates Airline plans to issue a sukuk worth USD1bn by the end of first quarter, in 2015. The issue will be guaranteed by the UK Export Finance, this will be the first time that Britain's export credit agency will guarantee an Islamic bond issue. Eight banks that are involved in arranging the transaction include HSBC, Citigroup, JP Morgan and National Bank of Abu Dhabi, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates NBD and Standard Chartered. (Source: Global Capital)

NBAD successfully issued a 5 year bond worth USD750mn

National Bank of Abu Dhabi (NBAD) issued a five-year USD750mn bond at the coupon rate of 2.25%. It attracted orders more than USD1bn, representing an oversubscription of 1.3x. The bond was rated 'AA-' by both S&P and Fitch and was listed on the London Stock Exchange. (Source: Reuters)

Credit growth in Kuwait rises to 6.2% y-o-y

Credit growth in Kuwait closed at 6.2% y-o-y in December 2014, with the last month of the year gaining KD152mn in lending. Credit growth in the month of December was largely driven by household debts and lending for purchase of securities while the business sector stood weak. The overall growth in credit landed below expectation due to the acquisition of Family Fund Loans and payment of certain legacy debts by corporates. (Source: Zawya)

Qatar's money supply back on track in 4Q2014

Qatar's total money supply rebounded in 4Q2014 by QAR124bn after a contraction in 3Q2014. The average movement in money supply grew 3.06% q-o-q to QAR504bn. (Source: Zawya)

Repo and Interbank Rates

Country	Repo Rate	3M Inter Bank Rates	
		31/12/14	02/03/15
Saudi Arabia	2.00%	0.86%	0.79%
UAE	1.00%	0.68%	0.69%
Qatar	4.50%	1.06%	1.07%
Kuwait	0.75%	1.06%	1.06%
Oman	1.00%	NA	NA
Bahrain	2.25%	0.65%	0.7%

Bank Deposits

Country	Total Deposits (USD bn)	Reporting Date
Saudi Arabia	410.56	January-15
UAE	386.88	December-14
Qatar	161.24	January-15
Kuwait	128.26	December-14
Oman	44.73	December-14
Bahrain	41.65	November-14

Recent Bond and Sukuk Issuances

Issuer	Coupon/Profit rate	Volume (mn)	Currency	Subscription date	Tenor (Years)	Over Subscription
Government of Malaysia (sukuk)	NA	1,117	MYR	Feb-15	5.5	3.3x
Central Bank of the Republic of Turkey (sukuk)	NA	738	TRY	Feb-15	2	NA
Ministry of Finance - Lebanon (bond)	6.65%	1,400	USD	Feb-15	15	2.3x
First Gulf Bank PJSC (bond)	2.63%	750	USD	Feb-15	5	NA
National Bank of Abu Dhabi (bond)	2.25%	750	USD	Feb-15	5	1.3x
Emirates NBD PJSC (bond)	4.75%	577	AUD	Feb-15	7	NA

Source: GCC Central Banks, Kuwait Financial Centre, Zawya, Gulf base, Trading Economics, Arabian Business, Saudi Gazette

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Oil price declines to tighten bank liquidity

As stated by Moody's, the prolonged weakness in the oil prices, is likely to constrain liquidity in the banking system (for oil exporting countries) as governments may reduce their cash holdings in the banks and would look forward to fund their budget deficits. Qatar, Kuwait, Saudi Arabia and the UAE remain less impacted due to huge sovereign reserves, while Bahrain and Oman remain highly vulnerable due to lower reserves and much higher break even oil prices. *(Source: Gulfnews)*

Qatari Banking sector loan book contracted in January 2015

According to the latest report by the QNB Financial services, Qatari banking sector loan book contracted 1.4% m-o-m in January 2015 but increased 13.1% y-o-y. Its deposits declined 2.2% m-o-m whereas improved 9.6% y-o-y. Public sector pushed total credit down with a decline of 7.1% m-o-m, while public sector deposits contracted 5.9% m-o-m. *(Source: GulfTimes)*

QIIB seeks approval for sukuk issuance

Qatar International Islamic Bank (QIIB) seeks approval from his shareholders for a Islamic bond issuance of SAR3bn (USD825mn). The proceeds from the sukuk would be used to support bank's capital requirements for future growth and expansion. *(Source: Reuters)*

S&P: UAE banks' profit growth to dip in 2015

S&P has stated that the profit growth rates of banks in UAE are expected to slip down to 5%-6% in 2015 due to the rising macroeconomic challenges and reduced economic growth. The continuously declining oil price will result into reduced demand for new lending, also increase the probability of defaults for some companies. *(Source: Arab News)*

