

# IFR GULF CAPITAL MARKETS BRIEFING

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## M&A ADVISERS 2013 TO DATE (ANNOUNCED)

Managing bank or group	No. of issues	Total US\$(m)	Share (%)
1 Credit Suisse	2	2,139.99	34.4
2 Goldman Sachs	2	1,904.35	30.6
3 Natl Bank of Abu Dhabi	1	1,760.84	28.3
=3 Morgan Stanley	2	1,760.84	28.3
5 HSBC Holdings	4	1,497.08	24.1
6 Barclays	2	933.45	15.0
7 PricewaterhouseCoopers	3	506.14	8.1
8 Ernst & Young	2	479.08	7.7
9 Deutsche Bank	2	462.97	7.4
=9 Citigroup	2	462.97	7.4
<b>Total</b>	<b>125</b>	<b>6,223.86</b>	

## M&A ADVISERS 2013 TO DATE (COMPLETED)

Managing bank or group	No. of issues	Total US\$(m)	Share (%)
1 JP Morgan	6	3,099.42	37.4
2 Morgan Stanley	5	2,839.19	34.2
3 Qatar National Bank	2	2,529.42	30.5
=3 HC Securities & Investment	2	2,529.42	30.5
5 Societe Generale	1	1,974.01	23.8
6 Barclays	2	1,480.73	17.9
7 Goldman Sachs	2	1,345.75	16.2
8 Deutsche Bank	2	1,202.25	14.5
9 Citigroup	3	1,170.00	14.1
10 Houlihan Lokey	2	570.00	6.9
<b>Total</b>	<b>100</b>	<b>8,292.54</b>	

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Despite a rise in sectarian violence in recent days, the Iraqi banking sector is poised for strong growth on the back of a generally improved security situation and oil-driven GDP, according to Sansar Capital, a Singapore-based financial advisory firm.

The five largest private Iraqi banks have doubled their net income over the three years up to 2012, albeit from a low base, and the rate of growth is expected to continue, said Sansar, which has investments in Iraq.

The Gulf nation is one of the most underbanked in the region: total credit in the country is estimated at about US\$10bn, said Sanjay Motwani, chief executive, Sansar Capital.

Credit-to-GDP remains one of the lowest in the region and the world with domestic credit to the private sector at 9% of GDP, according to Sansar estimates, compared to a 55% of GDP average for the MENA region.

"If you look at Jordan, it has one-fifth the population and a quarter of the GDP [of Iraq], but total credit there is double. And Iraq's GDP is growing at a very fast rate, in the low double digits," Motwani told IFR.

Fuelled by oil revenues – Iraq is expected to account for 45% of the increase in oil supplies globally this decade – GDP growth will likely remain strong for years to come. The banking sector will expand exponentially to meet the corresponding demand for credit.

The country's banking sector assets and deposits are dominated by the seven state-owned banks, Sansar said. They account for 91% of assets and 89% of deposits.

North Bank is the largest publicly traded bank, followed by Bank of Baghdad and Iraqi Middle East Investment Bank, based on the size of deposits, according to Sansar. Several Western and Gulf-based banks have been rumoured to be considering a strategic investment to participate in this growth, Motwani said. However, political risks will prove a hurdle for economic stability and growth.

In the past two weeks, there has been a rise in sectarian violence.

Separately, the risk of a military confrontation between Baghdad and the Kurdistan region in the north is increasing, said analysts at Citigroup.

"The possibility of further escalation and a conflict between the KRG [Kurdistan Regional Government] and Baghdad threatens a growing and disturbing social, humanitarian and political crisis in Iraq," Citi said.

The analysts said the impact on the larger economy would be significant, but manageable. "We would expect the fiscal deficit to widen 2%–3% of GDP, and the current account balance to deteriorate by a similar order of magnitude," the analysts said. "Growth would fall sharply in the immediate term, by around 5% year on year, but this would be a one-off effect, with rising production from the south driving overall economic growth to pre-violence levels in outer years."

Despite the risks, the country's oil riches are so substantial that the potential for growth is still immense.

Iraq's oil production may double by 2020 to 6.1m barrels a day and reach 8.3mb/d by 2035, the International Energy Agency, a Paris-based intergovernmental organisation, said late last year.

The Gulf nation stands to gain almost US\$5trn in revenues from oil exports over the period to 2035, the IEA said. The merger of mining firms Glencore and Xstrata was finalised last week after a year-long stand-off with stakeholder Qatar Holding, and shares in the new firm were up 6% on the first day of trading on Friday. The completion of the deal comes more than a year after Glencore first announced it would attempt to buy Xstrata in an all-share acquisition.

Qatar's sovereign fund, the second-largest shareholder, blocked the deal on the grounds that the offer of 2.85 Glencore shares for every Xstrata share did not reflect the value of the acquisition target.

A revised offer of 3.05 shares was accepted earlier this year.

The management team of the newly merged company is filled with veteran Glencore executives, who have promised to cut bureaucracy, reduce administrative staff and exit underperforming projects, Reuters reported.