THE ECONOMIC AND POLITICAL RATIONALES OF BANKING MERGERS AND ACQUISITIONS IN MENA AFTER THE ARAB SPRING

MELİKE BETÜL TAVŞANLI

BOĞAZİÇİ UNIVERSITY

2017

THE ECONOMIC AND POLITICAL RATIONALES OF BANKING MERGERS AND ACQUISITIONS IN MENA AFTER THE ARAB SPRING

Thesis submitted to the

Institute for Graduate Studies in Social Sciences

in partial fulfillment of the requirements for the degree of

Master of Arts

in

International Relations: Turkey, Europe, and the Middle East

by

Melike Betül Tavşanlı

Boğaziçi University

2017

DECLARATION OF ORIGINALITY

I, Melike Betül Tavşanlı, certify that

- I am the sole author of this thesis and I have fully acknowledged and documented in my thesis all sources of ideas and words, including digital resources, which have been produced or published by another person or institution;
- this thesis contains no material that has been submitted or accepted for a degree or diploma in any other educational institution;
- this is a true copy of the thesis approved by my advisor and thesis committee at Boğaziçi University, including final revisions required by them.

Signature……………………………
Date………………21/08/2017…

ABSTRACT

The Economic and Political Rationales of Banking Mergers and Acquisitions

in MENA After the Arab Spring

This thesis explores the motives and rationales behind the banking mergers and acquisitions made in Middle East North Africa (MENA) region by the state-owned Gulf banks after the Arab Spring. There are nine banking acquisition cases made in this period and all of them are subject of this study. Its aim is to figure out whether these acquisitions made for political reasons. To test, first the acquisition cases are examined in three levels in order to see if the investments make sense economically. These three levels study the bank-specific rationales, banking-specific rationales and country-specific rationales. If the acquisition decision cannot be explained in terms of economics, it might mean that there are political factors leading to cross-border banking investments. To find out, a state-level realist approach is utilized which links the investor country's with the host country's national interests. At this stage, the relationship between foreign direct investment and foreign policies is elaborated. This thesis is a contribution to the government's usage of banks as political tool; yet its content is limited to MENA region and to the years between 2011 and 2015. It investigates nine banking acquisition cases and suggests that three of them hints political motives.

ÖZET

Arap Baharı Sonrası Orta Doğu Kuzey Afrika Bankalarındaki Birleşme ve Devralmaların İktisadi ve Siyasi Nedenleri

Bu tez Arap Baharı sonrası Körfez ülkelerinin devlet bankaları tarafından Orta Doğu Kuzey Afrika bölgesinde yapılan tüm yurt dışı banka alımlarını incelemektedir. Bu dönemde bölgede toplam dokuz sınır ötesi banka satın alımı olmuştur ve tamamı bu çalışmada incelenmiştir. Tezin amacı bu banka alımlarının politik nedenlerle yapılıp yapılmadığını anlamaktır. Bunun için, banka alım vakaları ilk olarak iktisadi bakış açısıyla üç aşamalı olarak incelenmiştir. Bu aşamalar bankaya özel, sektöre özel ve ülkeye özel gerekçeler olarak özetlenebilir. Bu incelemenin sonunda, eğer bir yatırımın ekonomik olarak mantığı açıklanamıyorsa, politik etmenlerin alım kararında etkili olabileceği düşünülmüştür. Alım kararının politik olup olmadığı yatırımcı ülkenin milli çıkarlarını yatırım yapılan ülkeninkiyle bağdaştıran standart bir realist yaklaşımla incelenmiştir. Bu aşamada, ülkeler özelinde doğrudan yabancı yatırım ve dış politika arasındaki ilişkiler araştırılmıştır. Bu tez, bankacılığın siyasi nedenlerle kullanılması literatürüne katkıda bulunmayı amaçlar; ama içerik itibari ile Orta Doğu Kuzey Afrika bölgesi ve 2011-2015 yılları arasıyla sınırlıdır. Bu tezin incelediği dokuz vakadan üçünün siyasi etkiye açık olduğu sonucuna ulaşılmıştır.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF APPENDIX TABLES

ABBREVIATIONS

ABK Egypt: Al Ahli Bank of Kuwait Egypt

ABK: Al Ahli Bank of Kuwait

ABL: Association of Banks in Lebanon

AFESD: Arab Fund for Economic and Social Development

BNP: Banque Nationale de Paris

CAD: Current Account Deficit

CAMEL: Capital Adequacy, Asset Quality, Earnings, and Liquidity

CAR: Capital Adequacy Ratio

CBL: Central Bank of Libya

CEO: Chief Executive Officer

CFO: Chief Financial Officer

DH: Emirati Dirham

ECFR: European Council of Foreign Relations

EFSA: Egyptian Financial Supervisory Authority

EGP: Egyptian Pound

EU: European Union

FDI: Foreign Direct Investment

FINSA: Foreign Investment and National Security Act

FX: Foreign Exchange

GCC: Gulf Cooperation Council

GDP: Gross Domestic Product

HBTF: Housing Bank for Trade and Finance

IFC: International Finance Corporation

IMF: International Monetary Fund

ISIS: Islamic State

J: Justifiable

KFAED: Kuwait Fund for Arab Economic Development

LBP: Lebanese Pound

LD: Libyan Dinar

M&A: Mergers and Acquisitions

MENA: Middle East North Africa

MIO: Million

N.J: Non-justifiable

NBD: National Bank of Dubai

NGO: Non-Governmental Organization

NPL: Non-Performing Loans

NSGB: Nationale Societe Generale Bank

PC: Presidential Council

PPP: Purchasing Power Parity

QIB: Qatar Islamic Bank

QNB Tunisia: Qatar National Bank Tunisia

QNB: Qatar National Bank

ROA: Return on Assets

ROE: Return on Equity

S&P: Standard and Poor’s

SAE: Société Anonyme Egyptienne

SAQ: Societe Anonyme Qatar

SNL: S&P Global Market Intelligence

TD: Tunisian Dinar

UAE: United Arab Emirates

WB: World Bank

WITS: World Integrated Trade Solution

YOY: Year over Year

CHAPTER 1

INTRODUCTION

During his opening speech of Arab League summit in March, 2013, Qatari Emir Sheikh Hamad bin Khalifa Al-Thani openly suggested the Arab Nations to support Egyptian economy (Ahram Online, 2013). The Emir literally stood behind his call. Starting from early 2012, Qatar has been depositing USD four billion in the Central Bank of Egypt and an additional USD one billion was granted to support the Egyptian Pound. The small but rich Gulf State also promised USD 18 billion of investments to Egypt to be actualized in the next coming five years. Iron and Steel, gas extraction, power plants, touristic resorts were among the projects to be invested in (Awad, 2012). The biggest state bank of the country, Qatar National Bank (QNB) has also decided to enter the Egyptian Market. On December 20, 2012, QNB announced the agreement for the acquisition of Nationale Societe Generale Bank (NSGB), the Egyptian subsidiary of the prestigious French banking group, Societe Generale. The deal was completed on the March 25, 2013, just one day before Emir's call on Arab Nations to back the Egyptian economy. The extent of support was remarkable; but not all the Egyptians were impressed. On April 18, 2013, an article was published in Al-Monitor, which is a media site providing analysis of the Middle East, linking this banking investment to Qatar's aspirations to become a regional power by gaining economic influence (Sabry, 2013). Six months later, both Qatar's readiness to support Egypt, and Egypt's eagerness to be supported by Qatar vanished. News broke-out that QNB was going to sell its newly acquired subsidiary and was looking for potential buyers (Ahram Online, 2013). What changed in these six months was the government. The Muslim Brotherhood which consolidated power in 2012 was overthrown by the coup d'état on July 3, 2013. So, for who was the Emir provided support? Egypt or the Muslim Brotherhood?

In order to analyze the rationale behind the investments mentioned above, it requires a broad and eclectic study. The aim of this thesis is to analyze to the extent that political interests are reflected in economic investment decisions in the banking sector of Middle East region, where the political and economic relations are always affected by the post-conflict environment of the region. The focus of the thesis is to explore the motives for cross-border banking acquisitions made in Middle East region after the Arab Spring, an expanded revolutionary wave that started in December 2010. Thesis asks the question whether the cross-border banking acquisitions are economically making sense or they were only parts of some strategies in order to back the new governments that came to power after the Arab Spring, financially.

CHAPTER 2

LITERATURE REVIEW

2.1 The Arab Spring and Gulf's reaction

The Arab Spring is a series of anti-government protests and revolts in the Middle East and North Africa (MENA). These protests first toppled regimes in Egypt and Tunisia in early 2011. The success of Egyptian and Tunisian protests encouraged the protesters in Libya, Yemen, Bahrain, and Syria. These countries experienced serious remonstrations whilst the demonstrations in Algeria, Jordan, Oman and Morocco have been minor and extinguished with reforms. (Britannica, 2017). In order to build a political perspective which will complete this thesis, literature on the Arab Spring and Gulf's reaction is reviewed. The states of bidder banks, namely United Arab Emirates (UAE), Qatar and Kuwait are relevant for this study. Thus, thesis' literature survey focused on these countries' attitudes towards the Arab Spring. Literature generally asserts that Gulf did not act homogenously in response to uprisings and each state developed its own policies. Due to differences in governance structures, state sizes, and cultural factors, each country follows its own path. Reactions ranged between financial aid, position of official policy and taking sides in disputes between the parties (Carapico, 2012). Approaches towards the Arab Spring can generally be divided into two groups. First is the one adopted by Saudi Arabia, Bahrain and United Arab Emirates while the other is that of Qatar (Al-Rasheed, 2016). By intervening in the conflicts during the Arab Spring, Qatar pursued acknowledgment as an independent state, which is able to chase its own self-interest rather than merely following Gulf partners (Boyce, 2013). More intervention in regional affairs also targeted consolidation of security and gaining more influence in the region. On the other hand, although Qatar is aggressive in following a proactive policy, country's capabilities are constrained by its small size (Nuruzzaman, 2015). Pala and Aras (2015) concluded that Qatar is motivated to augment security and sovereignty by involving in the Arab Spring. Despite being similar in wealth terms, United Arab Emirates' stance is dissimilar with that of Qatar's who is supportive of Muslim Brotherhood (Ikhvan). United Arab Emirates can rather be considered as hostile to Muslim Brotherhood. Ikhvan's activities are seen as a potential threat to ruling elite's stability (Ehteshami, 2015). One elaborate comparison of United Arab Emirates and Qatar's attitudes towards the Arab Spring is made by Ulrichsen (2012). According to Ulrichsen, these two Gulf States are similar in the sense that they both have accumulated capital thanks to rich resource endowments. Being wealthy, these countries had the opportunity to be more active in international arena. Hence, these states acted more confidently during the Arab Spring and intervened in tensions. Indeed, since wealth is unevenly distributed between UAE's seven Emirates, Ulrichsen sees UAE's position as more vulnerable compared to Qatar. While Dubai and Abu Dhabi are rich, the northern Emirates of Ajman, Sharjah, Fujairah, Ras Al Khaimah and Umm Al Qaiwain face the problems of underdevelopment. The people who are in need of reform are attracted by opposing voices in these Emirates. On the other hand, the official government in Abu Dhabi takes it as a challenge to safe the security and order (Ulrichsen, 2012). The number of studies in the literature analyzing Kuwait's international position in Arab spring is less. A Kuwaiti Muslim Brotherhood movement is known. However, this fraction remained distant from the international movement during the Arab Spring (Dazi-Heni, 2015). The relationship between Kuwait and the Arab Spring remained internal and extinguished with the resignation of the government in 2011. One important feature of Kuwaiti protests differentiating it from the North African counterparts was that the motives were only politic and not exacerbated by economic situation (Ottaway & Hamzawy, 2011).

To comprehend the reaction of Gulf States towards the Arab Spring, most referred scholars of four principal international relations theories are realism, institutionalism, liberalism, and constructivism. Because the class relations' or the gender roles' effect on shaping state behavior is not a primary concern for this thesis, critical approaches are not elaborated. This study takes "state" as a given actor in international arena. Still, the four approaches listed above are briefly discoursed to decide which theory fits best to this thesis' aim. The theoretical framework driven in the thesis, which adopts realism, is further discussed in methodology section. Basic assumptions of realism can be counted as follows: There is no superior authority to control the anarchic behavior of states. No state is sure of any other's intentions. Each state is alone to provide its own security in a self-help system (Waltz, 1979). Main motivation of states is survival and to survive they need to be more capable and materially powerful. Thus, to confront a conflict or a threat, states balance (try to be more powerful). Balancing may be internally or externally. When internal, states enhance their own competencies. In external balancing, states increase capabilities with the others by forming alliances. Motive behind the alliances or any action of states is national interest (Morgenthau, 1948), (Mearscheimer, 2001). Besides explaining the international relations with a focus on system, state-centric realist theories are also built. This level of analysis provides more insights for foreign policies of individual states. Furthermore, in the comprehension of political economy, state-centric level of analysis is employed (Feng & Ruizhuang, 2006). Institutionalism brings microeconomic theory, game theory, and rationalism together to the analysis of international system. Although there may be uncertainty in the system, information diminishes it. Information enables cooperation and states calculate that their gain may be maximized if they cooperate (Oye, 1985). The provider of information is institutions. Institutions enable the parties to encounter numerous times and repeated interaction decreases cheating (Keohane & Martin, 1995), (Milner, 1998). In liberalism, domestic preferences as well as individual actors are brought into the picture and state-interest is rearticulated as the collection of individuals' and groups' interests. Material power may be an objective for the state; yet commercial interests and ideational orders also play a key role in shaping states' behaviors (Moravcsik, 2008). Constructivism revolves around the meanings of international relations' concepts and how they are constructed by societies (Wendt, 1992). Norms, values, traditions, history, belief systems and identities are taken into account in defining how national-interest is formed (Weldes, 1996), (Finnemore & Sikkink, 1998).

How the literature links Gulf reactions with international relations theories is also surveyed. This thesis' focus is especially on the bidder states, which are United Arab Emirates, Qatar and Kuwait. The motives of Gulf States' attitudes towards the Arab Spring are detailed by an extensive literature. Colombo (2013) brings a realist perspective and argues that the support granted to protesters was not for the extension of domestic democratic values but largely for gaining influence in the region, as the Gulf States themselves are not democracies and they took a different stance when the uprisings jumped into Gulf with Bahrain. Dodge (2012) and Tetrault (2011) are other authors who question the sincerity of Gulf's backup of democratic demands. They both give the example of Bahrain in which the Gulf wanted the remonstrations to be quashed and helped the government in suppression of Shiite majority when at the same time they were encouraging the insurgents in Egypt and

Tunisia (Dodge, 2012), (Tetreault, 2011). Utvik (2014) brings a different perspective to standard realist accounts of the Gulf's stance to the Arab Spring. By elaborating the issue in terms of belief, Utvik (2014) details the fact that despite Salafis' -the dominant group in the Gulf, - tradition to obey the ruler, they did not infix obedience during the Arab Spring. Utvik sees this tactic as pragmatic and designed to gain influence in the region. (Utvik, 2014). Roberts (2015) develops this point of view and argues that Wahhabis were able to access to a wider region through their support to Muslim Brotherhood taken the fact that Brotherhood was more widespread compared to Wahhabi ideology in MENA. Roberts further claims that this motive holds for Qatar rather than Saudi Arabia because of resource issues. Saudi Arabia's wealth has to be distributed to a larger population making the country less comfortable about political mobilizations (Roberts, 2015). One example of Qatar's differing stance is detailed by Phillips (2015). In the case of Syria, Qatar immediately broke ties with Assad whereas Saudi Arabia remained silent in the first eight months of civil war. According to Phillips (2015), Saudi Arabia was concerned about a local unrest in its borders and stayed aloof only until rivalry with Iran arouse in Syrian territory. Qatar, on the other hand, was chasing after more influence and less driven by domestic factors thanks to its prosperous population (Phillips, 2015). After putting a realist background, Gaub (2015) contributes to literature by a constructivist argument of Qatar's actions during the Arab Spring. Qatar repetitively mentioned that Arabs must find their own solutions to Arabs' problems. By doing so, the country promotes its Arab identity and wants to take a more active role in the pan-Arabic cause (Gaub, 2015). Fawcett (2013) also recommends that realism and constructivism must be employed as a combination to understand the politics of the Middle East. According to Fawcett, pursuit of power may be decisive for the events in the Middle East. Yet, common Arab identity is also an important factor (Fawcett, 2013).

2.2 Reasons of M&A activity

There is a large literature about banking mergers and acquisitions (M&A) activity which became more evident especially after 1980s. With their elaborate review of literature and evaluation of results about value creation, Piloff and Santomero (1998) list the traditional motives of increased M&A activity as achieving more efficiency through less operating expenses with the elimination of some branches and employees, more profit opportunities through cross-selling opportunities and diversified loan portfolio, capturing greater market share which will bring the new entity pricing power, and a better management with the combination of two separate management teams' expertise and skills. After detailing the approaches for testing the M&A's effects on results and discussing the whys and wherefores of varying calculations in the literature, they suggest using case study method in examination of relationship between M&As and value creation. Berger (1998) shows that bank mergers benefit profitability with altered outputs. Following a merger, diversification of exposure boosts profit efficiency. Moreover, loans' weight in the total asset size tend to exceed the securities', which is again helpful for profit efficiency. On the other hand, Berger finds mergers bring about minute consequence in terms of cost efficiency. Still, the positive effect on profit side generates overall efficiency. Berger (2007) also demonstrated how efficiency is linked to banking consolidations by studying over 100 cases and examining these cases first by common frontier and then by national frontier. His findings suggest that in developed nations domestic banks are more efficient whereas in developing nations foreign ownership tend to post better results. The most remarkable contribution of his study was the comparison of domestic and foreign banks concerning the same national frontier and proving that consolidation fosters efficiency. On the other hand, undesirable consequences of cross-border merger activity are discussed by Amihud, DeLong, and Saunders (2003). In their examination of cross-border mergers, Amihud, DeLong, and Saunders (2003) find that acquirer bank's risk does not differentiate greatly from the other home country banks. On the other hand, abnormal results are both significant and negative for the acquirers, cumulatively. As other motives behind banking M&As, Sood and Ahluwalia (2009) additionally put the advantages in terms of capital adequacy and World Trade Organization (WTO)'s encouragement of free trade. The authors discuss that bigger banks are more capable of meeting capitalization requirements due to adjusted levels of risk-weighted assets and more equity. They also count WTO's policies, which promote free trade, as a strong driver for banking internationalization achieved through M&As.

