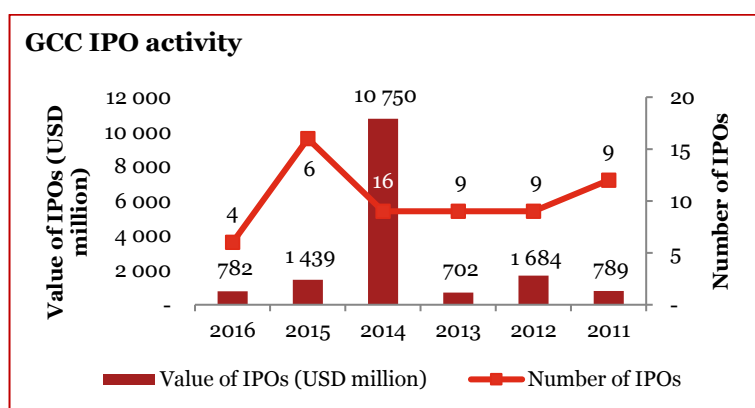


Press Release

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Volatile oil prices and geopolitical uncertainties continue to take centre stage, the region witnessed a record year in sovereign bond issuance eclipsing a sluggish IPO performance



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Initial Public offering

IPO activity in the Gulf Cooperation Council (“GCC” or the “Gulf”) remained lacklustre during Q4 2016. Investors sentiment continue to be affected by ongoing geopolitical uncertainty, government’s additional austerity measures accompanied by further spending cuts, whilst regional stocks indexes remained bearish throughout the year a late rally in oil prices helped ease the pressure on regional budget constraints. 2016 proved to be one of the weakest IPO performance in terms of number of offerings (“4 the smallest since 2010) and total proceeds raised of USD 781.7 million (the lowest since 2013), according to PwC’s Capital Markets and Accounting Advisory Services team.

Period to period performance

One IPO during Q4 2016 by Eskan Bank Realty Income Trust “ERIT” on the Bahrain Bourse, raising USD 36.6 million. The IPO was 95.5% subscribed and marked the first offering on the exchange in two years.

In terms of performance on previous quarters during the year, Q3 2016 witnessed no IPOs, Q2 had the highest activity during the year in terms of number of offerings with a total of 2 IPOs raising USD 274 million and Q1 recorded 1 listing with total proceeds of USD 471 million.

IPO performance in Q4 2016 compared to the same quarter in the previous year (Q4 2015), was similar in terms of number of offerings however total money raised in Q4 2016 was 64% lower compared to Q4 2015.

During H2 2016 there was 1 IPO which raised USD 36.6 million compared to total of 3 IPO’s in H1 2016 which raised USD 745 million and 1 IPO in H2 2015 which raised USD 100.8 million. In terms of performance in H2 2016 compared to H1 2015, activity sharply decreased by 97%, a total of USD 1.3 billion

was raised from 3 IPOs in H1 2015 compared to a total of USD 36.6 million raised from 1 IPO in H2 2016. Investors continue to shy away from year end transactions wagering on possible changes in economic fundamentals.

Year on year performance

Total proceeds in 2016 stood at USD 782 million from 6 deals compared to USD 1.4 billion raised from similar number of deals in 2015. The year was marked with one of the lowest offerings since 2013 total offerings of USD 702 million.

In the GCC, the Kingdom of Saudi Arabia “KSA” commanded the market offerings in 2016 in terms of number of IPOs (3) and total proceeds raised (USD 745 million) representing 75% and 95% respectively of the overall GCC IPO activity.

Steve Drake, Head of PwC’s Capital Markets and Accounting Advisory Services team in the Middle East said:

“The year was marked by geopolitical uncertainty, ongoing economic downturn adding to increasingly volatile oil prices. Further fiscal tightening, austerity measures and declining liquidity in the financial sector continue to weigh heavily on investors’ confidence. Against this volatile environment, many offerings were put on hold, as businesses and investors wait for improved market conditions prior to investing in fresh equity.

As the regional geopolitical scene stabilises and oil prices recover, market participants may regain confidence sooner than expected. There are number of positive signs for 2017 and we hope that the capital market in the GCC will overcome 2016 shockwaves.”