Saudi Arabia's private sector credit grew 12.6% annually

Saudi Arabia's lower credit risk profile, benign interest rate environment and favorable business cycle marks an attractive investment opportunity for investors and individuals. In November 2014, the private sector credit increased by 12.6% y-o-y to SAR1.2tn, extending nearly SAR132.5bn of fresh credit to the private sector. *(Source: Arab News)*

ENOC, QNB and Meraas sign loan deals

Corporates such as Emirates National Oil Company (ENOC) and Qatar National Bank (QNB) head towards finalizing their loan deals worth USD1.5bn and USD3bn respectively. Also Dubai Developer Meraas is expected to sign a 8-10 year loan of USD500mn which would be primarily used to fund the construction of a retail property. *(Source: Global Capital)*

FGB issues a dollar denominated sukuk

In February, 2015, First Gulf Bank (FGB) issued a five-year USD750mn dollar-denominated bond at the coupon rate of 2.625%. Citigroup, Deutsche Bank, FGB, HSBC and ING were the book runners for the deal. *(Source: Reuters)*

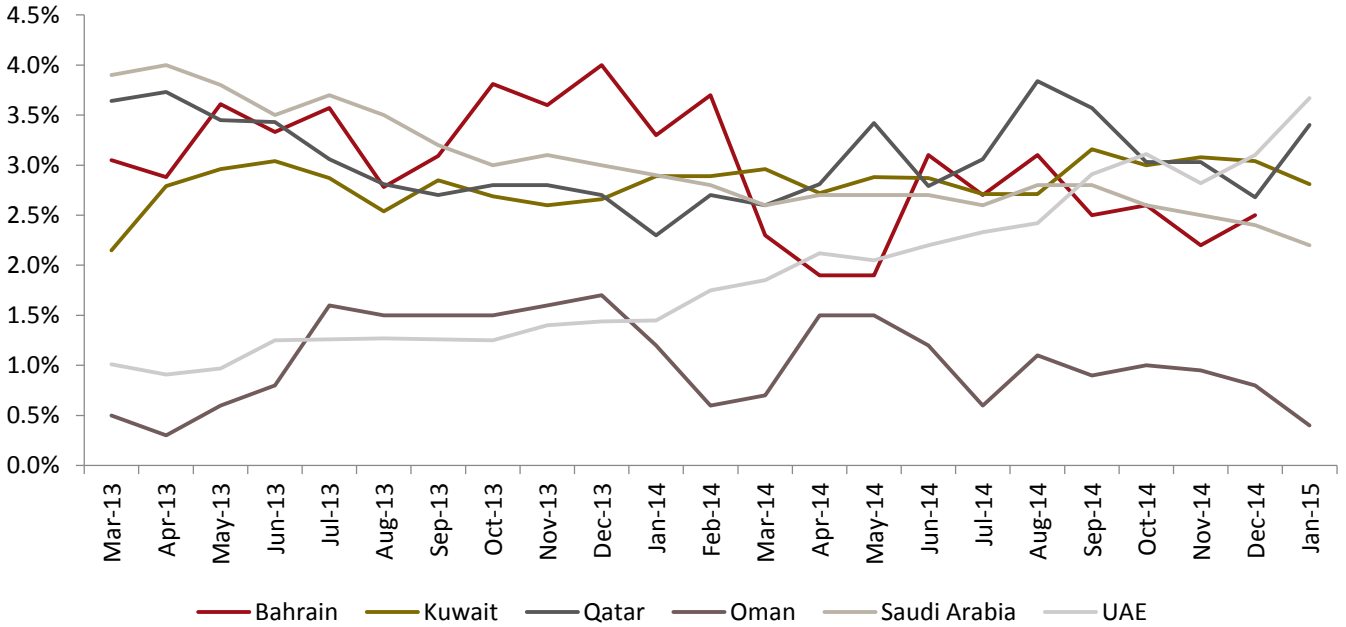


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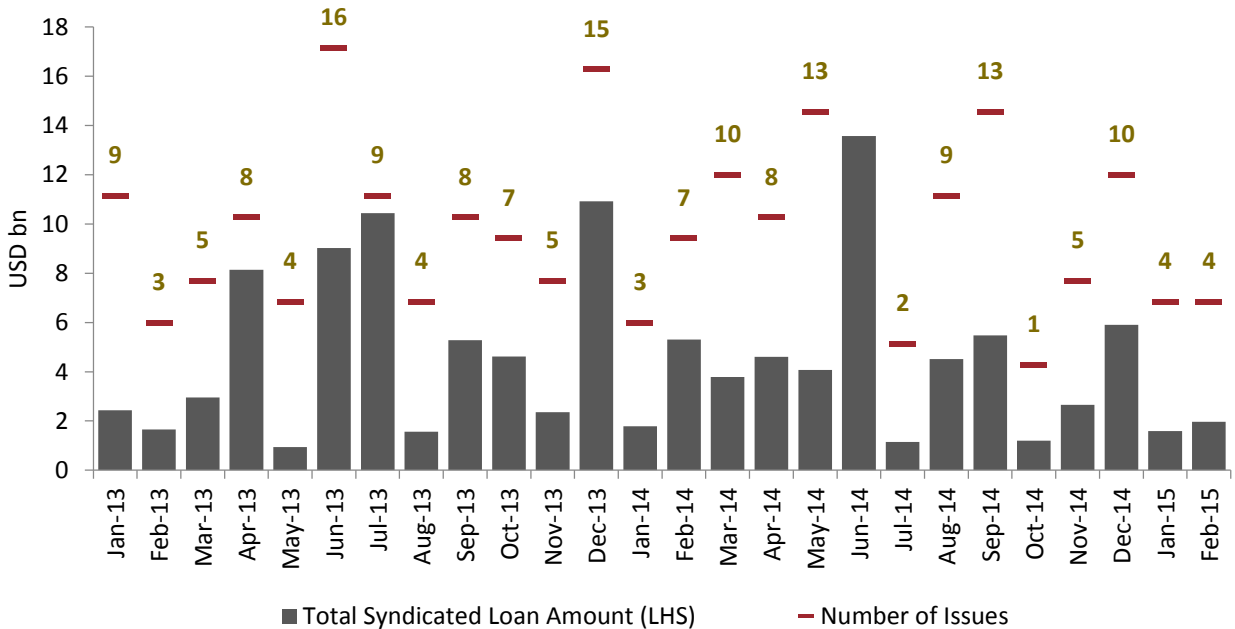


Inflation Trend

The UAE's inflation rose to 3.7% y-o-y in January 2015 from 3.10% y-o-y in December 2014, soon after Abu Dhabi ended utilities subsidy. Housing and utility costs, and Education costs went up by 7.4% y-o-y and 4% y-o-y, respectively.