2.3 Characteristics of bidders and targets

In answering the question of which banks are subjects of M&As, literature frequently addresses bank-specific characteristics. According to Sahut and Mili (2011), mergers are usually an option for banks with weak financials. On the other hand, acquisitions are made by stronger banks in order to attain superior profitability and efficiency. Financial fundamentals define a bank's ability to attract investors. Culture of the institutions is also important; yet its importance becomes more obvious after the acquisition process is complete (Faulkner, Teerikangas, & Joseph, 2012). After examining 1000 banks from 50 countries for a time period between 1992 and 2007, Caiazza, Pozzolo, and Trovato (2014) found that bigger banks with more traditional banking activities have more propensity for M&As. More active M&A actors are profitable; but not liquid players. Bidders tend to originate from home countries, having a greater gross domestic product (GDP) compared to host countries. Authors' findings do not indicate a prominent difference between domestic and cross-border acquisitions with the exception of acquirer's size. Bigger asset size is an indispensable characteristic of the acquirer.

The proximity between acquired and acquirer banks' countries is appraised in the literature, as well. Classens and Horen (2013) label cultural proximity as a major asset in cross-border banking acquisitions. Classens and Horen review bank-ownership in 129 countries between the years 1995 and 2009, and propose that the concept of foreign ownership is heterogeneous and acquirers must not be assessed as a uniform group. The success of an acquisition will vary based on many factors such as institutions, development level, size, market power, and the similarities between home and host countries. How distant the acquired and acquirer banks' countries in terms of these features are eventually decisive in acquisition's results. Uysal, Kedia, and Panchapagesan (2008) relate better results with shorter distances which generate lower information costs, in analyzing the impacts of geographical proximity on acquirer's returns by using a sample of American firms' acquisitions between 1990 and 2003. Another useful source for information costs in M&As belongs to Buch and De Long (2004) who survey 2357 M&A cases between 1978 and 2001 and find important outcomes of information costs which they subgroup as distance, language and regulations. They demonstrate that the bigger the distance, it is harder to actualize M&A whether be the home and host countries developed or developing. Common language supports the acquisition, regardless of the development level, as well. However, the impact of regulations vary between developed and developing host countries. Although how restrictive the regulations are is an important point for M&A activity in developed hosts, regulations have neglible effect on developing countries' banking M&As. To wrap up, the study overall stresses the significance of information costs in M&A decisions (Buch & DeLong, 2004). In another study, information costs are named as implicit barriers and direct regulationary limitations as explicit barriers to integration after a review of banking M&A literature. Foreign banks tend to perform better in developing hosts, while there is no prominent overperformance of foreigners in developed hosts (Buch & Spindler, 2008). In a recent study on the impacts of foreign ownership, Cull, Martinez-Peria, and Verrier (2017) claim that foreign ownership is a plus for developing countries' banks. They review the evidence for different parts of the world and sum up that efficiency is positively related with foreign shareholders. On the other hand, authors are wary about the probability of contingency and skeptical about the enhancement on credit access in host countries. They emphasize that attention must be paid to context (Cull, Peria, & Verrier, 2017). Berger et. al (2005) studied the influence of owner's nature on data from 1990s' Argentina. Ownership is divided into three categories: State, foreign and domestic. The study illustrates that domestic M&As perform better after the bid whereas no remarkable performance effect is obtained for banks acquired by foreigners. The most salient finding is for privatized or internationalized state banks whose cost efficiency and loan quality improved significantly after the M&A (Berger, Clarke, Cull, Klapper, & Udell, 2005). Moeller and Schlingemann's (2005) article backs these results on American data. Their empirical evidence which emcompasses 4430 acquisitions between 1985 and 1995, shows that American companies which invested abroad reported lower stock returns compared to ones which invested domestically (Moeller & Schlingemann, 2005).

How the similarity between the acquirer and acquired banks affect the M&A's results, is examined by Altunbaş and Marqués-Ibáñez (2008). The study comprise the data for banks in European Union between the years 1992-2001. The effects of individial banks' culture and national cultural distance is analyzed through a similarity index created for strategic variables in banks' balance sheets. The findings illustrate that similarities increase value; but which similar item generates value differs in domestic and cross-border acqusitions. In domestic acquisitions, being similar in deposit, lending and earnings structure counts; while similarities in capitalization, innovation and technological infrastructure hinder performance. On the other hand, in cross-border banking acquisitions, the reverse is valid. Dissimilarities in loan and credit breakdowns boost performance whereas differences in technology, innovativeness and capital structure help results (Altunbaş and Marqués-Ibáñez, 2008). The positive impact of operational similarities on M&A's value creation is also demonstated by an article of Houston (1994) who checked market value of bank mergers and linked them with profitability, market's perceptions, and resemblances in operations of merged banks.

2.4. M&A activity in MENA

The M&A activity by the Gulf banks largely supports literature. A 2010 International Monetary Fund (IMF) paper demonstrating the characteristics of the Gulf banking sector states that the biggest banks in the Gulf are owned by governments. Moreover, the biggest banks display strong capitalization, and profitability. They are eager to expand internationally, as well (Al-Hassan, Khamis, & Oulidi, 2010). The literature elaborating the efficiency of the MENA banks shows that the years following the 2008 crisis brought productivity decline. By analyzing the period between 1999 and 2004, Ariss, Rezvanian, and Mehdian (2007) point the efficiency problems in banking sector across Gulf, but in different magnitudes, mainly because of variant technological progress levels. The authors correctly predict the upcoming acquisitions in the region, as they mentioned that consolidations are likely given the lowered efficiency (Ariss, Rezvanian, & Mehdian, 2007). Claessens and Horen (2014) builds a database of 5324 banks in 137 countries over the period 1995 and 2009. One of the key findings of their work which is mostly related to this thesis is the distribution of foreign ownership. Their investigation of patterns of cross-border bank expansion proposed that highest intraregional expansion belongs to MENA with more than 70% (Claessens and Horen, 2014). Information costs and implicit barriers discussed above may provide an explanation to high concentration of MENA-owned banks in MENA region. Another account is brought by Abderrezak (2008) who detailed the Foreign Direct Investment (FDI) behaviour in 16 MENA countries and came to the conclusion that former colonial histories of some MENA countries hinders eagerness to attract European capital. On the European side, incentives to invest in MENA diminished, as well. Fall of Berlin Wall opened gates to East Europe and the development in East Asia shifted European banks' interest to Far East (Marks, 2009). Moreover, the financial crises of 2008 put the European banks under pressure and made it hard to sustain operations in the MENA region. That is why, European banks started to shed assets outside of the MENA region to rebuild their balance sheets. They started to sell assets to Gulf banks, which are willing to expand internationally and evaluate MENA as a target where opportunities for long-term growth exist (Salah, 2013). Burger, Ianchovichina, & Rijkers (2014) studied the greenfield investments in MENA and they analyse these investments with a specific focus on sectors. In assessing the effect of the Arab Spring on the FDI received by MENA, they divide sectors into two main groups: tradables (manufacturing and services) and non-tradables (resources). It is seen that the political turmoil brought about by the Arab Spring has decreased the FDI in tradables whilst there is no evident impact on resources (Burger, Ianchovichina, & Rijkers, 2014). A report by the European Institute of the Mediterranean (IEMed) discusses that the drop in overall FDI is also related to general declining trend in FDIs in the world following the 2008 crisis. The report also claims that in terms of investments, MENA has indeed been resilient, as the average performances did not change significantly up until 2012 with the exception of Syria (Noutary & Luçon, 2013). Increased regional integration in MENA is studied by Van Wyk and Lal (2010). With data from 19 MENA countries, they analyze the determinants of FDI in this region and show that macroeconomic fundamentals like current account balance, economic growth and liberalization level of trade are influential on FDI as well as institutional factors, especially business freedom. An empirical analysis by Mohamed and Sidiropoulos (2010) reveals that size of the country receiving investment, government's scope of involvement in the economy, presence of natural resources are crucial in FDI decision by the investors. They also demonstrate the importance of institutional quality and delivers policy implications to obtain more FDI (Mohamed & Sidiropoulos, 2010). About the effects of foreign ownership in MENA, Boussaada and Karmani (2015) use sample of 38 commercial banks from MENA. Authors conclude that concentrated shareholder structure is better for performance. They position that although MENA banks are mainly owned by state; state ownership does not lead to best performance. Instead, foreign ownership has a positive effect in MENA banks' results (Boussaada & Karmani, 2015). Espinoza and Prasad's (2010) examination of Non-performing Loans (NPLs) in the Gulf provides hindsight for the acquisition drives of the Gulf Banks, as NPLs are much related to risk appetite of financial institutions. Moreover, an unexpected jump in NPLs may signal a diversion from economic motives. These implications make Espinoza and Prasad's study very valuable for this thesis. Authors go into the bond between NPLs and market by elaborating the NPL generating factors. These factors are divided into two groups: First group is idiosyncratic (firm-specific) such as insufficient efficiency, inadequate balance sheet growth, aggressive risk taking, market power. Second group is systematic (on macroeconomic level) such as poor growth rates and tight funding (Espinoza & Prasad, 2010) . Ghosh (2016) analyzes the political risk- bank performance relationship. Ghosh's study that is established on bank-level data from 102 banks from 12 MENA countries over the period 2000 and 2012, discloses that the Arab Spring decreased average profitability by 0.2% whilst it raised riskiness by 0.4%. On the other hand, the effects of the Arab Spring have been uneven: While Egypt, Tunisia and Egypt were adversely hit, countries like Jordan or Lebanon were slightly affected (Ghosh, 2016).

CHAPTER 3

METHODOLOGY

The objective of this thesis is to elaborate the reasoning behind the investments made in banking sector, more specifically, the cross border banking acquisitions. The period of interest is between the years 2011 and 2015, including 2015. The selection of the period takes the realized structural change into consideration: 2011 is the first financial year following the Arab Spring and 2015 is the last financial-reporting year up until the date of the preparation of this thesis. The examination of cross border banking acquisitions covers all deals made in this period, regardless of share increase or acquisition of whole shares by the Gulf State Banks in the MENA region. The Gulf State banks are chosen as acquirers for two reasons: First, there is a visible trend that the MENA banking sector which used to attract Europeans in the past is increasingly getting investments from the Gulf (Marks, 2009), (Salah, 2013). Second, state banks may well be the bearers of politicians' interest (Sapienza, 2004), (Omran, 2007), (Boussaada & Karmani, 2015), and if a state's pursuit of influence on another country through investments is going to be tested, state owned institutions' actions in that host country must be observed.

The thesis is designed in a way that first, it will display the economic rationales for a cross border acquisition. Following the literature, economic rationales are divided into three categories: Bank-specific, banking-sector specific, and country specific. Economic theory simply asserts that investors invest because of the returns. Rational decision theory puts that before taking a decision, decision-maker calculates the risks and returns. Thus, there must be a connection between the investment decision and the profits derived from the investment. The first section of thesis explores this connection. It is tested whether entering into the new markets was economically justifiable.

Between the years 2011 and 2015, nine cross border bank acquisitions took place in MENA by four Gulf state banks. The acquired banks are Emirates National Bank of Dubai (NBD) Egypt, QNB Al Ahli Egypt, Al Ahli Bank of Kuwait Egypt (ABK Egypt), Arab Finance House, Bank of Commerce and Development, Commercial Bank International (CBI), Qatar National Bank Tunisia (QNB Tunisia), Al Mansour Investment Bank[1]. The host countries of these banks are Egypt, Lebanon, Libya, United Arab Emirates, Tunisia and Iraq, respectively. The buyers are Qatar National Bank (QNB), Qatar Islamic Bank (QIB), Emirates NBD, and Al Ahli Bank of Kuwait (ABK). A tiny share increase by 0.5% in Jordanian Housing Bank for Trade and Finance (HBTF) was also realized in this period. However, this case is not elaborated in detail in this thesis. Still, a section is spared for this case explaining the reasons of brief discussion. To sum up, there will be eight detailed case studies in this thesis for each acquisition describing the acquisition decision with respect to economics. Three categories of economic rationales, which are the bank-specific, banking-sector specific and country specific rationales behind the decisions, will be examined in each acquisition case.

Bank-specific rationales refer to the fundamentals and performance indicators of the acquired bank. As fundamentals, asset size, equity, loans, deposits, and net income will be examined for every acquired bank. As performance indicators, capital

[1] In cases when the acquisition comprised 100% of shares, names of the institutions have changed. In this paper, recent names of the banks are used. Emirates NBD Egypt used to be BNP Paribas Egypt before the acquisition. QNB Al Ahli Bank's pre-acquisition name was Nationale Société Generale Bank. Lastly, Al Ahli Bank of Kuwait Egypt used to operate under the commercial title of Piraeus Bank. Qatar National Bank Tunisia is acquired through share increase and QNB already had an owner status before the sale of additional shares. The name of the bank before the share increase was Tunisian-Qatari Bank.

adequacy ratio or CAR (total capital over risk-weighted assets), liquidity ratio (liquid assets over total assets), loan/ deposit ratio, return on assets (ROA), return on equity (ROE), and non-performing loan ratio (NPL) will be examined. The selection of these measures follows the literature, which mainly relied on CAMEL (Capital Adequacy, Asset Quality, Earnings, and Liquidity) ratios developed by Stuhr and Van Wicklen in 1974, and Handweck and Simon in 1980 (as cited in Stanko& Zeller, 1994, p. 119). CAMEL ratios are widely used by banking supervision and regulatory authorities. They are also useful in comparison of banks from different countries; since they are normally distributed, statistically (Stanko & Zeller, 1994). According to Mishkin (2006), these measures that capture the liquidity, capitalization, asset quality, and growth are the main reflectors of a bank's success. Moreover, these items and ratios are selected as these are the most widely used to indicate banks economic performances in the sector in practice, as well. In this thesis, the ratio calculations are constructed whereas the balance sheet and income statement items from the banks' annual reports are obtained from investor relations pages published by banks, and BankersAlmanac database. The data later cross checked with S&P Global Market Intelligence (SNL).

Enjoying profits is the main motivation of any investment, as the investors take investment decision -greenfield or acquisition- based on future return calculations (Kalecki, 1937). In M&As' literature, Return on Equity (ROE) is frequently mentioned in assessing the performance (Badreldin & Kalhoefer, 2009), (Lindblom & Koch, 2002), (Hopkins & Hopkins, 1997). According to Achtmeyer (1994), the positive results stemming from a merger or acquisition must be seen in two years of time. Altunbas& Ibanez (2004) also suggests that the examination must cover the two years before and after the acquisition to eliminate the distortions caused by longer time span. These arguments provided the basis for studying the two-year financial data in thesis. To sum up, in concluding whether the acquisition is economically justifiable, Return on Equity (ROE) is specifically mentioned in exploring the success of mergers or acquisitions, in the bank-specific rationales part. When deciding if a particular ROE implies success or not, this ROE is compared with peer average and sector average. Examination of bank-specific factors' influence on bank performances in different regions of the world motivated this study to compare the banks with peers. Pasiouras and Kosmidou (2007) made an examination of 15 European Union countries' banks between 1995 and 2001. The results of their study suggest that profitability is affected by general conjecture and cannot alone be derived from bank-specific characteristics (Pasiouras & Kosmidou, 2007). After studying Greek commercial banks' profitability and its relationship with business cycles for a period over 1985 and 2001, Athanasoglou, Brissimis, and Delis (2008) found that macroeconomic control variables' have a significant impact on bank performance in addition to particulars of banks. Similar results have obtained by Owoputi (2014) in the elaboration of Nigerian banks' profitability. Macroeconomic fundamentals (inflation and interest rates) had a strong influence on banks' performance. On the other hand, Arena's (2008) comparative study of Latin American and East Asian banks demonstrates that the impact of systematic shocks depend on banks' individuals characteristics. Overall, bank-specific factors are important for performance; but for meaningful results, system's effects must also be recognized. Thus, comparing the banks with its peers and assessing whether they beat them in terms of profitability is a justifiable way to evaluate success.

As the second category in economic rationales, the banking sector of the host country is taken into consideration to have a broader understanding. Sector dynamics may clue a lot about a bank's achievements. This thesis analyzes the acquisition decision on a sector level to comprehend if such an acquisition in that market is desirable for the acquirer and the acquired banks. Comprehending the attractiveness of a sector needs understanding the returns an investor would get from that sector counter to risks. To explore returns, Return on Assets (ROA) and Return on Equity (ROE) ratios are useful as they directly show how profitable a sector is. To assess overall performance, liquidity, capitalization, solvency and asset quality must be also examined. Other information such as existence of foreign investors, concentration in the market and the penetration matter, too. When assessing banking sectors, central banks of the countries in question, the banking regulatory agencies, as well as the rating agencies such as Fitch, Moody's or Standard Poor's use these performance indicators. Therefore, same criteria are used to evaluate banking-sector specific rationales behind the decisions. To search these characteristics of banking industries, relevant categories are selected from World Bank's financial development databank. These categories are Bank Z-score, Foreign bank assets among total bank assets (%), Loan from a financial institution in the past year (% age 15+), Account at a formal financial institution (% age 15+), 5-bank asset concentration, Bank concentration (%), Bank capital to total assets (%), Liquid assets to deposits and short term funding (%), Bank Loans to Bank deposits (%), Bank ROA (%, after tax), Bank ROE (%, after tax), Bank nonperforming loans to gross loans (%), and Provisions to nonperforming loans (%). Bank Z-score is important; since this measure captures the probability of default in a given banking sector. Buffers and their volatility are estimated with Z-core to assess solvency. Buffers are profits and capital. Foreign bank assets' share in total banking assets is chosen as a criterion; since thesis is about foreign ownership; therefore, this ratio can provide insights. Loan from a financial institution in the past year (% age 15+), and account at a formal financial institution (% age 15+) illustrate how saturated a banking sector is and if there is any room for further growth. 5-bank asset concentration and bank concentration (%) depicts the market share diversification within a specific banking sector and useful in understanding small banks' business opportunities. The remaining ratios are extensions of CAMEL analysis discussed under bank-specific factors. They are included in the banking-sector assessment for similar considerations: They define a sector's performance in the way they apprehend a bank's performance. In deciding whether a specific performance indicator is in acceptable levels or not, the reference point is general evaluation of global credit analysts in assessing bank performance. Bank analysts' evaluation of key performance indicators relies on two approaches. The first one is regulatory and supervisory authorities' approach, which grades an indicator on past values and in comparison to peer values. An example is European Banking Authority's reports on member countries' banking sectors. Second is the credit rating agencies' approach which benches an indicator with its relation to default rates. If an indicator's high levels led to crisis in the past and caused default, high levels in this indicator are found alarming. An example is Moody's banking sector reports. Based on the two approaches that are commonly employed in the sector, a matrix is developed and placed in Appendix A.

