

GCC Market Update



Market Commentary

Saudi Arabia makes bond sales to fund deficit

With oil prices continuing to remain under pressure, there remains concern of a large fiscal deficit in Saudi Arabia. IMF predicts a budget deficit of ~20% of GDP in 2015, a sharp increase from 2.3% in 2014. Apart from funding the deficit through forex reserves, government also focusses over domestic debt issuance. It issued its first sovereign bond (since 2007) worth USD4bn in July 2015. (Source: Reuters)

Qatar makes a comeback to the debt market

QIB (Qatar Islamic Bank), the Gulf's largest sharia compliant lender by asset, joins a string of other Gulf Banks which have tapped the debt market in recent months to replenish their capital base and support strong lending growth. It raised USD550mn through a Tier 1 perpetual sukuk. The bond was issued in accordance with the Basel III banking norms. (Source: Reuters)

Islamic Bank finances surge 107% in Oman

Islamic banks in Oman and window operations witnessed robust growth in the first four months of 2015 with bank finances surging to OMR1,265.8mn from merely OMR611mn in the same period last year. According to the latest monthly bulletin released by the Central Bank of Oman, customer deposits held by Islamic institutions also increased to OMR847.3mn by April-end 2015, from OMR287.7mn for the same period last year. The total assets held by Islamic banks and windows increased 68.2% y-o-y to OMR1,371mn by December 2014. (Source: Times of Oman)

UAE's Union National Bank plans to raise USD500mn

The UAE government owned, Union National Bank, plans to raise USD500mn through a three-year syndicated loan. The fifth-largest lender on the Abu Dhabi exchange by assets has mandated Commerzbank, First Gulf Bank, HSBC, National Bank of Abu Dhabi and Standard Chartered to arrange the deal. (Source: Reuters)

Oman's Bank Sohar signs USD250mn three-year loan

Oman's bank Sohar has raised USD250mn through a three-year loan. Arab Banking Corporation along with 10 other banks from the Gulf, Europe and Asia were the lenders to the deal. The proceeds from the issue would be used to general funding purpose. (Source: Reuters)

UAE bank lending surges 8.8% y-o-y in June

According to the latest data from the Central Bank, bank lending growth in UAE increases to 8.8% y-o-y in June 2015 from 8.0% recorded earlier in May 2015. However the money supply growth dropped to 1%, its lowest since July 2012, from a revised 2.8% recorded in the earlier month. (Source: Zawya)

UAE conglomerate Al Jaber seeks to refinance USD4.5bn restructured debt

UAE based conglomerate, Al Jaber Group, wants to renegotiate terms on its USD4.5bn restructured debt. The family owned Al Jaber is keen to revise the tough terms imposed on the restructured deal in order to reduce the interest rates or extend the maturity on the loan. However creditors have so far shown reluctance to any new deals, claiming that the company has not fulfilled the conditions of the original agreement signed in June 2014. (Source: Reuters)

Qatar's Barwa Real Estate signs USD175mn loan

Barwa Real Estate, one of Qatar's largest listed real estate companies, has raised USD175mn through an Islamic loan from the International Bank of Qatar. The proceeds from the issue would be used to refinance existing debt. The sharia-compliant loan will have a maturity of seven years, starting from the day the company draws down on the facility. (Source: Reuters)

Recent Bond and Sukuk Issuances

Issuer	Coupon/Profit rate	Volume (USD mn)	Currency	Subscription date	Tenor (Years)	Over Subscription
Central Bank of Bahrain (bond)	4.0%	398	BHD	July-15	5	1.2x
Ministry of Finance Egypt (bond)	13.7%	766	EGP	July-15	5	NA
Bahri Sukuk	SIBOR + 80bps	1,040	SAR	July-15	10	NA

Source: GCC Central Banks, Kuwait Financial Centre, Zawya, Gulf base, Reuters, Trading Economics, Arabian Business, Fitch, Emirates 247, Bloomberg, Peninsula Qatar, Maktoob News

Repo and Interbank Rates

Country	Repo Rate	3M Inter Bank Rates	
		31/12/14	30/07/15
Saudi Arabia	2.00%	0.86%	0.78%
UAE	1.00%	0.68%	0.76%
Qatar	4.50%	1.06%	1.13%
Kuwait	0.75%	1.06%	1.25%
Oman	1.00%	NA	NA
Bahrain	2.25%	0.65%	0.85%

Bank Deposits

Country	Total Deposits (USD bn)	Reporting Date
Saudi Arabia	438.69	June-15
UAE	393.14	June-15
Qatar	173.12	May-15
Kuwait	130.12	May-15
Oman	48.07	May-15
Bahrain	42.89	April-15

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Saudi's Arab National Bank earns approval for USD533mn sukuk