Syndicated Finance Flows

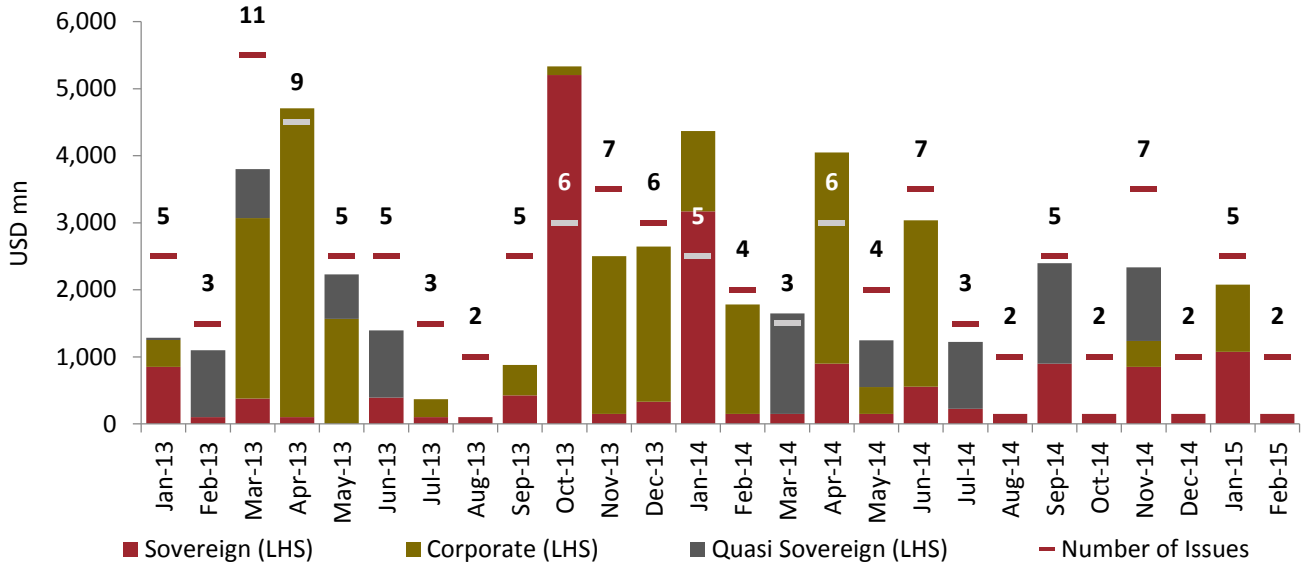


Source: Bloomberg, Thomson banker

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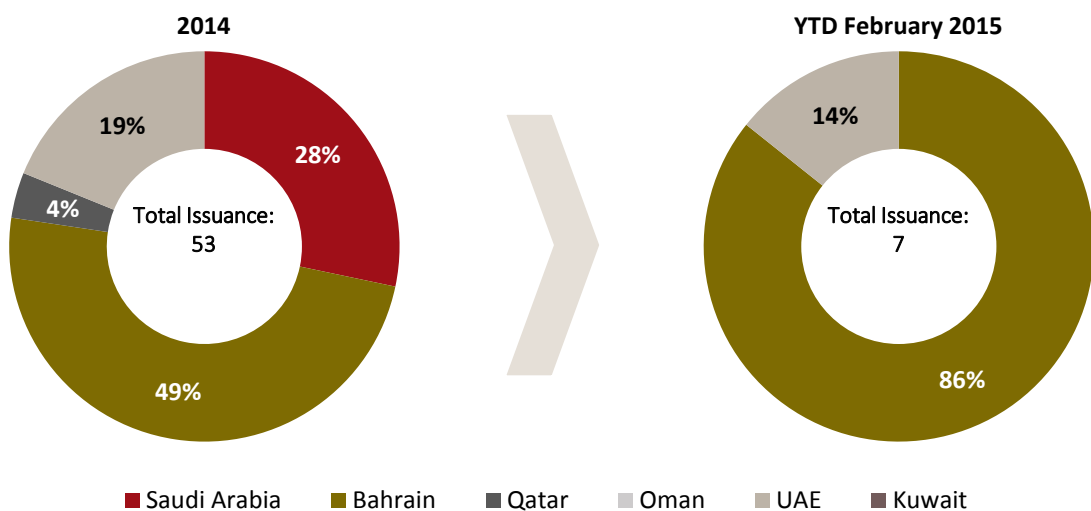


Sukuk Issuance by Value, Number, and Type



- Sukuk issuances by volume declined significantly in the month of February 2015, down by 92% y-o-y and 93% m-o-m to USD0.1bn. There were only two short term sovereign issuances from the Central bank of Bahrain. Sovereign comprised 55% of the total issuance volume for YTD February 2015 (USD2.2bn), followed