Lastly, the third dimension to comprehend an acquisition's economic logic is the country-specific factors particular to host country. In addition, adding macroeconomic measures of the host country into the analysis is essential to understand why it has attracted foreign investments. As economic fundamentals, nominal GDP, GDP per person, real GDP growth, central government debt, exchange rate, consumer prices, and producer prices, exchange rate against United

States Dollar (USD), current account balance, reserve amount, unemployment, and population will be looked at. The numbers are taken from Economist Intelligence Unit (EIU), which has derived its data from IMF. Same source is chosen for every case for consistency reasons. The ease of doing business index[2] is a commonly used criterion to assess whether a country is a looked-for destination to put investors' money. In this thesis, the index of the year preceding the acquisition is utilized, which is taken from the reports jointly published by World Bank (WB) and International Finance Corporation (IFC). Country's being rated as investment grade or not is also a frequently addressed reference. Ratings will be mentioned as investment or non-investment and the source is the web site of trading economics. [3] Existing reliable data is employed in the study, instead of constituting primary data; since the shortness of the focused period incapacitates a meaningful study with statistical empirical examination. The data from these sources will be utilized and no similar data collection will be made like in the bank and banking sector subsections because this thesis is not empirically testing the relationship between investments and the Arab Spring. It is rather about the role of politics vis-à-vis economics in

[2] The ease of doing business index ranks economies from 1 to 183. For each country the ranking is calculated as the simple average of the percentile rankings on each of the ten topics included in the index in Doing Business 2012: starting a business, obtaining permits, registering property, access to credit, protection of investments, taxation, cross-border trading, contract enforcements, resolving insolvency, and reaching electricity

[3] Ratings refer to credit ratings assessed by the biggest rating agencies: Fitch, Moody's and Standard& Poor's. These agencies grade obligors based on their ability to repay their debt. Fitch uses a scale of 20 grades starting from AAA (the highest) and ending with RD (Restricted Default). The lowest grade which is investment grade is BBB- and the highest non-investment grade is BB+. + and – modifiers are used to grant counterparties a relative status within a major category. Standard and Poor's use a similar methodology with a scale of 22 grades, investment and non-investment verge being the same. More number of S&P "grades results from Fitch's non-usage of + or – modifiers for rating categories below B. Moody's categorization comprises 21 notches and grades involve a letter and a number. Highest credit rating of Moody's is Aaa followed by Aa1 whereas the lowest is C. The lowest investment grade rating is Baa3 and the highest non-investment grade rating is Ba1. The agencies also provide S/T ratings which are no subject for this thesis, as sovereign's ability to honor obligations are assessed on L/T ratings. More explanation on ratings is available in the web-sites of each rating agency. This thesis uses tradingeconomics as the source for sovereign ratings (https://tradingeconomics.com/country-list/rating).

foreign banking sector investments through acquisitions. Finally, the role of trade flows and geography will be discussed as one of the country specific factors. Erel, Liao, and Weisbach (2012) concur that geography and bilateral trade are important factors in cross-border M&As. Trade flow information is obtained from the web site of the Observatory of Economic Complexity, as well as the World Integrated Trade Solution (WITS) database of World Bank. In concluding whether a trade partner is significant or not, 5% share in total foreign trade of a country is accepted as benchmark, following the assessments in WITS database.

As the measure of attractiveness on country-level analysis, GDP growth rate is employed due to the following reasons: First, it is among the traditional macroeconomic indicators for pulling FDI in developing countries, and it is proven that traditional factors such as GDP size and GDP growth are still decisive after globalization accelerated (Nunnenkamp & Spatz, 2002), (Morisset, 2000), (Nonnemberg & Mendonça, 2004). Second, instead of ranking GDP amounts, which will provide static data, use of GDP growth rates will enable the study to rest on a more suitable indicator in apprehending the evolution of economy. Third, this thesis compares all sorts of performance (bank-specific, sector specific, country-specific) on a year-over-year (YoY) average basis. GDP growth rates are more in line with the overall methodology of this study.

All these three subsections of economic rationales aim to shed light on whether an actualized acquisition makes sense in economic terms. Is it likely to increase the profit for the owner? Will it improve the fundamentals and performance indicators of the acquirer? In order to answer such questions, in the fifth chapter, the critical balance sheet and income statement items as well as the performance indicators of the banks, which made cross-border acquisition(s) between 2011 and

2015 and the ones of the banks, which preferred to invest their funds domestically or in other places other than the MENA region on a country basis are compared. For the comparison to reflect a sound result, the acquirer bank is compared to the largest three state banks operating in the same market and then, to the largest private bank that operate in the same home country. Comparing and contrasting the banks with its peer groups is preferable, as the smaller banks do not possess the opportunities and market shares like the biggest players. In order to assess whether the decision is economic or not, the year over year changes in each item and ratio subject to evaluation are calculated for the acquirer bank and the two control groups, biggest three state banks other than the acquirer and the largest private banks. Observing relative changes over years makes the difference between the banks operating in the same market more visible, and helps in explaining whether the acquisition decision positively affected the acquirer's results. Detailed financial information for acquirers is included in Appendix B and peer groups' balance sheet and income statement items are tabulated in Appendix C. Moreover, macroeconomic measures of bidders' countries are placed in Appendix D.

The sixth chapter is the political factors, which may have an impact on the acquisition decisions. The simple judgment is that if economic factors do not wholly explain the investment made, then political factors might have played a role. In order to explore the extent of political aspects of the financial relations and to assess whether the major aim is to support a government or to extract profit, the thesis examines the acquisitions both in terms of economic and political aspects.

In exploring political relations between the home and host countries in a given cross border acquisition case, the study follows standard realist view on state-centric level of analysis. The following two paragraphs discuss the reasons behind the use of realist lens and state-centric level of analysis, respectively.

Realism is employed, because the other main schools of international relations do not provide the enough explanation of the Gulf States' actions. Before explaining how the realist position is built in this thesis; the reasons for not choosing other international relations theories will be discussed. Institutionalism is not employed, on the ground that theory does not make it clear why the foreign policies of the Gulf States varied despite being member to the same organization of Gulf Cooperation Council (GCC). If the divergence of perceived threats could diminish with repeated interactions and more information about the parties' intentions, then the tensions in Gulf would simply not exist; because the countries are already members to an organization, which enables them to encounter continuously and get informed. However, the Arab Spring, especially the attitudes towards Muslim Brotherhood secluded the Gulf countries, as further discussed in political section of thesis. Liberalism is not preferred, because most of the liberal theories do not relate with the political systems and regimes of the Gulf. First of all, there is no democracy in bidder states. Secondly, power is not distributed in the society and decision making power sits on ruling families. This reduces the influence of individuals and any other fractions on foreign policy. Thirdly, government's share in economy is large in Gulf States, as already mentioned in the literature survey. Moreover, the nine cases of the thesis detail the acquisitions made by state-banks. The biggest banks of the Gulf region are owned by government and there is no cross-border banking acquisitions initiated by private Gulf banks in the period over 2011-2015. Taking all these facts into consideration, accepting state as a unitary actor in Gulf politics would not be erroneous. Lastly, constructivist accounts are not used in this thesis, although they are frequently used in explaining Gulf politics. Constructivists opine that Arabs' common identity is a key point in understanding their unique inter-state relations. They also suggest the Gulf's reactions to the Arab Spring are motivated by constructivist causes such as finding Arab solutions to Arabs' problems or being the proactive Arab country of the Arab World. These statements may explain the relations between the Gulf and transitional countries of the Arab Spring. However, there is a gap in explaining the divergent intra-Gulf policies. Having the similar Arabic culture, common language, and similar Wahhabi beliefs, why the Gulf States reacted differently towards Muslim Brotherhood? This thesis argues that the opportunity born with the Arab Spring motivated the Gulf States to obtain more influence in the region. By intervening in the Arab Spring, the bidder states found ground to increase their relative power and tested their ability to lead the course of events. By not following a common GCC policy towards the Arab Spring, bidder states emphasized their independent foreign policies. Therefore, the policy choices of GCC member states are appropriate to be discussed with a realist view.

State-centric level of analysis is chosen for the thesis, because cross-border acquisitions fall to the scope of international political economy, which utilizes the level of analysis (Feng & Ruizhuang, 2006). Moreover, following Gilpin who has a state-centric realist lens in international political economy, this thesis will use a a typical state-centric analysis in focusing foreign policies of Gulf States (Gilpin, 2001).

With this theoretical framework, this study aims to answer whether the host country's foreign policy converged to home's policies, and whether an investment has been beneficial to investing country in terms of national interest. Covering the events with a focus on these questions is essential to understand the political motives of cross-border banking acquisitions. First, convergence of foreign policies in regional issues is a direct proof of increased regional power and influence. Secondly, accordance with national interest is vital to evaluate the actions' worth in terms of real politics. The course of events, the diplomatic visits, announcements, and statements of government officials provide evidence about the political motives and whether the host country of acquisition gained more influence and captured more say in regional politics of host country. This evidence, together with the political relations between home and host countries as well as the foreign policy components of bidder states will be discussed in the political section. The discussion of foreign policy will also cover the interests of bidder countries. By doing so, this thesis tries to achieve a more clear comprehension of cross-border acquisitions' correlation with bidder states' interests. Figure 1 has been placed below to illustrate this thesis' methodology.

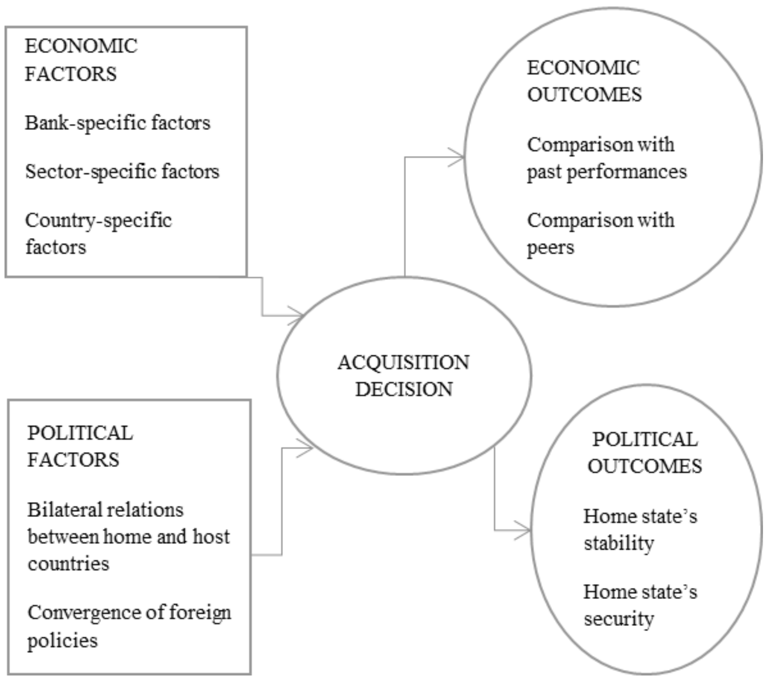

Figure 1. The scheme of thesis' methodology

CHAPTER 4

ECONOMIC RATIONALES: TARGETS

4.1 Al Ahli Bank of Kuwait Egypt

On October 01, 2016 the name of Piraeus Bank Egypt was changed to Al Ahli Bank of Kuwait Egypt (ABK Egypt), following a deal. The deal regarding the sale of Piraeus Bank Egypt, which was Piraeus Bank's Egyptian subsidiary, was signed between Al Ahli Bank of Kuwait and the Greek Piraeus Bank at the end of May 2015,. 98.5% of the shares are sold to Al Ahli Bank of Kuwait in exchange of USD 150 million (mio) (Namatalla & MacDonald, 2015). In Al Ahli Bank of Kuwait's official web-site, this agreement was mentioned as a move towards the realization of Al Ahli Bank of Kuwait's regional vision: Egypt was remarked as a market with strong macroeconomic fundamentals which offer growth, diversification and capital deployment opportunities (Al Ahli Bank of Kuwait, 2016).

4.1.1 Bank-specific rationales

The acquisition of Al Ahli Bank of Kuwait happened in 2015. Table 1 reveals the balance sheet and income statements of the bank in 2013 and 2014.

Table 1. Balance Sheet and Income Statements of Al Ahli Bank of Kuwait Egypt

Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%)	ROE (%)	NPL Ratio (%)
2013	1,125	109	517	976	-13	10.44%	50.63%	52.97%	-1.16%	-11.93%	N/A
2014	1,197	108	634	1,057	5	13.81%	48.44%	59.98%	0.42%	4.63%	N/A/

It is clear that ABK Egypt (then named Piraeus Egypt) displayed a better performance in 2014 compared to 2013. Bank's fundamentals improved; but that is all. The ratios are far from being bright. Besides, average return on equity (ROE) over two years is minus 3.65% which is not an attractive ratio for investors; since it is a loss.

4.1.2 Sector-specific rationales

As elaborated in methodology section, to assess Egyptian banking industry, below categories are selected from World Bank's financial development databank (World Bank, 2017), and Table 2 is prepared.

Table 2. Sector Specific Factors for Banking in Egypt

Banking Year	2013	2014
Bank Z-score	18.00%	16.50%
Foreign bank assets among total bank assets (%)	21.00%	N/A
Loan from a financial institution in the past year (% age 15+)	N/A	6.30%
Account at a formal financial institution (% age 15+)	N/A	13.70%
5-bank asset concentration	69.90%	87.30%
Bank concentration (%)	59.80%	80.20%
Bank capital to total assets (%)	7.10%	6.50%
Liquid assets to deposits and short term funding (%)	16.30%	15.50%
Bank Loans to Bank deposits (%)	45.20%	41.90%
Bank ROA (%, after tax)	1.20%	1.10%
Bank ROE(%, after tax)	15.00%	14.80%
Bank nonperforming loans to gross loans (%)	9.30%	8.90%
Provisions to nonperforming loans (%)	99.80%	97.00%

To start with returns, average ROA is 1.15% in the two years preceding the acquisition decision whilst average ROE is 14.9%. World average ROA and ROE are 2.2% and 11.2%, for this period. The comparison of these return ratios with the rest of the developing world is useful. This ROA falls slightly behind the average ROA ratios for MENA (1.4%) and East Asia& Pacific (1.2%), and Latin America& Caribbean (1.55%) regions. However, it is above average ROA for developing countries of Europe and Central Asia (0.7%), in the same period. ROE is better than MENA average of 9.9%, East Asia and Pacific average of 11.95%, Latin America and Caribbean average of 13.25%, and Europe and Central Asia average of 6.2%. Ratios do not significantly beat its market and the benchmarks of other regions; yet they are still better. For risks, it can be stated that solvency which is tried to be grasped through Z-score is seen to have declined in 2014 with less than 10% capital/ assets ratios and high NPLs. Bank's average NPL of 9.1% is in line with MENA average of 9.4% and developing Europe and Central Asia average of 9.6%. However, it is significantly higher than Latin America and Caribbean average of 2.3% and East Asia and Pacific average of 2.4% for years 2013 and 2014. By the way, world average NPL ratio is 4.3% in this period. There are 40 banks operating in Egypt including all sorts of ownership (public, private, foreign as subsidiary or branch). Foreign banks' asset share is more than one fifth of the total. Concentration ratios, 5-bank concentration ratio and bank concentration, in Table 2 shows that the market is oligopolistic in terms of market shares with larger players capturing more shares. ABK Egypt is the 27th bank in Egypt regarding the asset size. Therefore, the bank does not enjoy various business opportunities. On the other hand, "Loan from a financial institution" and "Account at a formal financial institution" items show that the sector is not saturated and there are opportunities of growth as the majority of the population is unbanked. To sum up, in the years 2013 and 2014 Egyptian banking sector might not be the best place to put investors' money in; but still it was a moderately good market when assessed according to thesis methodology which regards ROE as the key performance indicator.

4.1.3 Country-specific rationales

Comprising the categories which are discussed in methodology, Table 3 reveals the macroeconomic measures of Egypt in 2013 and 2014.

Table 3. Macroeconomic Measures of Egypt

Egypt	2013	2014
Nominal GDP (USD billion)	270.8	300.8
Real GDP Growth (%)	3.3	2.9
Population (million)	87.6	89.6
GDP per head (USD dollar at Purchasing power parity or PPP)*	10,512	10,711
Recorded unemployment (average %)	13.2	13
Central government debt (% of GDP)	91	93.2
Exchange rate (USD/EGP)	6.87	7.08
Consumer prices (average %)	9.5	10.1
Producer prices (average %)	3.4	4.3
Current-account balance (USD million)	-3,698	-5,923
Total international reserves(USD million)	16,118	14,445

Table 3 points a relatively small economy for a large population. In 2013 and 2014, world average unemployment is 5.8%, world consumer prices average rate is 2.8%: Both are well-below of Egypt's ratios. There is no world average to make international comparison for exchange rates, reserves, and current account balance. However, current account is negative, value of EGP is very low compared to USD, and reserves are half of what had been before the Arab Spring. So, it can be concluded that the fundamentals such as employment, current-account balance, inflation, reserves or exchange rate are discernibly weak. The country did not hold investment grade ratings, either (Trading Economics, 2017). At the time of the acquisition, Egypt ranked 128th among 183 countries in World Bank's ease of doing business index. According to World Bank's classification, Egypt is a lower-middle income country. Its economy is growing and growth rates are in line with the MENA average. The MENA region annual GDP growth rates had been 2.7% in 2013 and

3% in 2014 whilst lower middle income countries' annual GDP growth had been 5.6% in 2013 and 5.5% in 2014. With regard to these measures, it can be concurred that choosing Egypt among lower middle income countries may not be a good decision. On the other hand, ABK's ambitions to grow in the region may justify this choice. Michel Accad, the Chief Executive Officer (CEO) of ABK expressed desires to be an influential regional player and stated that the acquisition of Piraeus Bank Egypt served this ambition. He emphasized the record time of completion of acquisition. (Accad, 2016). Usually, the deals in Egypt take longer than one year. However, within six months -an attention-grabbing short course of time- all regulatory procedures are completed for this acquisition. About the acquisition, ABK's official web-site refers Egypt as a strong economy with good fundamentals. When evaluated with CEO's statements who said that the Greek parent's willingness to dispose its subsidiary was a good chance to enter Egyptian market, it can be concluded that the Kuwaiti bank is impressed with the Egypt's economic success. However, as already discussed, Egypt was not that impressive in its growth compared to peer economies. Another issue which may make the acquisition logical can be the bilateral trade between the countries. To understand if trade motivated the acquisition, WITS database of World Bank is checked. Kuwait is not among the top trade partners of Egypt. Back in the acquisition period, there was some trade between the countries. 3.8% of Egyptian imports were from Kuwait whereas 2.1% of Egyptian exports were to Kuwait (Observatory of Economic Complexity, 2017). Yet, as elaborated in the methodology, these ratios fall below 5% and are not significant. To wrap up, Al Ahli Bank of Kuwait's investment in Egypt is questionable in macroeconomic terms.