After Saudi British Bank and Riyad Bank's capital boosting sukuk issuance in the month of May and June, now Arab National Bank, Kingdom's seventh largest lender by asset, has received a regulatory approval for raising Tier 2 sukuk worth USD533mn. The bank will privately place the 10-year sukuk which remains redeemable after 5 years. *(Source: Reuters)*

APICORP establishes a USD3bn sukuk program

The Arab Petroleum Investments Corporation (APICORP), rated Aa3 by Moody's, has announced a sukuk program worth USD3bn. The program aims at diversifying APICORP's funding sources, reduce its borrowing cost as well as enhance its accessibility to diverse set of global investors. The company is expected to make its first issuance under the established program later this year. *(Source: Arab News)*

Labor Force participation in Kuwait reaches 72%

According to the latest reports released by the Central Statistical Labor Market Information Systems, the labor force participation rate in Kuwait reached 72% in 2014, with highest participation rate recorded from the age group 25-34 (86.7%). The unemployment rate in Kuwait reached 2.9% in 2014, compared to 2.5% in 2008. *(Source: Kuwait Times)*

Emirates Motor Company closes USD175mn debut loan

Abu Dhabi-based Emirates Motor Company, the authorised distributor for Mercedes-Benz in Abu Dhabi and Al Ain, has closed its debut syndicated dual tranche loan deal worth USD175mn. Noor Bank along with Al Khalij Commercial Bank, ABC Islamic Bank and National Bank of Oman were the arrangers of the syndicated structured facility. However the tenure and other details on the deal have not been disclosed. *(Source: Reuters)*



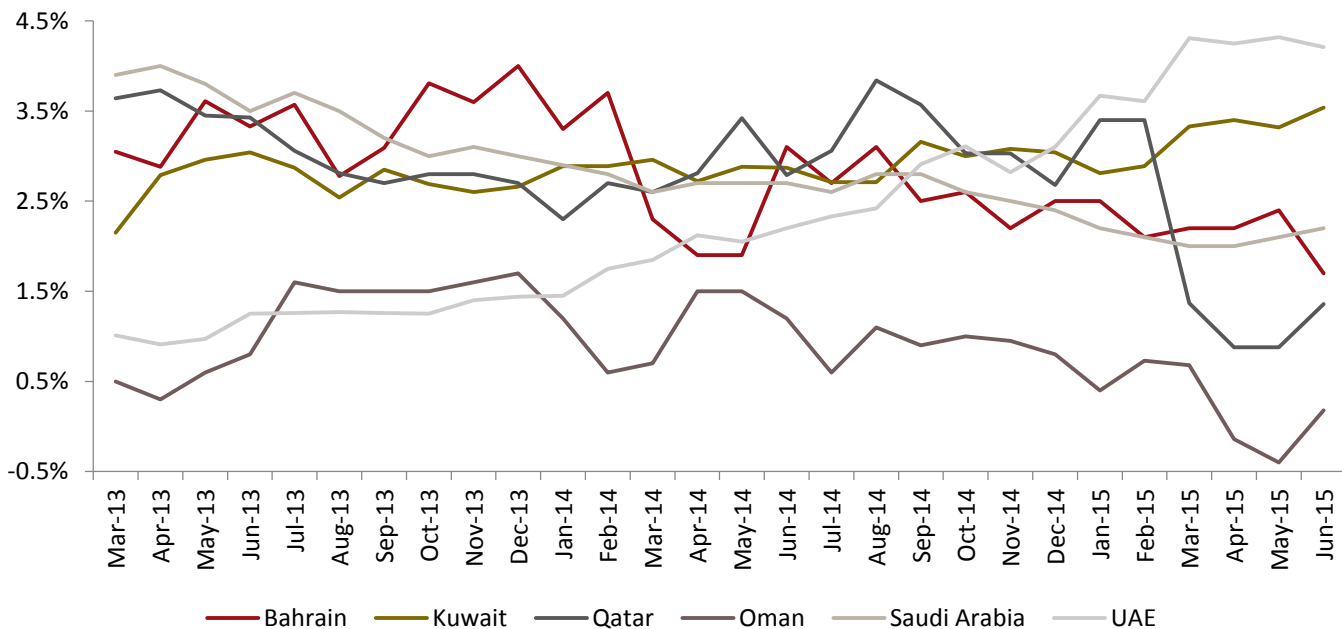
Source: GCC Central Banks, Kuwait Financial Centre, Zawya, Gulf base, Reuters, Trading Economics, Arabian Business, Fitch, Emirates 247, Bloomberg, Peninsula Qatar, Maktoob News, Saudi Gazette, Arab News

