IFR GULF CAPITAL MARKETS BRIEFING

M&A ADVISERS 2013 TO DATE (ANNOUNCED)

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	Goldman Sachs	2	1,904.35	43.6
2	Natl Bank of Abu Dhabi	1	1,760.84	40.3
=2	Morgan Stanley	2	1,760.84	40.3
=2	Credit Suisse	1	1,760.84	40.3
5	Deutsche Bank	2	463.00	10.6
6	QInvest	1	400.00	9.2
7	Renaissance Securities	1	278.48	6.4
=7	Barclays	1	278.48	6.4
=7	KPMG	1	278.48	6.4
10	PricewaterhouseCoopers	1	126.99	2.9
	Total	**70**	**4,369.79**	

M&A ADVISERS 2013 TO DATE (COMPLETED)

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	Barclays	1	1,202.25	29.6
2	Citigroup	1	600.00	14.8
3	QInvest	1	400.00	9.8
4	Morgan Stanley	3	309.77	7.6
=4	BDT	1	309.77	7.6
=4	Moelis	1	309.77	7.6
7	Jefferies	1	177.26	4.4
=7	UBS	2	177.26	4.4
9	Goldman Sachs	1	143.50	3.5
10	Jadwa Investment	1	110.00	2.7
	Total	**54**	**4,064.70**	

Dubai banks might soon follow into the footsteps of other UAE lenders, who have taken advantage of low funding costs to repay government funds they received in the wake of the global financial crisis, according to JP Morgan.

At least five banks in the UAE have so far fully or partially paid back funds received by the ministry of finance, bringing the total of repaid funds to Dh12.6bn, out of Dh70bn injected by the ministry in the form of loans and later converted into Tier 2 capital.

National Bank of Abu Dhabi and the National Bank of Ras Al Khaimah moved first at the end of 2012, followed by Abu Dhabi Commercial Bank, Union National Bank and First Gulf Bank in the first quarter of 2013.

"Lower costs of funding, among other factors, explain this trend, which we believe will shortly be embraced by Dubai-based banks," Brahim Razgallah, senior economist for the MENA region at JP Morgan said in a note on Friday.

Over the past few years, lower borrowing costs on the international debt markets and along with net improvement in domestic liquidity have substantially reduced banks' cost of funding and boosted interest rate margins, said Razgallah.

The banks pay an interest of 120bp over five-year US Treasuries or 4%, whichever is higher, on the funds they borrowed from the ministry of finance.

Their funding gap, which measures the difference between loans and deposits, has moved from a deficit of Dh90bn in January 2009 to a surplus of Dh76bn in November 2012, according to JP Morgan data.

"The share of liquid assets and high quality collateral in banks' balance sheet has substantially improved," said Razgallah.

As banks continue to focus their efforts on reducing concentration risk and maturity mismatches, however, the recovery in credit growth will remain modest, said Razgallah.

Credit growth in the UAE averaged 2.5% over the past three years.

In project finance, the market is still waiting for the info memo for the AL JUBAIL PETROCHEMICAL COMPANY (KEYMA) financing to emerge, with the sponsors – Sabic and Exxon – still deciding on the optimum financing option according to PFI, IFR's sister publication.

A debt financing is likely to total US$2.5bn with PIF, Kexim possibly involved. Other options could be local banks and sukuk and international banks, reports PFI.

The project company already has good cashflows from its existing operations.

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