Global IPOs

Global IPO issuance in 2016 plummeted due to significant geopolitical uncertainties and substantial de-merger activity in M&A. However with an acceleration of IPO approvals in China and solid equity market performance post US elections, IPO activity marginally recovered in the final quarter compared to the previous quarters.

The Postal Savings Bank of China offering was the largest IPO of the year, the bank raised USD 7.6 billion followed by Innogy, the utilities company raised USD 5.2 billion on the Deutsche Börse stock exchange. For the second year in a row Asia-Pacific was the most active region for IPOs, witnessing 661 IPO with total proceeds raised amounting to USD 76.6 billion.

As compared to a more active 2015, total funds raised via IPOs fell by 32% from USD 206.4 billion to USD 140.3 billion in 2016 while the number of IPOs decreased by only 17% from 1,178 to 982 in 2016. Nonetheless the median current performance of IPOs in 2016 is strong, at 21%. This compares to 10% for 2015 IPOs.

Global IPO funds raised stood at USD 52.4 billion via 344 deals in Q4 2016, compared to USD 71.6 billion via 328 deals in Q4 2015 and USD 76.8 billion via 350 deals in Q4 2014.

Bond and Sukuk Markets

Debt market activity in the GCC surged for the fourth consecutive quarter. Q4 saw the largest-ever emerging market sovereign bond sale with the KSA government issuing USD 17.5 billion of debt. The issue overtook Argentina's previous record for an emerging market sovereign bond sale, a USD 16.5 billion issuance in April this year. KSA and its GCC peers continue to face pressure from budget deficit shortfalls, they have regularly tapped into the debt market throughout the year, with the government of Qatar, UAE and Oman, issuing sovereign bonds amounting to USD 9 billion, USD 5 billion and USD 4.5 billion respectively. The GCC nations benefited in 2016 on global investor appetite to low risk fixed income instruments, high credit ratings along with good yields.

Bond Issuances

The KSA first international sovereign bond sale dominated this quarter debt market, the issue comprised a USD 5.5 billion five-year tranche, a USD 5.5 billion 10-year tranche, and a USD 6.5 billion 30-year tranche carrying a coupon rate of 2.38%, 3.25% and 4.5% respectively. Further GCC banks were active in Q4, with National Bank of Abu Dhabi ("NBAD") issuing their first Formosa bond (USD bond listed in Taiwan), structuring it as a multi-callable zero coupon bond for an amount of USD 696 million with a maturity of 30 years. Moreover Union National Bank successfully priced a USD 600 million 5-year Senior Unsecured Bond carrying a coupon rate of 2.75%, this marks UNB's first return to the international debt capital markets since 2012.

Sukuk Issuances

On the Sukuk front, the central bank of the Kingdom of Bahrain, represented by CBB International Sukuk Co SPC issued sovereign Sukuk in the amount of USD 1 billion, carrying a coupon of 5.62% and Ahli United Bank of Kuwait launched a USD 200 million, non-call five perpetual Sukuk issue with a reoffer yield of 5.50%.

Steve Drake, Head of PwC's Capital Markets and Accounting Advisory Services team in the Middle East region said:

"We have seen another active year in the bond and Sukuk markets thus demonstrating a strong appetite for regional fixed income. During 2016 sovereign issuance dominated the debt market, as regional governments continue to leverage high credit ratings and competitive yields."

"We expect debt market to surge across 2017 as regional governments continue to seek substantial funding to offset their budget deficits. The concern remains the potential oversupply in debt market which could result in an increase in the cost of borrowing."

Ends



Steve Drake
Partner, Head of PwC's Capital Markets and Accounting Advisory Services in the Middle East

About Capital Markets Watch GCC

Capital Markets Watch GCC surveys conventional bond and Islamic issuance and new primary market equity IPOs on the GCC's principal stock markets and market segments (including exchanges in Kingdom of Saudi Arabia, Kingdom of Bahrain, Kuwait, Sultanate of Oman, Qatar and the United Arab Emirates) on a quarterly basis. This survey was conducted between 1 October 2016 and 31 December 2016 and captures the relevant data based on their transaction date. Capital Markets Watch GCC is prepared by PwC Middle East (www.pwc.com/me). All market data is sourced from publically available information and has not been independently verified by PwC.