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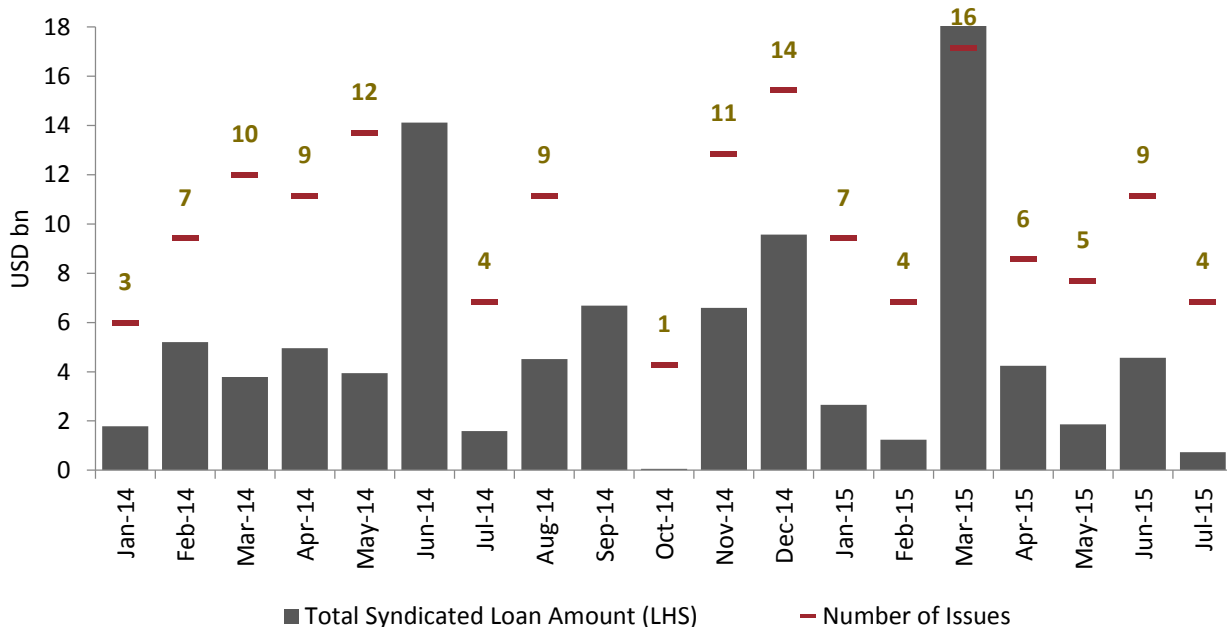


Inflation Trend

UAE's inflation declined to 4.2% y-o-y in June 2015, from 4.3% in the earlier month. However remained near its six year highs due to the persistent upward pressure in housing and utilities cost which surged 10.2% y-o-y, while food and soft drink prices gained 1.4% y-o-y.