by corporate at 45% and there have been no quasi-sovereign issuances in 2015.

Sukuk Issuance by Country – Number of Issuances



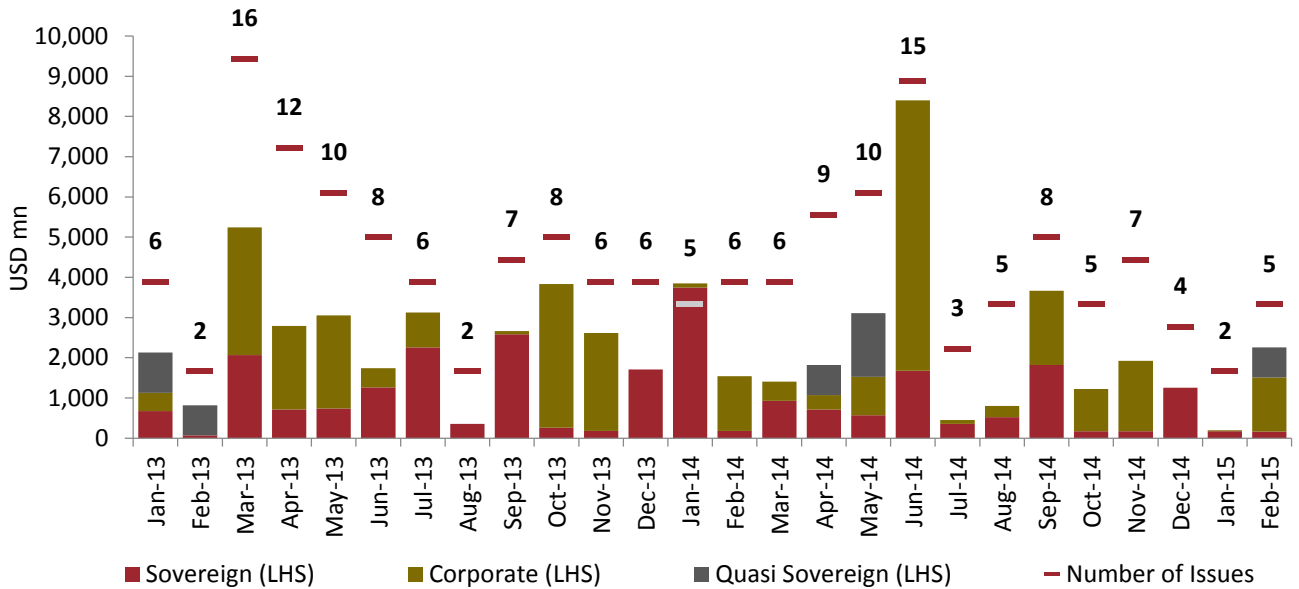
- Bahrain and UAE are the only GCC countries to issue sukuk in 2015. Bahrain issued six sovereign sukuk, followed by one corporate issuance from the UAE in YTD February 2015.
- By value, Bahrain accounted for the largest share of sukuk issued among GCC countries, totaling USD1.2bn for YTD February 2015, followed by the UAE, with 1 large corporate issuance worth USD1bn.