4.2 Al Mansour Investment Bank

Al Mansour Investment Bank, which is founded in 2005, started its operations in 2006. Qatar National Bank's share was 23% until 2012. On April 24, 2012, QNB increased its shares to 50.8%. The acquisition enabled QNB to be the controlling partner. It was announced as a part of QNB's international expansion strategy (iraq-businessnews, 2012).

4.2.1 Bank-specific rationales

Because Al Mansour Investment Bank's data are unavailable for the years before 2011, and the ownership increase was announced in April, 2012; 2011 and 2012 data is used to seize the Al Mansour Investment Bank's performance in Table 4.

Table 4. Balance Sheet and Income Statements of Al Mansour Investment Bank

Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%)	ROE (%)	NPL Ratio (%)
2011	234	94	56	134	8	N/A	72.22%	41.79%	3.42%	8.54%	N/A
2012	350	218	58	117	12	244.00%	79.71%	49.57%	3.43%	5.50%	3.43%

Table 4 shows that Al Mansour Investment Bank is a very small bank. It is not among the top tier banks of Iraq. Since the biggest five banks constitute nearly 95% of the market shares, the business opportunities QNB would engage in are limited. Equity levels well exceeded the lending volume which brought about high but irrational CARs in 2012. Low level of lending also pulls liquidity levels up implying superfluous liquidity. One positive performance indicator is the low NPL ratio signaling to good asset health. For the same period, MENA average NPL used to be on double digits with 10.4%. However, given the low lending volume, low level NPL is not surprising. Average ROE for these two fiscal years is 7.02%. This ROE ratio is below of Iraqi sector average (15.4%) and MENA average (12.3%).

4.2.2 Sector specific rationales

The measures to assess the attractiveness of Iraqi banking sector in the time of the acquisition are placed in Table 5.

Table 5. Sector Specific Factors for Banking in Iraq

Banking Year	2011	2012
Bank Z-score	24.70%	20.00%
Foreign bank assets among total bank assets (%)	N/A	N/A
Loan from a financial institution in the past year (% age 15+)	8.00%	N/A
Account at a formal financial institution (% age 15+)	10.60%	N/A
5-bank asset concentration	94.80%	93.40%
Bank concentration (%)	76.80%	75.90%
Bank capital to total assets (%)	N/A	N/A
Liquid assets to deposits and short term funding (%)	69.40%	79.50%
Bank Loans to Bank deposits (%)	24.70%	28.90%
Bank ROA (%, after tax)	3.60%	3.80%
Bank ROE (%, after tax)	14.60%	16.20%
Bank non-performing loans to gross loans (%)	N/A	N/A
Provisions to non-performing loans (%)	N/A	N/A

Indicators about Iraqi banking sector are either unavailable or weak. One salient feature of the Iraqi banking industry is the very low lending rates which may indicate growth opportunities in the future. Only 11% of the population older than 15 years holds an account with a financial institution whereas just 8% of this population has borrowed from one. Important information such as quality of banking assets or capitalization is not present in World Bank’s database; therefore could not be included in this thesis. On the other hand, ROE, the key performance indicator, is higher than the MENA average.

4.2.3 Country-specific rationales

The relevant fiscal periods to grasp the macroeconomic strength of Iraqi economy are 2011 and 2012. Table 6 reveals the macroeconomic measures of Iraq in 2011 and 2012.

Table 6. Macroeconomic Measures of Iraq

Iraq	2011	2012
Nominal GDP (USD billion)	181	218
Real GDP Growth (%)	10.2	12.6
Population (million)	31.8	33
GDP per head (USD dollar at PPP)	13,215	14,813
Recorded unemployment (average %)	15.2	15.2
Central government debt (% of GDP)	N/A	N/A
Exchange rate (USD/EGP)	1,170	1,166
Consumer prices (average %)	5.6	6.1
Producer prices (average %)	N/A	N/A
Current-account balance (USD million)	26	30
Total international reserves (USD million)	61,041	70,327

Because of the armed conflict going on in Iraq and disruptions in collecting correct information in the period of question, a part of economic data for Iraq are missing. However, the available information is enough to conclude on that despite the generated revenue in the economy, the environment for investors was not good enough. Several bulky oil-field and infrastructure projects were on the process; yet the violence continued to disrupt economy. The ease of doing business addresses a bad sentiment with an Iraqi rank of 159 in 2012 (International Finance Corporation, 2012). Iraq used not to be rated by rating agencies up until 2015. Indeed, the country was graded in non-investment status even in 2015.

Taking the malfunctioning institutions all the time, all the political turmoil and downturns Iraq experienced in the last fifteen years into consideration, the banking sectors' situation is not the major question. The question in the case of Iraq is whether it is rational to expect a profitable banking industry in a near future. The geographical location fits into QNB's expansion ambitions, as Iraq is a large state in the MENA region. However, there is no obvious rationale for trade. Qatar is an insignificant trade partner for Iraq both in terms of exports and imports with shares less than 1%.

4.3 Arab Finance House

Qatar Islamic Bank Societe Anonyme Qatar (QIB SAQ) is the second largest bank of Qatar after Qatar National Bank (QNB). Owned by the state, it is the biggest Islamic bank of the country. The Bank involved in the foundation of Arab Finance House in 2002 in Beirut, Lebanon. Arab Finance House is also an Islamic bank. In 2013, the QIB increased its stakes in Arab Finance House from 37% to 99.99% (Qatar Islamic Bank, 2013). In other words, QIB extended its existence in Lebanese banking market in 2013, after the Arab Spring.

4.3.1 Bank-specific rationales

The handicap about the assessment of bank specific rationales is the absence of published financials by the Bank. QIB discloses financial information and its reports are available online as a consolidated basis. However, there are no separate annual or interim reports belonging to Arab Finance House.

4.3.2 Sector-specific rationales

The fiscal periods of 2011 and 2012 must be looked at to understand the attractiveness of Lebanese banking sector in the time of the acquisition decision. Selected data from these reporting years are put in Table 7.

Table 7. Sector Specific Factors for Banking in Lebanon

Banking Year	2011	2012
Bank Z-score	28.90%	31.30%
Foreign bank assets among total bank assets (%)	30.00%	29.00%
Loan from a financial institution in the past year (% age 15+)	11.30%	N/A
Account at a formal financial institution (% age 15+)	37.00%	N/A
5-bank asset concentration	75.60%	73.70%
Bank concentration (%)	50.00%	48.20%
Bank capital to total assets (%)	7.60%	N/A
Liquid assets to deposits and short term funding (%)	30.80%	32.90%
Bank Loans to Bank deposits (%)	35.20%	36.90%
Bank ROA (%, after tax)	1.00%	1.00%
Bank ROE (%, after tax)	10.60%	10.80%
Bank nonperforming loans to gross loans (%)	3.80%	3.80%
Provisions to nonperforming loans (%)	62.00%	60.90%

Lebanon has an open, sound and one of the most developed financial sectors of the whole region. Despite the problems in reaching financial data for Arab Finance House, the bank is not a representative for the Lebanese banking sector for which finding information is relatively easy compared to other MENA countries. The types of banks in the system are various: small, medium and large-size private owned commercial banks; medium and long-term credit and investment banks; Islamic banks; Lebanese, foreign and mixed banks (Association of Banks in Lebanon, 2015).

The sector is highly liquid with loans/ deposits ratios below 40%. Main reason of this liquidity is the remittances coming from Lebanese diaspora across the world. NPLs are in controllable levels with coverage ratios above 60%. Lebanon is an upper middle income country in MENA region according to World Bank classification. In the fiscal years of 2011 and 2012, average ROE for MENA was 12.05% and the average ROE for upper middle income countries was 11.7%. In Lebanon, average ROE of the two years preceding the acquisition was 10.70% which is modest but still fair compared to the region.

4.3.3 Country-specific rationales

Selected criteria to evaluate Lebanese economy for the years 2011 and 2012 are located in Table 8.

Table 8. Macroeconomic Measures of Lebanon

Lebanon	2011	2012
Nominal GDP (USD billion)	40	44
Real GDP Growth (%)	0.9	2.8
Population (million)	4.5	4.7
GDP per head (USD dollar at PPP)	16,073	16,446
Recorded unemployment (average %)	6.2	6.2
Central government debt (% of GDP)	5.8	8.9
Exchange rate (USD/ LBP)	1,507.50	1,507.50
Consumer prices (end-period %)	3	10.1
Producer prices (average %)	N/A	N/A
Current-account balance (USD million)	-4,859	-10,033
Total international reserves(USD million)	48,141	52,498

Lebanon is in a good location for banking services. It possesses one of the best human resources and systems of banking in the whole region. Therefore, it is a good choice in terms of regional investment. Because of the ongoing political and security risks, economic activity in Lebanon faces disruptions; yet the country proved to be resilient. On the other hand, economic fundamentals are far from being sunny with large current account deficit and modest growth rates. Although the producer prices are lacking in above table; the consumer price indices indicates skyrocketed inflation (IMF, 2012). The Arab Spring was not experienced in Lebanon as it was in Tunisia or Libya. The sectarian nature of Lebanese society changed the form of upheavals and uprisings in the country. Instead of united and penetrative actions, many divided Lebanese demand revolution. The impact of the Arab Spring on Lebanon is more felt in the form of refugees originating from Syria which put additional pressure on the economy. In 2012, Lebanon ranked 103rd out of 183 countries in ease of doing business index. Together with its non-investment grade ratings, the country was a dubious investment destination. Lebanon is also non-existent among the important trade partners of Qatar. Country's share among Qatar's total foreign trade is below 5%. In terms of GDP growth, 2011 and 2012 average growth rate was modest with 1.85%. The country posted growth; yet it fell behind MENA average of 3.43%. Therefore, investing in Lebanon rather than any other country is not fully justifiable.

4.4 Bank of Commerce and Development

On April 15, 2012, Qatar National Bank (QNB) Group has announced acquisition of a 49% stake in the Bank of Commerce and Development. Mr. Ali Shareef Al-Emadi, QNB Group CEO named this acquisition as strategic partnership and expressed confidence. He said that this acquisition is in line with QNB Group's strategic plan of international expansion in selected and promising markets (QNB, 2012). The deal was finalized in 2013.

In 2013, Libyan Central Bank Governor Saddiq al-Kabir, announced that no new foreign banking licenses would be issued until after a new constitution and government were in place, but foreign banks might enter the market through management details or by buying up to 49% of existing local banks. This may explain the QNB's 49% share in Bank of Commerce and Development, as it was the maximum that QNB could take.

4.4.1 Bank-specific rationales

The latest available financials of Bank of Commerce and Development belong to 2011 fiscal period. From this year on, the Bank does not share financials with the public and with the banking databases. Since the acquisition has been made in the third quarter of 2012, 2010 and 2011 data is suitable for the study. Thus, key performance indicators of 2010 and 2011 are placed in Table 9.

Table 9. Balance Sheet and Income Statements of Bank of Commerce and Development

Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%, after tax)	ROE (%, after tax)	NPL Ratio (%)
2010	1,820	89	294	1,601	12	N/A	N/A	18.36%	0.66%	13.48%	7.83%
2011	2,010	75	298	1,770	1	N/A	N/A	16.84%	0.05%	1.33%	9.74%

As Table 9 shows, Bank of Commerce and Development is a small bank with limited lending opportunities. NPLs are high and capitalization ratio is unavailable. From the existent financials, an equity/ total assets ratio of 3.73% can be calculated for 2011 which is very low, as this ratio is must be around 10% for a meaningful buffer. ROE average for 2011 and 2012 is 7.41% which is above Libyan banking sector average of 3.90%. But, it must be noted that ROE dropped significantly in 2011 to 1.3% level, and from then on never reported. The Bank is unattractive for investment, in all aspects.

4.4.2 Sector-specific rationales

Relevant data to assess the state of Libyan financial sector are placed in Table 10.

Table 10. Sector Specific Factors for Banking in Libya

Banking Year	2010	2011
Bank Z-score	50.90	66.10
Foreign bank assets among total bank assets (%)	N/A	N/A
Loan from a financial institution in the past year (% age 15+)	N/A	N/A
Account at a formal financial institution (% age 15+)	N/A	N/A
5-bank asset concentration	97.70	97.60
Bank concentration (%)	79.00	92.50
Bank capital to total assets (%)	N/A	N/A
Liquid assets to deposits and short term funding (%)	97.70	96.10
Bank Loans to Bank deposits (%)	24.00	22.80
Bank ROA (%, after tax)	0.70	0.30
Bank ROE (%, after tax)	5.70	2.10
Bank nonperforming loans to gross loans (%)	N/A	N/A
Provisions to nonperforming loans (%)	N/A	N/A

Libyan banking sector is known for its high concentration. The biggest four banks, namely Jumhouria Bank, National Commercial Bank, Wahda Bank, and Sahara Bank, dominate the sector. The infrastructure is very weak and bank transfers are subject to strict capital controls. Any foreign exchange (FX) transfer outside of the country requires the approval of Libyan Central Bank. After the Arab Spring, from time to time, Libya even restricted or stopped foreign trade payments. The reasons of such control are explained as rationalization of current account and exchange rates, by Libyan Central Bank (CBL, 2017). Credit opportunities are very low as there is no diversity in economic activity making the sector's loan/ deposit ratio 22.30% in 2011. Average ROE is 3.9% for 2010 and 2011 fiscal years. Compared to the MENA average in the same period which was 11.4%, this ROE does not justify entrance decision to Libya. Libya is an upper middle income country. In the years 2010 and 2011, average ROE for upper middle income countries was 11.9%. Libyan banking sector's profitability is very low in comparison to both.

4.4.3 Country-specific rationales

The acquisition of Bank of Commerce and Development is finalized in 2013, making 2011 and 2012 data relevant for the construction of investment decision. Macroeconomic indicators of Libya for these periods are illustrated in Table 11.

Table 11. Macroeconomic Measures of Libya

Libya	2010	2011
Nominal GDP (USD billion)	69	29
Real GDP Growth (%)	4.3	-61.4
Population (million)	6	6.1
GDP per head (USD dollar at PPP)	20,407	7,958
Recorded unemployment (end-period %)	18.5	17.7
Central government debt (% of GDP)	4.8	12
Exchange rate (USD/ LD)	1.25	1.26
Consumer prices (end-period %)	3.3	26.6
Producer prices (average %)	N/A	N/A
Current-account balance (USD million)	16,801	-2,799
Total international reserves (USD million)	99,839	104,955

Libya's economic indicators deteriorated sharply in 2011, as can be seen from Table 11. GDP dropped tremendously because of the security problems by 28.55%. It worth to note here the day of rage, February 17, 2011, and the overthrown of forty years Dictator Muammer al-Qaddafi. The Arab Spring has changed a lot regarding the political and economic environment in Libya which is highly dependent on hydrocarbons sector. The disruption in oil production was automatically translated into GDP and current account deficit (CAD) figures. The inflation went out of control, and high unemployment continued. Libya was absent in World Bank's ease of doing business report and the country was not rated. The country is not among Qatar's important trade partners. The economic fundamentals are undoubtedly weak and taken together with the geopolitical risks, an investment decision to Libya in this specific period is highly questionable.

4.5 Commercial Bank International

Commercial Bank International is a small bank in United Arab Emirates. Despite being the 18th bank of the country in terms of asset size, the bank enjoys investment grade ratings from Fitch (A-/ F1). Its majority shares are held by various Emirati individuals whilst 40% of shares are held by QNB. QNB was already a shareholder with Commercial Bank International before the Arab Spring. It increased its shares to 40% in the third quarter of 2012. Therefore, there is no acquisition from scratch. This increase- like in the other markets, which QNB expands to- was announced as a part of QNB's international expansion strategy (Arab News, 2012).

4.5.1 Bank-specific rationales

The two fiscal periods which precede the acquisition are 2011 and 2012. As the acquisition is made by the end of 2012, 2012 balance sheet items are valid for examination. Selected performance indicators are put in Table 12.

Table 12. Balance Sheet and Income Statements of Bank of Commercial Bank International

Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%, after tax)	ROE (%, after tax)	NPL Ratio (%)
2011	3,104	470	1,988	2,488	18	N/A	19.39%	79.90%	0.58%	3.83%	N/A
2012	3,468	546	2,226	2,688	68	16.20%	18.08%	82.81%	1.96%	12.45%	20.00%

The unhealthy assets with an NPL ratio of 20% are the major point in Table 12. Besides this clear weakness, other performance indicators of Commercial Bank International are not as poor as NPL. ROE jumped to 12.45% in 2012, making average ROE for 2011 and 2012 fiscal periods 8.14%. Despite this prominent jump, bank average ROE is still below sector's average ROE of 11.8% and MENA's average ROE of 12.05%. Then again, QNB's decision to raise shares might have been affected from the remarkable increase in income.

4.5.2 Sector-specific rationales

Time period for the examination of the Emirati banking sector is the years of 2011 and 2012. Relevant measures to assess the attractiveness of the Emirati financial industry are included in Table 13.

Table 13. Sector Specific Factors for Banking in United Arab Emirates

Banking Year	2011	2012
Bank Z-score	25.90%	26.40%
Foreign bank assets among total bank assets (%)	1.00%	1.00%
Loan from a financial institution in the past year (% age 15+)	10.80%	N/A
Account at a formal financial institution (% age 15+)	59.70%	N/A
5-bank asset concentration	81.10%	81.60%
Bank concentration (%)	60.90%	61.30%
Bank capital to total assets (%)	17.20%	16.80%
Liquid assets to deposits and short term funding (%)	21.90%	24.50%
Bank Loans to Bank deposits (%)	105.20%	103.20%
Bank ROA (%, after tax)	1.60%	1.70%
Bank ROE (%, after tax)	11.50%	12.10%
Bank nonperforming loans to gross loans (%)	7.20%	8.40%
Provisions to nonperforming loans (%)	90.00%	85.10%

United Arab Emirates’ banking sector is one of the strongest in the region. The domestic banks are strong and a variety of foreign banking groups are also existent in the country both in forms of subsidiaries or branches. State banks are the largest and they dominate the market. Lending opportunities are various. Capitalization is strong. In fact, sector’s capitalization peaked in 2011 with a ratio above 21% (Central Bank of the UAE, 2014). NPLs are high; but this is common to whole region. Average NPL of MENA in years 2011 and 2012 was 10.4%, higher than UAE’s average of 7.8%. Moreover, with percentages above 85%, provisions were in adequate levels in the preceding period of the acquisition. UAE is a high-income country. Therefore, comparison of the average ROE with MENA and high income countries group is meaningful. The average ROE in years 2011 and 2012 is 11.8%. The MENA average ROE for the same years was 12.05% whereas high income country group average ROE was 9.3%. The Emirati banking sector lagged behind of MENA peers in terms of ROE.