Syndicated Finance Flows

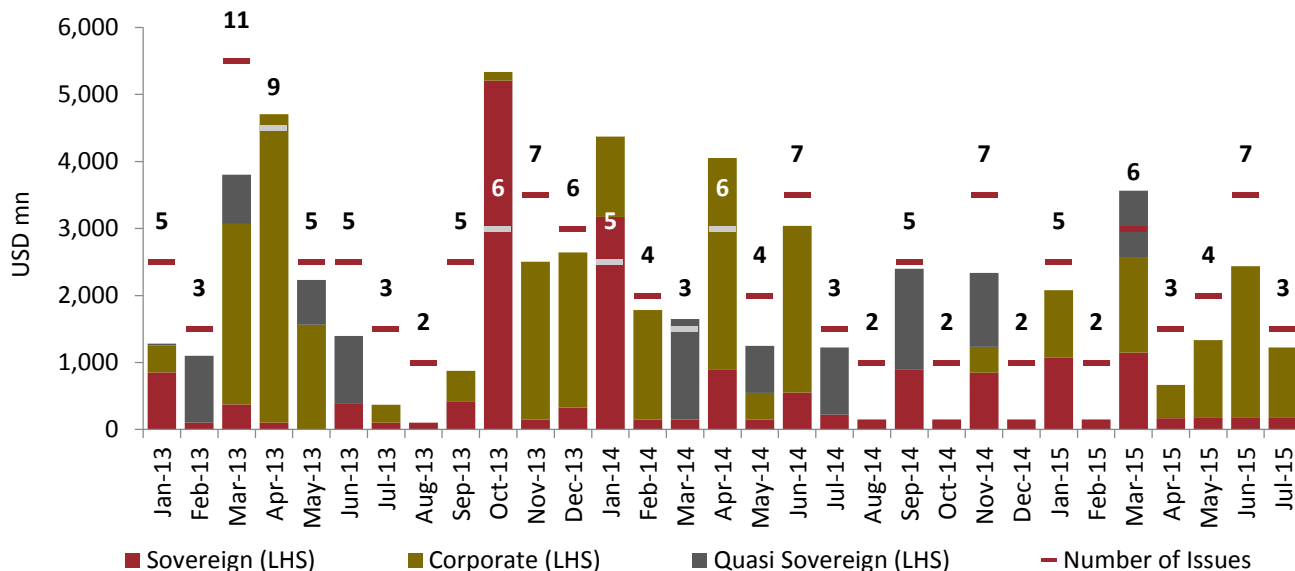


Source: Bloomberg, Thomson banker

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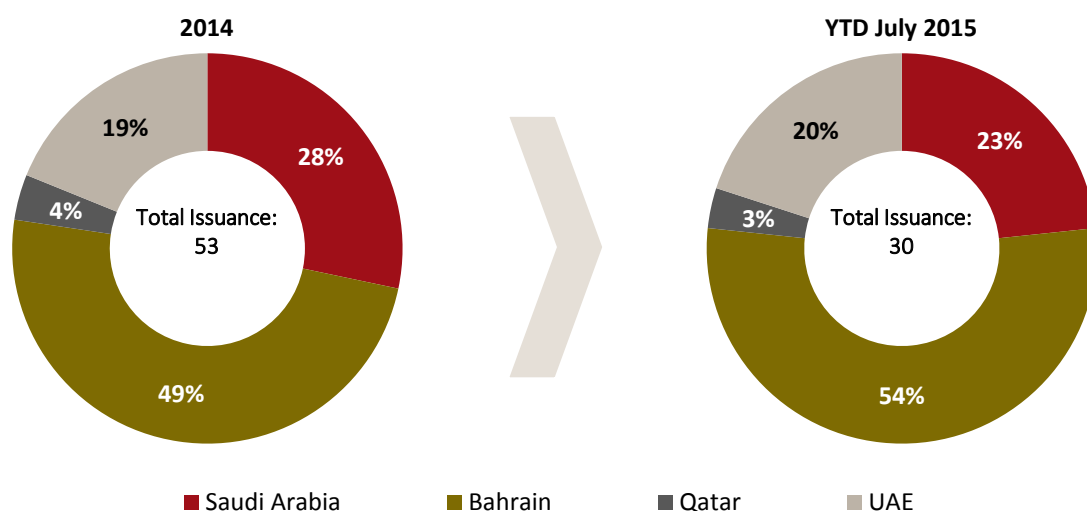


Sukuk Issuance by Value, Number, and Type



- Sukuk issuances in July 2015 stood at USD1.2bn, in line with the issuances in the earlier year during the same period. For YTD July 2015 sukuk issuance by value declined 38% y-o-y to USD11.4bn, mainly driven by a sharp decline in corporate issuances (-20% y-o-y, worth USD7.4bn), sovereign (-37% y-o-y, USD3.1bn) and quasi sovereign issuances (-73% y-o-y, USD1.0bn). Corporates comprised 64% of the total issuance value for YTD July 2015, followed by sovereign at 27% and quasi-sovereign issuances at 9%.

Sukuk Issuance by Country – Number of Issuances



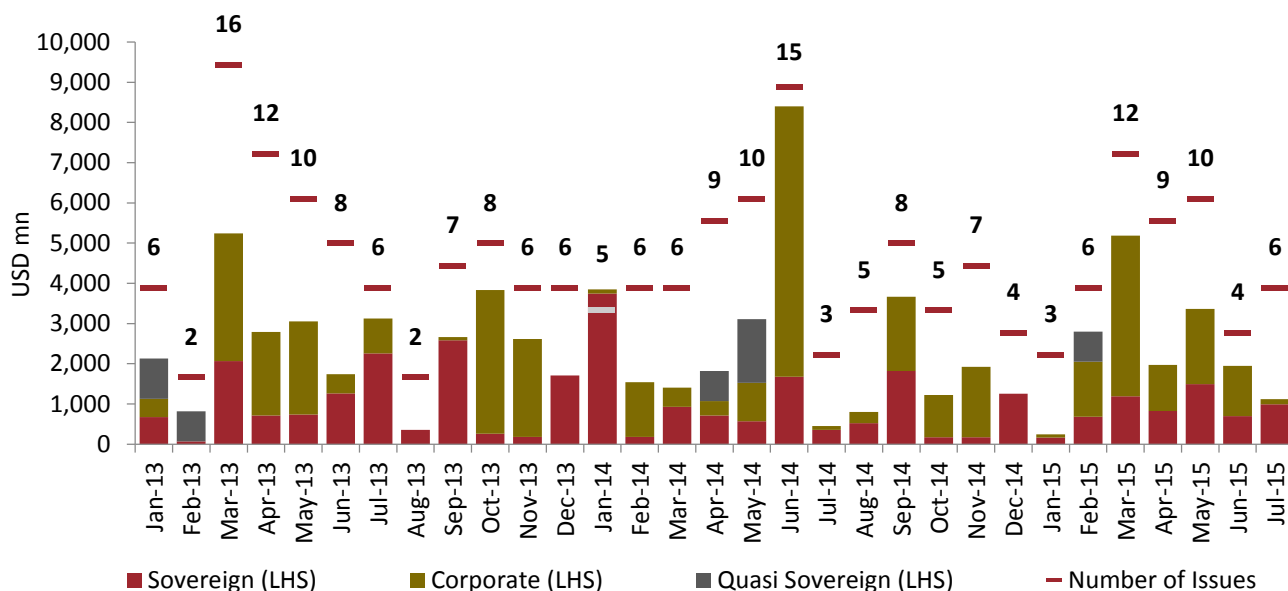
- Bahrain was the largest issuer of sukuk by number of issuances (16) in GCC for YTD July 2015, followed by UAE (6), Saudi Arabia (7) and Qatar (1)
- UAE accounted for the largest share of sukuk issued by value among GCC countries, with six issuances totaling USD4.7bn for YTD July 2015, followed by Saudi Arabia (seven issuances; worth USD4.1bn), Bahrain (sixteen issuances; worth USD2.1bn) and Qatar (one issuance; worth USD0.5bn)