Source: Zawya

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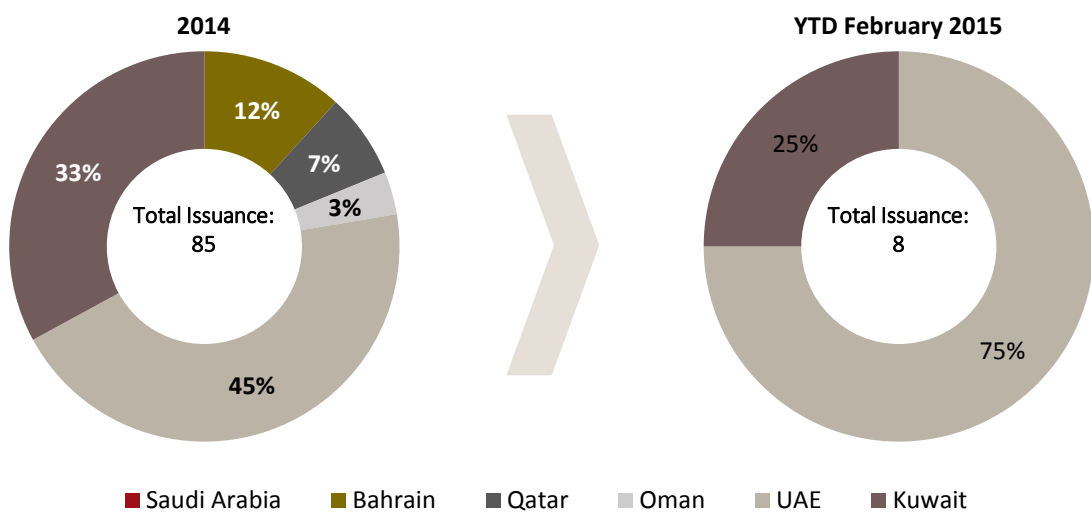


Bond Issuance by Value, Number, and Type



- Bond issuances rose significantly in the month of February 2015 rising 47% y-o-y, with five issuances worth USD2.3bn. Total bond issuance by value fell 55% y-o-y to USD2.5bn for YTD February 2015 due to a much larger decline in sovereign issuances (-91% y-o-y), followed by corporate issuances declining 7% y-o-y. Corporates comprised 56% of the total issuance volume for YTD February 2015 (USD2.5bn), followed by quasi-sovereign at 31% and quasi-sovereign issuances at 14%.

Bond Issuance by Country – Number of Issuances



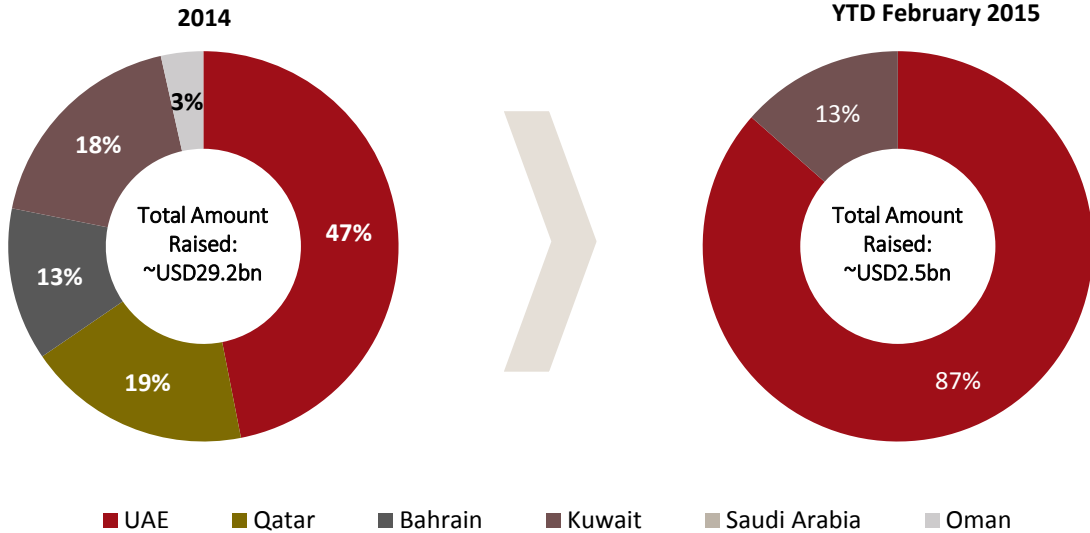
- The UAE accounted for the largest share of bond issuances by number (6) and value (USD2.2bn) for YTD February 2015.
- With just two small issuances, Kuwait was the only second largest issuer by number and value; its bond issuances totaled USD0.3bn for YTD February 2015.