4.5.3 Country-specific rationales

Economic indicators of United Arab Emirates are added in Table 14, and the implications are discussed, subsequently.

Table 14. Macroeconomic Measures of United Arab Emirates

United Arab Emirates	2011	2012
Nominal GDP (USD billion)	349	384
Real GDP Growth (%)	3.9	4.4
Population (million)	7.1	7.5
GDP per head (USD dollar at PPP)	54,310	54,665
Recorded unemployment (end-period %)	4.1	4
Central government debt (% of GDP)	45.3	42.6
Exchange rate (USD/ DH)	3.67	3.67
Consumer prices (end-period %)	0.9	0.7
Producer prices (average %)	N/A	N/A
Current-account balance (USD million)	50,955	66,560
Total international reserves(USD million)	37,269	47,035

United Arab Emirates is classified as high income country with its high GDP per capita. Current account displays a plus for the period. Growth rate had increased in 2012 and government debt shrank. In terms of macroeconomic indicators, the country overall seems healthy making it an attractive place to invest: Ease of doing business index ranks the country in the 33rd place in 2012; and the country enjoys investment grade ratings. Geographically, the home and host countries are close; both are located in the Gulf and neighbors by the sea. There is also a substantial trade flow between the countries. Qatar's share in UAE's exports and imports is more than 1% of the total foreign trade of the country. Furthermore, UAE's share in Qatar's foreign trade is above 5%, making the two countries important trade partners. In terms of thesis' key performance indicator, GDP growth, UAE performed better than MENA peers which on average posted 3.43% GDP growth. United Arab Emirates' average GDP growth for 2011 and 2012 is 4.15%.

4.6 Emirates NBD Egypt

On December 20, 2012, Banque Nationale de Paris Paribas (BNP Paribas) announced in its corporate web-site the sale of its Egyptian subsidiary BNP Paribas Egypt Société Anonyme Egyptienne (SAE.) to Emirates NBD. With the agreement, BNP Paribas Group sold 95.2% of its shares to Emirates NBD. In the respective press release, Emirates NBD's CEO stated that this acquisition was for Emirates NBD's strategy to be the leading MENA bank. He further named the deal as an ideal opportunity to enter the "important Egyptian market" (BNP Paribas, 2012). After the completion of the transaction, name of the bank changed to Emirates NBD Egypt on February 17, 2014. The bank remains as the biggest investment of Emirates NBD in the MENA region, so far. Emirates NBD also holds a minority share of 7.56% in Bank of Beirut of Lebanon. As of 2017, Emirates NBD is the biggest state bank of Dubai, second largest state bank of the country, and the 17th largest bank of the World.

4.6.1 Bank-specific rationales

Acquisition negotiations for BNP Paribas Egypt S.A.E. started in 2012 and completion of acquisition occurred at the beginning of 2013. Therefore, the examination of 2011 and 2012 balance sheets and income statements of then- named BNP Paribas Egypt SAE may be useful. Selected data from these balance sheets and income statements are placed in Table 15.

Table 15. Balance Sheet and Income Statements of Bank of Emirates NBD Egypt

Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%, after tax)	ROE (%, after tax)	NPL Ratio (%)
2011	2,695	310	1,066	2,306	37	N/A	54.03%	46.23%	1.37%	11.94%	N/A
2012	2,576	318	951	2,194	42	17.94%	57.38%	43.35%	1.63%	13.21%	5.11%

The results of 2011 and 2012 years exhibit a growing balance sheet. Table 15 is prepared in USD terms for the sake of being comparative. On the other hand, due to the changes in the exchanges rates, the table did not capture the growth in total asset size, which is significant in Egyptian Pound (EGP) terms. Net income and the liquidity ratio also increased in this period. Table 15 and Table 16 of the following section show that NPL ratio of the bank is good in comparison to the banking sector in Egypt. Capitalization was strong with a CAR ratio of 17.94% in 2012. This ratio is more than twice of what is legally required in Europe and Turkey. The improvement in ROE which is the key indicator for equity investors was also positive. Average ROE for 2011 and 2012 was 12.57%, higher than sector average.

4.6.2 Sector-specific rationales

Sector-related information for Egyptian banking industry are located in Table 16 which depicts the data from the years 2011 and 2012.

Table 16. Sector Specific Factors for Banking in Egypt in 2011 and 2012

Banking Year	2011	2012
Bank Z-score	14.80	16.90
Foreign bank assets among total bank assets (%)	24.00	23.00
Loan from a financial institution in the past year (% age 15+)	3.70	N/A
Account at a formal financial institution (% age 15+)	9.70	N/A
5-bank asset concentration	69.10	69.10
Bank concentration (%)	59.00	58.70
Bank capital to total assets (%)	6.20	7.20
Liquid assets to deposits and short term funding (%)	34.70	22.60
Bank Loans to Bank deposits (%)	48.80	48,6
Bank ROA (%, after tax)	0.70	1.00
Bank ROE (%, after tax)	10.40	14.40
Bank nonperforming loans to gross loans (%)	10.90	9.80
Provisions to nonperforming loans (%)	94.60	97.10

As the data in Table 16 and Table 17 show, Egypt is a large country with a large population that does not hold a bank account. Therefore, the market offers growth opportunities. On the other hand, as the loan/ deposit ratios in the table would also suggest, lending volume is restricted. Because of the restrictive operating environment, banks are hesitant to extend loans to new customers. Start-ups and entrepreneurial activity is limited. One prominent common feature of Egyptian banks' balance sheets is large government security portfolios. Since the lending activities are risky and government borrows from high rates, the profitability is largely dependent on sovereign debts. Compared to the lower middle income countries' average ROE of 15%, Egyptian banking sector's average ROE in years 2011 and 2012 is less. On the other hand, this ratio is in line with MENA average ROE, which is 12.05% in this period.

4.6.3 Country-specific rationales

The attractiveness of Egyptian economy before the BNP Paribas Egypt SAE. acquisition is discussed in this section. Relevant measures illustrating the state of Egyptian economy in 2011 and 2012 are placed in Table 17.

Table 17. Macroeconomic Measures of Egypt in 2011 and 2012

Egypt	2011	2012
Nominal GDP (USD billion)	231	259.9
Real GDP Growth (%)	1.8	2.2
Population (million)	79.4	80.7
GDP per head (USD dollar at PPP)	6,469	6,617
Recorded unemployment (end-period %)	12	12.7
Central government debt (% of GDP)	84.3	86.1
Exchange rate (USD/ EGP)	5.94	6.06
Consumer prices (average %)	10.1	7.1
Producer prices (average %)	14.8	2.5
Current-account balance (USD million)	-7,901	-8,816
Total international reserves(USD million)	17,659	14,931

Egypt is a lower middle income country with a large population and modest GDP. Earlier section on Egypt focuses on the years 2013 and 2014. In years 2011 and 2012, the economy was growing; but annual growth rate was still lower than the MENA average, 3.4%. The reserves fell sharply in and halved in USD terms in 2011. Unemployment and inflation was high (mainly stemmed from rising oil, fruit and vegetable prices, higher public wages and easing of monetary public stance). Egyptian economy was experiencing difficulty in adjusting the crisis hurt atmosphere. Weak consumer and business confidence hindered economy’s expansion as well as the depression in gas and tourism sectors. The country faced significant FX shortages and weak domestic investment. In this period, foreign aid arrived in the form of investments. Turkey and Qatar granted a total of USD 5 billion to the country to ease the financial situation. Moreover, Egypt signed a USD 4.8 billion worth of standby agreement with IMF (IMF, 2012). Trade and commercial relations between United Arab Emirates and Egypt has been increasing. The acquisition was completed on in the second quarter of 2013. In the next fiscal quarter, trade volume between the two countries was reported to be USD 2.5 billion. Just in one year, this figure has increased by 21.5% (Dubai Customs, 2015). Another positive development following the acquisition is the financial support coming from Saudi Arabia, UAE and Kuwait. On the other hand, according to World Bank's doing business survey, in 2012 Egypt ranked 110th among 183 countries. The country was rated as non-investment by the leading rating agencies. When assessed according to GDP growth, it is seen that Egypt grew smaller than MENA average in the period over 2011 and 2012. Egypt's GDP growth was 2% whereas MENA grew by 3.43% in these years.

4.7 Qatar National Bank Tunisia

Qatar National Bank Tunisia is a small player in Tunisian banking sector. It is the 14th bank in the country, in terms of asset size. Qatar National Bank had already owned 50% of Qatar National Bank Tunisia, as the Bank's initial name also recommends: Banque Tuniso-Qatarie d'Investissements. The acquisition in 2013 is a significant share increase rather than a buy-out (Al Arabiya News, 2013). By the acquisition of 49.96% stake of Tunisian Qatari Bank in 2013, QNB's ownership stake was brought to 99.96%. The acquired shares address an important percentage change.

4.7.1 Bank -specific rationales

Qatar National Bank Tunisia's key balance sheet and income statement items, as well as its performance indicators are included in Table 18.

Table 18. Balance Sheet and Income Statements of Qatar National Bank Tunisia

Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%, after tax)	ROE (%, after tax)	NPL Ratio (%)
2011	219	44	163	144	1	20.05%	18.72%	113.19%	0.59%	2.96%	11.06%
2012	368	40	229	283	1	10.79%	33.83%	80.92%	0.18%	1.71%	5.64%

The bank's asset size is small and income level is tiny. Capital adequacy ratio declined sharply in 2012 while asset health recovered. Total equity of the bank is also small making the acquisition's cost unimportant. Despite being very modest, profitability exists. Average ROE for the years 2011 and 2012 is 2.34% which is below the Tunisian banking sector average ROE of 6%. Qatar National Bank Tunisia's ROE is the quarter of MENA's. In the same period, MENA posted an average ROE of 12.05%.

4.7.2 Sector -specific rationales

Selected measures for Tunisian banking sector in the years 2011 and 2012 are located in Table 19.

Table 19. Sector Specific Factors for Banking in Tunisia

Banking Year	2011	2012
Bank Z-score	13.40%	12.60%
Foreign bank assets among total bank assets (%)	30.00%	28.00%
Loan from a financial institution in the past year (% age 15+)	3.20%	N/A
Account at a formal financial institution (% age 15+)	32.20%	N/A
5-bank asset concentration	62.10%	63.10%
Bank concentration (%)	41.10%	41.70%
Bank capital to total assets (%)	8.50%	7.80%
Liquid assets to deposits and short term funding (%)	18.50%	21.00%
Bank Loans to Bank deposits (%)	126.60%	126.90%
Bank ROA (%, after tax)	0.40%	0.50%
Bank ROE (%, after tax)	5.40%	6.60%
Bank nonperforming loans to gross loans (%)	13.30%	14.90%
Provisions to nonperforming loans (%)	48.50%	45.90%

Banking sector of Tunisia has always been weak. In the time of acquisition, the three large state-owned banks were in need of recapitalization. The government committed to provide an IMF standby-loan of USD 1.74 billion to strengthen the banking sector. The sector suffered from fragmentation, heavy weight of NPLs, capital shortages, customer service weaknesses, inadequate regulation and poor results. These flaws had been exacerbated by the recession in 2011 and were particularly severe in the state-owned banks that dominate the system (Walker, 2013). Table 19 illustrates the measures of Tunisian banking sector. Average ROE of the sector was 6%, half of MENA ROE of 12.05%. The Tunisian banking sector in the years 2011 and 2012 was anything but appealing.

4.7.3 Country-specific rationales

To understand the logic behind investing in Tunisia, the economic well-being of the country before the acquisition must be examined. Selected measures which assess the attractiveness of the economy are in Table 20.

Table 20. Macroeconomic Measures of Tunisia

Tunisia	2011	2012
Nominal GDP (USD billion)	46	45.6
Real GDP Growth (%)	-2	3.6
Population (million)	10.8	10.9
GDP per head (USD dollar at PPP)	8,244	8,594
Recorded unemployment (end-period %)	18.3	17.4
Central government debt (% of GDP)	44	46
Exchange rate (USD/ TD)	1.41	1.56
Consumer prices (average %)	3.5	5.6
Producer prices (average %)	6.5	6.5
Current-account balance (USD million)	-3,386	-3,773
Total international reserves(USD million)	7,457	8,360

Rebounding from the 2% GDP contraction in 2011, the economy grew by 3.6% in 2012. In the years preceding the acquisition, unrest was going on in the country with a significant unemployment (over 15%) but investor confidence was recovering. The country's main trading partner European Union was displaying a slow recovery following the Euro-crisis which was reflected in Tunisian economy in the form of lesser external demand. Average MENA GDP growth rate was 3.4% for the years 2011 and 2012. Compared to the MENA region Tunisian economy growth looks sluggish. In fact, before The Arab Spring Tunisia was evaluated as investment grade by the three main rating agencies (Moody's, S&P, Fitch). However, in 2012 the country experienced a series of downgrades and lost its investment grade status. Tunisia is not a significant trade partner for Qatar. Tunisia's historical trade partners include European countries as well as neighbors. The composition of exports and import destinations was similar in 2012, too. France was the main trade partner, followed by Italy.

4.8 QNB Al Ahli Egypt

In December 2012, QNB reached an agreement with Société Generale of France to buy the Egyptian subsidiary of the French banking group in exchange of USD 2 billion. QNB's CEO stated that the acquisition was about QNB's international expansion strategy and was an attempt to diversify revenues. He also emphasized the significant growth opportunity in the Egyptian market (Hunter, 2012). The Egyptian Financial Supervisory Authority (EFSA) has approved the sale in February 2013 (Salah, 2013). The deal was finalized in same year's June. On November 24, 2013, National Société Générale Bank SAE name changed as Qatar National Bank Al Ahli SAE. It is also interesting that the acquisition is actualized just two quarters before the Emirates NBD's acquisition of BNP Paribas Egypt SAE. Two Gulf state-owned banks acquired two French subsidiaries in the same country right after one another.

4.8.1 Bank-specific rationales

As the sale of NSBG to QNB Group is finalized in 2013, the performance of NSBG in the two years preceding the acquisition is relevant. Selected data from 2011 and 2012 are put in Table 21.

Table 21. Balance Sheet and Income Statements of QNB Al Ahli Egypt

Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%, after tax)	ROE (%, after tax)	NPL Ratio (%)
2011	10,343	1,234	5,609	8,577	243	N/A	40.83%	65.40%	2.35%	19.69%	N/A
2012	10,519	1,343	5,612	8,630	242	14.73%	40.99%	65.03%	2.30%	18.02%	2.83%

At the time of the acquisition, Nationale Societe Generale Egypt was the second largest private bank of the country after Commercial International Bank. In the whole sector, the Bank is the fourth biggest in terms of asset size. Table 21 and Table 16 of 1.1.6.2 show that NPLs, capitalization and ROE ratios were all better compared to the sector. Asset size was growing with sufficient liquidity. QNB Al Ahli generated significantly higher ROEs compared to Egyptian banking sector. 2011 and 2012 average ROE of the bank was 18.86% whilst this ratio was 12.40% in Egypt, and 12.05% in MENA. All in all, the bank was and still is a good player in Egyptian banking sector and presence in Egypt through this acquisition makes sense in business terms.

4.8.2 Sector-specific rationales

QNB's acquisition of NSGB coincides with Emirates NBD's acquisition of BNP Paribas Egypt. Therefore, these two acquisitions' data fall into the same fiscal periods. So, Emirates NBD case's sector section which is 4.6.2 can also be used for QNB Al Ahli case. Please refer to Table 16 for corresponding information.

4.8.3 Country-specific rationales

Please refer to Table 17 and Emirates NBD case's country section which is 4.6.3 for general macroeconomic data. For bilateral trade relations, it can be added that Qatar accounts for 1% of Egypt's export destinations whereas it holds an insignificant place in terms of imports with a share less than 1% (Observatory of Economic Complexity, 2017). Egypt is absolutely not one of the main trade partners of Qatar.

4.9 Housing Bank for Trade and Finance

QNB was existent among owners of Housing Bank for Trade and Finance (HBTF) which is hosted in Jordan. In 2011, there was a slight increase of 0.5% through stock exchange which did not affect the overall shareholder structure. QNB still does not have a controlling stake (34.5%) in HBTF. Although the case is revealed in this thesis for the sake of completeness, the increase was a result of ordinary stock exchange transaction, and the transaction is clearly not a cross-border investment decision. On the other hand, in order to complete the picture, and provide insight to QNB's overall expansion strategy and its motives the case worth mentioning. In the sixth chapter, politics related to Jordan will also be discussed among other cases.

4.10 Summary for targets' rationales

Although it may lead to some oversimplification, in order to streamline the comparison of cases and summarize the economic indicators, key performance indicator for bank specific and sector specific rationales is taken as ROE and key performance indicator for country specific rationale is selected as GDP growth, following the literature. A summary table illustrating the economic aspect of the acquisitions is constituted. ROE refers to the average ROE of the two fiscal yearly periods preceding the acquisition. Similarly, GDP growth refers to the subject economy's growth in the two fiscal years before the acquisition. Summary tables are prepared for two reasons: First, they enable to compare an individual bank's performance with the sector's performance so that it can be seen whether a bank is in front of or lags behind the sector. Second, MENA averages provide ease in relating the institutions' figures with the overall region. In Table 22, Table 23, and Table 24, the abbreviation J. stands for justifiable investment decision whereas N.J. stands for non-justifiable investment decision in comparison to sector's average ROE, region's average ROE and region's average GDP growth.

4.10.1 Bank-specific rationales' summary

Table 22 is prepared to summarize the results of case studies. Targets' average ROE ratios are compared with their sectors' average ROE ratios to understand whether a specific acquisition decision was justifiable based on bank-specific rationales.

Table 22. The Summary Table for the Comparison of Bank's ROEs with Sector ROEs

Cases	Bank Average ROE	Sector Average ROE	Result
Al Ahli Bank of Kuwait Egypt	-3.65%	14.90%	N.J.
Al Mansour Investment Bank	7.02%	15.40%	N.J.
Arab Finance House	N/A	10.70%	N.J.
Bank of Commerce and Development	7.41%	3.90%	J
Commercial Bank International	8.14%	11.80%	N.J.
Emirates NBD Egypt	12.57%	12.40%	J
Qatar National Bank Tunisia	2.34%	6.00%	N.J.
QNB Al Ahli Egypt	18.86%	12.40%	J

4.10.2 Sector-specific rationales' summary

In summarizing the results of case studies on the second dimension which is sector-specific rationales, Table 23 is prepared. Average ROE ratios of the banking sectors of target banks are compared with their regions' average ROE ratios.