Source: Zawya

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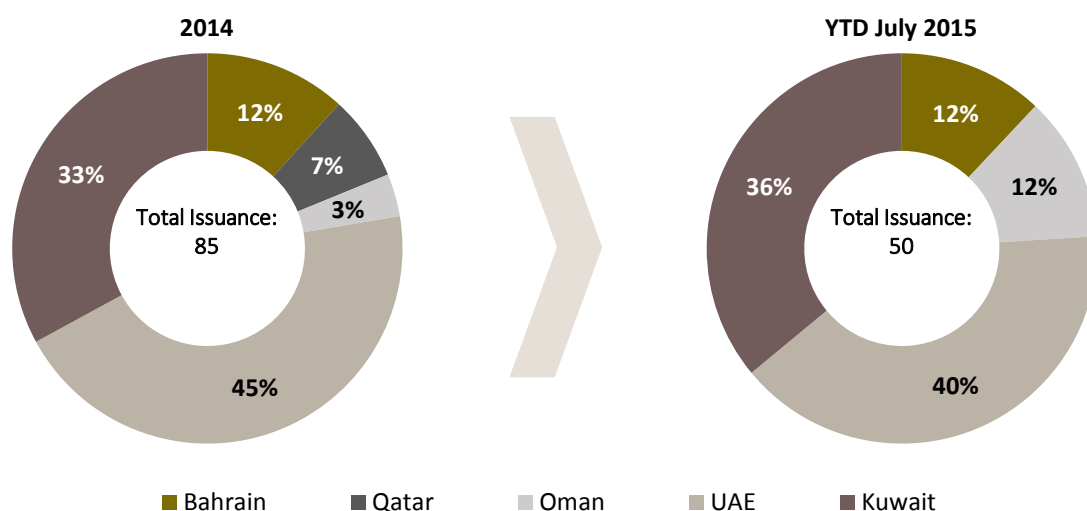


Bond Issuance by Value, Number, and Type



- Bond issuances for July 2015 declined 43% m-o-m, with 6 issuances totaling USD1.1bn. For YTD July 2015 total bond issuances by value decreased 21% y-o-y to USD16.6bn, primarily driven by the decline in corporate issuances (-6%, worth USD9.8bn), sovereign issuances (-26% y-o-y, USD6.0bn) and quasi sovereign (-68%, USD750mm). Corporate issuances comprised 59% of the total issuance value for YTD July 2015, followed by sovereign at 36% and quasi-sovereign at 5%.