Source: Zawya

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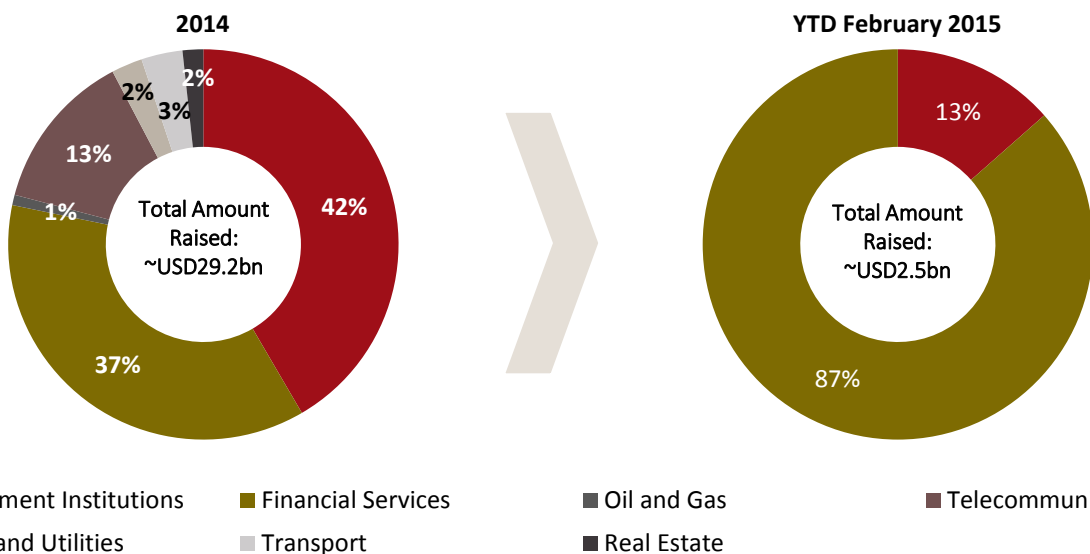


Outstanding Bonds by Country



- The outstanding value of GCC bonds stood at USD2.5bn for YTD February 2015; the UAE led the GCC region in terms of the number and volume of issuances. Outstanding value of bonds issued for YTD February 2015 in the UAE was USD2.2bn compared to the USD0.8bn for YTD February 2014.

Outstanding Bonds by Industry



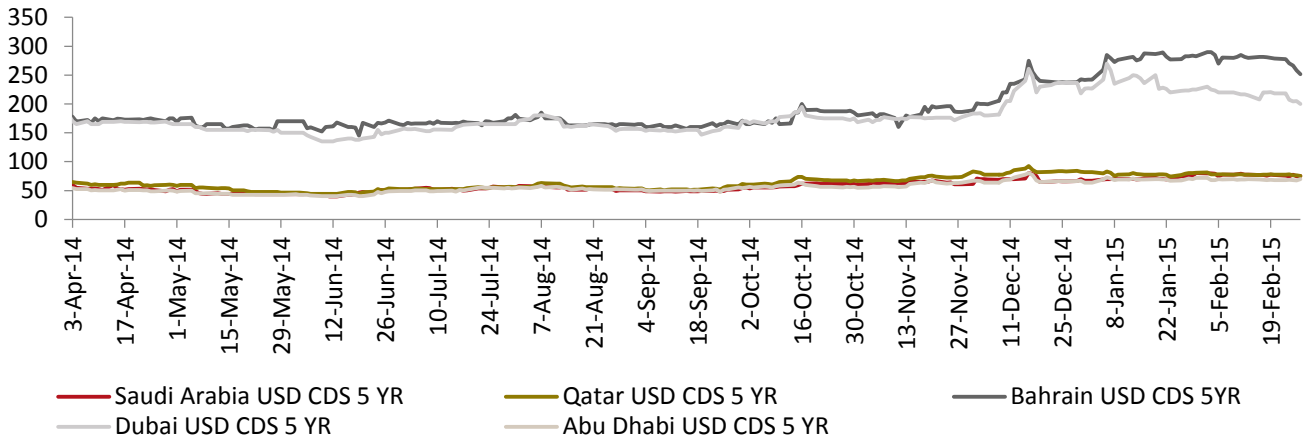
- Financial services (USD2.2bn) and Government institutions (worth USD0.3bn) were the only contributing sectors, with total outstanding bonds worth USD2.5bn for YTD February 2015. Outstanding value of bonds issued by government institutions declined 91% y-o-y to just USD0.3bn in YTD February 2015 from USD3.6bn in YTD February 2014.