Table 23. The Summary Table for the Comparison of Sector's ROEs with the Region's ROEs

Cases	Sector Average ROE	MENA Average ROE	Result
Al Ahli Bank of Kuwait Egypt	14.90%	9.90%	J
Al Mansour Investment Bank	15.40%	12.05%	J
Arab Finance House	10.70%	12.05%	N.J.
Bank of Commerce and Development	3.90%	11.40%	N.J.
Commercial Bank International	11.80%	12.05%	N.J.
Emirates NBD Egypt	12.40%	12.05%	J
Qatar National Bank Tunisia	6.00%	12.05%	N.J.
QNB Al Ahli Egypt	12.40%	12.05%	J

4.10.3 Country-specific rationales' summary

In order to be an attractive market for foreign investment, an economy must post better GDP growth rates compared to peers. How targets' countries performed in terms of GDP growth in comparison to their region is summarized in Table 24.

Table 24. The Summary Table for the Comparison of Host Country's GDP Growth with the Region's GDP Growth

Cases	Host Country GDP Growth	MENA average GDP Growth	Result
Al Ahli Bank of Kuwait Egypt	3.10%	2.84%	J
Al Mansour Investment Bank	11.40%	3.43%	J
Arab Finance House	1.85%	3.43%	N.J.
Bank of Commerce and Development	-28.55%	4.41%	N.J.
Commercial Bank International	4.15%	3.43%	J
Emirates NBD Egypt	2.00%	3.43%	N.J.
Qatar National Bank Tunisia	0.80%	3.43%	N.J.
QNB Al Ahli Egypt	2.00%	3.43%	N.J.

4.10.4 Conclusion for chapter 4

Prior to the discussion of cases' results with regards to targets' performance, Table 25 is prepared. Table 25 provides a compact combination Table 22, Table 23 and Table 24.

Table 25. The Summary Table for the Acquired Banks

Cases	Bank	Sector	Country
Al Ahli Bank of Kuwait Egypt	N.J.	J	J
Al Mansour Investment Bank	N.J.	J	J
Arab Finance House	N.J.	N.J.	N.J.
Bank of Commerce and Development	J	N.J.	N.J.
Commercial Bank International	N.J.	N.J.	J
Emirates NBD Egypt	J	J	N.J.
Qatar National Bank Tunisia	N.J.	N.J.	N.J.
QNB Al Ahli Egypt	J	J	N.J.

As can be seen, no case fulfills the rationale for all three dimensions. The indicators analyzed in this section provide intuition for an acquisition's logic. Firm conclusions can be reached by assessing other measures indicated in economic rationales section, especially for cases containing missing data or when the indicators are so close to make a meaningful comparison. Summary for chapter four is the story of what the economics of the acquisition looked like before the acquisition. On the other hand, the possibility of acquisition decision's being made on expectations, must also not be overlooked. Acquirers' might have been invested for future performance rather than actual. Therefore, what has actually happened to the acquirer's balance sheets and income statements must be explored. Did the acquirers outperform their peers who chose to invest domestically or elsewhere but MENA? The next section is going to explore the acquirers' performance in the fiscal years following the acquisition decision.

CHAPTER 5

ECONOMIC RATIONALES: BIDDERS

From the press releases publicized after each acquisition case, it can be inferred that the common intention of acquirer banks can be summarized as regional expansion. Among the acquirer banks -Qatar National Bank, Qatar Islamic Bank, Emirates NBD, and Ahli Bank of Kuwait- the most active is Qatar National Bank which involved in six deals.

An acquisition will, of course, automatically lead to asset growth. However, whether the acquisition would help the parent banks in improving their specific balance sheet items or performance indicators is ambiguous before the acquisition. Therefore, the examination of the parent banks' results may be useful to better understand the economic logic behind the acquisitions. Since asset growth is a natural outcome of an acquisition, asset growth rate of the acquirer in comparison to other banks in the acquirer's banking sector may be a more meaningful indicator. In order to compare the growth rate of the acquirer with its peers' will help to see if investing cross-border generated more growth than investing in domestic market. Peer comparison is selected, because the growth rates of smaller banks will not be in line with the large state banks in concentrated banking sectors of the Gulf. As peers, the largest three state banks excluding the acquirer bank is chosen. State banks enjoy the opportunities, which private banks cannot due to the public institutions' credit policies and state agencies' transactions. Therefore, comparing the acquirer with the largest three state banks will be fair, but not enough. To get a clearer comprehension, comparing the acquirer with its largest private challenger will help. By this second assessment, the changes in acquirers' balance sheet and income statement can be grasped in comparison to biggest private bank of the country, which is assumed to be devoid of political inducements.

So, in this part, the average changes in acquirers' financials will be compared with the average changes in their state-owned competitors' financials, as well as their biggest privately-owned competitor's fundamentals for three periods to capture acquisition dates entirely and the whole impact on results up until the date of this thesis' preparation. Four acquirers will be examined, namely Qatar National Bank, Emirates NBD, Qatar Islamic Bank and lastly, Al Ahli Bank of Kuwait. Percentage changes in acquirer's financials is calculated and written in the summary tables for the 2013, 2014, and 2015 periods. As the calculations are made as year over year averages, the ratios seen in year 2013 also relies on 2012 data. The study uses the Year over Year averages in order to smooth out any potential shocks that may change the data unexpectedly. Consequently, the period after the acquisitions is captured through the average growth or contraction rates. Moreover, a unity with other acquirers is sustained. Year over year changes on fundamentals (assets, equity, loans, deposits, net income, capital adequacy ratio, liquidity ratio, return on assets, return on equity, and non-performing loans ratio) are calculated for the acquirer and the control group. As it is explained, the control group includes biggest three state banks, which are not acquirers, and the biggest private bank in the country. In order to offset the effect of extremes, a group average of each indicator, the average of each indicator for these state banks is also calculated. Since the private bank's characteristics are expected to be different from the state banks, the private bank's indicator is excluded from the average. The comparison of acquirer with its biggest private challenger is made, separately.

5.1 Qatar National Bank

QNB has increased its share in HBTF of Jordan in 2011, in Al-Mansour Bank in 2012, and in QNB Tunisia and Commercial Bank International in 2013. The acquisition of Libya's Bank of Commerce and Development occurred in 2012. Lastly, QNB finalized the acquisition of QNB Al Ahli Bank in Egypt in 2013's second quarter.

5.1.1 The average change in Qatar National Bank's fundamentals

Table 26 includes the year over year changes in assets, equity, loans, deposits, net income, capital adequacy ratio, liquidity ratio, return on assets, return on equity, and non-performing loans ratio of QNB. The details of QNB's financials in 2013, 2014 and 2015 are in Appendix B.

Table 26. Year over Year Changes in QNB's financials

Audited Financial Date	Assets	Equity	Loans	Deposits	Net Income	CAR	Liquidity	ROA	ROE	NPL
2013	20.88%	11.96%	24.31%	18.80%	13.23%	-25.71%	4.64%	-6.33%	1.14%	23.31%
2014	9.68%	7.84%	8.84%	14.34%	10.31%	3.33%	-4.81%	0.57%	2.29%	-1.22%
2015	10.73%	7.07%	14.80%	9.24%	7.68%	0.99%	5.09%	-2.75%	0.57%	-12.96%
AVERAGE	13.77%	8.96%	15.98%	14.13%	10.41%	-7.13%	1.64%	-2.84%	1.33%	3.04%

5.1.2 The average change in Qatar National Bank's peers' fundamentals

Table 27 demonstrates the three year averages of year over year changes in the financials of QNB in the first row, the biggest state banks of Qatar excluding QNB in the second row, and the biggest private bank in the third row. In Qatar, the biggest state-owned after Qatar National Bank, is Qatar Islamic Bank SAQ. However, it also made an acquisition and therefore will be examined separately. Hence, as the nearest competitors of Qatar National Bank, the subsequently biggest Qatari state-owned banks the Commercial Bank, Masraf Al Rayan, and Al Khalij Commercial Bank are chosen for comparison. In the three years following the acquisition, QNB performed better than its state-owned but domestically investing peers in terms of equity, asset health and net income growth. Income growth was also translated into better-than-peers ROE average. An interesting result is the lower asset growth rate in comparison to peers, despite the international expansion.

The biggest private bank in Qatar is Doha Bank. Therefore, this financial institution is chosen for comparison with QNB. Last row of Table 27 depicts the three-year average of year over year changes in Doha Bank's data. Similarly, QNB outperformed its private challenger in income growth, asset quality and ROE. Like in the case of state-owned peers, Doha Bank interestingly grew more than QNB in the period over 2013 and 2015.

Table 27. Year over Year Changes in QNB's Peers' Financials

Audited Financial Date (2013-2014-2015)	Assets (%)	Equity (%)	Loans (%)	Deposits (%)	Net Income (%)	CAR (%)	Liquidity (%)	ROA (%)	ROE (%)	NPL (%)
QNB	13.77	8.96	15.98	14.13	10.41	-7.13	1.64	-2.84	1.33	3.04
Biggest State Banks' Average*	15.50	5.08	26.75	17.86	2.90	-5.43	8.04	-9.60	-2.11	53.98
Biggest Private Bank's Average**	14.79	22.12	18.58	15.54	1.75	5.39	2.88	-11.20	-14.27	5.09

*The biggest state banks refer to the Commercial Bank, Masraf Al Rayan, and Al Khalij Commercial Bank. The detailed financials of each bank is in Appendix C.

**The biggest private bank is Doha Bank. Detailed figures of Doha Bank for 2013,2014 and 2015 fiscal years are included in the Appendix C.

5.2 Emirates NBD

Emirates NBD acquired the Egyptian subsidiary of BNP Paribas in the last quarter of 2012.

5.2.1 The average change in Emirates NBD's fundamentals:

Table 28 shows year over year changes in assets, equity, loans, deposits, net income, capital adequacy ratio, liquidity ratio, return on assets, return on equity, and non-performing loans ratio of Emirates NBD. The details of Emirates NBD's financials in 2013, 2014 and 2015 are in Appendix B.

Table 28. Year over Year Changes in Emirates NBD's Financials

Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	ROA (%)	ROE (%)	NPL Ratio (%)
2013	10.96%	14.29%	14.26%	11.51%	27.63%	-4.84%	6.98%	15.02%	11.67%	-20.21%
2014	6.13%	12.10%	-12.82%	3.94%	57.72%	7.23%	12.88%	48.62%	40.70%	-20.31%
2015	11.99%	8.53%	5.42%	11.84%	38.60%	-1.52%	8.85%	23.76%	27.71%	-5.14%
AVERAGE	9.69%	11.64%	2.28%	9.10%	41.32%	0.29%	9.57%	29.13%	26.69%	-15.22%

5.2.2 The average change in Emirates NBD's peers' fundamentals

Table 29 includes the three year averages of year over year changes in the financials of Emirates NBD in the first row, the biggest state banks of United Arab Emirates excluding Emirates NBD (National Bank of Abu Dhabi, Abu Dhabi Commercial Bank and Dubai Islamic Bank) in the second row, and the biggest private bank (First Gulf Bank) in the third row. The obvious strength of Emirates NBD in comparison to its state-owned and private peers has been the average growth in net income. This growth is reflected in liquidity, asset health, and capitalization. As expected, ROA and ROE of Emirates NBD were stronger than its peers' were. Since ROE is a major performance indicator, it can be concluded the acquisition of Emirates NBD Egypt makes sense in economic terms.

Table 29. Year over Year Changes in Emirates NBD's Peer's Financials

Audited Financial Date (2013-2014-2015)	Assets (%)	Equity (%)	Loans (%)	Deposits (%)	Net Income (%)	CAR (%)	Liquidity (%)	ROA (%)	ROE (%)	NPL (%)
Emirates NBD	9.69	11.64	2.28	9.10	41.32	0.29	9.57	29.13	26.69	-15.22
Biggest State Banks' Average*	6.94	14.13	21.23	10.73	24.98	-4.81	9.24	19.53	10.17	2.30
Biggest Private Bank's Average**	9.17	6.76	10.48	9.90	13.14	-5.60	0.65	3.68	5.92	-4.07

*The biggest state banks refer to National Bank of Abu Dhabi, Abu Dhabi Commercial Bank and Dubai Islamic Bank. The detailed financials of each bank are in Appendix C.

**The biggest private challenger of Emirates NBD is First Gulf Bank. Detailed figures of Doha Bank for 2013, 2014, and 2015 fiscal years are included in the Appendix C.

5.3 Al Ahli Bank of Kuwait

Al Ahli Bank of Kuwait's share transfers by Piraeus Bank to Al Ahli Bank of Kuwait finalized on November of 2015 and the Egyptian subsidiary took its place in consolidated financial statements of 2015 annual report of Al Ahli Bank of Kuwait. The rebranding of Piraeus Egypt as Al Ahli Bank of Kuwait was entirely completed in 2016.

5.3.1 The average changes in Al Ahli Bank of Kuwait's fundamentals:

Table 30 demonstrates year over year changes in assets, equity, loans, deposits, net income, capital adequacy ratio, liquidity ratio, return on assets, return on equity, and non-performing loans ratio of Al Ahli Bank of Kuwait. The details of Al Ahli Bank of Kuwait's financials in 2013, 2014, and 2015 are in Appendix B.

Table 30. Year over Year Changes in Al Ahli Bank of Kuwait’s Financials

Audited Financial Date	Assets	Equity	Loans	Deposits	Net Income	CAR	Liquidity	ROA	ROE	NPL
2013	6.83%	3.58%	6.15%	7.36%	16.82%	-2.60%	-1.13%	9.35%	12.78%	-50.67%
2014	5.76%	-0.31%	9.28%	6.80%	2.40%	-12.07%	2.32%	-3.18%	2.72%	-5.41%
2015	20.23%	-3.68%	25.79%	30.14%	-21.88%	-27.24%	-3.35%	-35.02%	-18.89%	-6.94%
AVERAGE	10.94%	-0.14%	13.74%	14.77%	-0.88%	-13.97%	-0.72%	-9.62%	-1.13%	-21.00%

5.3.2 The average changes in Al Ahli Bank of Kuwait’s peers’ fundamentals:

Table 31 which illustrates Al Ahli Bank of Kuwait’s performance vis a vis its peers, tells us that the only stronger point of Al Ahli Bank of Kuwait with respect to its local competitors has been the faster asset growth based on more rapid lending and deposit collection. Capitalization and liquidity went worse in the years following the acquisition of Al Ahli Bank of Kuwait Egypt. Moreover, other peers performed better in terms of profitability. Therefore, it cannot be concurred that the acquisition was a good decision in economic terms.

Table 31. Year over Year Changes in Al Ahli Bank of Kuwait’s Peers’ Financials

Audited Financial Date (2013-2014-2015)	Assets (%)	Equity (%)	Loans (%)	Deposits (%)	Net Income (%)	CAR (%)	Liquidity (%)	ROA (%)	ROE (%)	NPL (%)
Al Ahli Bank of Kuwait	10.94	-0.14	13.74	14.77	-0.88	-13.97	-0.72	-9.62	-1.13	-21.00
Biggest State Banks' Average*	4.80	6.89	4.07	5.54	12.87	0.17	-1.08	10.01	4.22	-10.45
Biggest Private Bank's Average**	0.84	-0.83	0.00	0.48	697.04	-2.60	-0.22	654.54	687.05	-26.44

*The biggest state banks refer to National Bank of Kuwait, Kuwait Finance House and Burgan Bank. The detailed financials of each bank are in Appendix C.

**The biggest private challenger of Al Ahli Bank of Kuwait is Commercial Bank of Kuwait. Detailed figures of Commercial Bank of Kuwait for 2013, 2014, and 2015 fiscal years are included in the Appendix C.

5.4 Qatar Islamic Bank

Qatar Islamic Bank is the second largest state-owned bank in Qatar, and it is the second Qatari bank, which involved in cross-border acquisition after the breakout of

The Arab Spring. Qatar Islamic Bank acquired Arab Finance House of Lebanon in 2013.

5.4.1 The average change in Qatar Islamic Bank's fundamentals

Table 32 reveals year over year changes in assets, equity, loans, deposits, net income, capital adequacy ratio, liquidity ratio, return on assets, return on equity, and non-performing loans ratio of Qatar Islamic Bank. The details of Qatar Islamic Bank's financials in 2013, 2014, and 2015 are in Appendix B.

Table 32. Year over Year Changes in Qatar Islamic Bank's Financials

Audited Financial Date	Assets	Equity	Loans	Deposits	Net Income	CAR	Liquidity	ROA	ROE	NPL
2013	5.68%	4.80%	15.25%	6.23%	17.80%	7.14%	8.49%	11.47%	12.40%	-43.48%
2014	24.26%	3.68%	22.79%	31.42%	25.82%	-11.51%	-6.57%	1.26%	21.36%	-8.65%
2015	32.16%	21.33%	48.11%	37.48%	21.83%	-3.70%	7.73%	-7.82%	0.41%	-27.37%
AVERAGE	20.70%	9.94%	28.72%	25.04%	21.82%	-2.69%	3.22%	1.64%	11.39%	-26.50%

5.4.2 The average changes in Qatar Islamic Bank's peers' fundamentals:

Here, the biggest state banks, which have not gone through a cross-border acquisition in MENA, are evaluated just as in the case of Qatar National Bank. The same Qatari banks will be yardsticks for Qatar Islamic Bank's performance. So, some data in Table 33 is the same with the ones in Qatar National Bank section (5.1.1). Qatar National Bank is the biggest state-owned bank of Qatar; yet it is not included in the calculation, as it also went under a series of cross-border acquisitions. Doha Bank, the biggest private bank of Qatar will be assessed like in Qatar National Bank case. Thus, some measures are identical of the one in Qatar National Bank section (5.1.2).

Table 33. Year over Year Changes in Qatar Islamic Bank's Peers' Financials

Audited Financial Date (2013-2014-2015)	Assets (%)	Equity (%)	Loans (%)	Deposits (%)	Net Income (%)	CAR (%)	Liquidity (%)	ROA (%)	ROE (%)	NPL (%)
Qatar Islamic Bank	20.70	9.94	28.72	25.04	21.82	-2.69	3.22	1.64	11.39	-26.50
Biggest State Banks' Average	15.50	5.08	26.75	17.86	2.90	-5.43	8.04	-9.60	-2.11	53.98
Biggest Private Bank's Average	14.79	22.12	18.58	15.54	1.75	5.39	2.88	-11.20	-14.27	5.09

*The biggest state banks refer to the Commercial Bank, Masraf Al Rayan, and Al Khalij Commercial Bank. The detailed financials of each bank is in Appendix C.

**The biggest private bank is Doha Bank. Detailed figures of Doha Bank for 2013,2014 and 2015 fiscal years are included in Appendix C.