Bond Issuance by Country – Number of Issuances



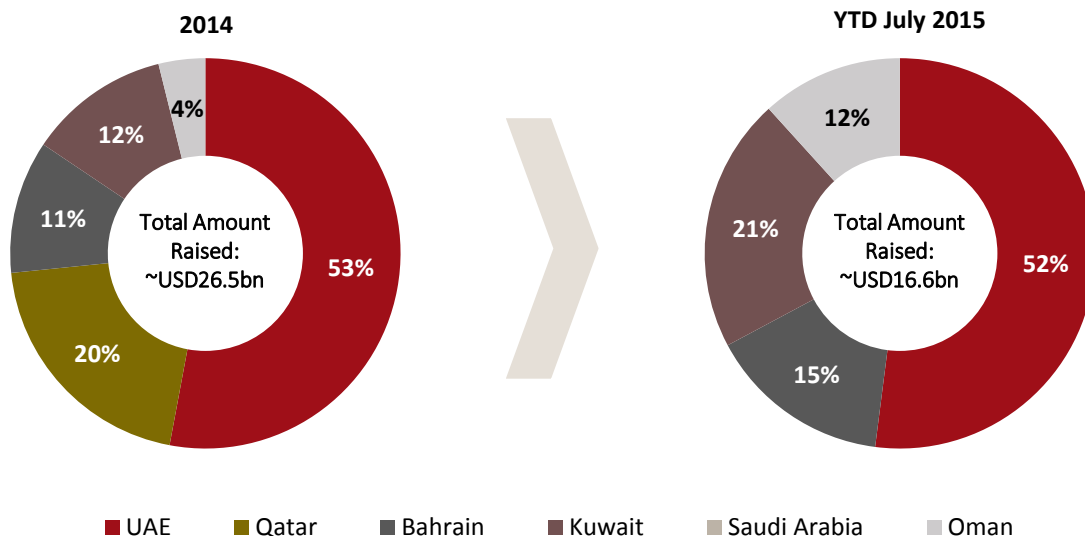
- The UAE accounted for the largest share of bond issuances by number (20) and value (USD8.7bn) for YTD July 2015.
- With 18 issuances, Kuwait ranked second in terms of both value and number of issuances; its bond issuances totaled USD3.5bn for YTD July 2015.

Source: Zawya

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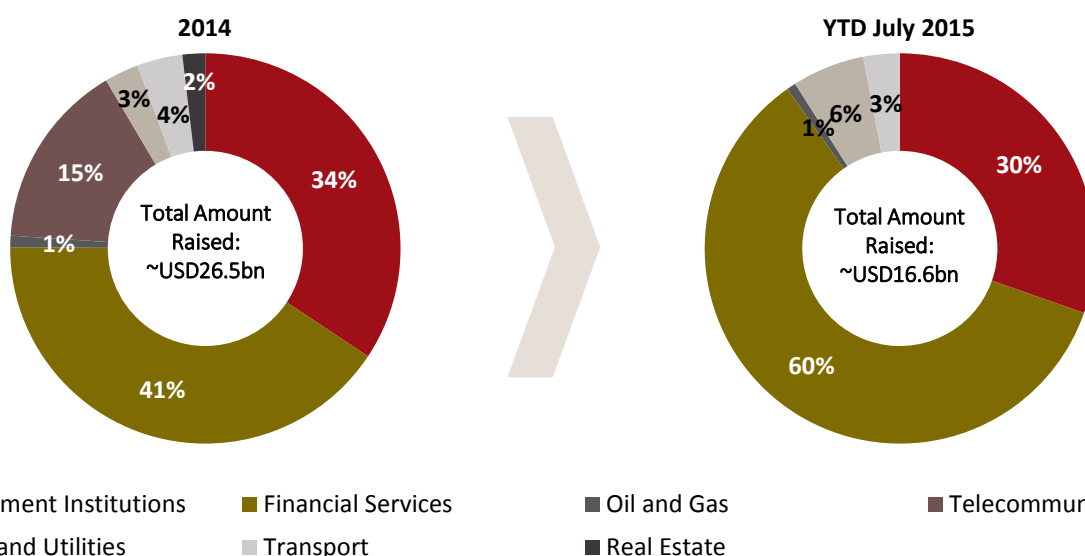


Outstanding Bonds by Country



- The outstanding value of GCC bonds decreased 5.1% y-o-y to USD16.6bn for YTD July 2015 from USD17.5bn in the previous year during the same period. UAE leads the GCC region in 2015 in terms of the number and value of issuances.