Source: Zawya

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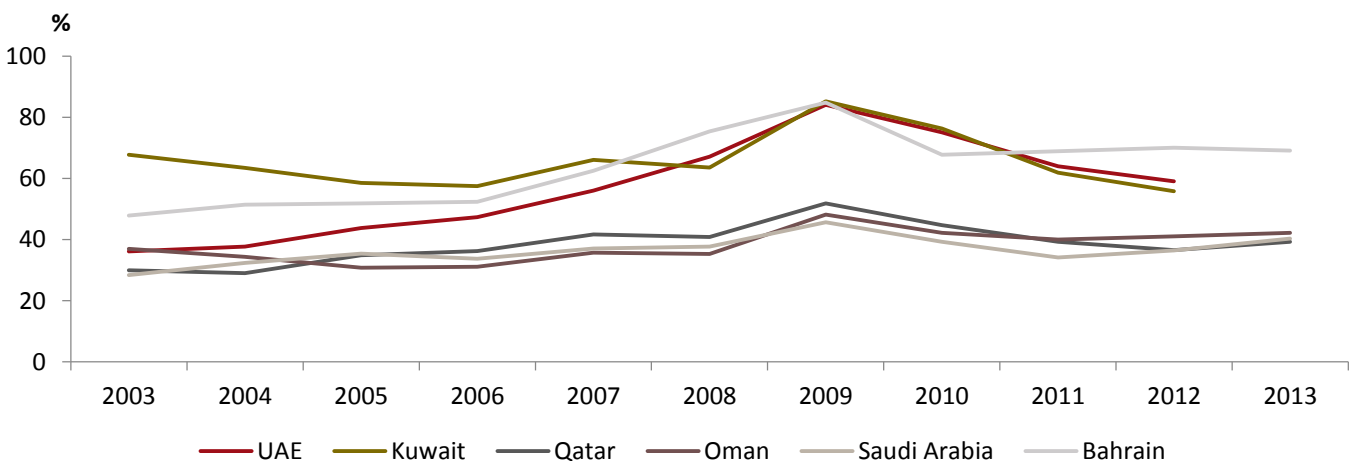
5-Year USD CDS Spread



5-Year CDS Watch (bps)

Country	February 27, 2015	December 31, 2014	52-Week	
			High	Low
Saudi Arabia	75.18	66.71	80.01	39.79
Abu Dhabi	69.50	63.54	80.14	40.50
Dubai	200.03	226.62	270.03	135.01
Qatar	75.50	82.18	92.50	44.50
Bahrain	251.46	241.74	290.03	145.08