Comparing Qatar Islamic Bank with its peers makes it evident that the bank grew faster both in deposits and in loans, and its asset growth was higher. In terms of income and profitability, Qatar Islamic Bank performed better than peers did, as well. Asset health is another strength area of Qatar Islamic Bank. After the acquisition, NPLs dropped sharply indicating more quality in bank's assets. Since ROE is an important performance indicator and since it is much more improved in Qatar Islamic Bank's income statement, it can be decided that acquisition of Arab Finance House Beirut made sense economically.

5.5 Summary for bidders' rationales

Taking the key performance indicator of financial performance as ROE, first acquirers' performances in the course of time is checked by looking at the year over year change averages of ROEs. Later, average changes in acquirers' ROEs are compared with the ROEs of peers. The justification of an acquisition decision is based on second comparison, on whether the profitability of the acquirer developed more than domestically investing peers. In fact, both comparisons lead to same conclusion: The cross-border banking acquisition in MENA economically made sense for Qatar National Bank, Emirates NBD, and Qatar Islamic Bank. The results are unsupportive only for Al Ahli Bank of Kuwait's decision to acquire its Egyptian subsidiary. Table 26 and Table 27 show that QNB's profitability has grown in the period over 2013 and 2015 and average ROE of the bank grew higher compared to other Qatari peers. Similar results are derived from Table 28 and Table 29: ROE of Emirates NBD increased remarkably in this period and this increase was higher than peers' average ROE rise. Conclusion for Qatar Islamic Bank can be reached from Table 32 and Table 33. Qatar Islamic Bank's ROE augmented and this augmentation was better compared to peers' three-year average ROE growth. The results were negative only for Al Ahli Bank of Kuwait. Table 30 and Table 31 demonstrate that Al Ahli Bank of Kuwait's three-year average ROE decreased while the peers' three-year average ROE values hiked. It must be noted that Al Ahli Bank of Kuwait Egypt acquisition occurred relatively late compared to other MENA acquisitions. Therefore, the three-year averages which are built to provide consistency may not wholly explain the effect of acquisition on Al Ahli Bank of Kuwait. On the other hand, the decrease in profitability seen in the first reporting year following the acquisition stands as a proof for poor economic rationale. Conclusions that are more accurate can be made when the 2017 financials of the bank are published.

As discussed, this thesis accepts a justifiable investment as the one, which improves ROEs. Therefore, as also summarized in Table 34, the acquisition decision is justifiable for Qatar National Bank, Emirates NBD and Qatar Islamic Bank whilst it is non-justifiable for Al Ahli Bank of Kuwait. In Table 34, J refers to economically justifiable acquisition and N.J. stands for economically non-justifiable acquisition.

Table 34. The Summary Table for Comparison of Acquirers with their Peers

Cases	With Regards to Control Group I	With Regards to Control Group II
Qatar National Bank	J	J
Emirates NBD	J	J
Al Ahli Bank of Kuwait	N.J.	N.J.
Qatar Islamic Bank	J	J

CHAPTER 6

POLITICAL RATIONALES

After examining the economic rationales for nine bank acquisitions made by state-owned Gulf banks, political motives are explored in chapter 6. Chapter 4 and chapter 5 of this thesis are built to test whether an acquisition makes sense economically. Being irrational in terms of economics does not automatically mean to be logical in terms of politics. What makes a cross-border bank acquisition logical in terms of politics is discussed in Chapter 6. The literature on state's influence on the direction of FDI links investor's countries interest with international investments. One of the most referred articles belong to Bergsten, Horst, and Moran (1979) in which they suggest government of United States policies for FDI, as multinationals are considered as an important component of national interest. Recently, Chinese state-owned enterprises' international investments attract attention. Chinese government encourages cross-border investments and developed an approving policy for outward investments (You, 2015). An example for the growing concern on remarkably increasing Chinese state-guided investments is provided by Drysdale (2011) who wrote about Australian State's efforts to control Chinese inflows. Among these efforts, there are limitations on the acquisition of shares in strategic sectors. Australians even elaborated ways to ensure that state-owned companies operating in Australian soil are devoid of home state's influence (Drysdale, 2011). Another example is from United States of America. Behaviors of Chinese companies are monitored and measures of surveillance are determined by Foreign Investment and National Security Act (FINSA). The need for control arises from the fact that foreign investors, chiefly the ones in strategic sectors do not need to be loyal to American interests (Globerman & Shapiro, 2009). It is also argued that states may be decisive in investment routes. Capital injections, insurance schemes, risk-sharing agreements promoted by public agencies affect the place of investments (Summary & Summary, 1995). Military allies are favorable places to invest in (Li, 2008). In specific regards to banks, it is empirically proven that government-owned banks are under political influences, as government owned banks increase their lending during election period (Dinç, 2005). These banks are also used to fund projects that are not lucrative but important for government's political aspirations (La Porta, Lopez-de-Silanes & Shleifer, 2002). Thus, there is a link between banking investments and politics. This study aims to elaborate this link. Two approaches are adopted to this aim: First, there is a political effect if a convergence in the foreign policies of home and host countries is observed. Secondly, there are political motives if the investing state is deriving political benefits out of investing in the host country. As described in the methodology section, a realist lens is adopted to explain the political motives of cross-border banking acquisitions in MENA. With a standard state-level realist approach, the focus is on foreign policies and political interests of host and home countries. The first step requires examination of foreign policies of the home and host countries, especially towards each other. Did they turn out to be friendlier? Did they converge? The second step is about answering to what forms the home country's political interest. These two questions will be the concentration throughout the section and each case will be examined with a special focus on foreign policy and political interest.

6.1 Qatar

Qatar National Bank has made the biggest number of acquisitions in the period following the Arab Spring. It is the biggest state-owned of Qatar. Understanding the political rationales behind the acquisitions requires the comprehension of Qatar's interests in international politics. Qatar's elementary foreign policy is developed on three pillars. The country's first and foremost objective is survival. As a small state, independent standing in a troubled region is not easy. Therefore, to achieve survival Qatar is eager to enter into alliances and invest in foreign politics. Each foreign policy success helps domestic politics. Therefore, country's stability is forged by being a more active international player (Haykel, 2013). Second, the relationship with Iran is a focus of foreign policy and drives a common perspective with other GCC countries. Gulf countries were wary about the possibility of Iranian revolution's contagion into Gulf and this suspicion was among the motives of Gulf States to act together under GCC. Under the umbrella of GCC, Qatar officially shares the joint policies of Gulf. On the other hand, the country could not escape from being perceived as the "stalking horse" of Iran (Al-Hamad, 1997), long before the Gulf crisis in June 2017 in which several Gulf countries along with Egypt abandoned relations with Qatar. Therefore, it can be concluded that Qatar's stance against Iran is not as bold as its GCC peers'. At the same time, the country is not willing to import revolutionary ideologies of Iran. Third, gaining international influence, especially in the Arab World is an important component of Qatar's foreign policy (Felsch, 2016). In order to establish itself as a reliable and influential partner in international politics, Qatar involved into several mediations in MENA region and tried to ameliorate problems in Lebanon, Yemen, or Sudan (Kamrava, 2011). After the Arab Spring, the country took a more proactive stance in regional affairs. Country's involvement in

Libya or its support for transitional Tunisia and Egypt are elaborated throughout this section as examples of Qatar's pursuit of more power. Lastly, Qatar's power in the region is described differently by different scholars who wrote about Qatar's foreign policies. Haykel explains Qatar's position with soft-power whilst Felsch opposes by stating that the concept of hard-power is more useful in explaining Qatar's regional politics. Kamrava (2011), on the other hand, brings a new perspective by defining Qatar as a subtle power, which utilizes media, advertising and financial capabilities to gain influence (as cited in Felsch, 2016, p. 23).

Having listed these, it can be continued with the examination of the relationship between the cross-border acquisitions Qatar's biggest state bank has made, and Qatar's foreign policy.

6.1.1 Qatar and Egypt

Related to acquisition of QNB Al Ahli Bank by Qatar National Bank, this part will study the Egyptian- Qatari relationships in the period of acquisition.

As of 2017, the bilateral relationship between the countries is not friendly. In June 2017, Saudi Arabia, Bahrain, United Arab Emirates and Egypt suddenly broke relations with Qatar on the claim that Qatar is helping terrorist organizations such as Muslim Brotherhood, al-Qaida, Islamic State (ISIS) and Hamas. Prime minister of UAE even implied that Qatar may be expelled from GCC (Wintour, 2017). Egyptian Ministry of Foreign Affairs explicates that stopping diplomatic relations with Qatar is a result of Qatar's hostility for Egypt. According to the announcement made by the ministry, Qatar has hosted some Muslim Brotherhood members and sponsored extremist ideologies in Egyptian soil. The decision to cut ties with Qatar is also supported by Egyptian media and the Egyptian parliament (Aman, 2017). Indeed, relations were strained since President Mohamed Morsi was ousted from presidency in 2013 by a military coup. Overthrown of Morsi meant the loss of a regional ally in which Qatar has extensively invested (Sabry, 2013), (Khalid, 2013). Qatar's salient support to Muslim Brotherhood was to evolve the position of Egypt into a dependent companion (Badawi, 2013). The toppled president Morsi even put on trial for leaking defense secrets to Qatar (Guardian, 2015). In the following days, Qatar would provide haven for exiled Brotherhood members (Kirkpatrick, 2015) which eventually led to the crisis of 2017.

Qatar's reaction to military takeover was an autonomous move, not reflecting the overall policy of the Gulf. The support given to Muslim Brotherhood was signaling an independent stance differentiating Qatar's position from Saudi Arabia, which the country is always perceived to be tied by Wahhabi linkages. It wouldn't be wrong to suggest that other members of GCC responded to military coup in Egypt with their apparent disapproval of Muslim Brotherhood. For example, in March of 2014, Saudi Arabia made an announcement designating the Muslim Brotherhood as a terrorist organization, and UAE supported (Usher, 2014). Qatar's different position against the military coupe in Egypt can be explained by the country's peculiar national interests and foreign policy components, which are not shared by the other Gulf States.

A widely discussed realist explanation for Qatar's favoring attitude against Muslim Brotherhood is Qatar's aspirations to be a regional power through the usage of well-established Brotherhood presence in MENA (Utvik, 2014), (Roberts, 2015). Muslim brotherhood is an organization dates back to 1928, formed to promote Islamic teachings. Throughout the decades, the movement turned into a resistance against Western and Zionist effect on Muslims (Alexander & Dodge, 2017). An important point, which must not be missed in Qatar-Muslim Brotherhood relationship, is the linkages that can be tracked to well before of the Arab Spring. When Gamal Abdel Nasser has exiled Brotherhood members, some notable faces of the organization came to Qatar. Among them was Egyptian Islamist Abdul-Badi Saqr who was a senior Brotherhood member. He was followed by many Egyptian teachers on their way to Qatar. They would be influential in the formation of Qatar's educational system. For instance, Qaradawi, an Egyptian Muslim Brotherhood member, became the dean of Qatar University (Mohammad, 2017). Sixty years of presence in Qatar's educational institutions kept the Brotherhood ideology vivid. The movement was not perceived as an immense threat. Qatar's ruling elite controlled the political activities of Muslim Brotherhood within the borders of Qatar; but they allowed the group to involve in international maneuvers (Williams, 2014).

These bonds between Qatar and Muslim Brotherhood are important in explaining the policy partition with other Gulf States. This thesis adopts a realist view through which it regards survival as the ultimate objective of a country and observes stability as a good assistant of survival. Gulf States adopted different attitudes against Muslim Brotherhood; because the potential consequences of Brotherhood ideology were dissimilar for Qatar and other Gulf States. For Saudi Arabia or for United Arab Emirates, Muslim brotherhood is a threat to stability, as the uprisings had the potential to spread into Gulf Monarchies. For Qatar, -due to this country's own dynamics- Brotherhood poses opportunities for power rather than threat to stability. As already discussed in Literature Survey section, Brotherhood command in MENA opens gates to Qatar for more influence, which the country is unable to attain on its own with its small size. Therefore, investing in Egypt governed by Muslim Brotherhood rule had served -at least expected to serve- Qatar's foreign policy interests in two respects. First, support given to Muslim Brotherhood government was a mean to strengthen Qatar's influence in the region. Second, it was helping the stability at home; therefore, serving survival. As for the third dimension of Qatar's foreign policy, there is no clear evidence linking Qatar's Egyptian investments to its stance against Iran. When GCC's joint position (unfavorable of Iran) is taken as a yardstick for Qatar's relations with Iran, one still cannot find a correlation between Qatar's Egyptian investments and containing Iran. Iran was also a supporter of Muslim Brotherhood during the transitional period. In fact, the discrepancy between Gulf and Iran emerged in Syria, not in Egypt (Dot-Pouillard, 2016).

To sum up, when the QNB Al Ahli Bank case is evaluated with a political perspective, it can be concluded that this acquisition has an effect on two of Qatar's three main political objectives: survival and influence. The Brotherhood network was planned to serve Qatar's relative power in MENA. On the other hand, this plan has eventually turned into a problem with GCC members resulting in a rift. As for the third foreign policy component, there is no clear impact of this acquisition on Qatar's Iran policies. Although illuminating Qatar's rationales is not easy, it can be concluded that investing in Egypt purely for political reasons does not seem very logical. Furthermore, the crisis of 2017 evidently shows that the support granted to Brotherhood hit Qatar's standing in the region. It may be added that, Chief Financial Officer (CFO) of the Group himself stated that this acquisition was a business decision (Reuters, 2014) and some local economists agreed (ArabFinance, 2014). Furthermore, the first section of this thesis mathematically shows that Al Ahli acquisition boosted QNB's financials making the acquisition decision justifiable in economic terms. Taking all these into consideration, it seems that there is no solid ground to claim that this investment resolution is politically-driven. On the other hand, as discussed in the introduction section, when the Muslim Brotherhood government was on power, Qatar had promised USD 18 billion worth of investments to Egypt. Following the coup, majority of these investments were never realized. As of 2017, the total Qatari investment in Egypt is USD 1.1 billion and Egyptian state is willing to keep them. After Egypt cut ties with Qatar in June 2017, Egyptian Minister of Investment and International Cooperation Sahar Nasr announced that the Qatari investments are safe under the protection of Egyptian law (Mikhail, 2017). Besides the promise of investments, when the Muslim Brotherhood was the official government of Egypt, Qatar had deposited USD four billion in Central Bank of Egypt to support the country's balances. This money was withdrawn after the coup of 2013. So, politics' effect on funding cannot be ignored, as well.

Overall, the case of QNB Al Ahli Bank acquisition shows that politics may play a role in investment decisions; yet politics do not entirely explain the motives for this cross-border deal.

6.1.2 Qatar and Iraq

The share increase in Al Mansour Bank by Qatar National Bank dates back to 2013 when Maliki government was in power. The foreign policy of Iraq in 2013 was hardly a national consensus. For instance, Erbil used to have its own priorities. This challenge from Kurds and other Sunni groups made Maliki approach to Iran. As the central government became closer to Iran, Kurdish Regional Government had moved closer to Turkey. Other Sunni groups did the same by getting closer to Turkey, and also to Qatar and Saudi Arabia (Stansfield, 2016). There was some sort of a competition within Iraq. Still, as the official government of Iraq is the one based in Baghdad, the relationship between Qatar and Baghdad is the interest of this thesis. One more reason to focus on Bagdad's stance is that Al Mansour Investment Bank is based in Baghdad.

The affiliation between Shia-dominated Baghdad and Sunni monarchies of Gulf had been frosty in the years following Saddam's fall. However, not all the Gulf States are seen equally inimical. Baghdad kept business relations with Kuwait and United Arab Emirates; but remained its distance from Saudi Arabia and Qatar, especially from Saudi Arabia. Although Qatar has cordial relations with Iran and has diplomatic relations with Iraq, through television station, Al Jazeera, Qatar reflected a negative coverage of Saddam's topple, and Maliki government is implied to be backed by America. The new stories were more sympathetic to opponents. For example, in a 2011 story, Al-Jazeera interviewed an important opposition figure, Deputy Prime Minister Saleh al-Mutlaq, who described Maliki as a dictator, which was likely to cause a civil war (Jamail, 2011). Iranian news agency, Fars News, also pointed Al-Jazeera for misinterpretation of the events in Iraq. Fars News emphasized the usage of "Maliki's militias" instead of "Iraqi forces" by the Gulf media including Al-Jazeera for misrepresentation (Karami, 2013). Al-Jazeera also covered the Sunni protests against Maliki who is accused of following sectarian politics (Al Jazeera, 2012). Back in 2010, Iraqiyya list (the greatest opposition bloc against Maliki) had been encouraged by Qatar. Moreover, Tariq-Al Hashimi who is disapproved by Maliki had received a red-carpet welcome in Doha. To make the crack more visible, during the Bahraini crisis of 2011, Baghdad and Doha were in different sides, each supporting the sect they belong to. Lastly, the two countries now and then have not maintained strong economic interests with each other (Salem, 2013). The only possible political motive behind the acquisition may be related to the Qatar's support, which is not significantly visible, to policy actors in Baghdad such as Hashimi. As a prominent Sunni politician and former Iraqi vice-president, Hashimi was welcomed in Doha even after his trial, which called for arrest (Al Jazeera, 2012).

Given all these political background, there is not enough evidence to say that the decision was political. Even if the motives would have political interests, so far, they are not satisfied. First, there is not a slight convergence in foreign policies. Secondly, there is no evidence that Qatar had obtained any influence on Iraq thus far, as Iraq's international relations follow a very different path. It looks like that the share increase in Al-Mansour Investment Bank was a business decision taken by QNB in accordance with the bank's regional expansion policy. Especially, the potential of Iraqi banking sector, which is not used by national actors might have tempted the foreign investors.

6.1.3 Qatar and Libya

Bank of Commerce and Development case has attracted a lot of attention in the media and particularly addressed as a political decision. Some physical evidences may be qualified to support this approach: Qatar had been an outstanding partner to Libyan rebels who were fighting to unseat Muammar al-Qaddafi. It became the first Arab country to recognize the rebel government, the Transitional National Council. Military assistance was given in the form of six fighter jets together with their pilots (Ghaddar, 2013). Furthermore, Qatar provided rebels gas and diesel as well as cash money. The country even sold Libyan oil to escape international sanctions and financed insurgents. There was also media support from Doha. Al Jazeera covered

Libyan uprisings more than it did for any other protests in the Arab World (Roberts, 2011). The support did not stop with the fall of Qaddafi. Qatar went on involving in Libyan affairs through national reconciliation meetings and continued support for rebels whose loyalty Qatar would eventually gain. In fact, there are linkages between Qatar and Libyan Islamists since 1990s. Qatar has hosted Libyan Islamists -mostly Libyan Islamic Fighting Group members- before. As mentioned before, Qatar's support for Islamist groups is highly related to the country's stability and ambitions for more influence. Keeping connections with Islamists enable Qatar to claim more political power in the region (Khatib, 2013). In Libya, Islamists can be generally divided into two strong blocs: Loyalty to Martyrs and Muslim Brotherhood (Toperich, 2014). Libyan Muslim Brotherhood, which now operates under Justice and Construction Party, dates back to 1968 in Libya. After Qaddafi's coup of 1969, the organization was repressed and remained silent. Long rule of Qaddafi hindered the capabilities of the movement to meet with masses and spread ideology. The first public speech of Libyan Muslim Brotherhood happened in 2011 making the organization less influential in Libya compared to Tunisian or Egyptian Muslim Brotherhood movements (Ashour, 2012).