Outstanding Bonds by Industry



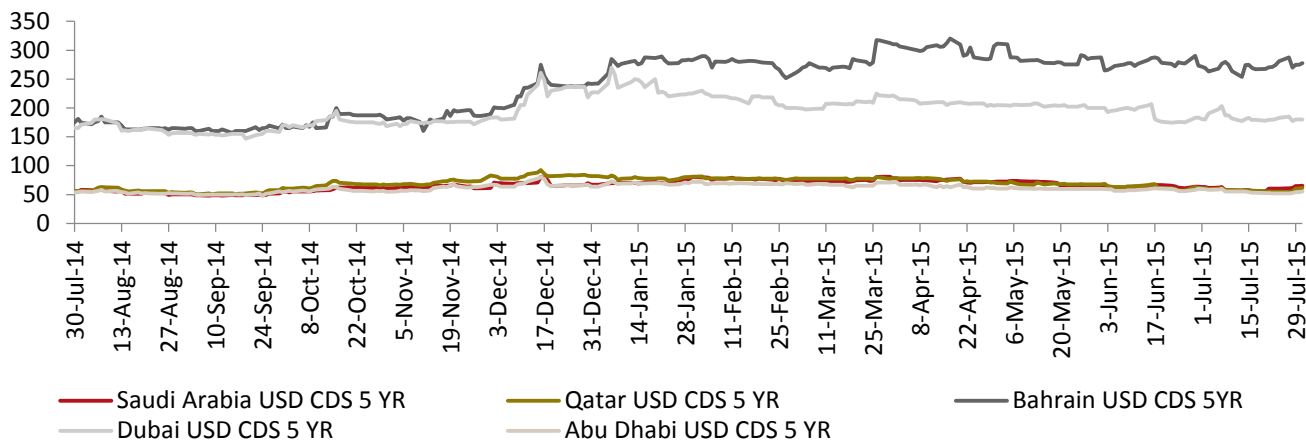
- Financial Services (USD10.0bn) and Government Institution (USD5.1bn) Sectors contributed 91% to the total bond outstanding of USD16.6bn in YTD July 2015. Outstanding value of bonds issued by Financial services increased to USD10.0bn for YTD July 2015 from USD6.2bn in the previous year during the same period.

Source: Zawya

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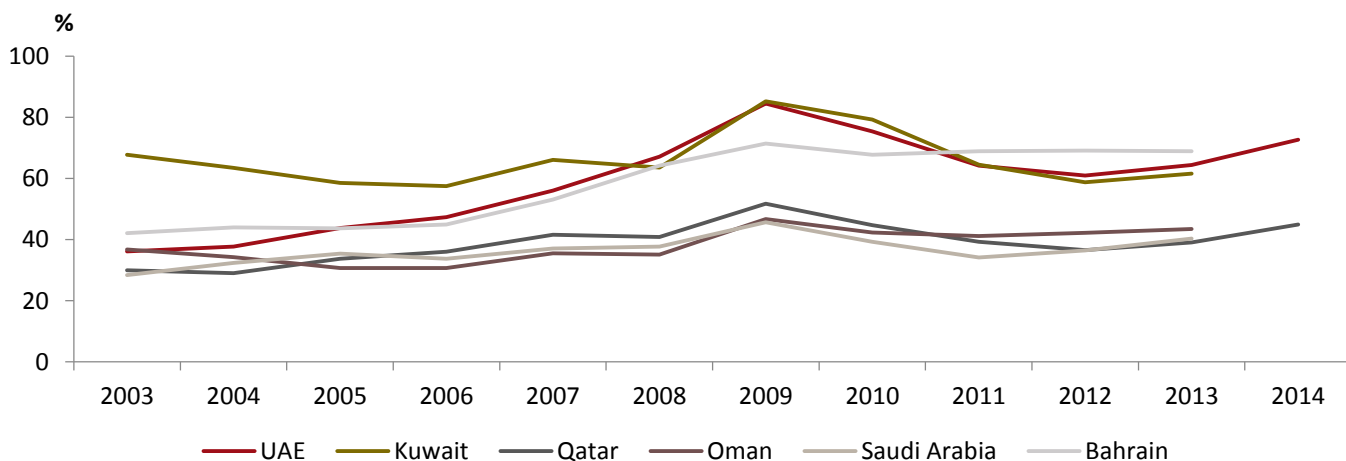
5-Year USD CDS Spread



5-Year CDS Watch (bps)

Country	July 31, 2015	December 31, 2014	52-Week	
			High	Low
Saudi Arabia	65.44	66.71	81.07	48.28
Abu Dhabi	55.26	63.54	80.14	47.50
Dubai	179.96	226.62	270.03	147.01
Qatar	61.41	82.18	92.50	50.50
Bahrain	277.75	241.74	320.54	156.97