Credit to GDP Gap

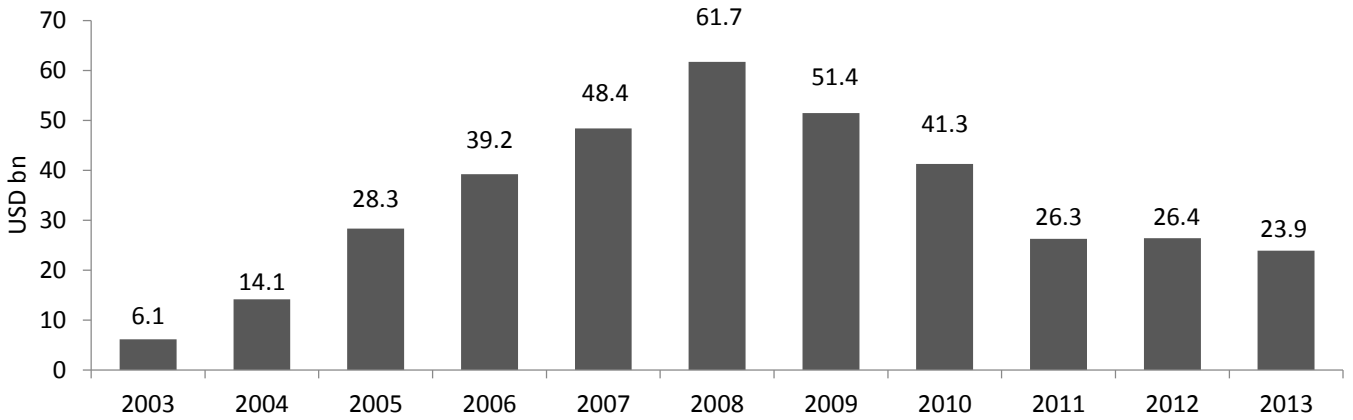


Source: Bloomberg

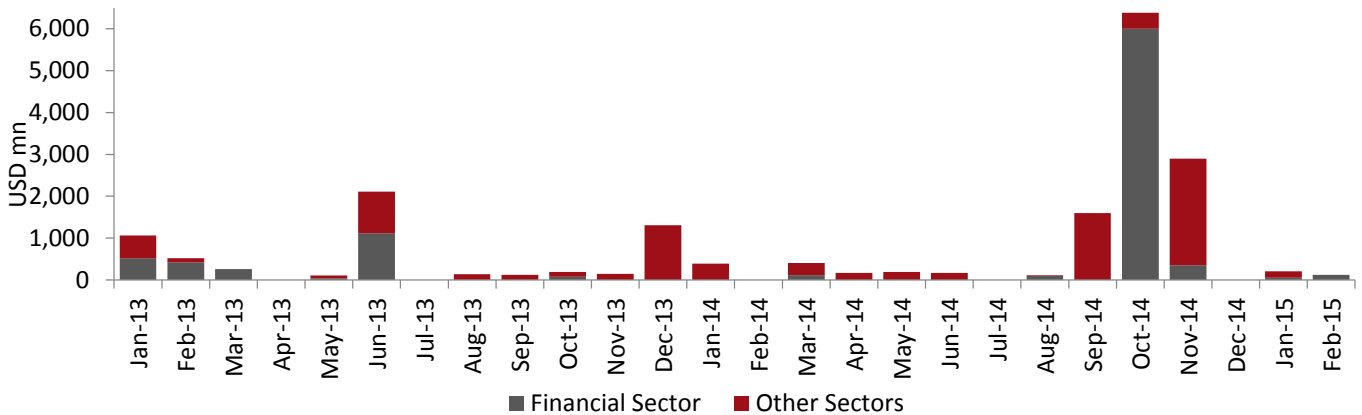
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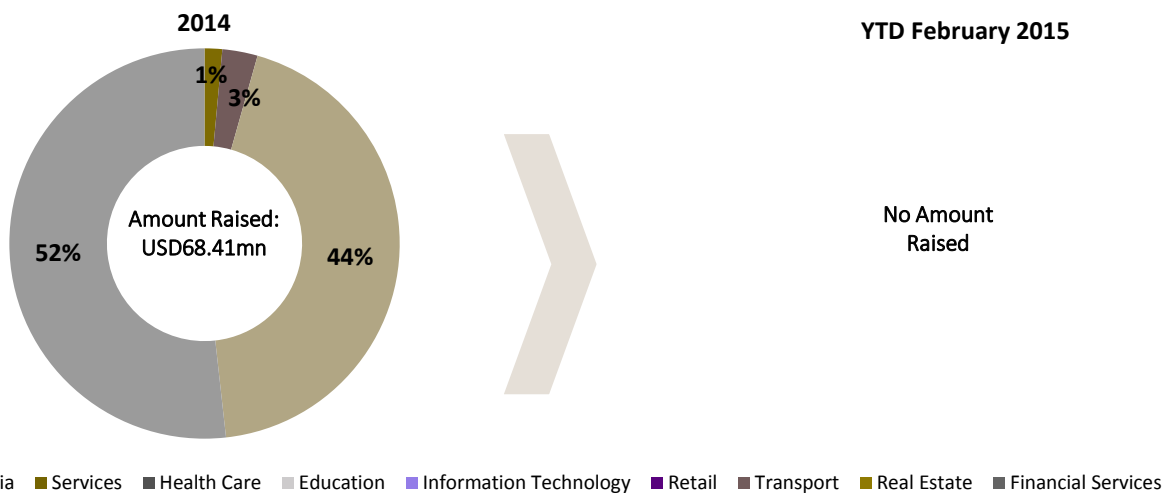
FDI Inflow into the GCC Region



IPO and FPO Activity in the GCC Region



Private Equity Investments in the GCC Region (by Sector)



Source: Thomson One, Zawya

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