Credit to GDP Gap

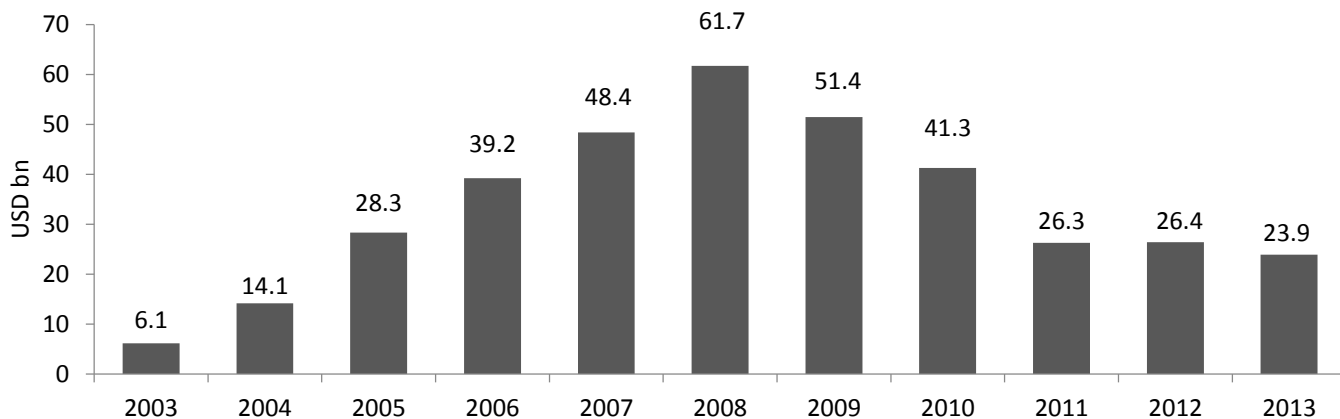


Source: Bloomberg

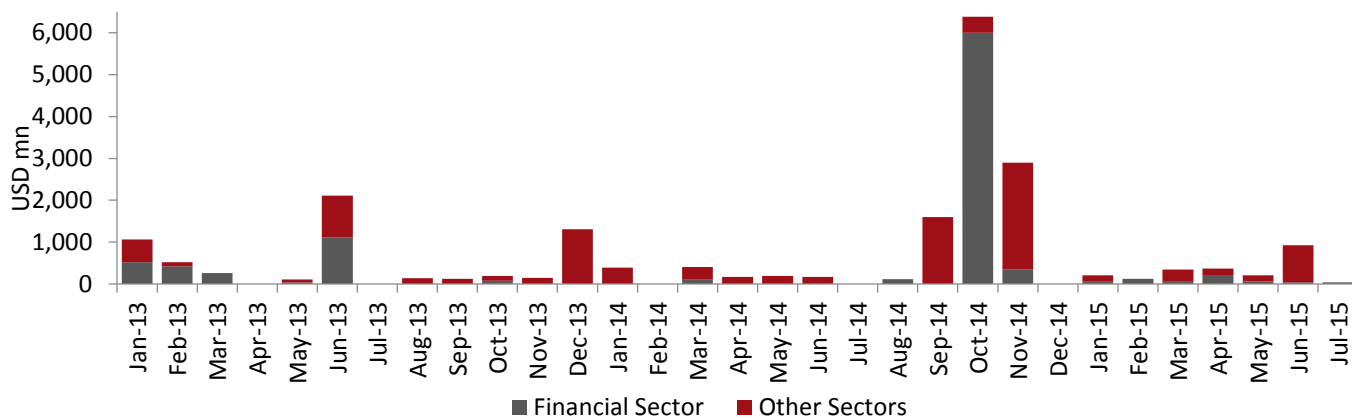
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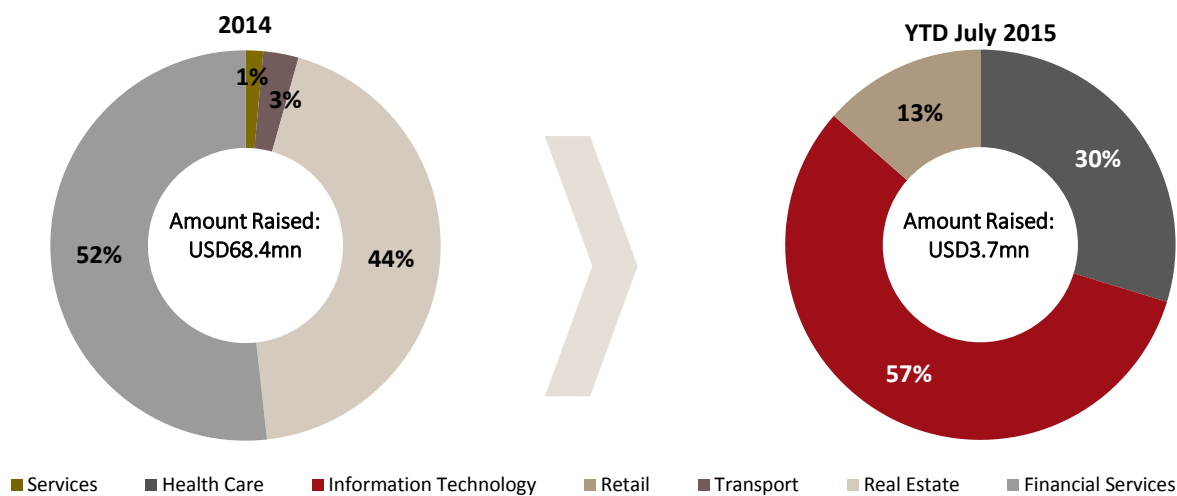
FDI Inflow into the GCC Region



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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