As of 2017, Libya seems to be sunk into domestic problems, which hinders the country's capabilities to pursue international ambitions. Country's main revenue generator is oil and its prices are dependent on world market. The internationally recognized government in Tripoli, Presidential Council (PC), is opposed by two different establishments. National Salvation is the first opponent. This group is based in Tripoli and holds limited control. There are also authorities in Tobruk and al-Bayda which are controlled by General Khalifa Haftar. Civil war continues in the country posing safety problems (ECFR, 2016). About Libya's foreign policy, Embassy of Libya in Washington D.C. mentions the priority as the establishment of democracy with the help of international community (Embassy of Libya, 2017). Libya does not display the characteristics of a useful regional partner. Therefore, there is no concrete evidence to claim that Qatar and Libya's foreign policies have converged. On the other hand, there is evidence to argue that Qatar has gained more influence and promoted a higher profile in MENA, after intervening in Libya. Majority of academic and media sources about Libya's transition mention Qatar's sway and the role it played in Libya.

Qatar's ambitious involvement in Libya, together with Libya's unattractive economic environment for a foreign investment raises the doubts for political motives behind the acquisition. The developments took place after the Arab Spring and Qatar's reaction to them point Qatar's desire to gain influence by using wealth in Libya. On the other hand, the economic outlooks of QNB were better after the acquisition. Furthermore, ROEs of Bank of Commerce and Development was nearly double of the ones of Libyan banking sector average meaning that putting money in Bank of Commerce and Development was duple-profitable than investing in any other bank in Libya. The acquisition is justifiable within the country. However, investing in Libya is not economically justifiable. The country's GDP contracted in the time of acquisition and various risks were on investors. The choice of Libya instead of any other MENA country is interesting. Therefore, it is not wrong to state that the motives behind this investment in Bank of Commerce and Development are shaped by political factors alongside with economic ones. The cross-border investment is not wholly devoid of economic logic; yet political drives are also noticeable.

6.1.4 Qatar and United Arab Emirates

In Commercial Bank International acquisition case, the share increase in Commercial Bank International was insignificant in amount and was not enabling QNB to possess a controlling stake. Qatar’s investment was a minor one. Political motives for this acquisition will again be sought through foreign policies and national interests.

During the uprisings in Egypt, Tunisia, and Morocco, United Arab Emirates had followed a cautious approach. The country did not support Muslim Brotherhood, which is perceived as a threat to stability in home. Wealth is not evenly distributed within United Arab Emirates making poorer Emirates develop sympathy for opposition to Abu Dhabi. Five relatively poor Emirates of the country (Ajman, Sharjah, Fujairah, Ras Al Khaimah and Umm Al Quwain) are domains of support for Muslim Brotherhood (Cafiero & Wagner, 2015). Therefore, political Islam is a danger for the government. This perception made United Arab Emirates back counter revolutionary elements in transitional countries. This is a very different stance when compared to Qatar’s policies. When UAE withdrew financial aid from transitional governments in Tunisia and Egypt, Qatar was extending aid to revolutionaries through financial aid, political statements and media support (Baabood, 2014). Moreover, policies of Qatar and UAE related to post-Gaddafi Libya were also divergent. The two countries emerged as rivals rather than partners in Libya. United Arab Emirates continued its anti-Ikhwan policies whilst Qatar supported Islamist groups (Wagner, 2015).

Besides the conflicting foreign policies and lack of future common interests, the country specific and sector specific data shows that it is unnecessary for United

Arab Emirates to adopt Qatar's policies for the sake of FDI. Therefore, this small investment of Qatar National Bank cannot be classified as a political decision.

6.1.5 Qatar and Jordan

The share increase in Jordan's Housing Bank for Trade and Finance was tiny with 0.5% in 2011. It was a regular stock exchange transaction rather than an international investment. Therefore, no detailed examination is made for economic rationales. On the other hand, to complement the overall arguments of thesis, the discussion of bilateral relations between Qatar and Jordan is useful. Thus, the next paragraphs are allocated to this discussion on possible political motives of HBTF share increase.

To start with, there is a prominent common point of Qatar and Jordan: The two countries are the examples of two monarchies that survived from the Arab Spring (Yom & GauseIII, 2012). In fact, Jordan was not immune from protests during the Arab Spring; but the protesters were more after reform rather than regime change. On the other hand, political instability has been an issue in Jordan. Between 2011 and 2013, six different governments came into power (Harris, 2015).

Jordan is a small country neighbored by troubled and bigger countries; arising the need to adopt agile strategies in foreign affairs. During the Arab Spring, King Abdullah developed a rhetoric, which differentiates Jordan from other Arab states, highlighting the reformist nature of the regime. This rhetoric was especially used in interactions with the Western allies. For Gulf interactions, the Iranian threat is a common point, which merges the parties. Jordan supported Iraq in Iraq-Iran war and the country is wary of both Hezbollah in Lebanon and Shia government in Iraq.

Furthermore, approaching to Gulf brings an opportunity to Jordan in accessing cheaper oil. In return, Jordan can offer its highly trained security and intelligence services. It must be noted that, the relationship between Jordan and the Gulf is mainly initiated by Saudi Arabia, not by Qatar. In fact, Qatar and Jordan relations are not bright again because of the Muslim Brotherhood. Qatar maintains its ties with the Jordanian Muslim Brotherhood, which is a dominant opposition group in Jordan (Ryan, 2014).

If Qatar and Jordan had convergent foreign policies and similar reactions to the Arab Spring, then a question of whether Qatari money was influential on Jordan could be asked. There is no proof that either Qatar has an interest to politically affect Jordan, or Jordan is open to such an influence. Moreover, it is not reasonable to concur that such influence could emerge out of a small investment. Therefore, the idea that the tiny share increase in Housing Bank of Trade and Finance had political motives cannot be supported.

6.1.6 Qatar and Lebanon

Qatar Islamic Bank increased its shares in Arab Finance House in 2013. The bank was already a founder; yet the remarkable increase from 37% to 99.99%, which actualized after the Arab Spring, still attracts attention. Economic measures of Arab Finance House displayed an unfavorable situation about the investment decision. On the other hand, it is seen that Qatar Islamic Bank's financials are improved in the years following this share increase. As the economics of this deal is complicated, political motives must be elaborated, again in regards to bilateral relations, foreign policies, and interests.

As the Lebanese president stated during his visit to Doha in January of 2017, bilateral relations between Qatar and Lebanon has been good for decades. Qatar supported Lebanon in 2006 during Lebanon-Israel crisis; the Emir paid a visit to Beirut and offered help. In addition, Qatar undertook a mediating role in solving the political crisis between political factions in 2008 (Gulf Times, 2017). In 2013, Qatar had assisted to free Lebanese hostages held by Syrian rebel groups. Among the rescued Lebanese nationals there were hostages held in Azaz (a town in Syria), and Maloula nuns which were detained by Syrian insurgents. These nuns were held in the city of Arsal along with kidnapped Lebanese soldiers (Gulf Times, 2014). Moreover, Lebanese expatriates working in Qatar, accounting for more than 1% of Qatar's population, has a significant role in shaping the two countries' relations (Snoj, 2013).

As for the Arab Spring, Lebanon was more concerned with the neighboring Syria then it was for Egypt, Tunisia, or Libya. The removal of Baas regime in Syria means less support for Hezbollah , which is a deterrent factor for Israel (Byman, 2011). Sectarian tensions in Syria are also reasons of anxiety for Lebanon, which has a society comprised of different beliefs (Asfour, 2012); since due to being a small country, Lebanon had traditionally been open to foreign influence (Sadowski, 2002).

Besides Syria, there is no clear evidence to link Lebanon with the Arab Spring, especially with the North Africa uprisings. The country itself has not much affected from the uprisings, as well since it was already a democracy with less economic concerns. One possible motive may be the Qatari intention to support Lebanon against the possible foreign influences sourced by Syrian civil war. Such a support would serve the affirmative relations between two countries. On the other hand, there is not a solid ground to stick to this idea. Lebanon's main concerns regarding Syria (exclusion of Hezbollah support or stability within the country) are not a priority for Qatar's foreign policy. Therefore, this investment decision cannot be interpreted as a Qatari policy to exercise more power in MENA or obtain influence on Lebanon.

6.1.7 Qatar and Tunisia

Qatar National Bank's share increase in QNB Tunisia coincided with a thought-provoking period. 2013 was a year of profound diplomacy and close relations between Qatar and Tunisia. In this year, Qatar National Bank not only put more money in QNB Tunisia; but it also deposited USD 500 million in Central Bank of Tunisia to back country's weak foreign exchange position (Middle East Online, 2013). To explore whether the reasons for this support is economic or political, referring to Tunisian statesmen's avowals is suitable.

To start with high-level officials, Tunisian Prime Minister Ali Laarayedh named Qatar as a friendly and supporting partner. He emphasized that the ties between Tunisia and Qatar got stronger specifically after the revolution. Laarayedh also did not fail to recognize and appreciate Doha's financial support through the investments made in Tunisia (Gulf Times, 2013). In an interview with a Qatari journalist, Ennahda's cofounder Ghannouchi detailed the investments made by Qatar to Tunisia: a high-level Qatari participation in International Investment Conference in Tunisia including the Emir himself, USD one billion of deposits in Tunisian Central Bank, and the various projects amounting USD 1.25 billion in different sectors, which were financed by the Emir. Besides the economic support, Ghannouchi praised the media support by Qatari Al Jazeera as defining Al Jazeera as a genuine introducer of Ennahda's cause (Osman, 2016). Ennahdha is a Tunisian movement, which describes itself as "Islamic" rather than "Islamist" and claims to be born out of democratic necessities. It is the biggest Islamist party of Tunisia, which won the first free elections of Tunisia in 2011 (Lewis, 2011), (Ghannouchi, 2016). The party kept friendly relations with Qatar, which provided support to Brotherhood movements across the region. This support was usually in the form of finance. In return, the country obtained influence in the realms where Brotherhood governed. This influence has become so evident that it led to a rift between Saudi Arabia and Qatar. Saudi Arabia is the largest country in the region and wants to be the main power in the Arab World. Qatar's ambitious and independent moves are not welcomed by Saudi Arabian government who sees Qatar as an increasing power of at the expense of Saudi interest. This Saudi annoyance is also reflected to official talks made by Ghannouchi with Saudi Arabia (Prince, 2013).

Consequently, concurring that Qatar gained influence on Tunisia will not be unsubstantiated. First, the political élite of Tunisia spoke fond of Qatar's support and acknowledged the economic and political aids made to them. Second, the influence of Qatar was so eminent that it became a matter with Tunisia's dialog with Qatar's regional rivals like Saudi Arabia. Last but not the least, as the ruling party at the time of the acquisition, Ennahda's ability to shape the Tunisian foreign policy must be observed. Role theories suggest that decision makers are influential in the formation of foreign policy (Cantir & Kaarbo, 2012). In this case, Qatar's support to Ennahda seems to be aiming to produce a regional partner who acts in line with Qatar's interests. Therefore, it is possible to approach QNB Tunisia case as a political decision; as investing in a weak banking sector is hard to explain merely with an economic perspective.

6.2 United Arab Emirates

This thesis' realist approach puts the primary foreign policy objective of United Arab Emirates as survival. Ensuring the security of the country is a priority. UAE tries to attain safety through regional balance policies. The stability in the region is seen as a must for the stability within borders (Abed & Hellyer, 2001). Therefore, all destabilizing events are approached similarly. Whether the destabilizing factor derives from the Palestinian issue, Libyan civil war or Egypt's opposition groups, they are seen as a threat to region's and country's security; hence evaluated similarly (Embassy of the United Arab Emirates, 2017). For instance, in his speech in United Nations General Assembly, UAE's Foreign Minister Sheikh Abdullah bin Zayed mentioned about UAE's support for Egypt and said that this support aims regional stability (General Assembly of the United Nations, 2015). On the other hand, interpretation of UAE's back-up for Egypt only for regional stability is incomplete. United Arab Emirates backs the current government in Egypt; because it perceives the Muslim Brotherhood movement as a threat to its internal safekeeping, as well. The Brotherhood ideology attracts sympathy from the relatively poor young population of the Emirates and Abu Dhabi is annoyed by this influence of Brotherhood in its country's borders. Thus, while the country oppresses its internal non-governmental organizations (NGOs) affiliated with Brotherhood ideology, at the same time it keeps its distance from international Muslim Brotherhood and expresses disapproval (Roberts, 2016). As the second component of UAE's foreign policy, containing Iran can be counted. Like in the case of Qatar, unwillingness to import Iranian ideologies into Arabian Peninsula is a unifier in the Gulf policies. Iran is important for the country's foreign policy. Cordial relations between the two countries are maintained. On the other hand, UAE is wary about the nuclear ambitions of Iran (Sadjadpour, 2011). Another cause of uneasiness is the Iranian presence in the islands of Greater Tunb, Lesser Tunb, and Abu Musa which UAE also claims territory (Hilleary, 2012).

6.2.1 United Arab Emirates and Egypt

Similar to other acquisition cases, the timing of Emirates National Bank of Dubai SAE acquisition by Emirates NBD raises curiosity. The announcement that the two parties (Emirates and BNP Paribas) agreed on acquisition is made in December 2012 (BNP Paribas, 2012), and the acquisition was finalized in June 2013 (Sambidge, 2013). The announcement coincided with the constitutional referendum held in Egypt during which criticisms against Muslim Brotherhood were started to be voiced more frequently. UAE was the number one of outspoken adversaries of Muslim Brotherhood. The country supported the opposition to Egyptian president Mohamed Morsi. Acquisition of Emirates National Bank of Dubai SAE is finalized in June 2013, only two weeks before the coup. After the coup, United Arab Emirates straightway started to provide cash to bolster Egyptian economy together with Kuwait and Saudi Arabia (Leberon, 2014).

The major concern of UAE for Muslim Brotherhood was the ingress of Brotherhood ideology into Emirates. Emirati officials had repeatedly stated their annoyance of Brotherhood's trans-national activities and saw this as disrespect for sovereign rulers. Local Muslim Brotherhood sympathizers such as Al-Islah NGO were interpreted as a danger to the country's stability. At its core, these worries reflected a broader unease in the Gulf with the possibility of the Arab Spring's contagion. On Egyptian side, Muslim Brotherhood in Egypt was angered by the

Emirates' sheltering of Mubarak-era figures, most notably the beaten presidential candidate and former Prime Minister Ahmad Shafiq (Wehrey, 2013). In fact, the strained relationships between two countries became visible months earlier in February 2012 when United Arab Emirates arrested a group of Egyptians on suspicion of forming a Muslim Brotherhood cell in the country, which eventually led to a diplomatic crisis (Zahran, 2012).

Completion of Emirates NBD Egypt acquisition coincides with the fall of Muslim Brotherhood Regime. On the other hand, the acquisition decision was before December 2012 and the acquisition negotiations fall in the era of Brotherhood. As the foreign policy objectives of UAE are more in line with military administration who also wants to expel Brotherhood ideology, the Emirates NBD acquisition may simply be explained as to support the future coupe economically. However, it becomes an oversimplification. First, it must be noted that Muslim Brotherhood government, although suspicious against UAE, was in need of Gulf money and keen to attract it. Second, economic rationales in the case of Emirates National Bank of Dubai SAE cannot be neglected. Emirates NBD outperformed the Egyptian banking sector, and Egyptian banking sector was more profitable compared to MENA average. Moreover, when Emirates NBD's financials are compared with its domestically investing peers, it is seen that Emirates NBD published better results. Therefore, it is unfair to label this acquisition as a move solely motivated by politics. Economic reasoning also exists as a stimulus behind the acquisition.

6.3 Kuwait

Kuwait follows a less aggressive attitude in its foreign affairs compared to other GCC members such as Saudi Arabia, United Arab Emirates, or Qatar. Nonetheless, the national interest of the country does not differ hugely and built around stability like its Gulf peers. Jihadist movements and Iran are issues, which the country has its eyes on; yet its position is less assertive and overall softer (Fitzroy, 2017).

6.3.1 Kuwait and Egypt

Kuwaiti Al Ahli Bank case is the only case where the acquisition has no positive effect to acquirer's financials. The three tests that are conducted on bank, sector and country level do not wholly support the acquisition decision in economic terms.

Kuwait does not possess eminence like its Gulf peers such as Qatar and UAE in the Arab Spring literature; since the country preferred a less assertive foreign policy. Kuwait has an active Muslim Brotherhood unit in its borders, which might shake the regime like its Egyptian, and Tunisian counterparts did; but this had not happened. Compared to other Gulf States, Kuwait can be defined as a more liberal country. Despite the purges of Brotherhood members from government and some arrests, the government did not entirely block the activities of Kuwaiti Muslim Brotherhood (Brown & Williamson, 2013). Still, on international level, Kuwait backed the Emirati and Saudi policies against Muslim Brotherhood (Freer, 2015). In Egypt, where Al Ahli Bank invested in, Kuwait's stance has been closer to Emirati and Saudi side, as well. Gulf invests in Egypt since the large country is crucial for region's stability. Likewise, Egypt needs these countries as they provide economic advantages to the country. After the overthrow of Muslim Brotherhood in 2013, Kuwait not only pledged a nonrefundable USD one billion to Egypt, but also, deposited USD two billion in Central Bank of Egypt. Kuwait aided Egypt in developing petroleum related industry, too. In December of 2014, Kuwait Fund for Arab Economic Development (KFAED) granted a loan of USD 102 million for a power plant project. Moreover, Kuwaiti-based Arab Fund for Economic and Social Development (AFESD) funds several projects in Egypt, as well as programs for micro and small enterprises. In 2015, Kuwaiti-Egyptian Relations Council was founded to coordinate the economic relations and investment flows between the two countries (Farid, 2015). Kuwait is the third largest Arab investor, and fifth largest overall, in Egypt (Al-Alyan, 2014). The largest Arab investor in Egypt is Saudi Arabia, followed by UAE (Fouad, 2015).

Since the outburst of Morsi, the political relations between Egypt and Kuwait keep intensifying. Before his visit to Kuwait in the beginning of 2015, General Sisi was expected as a “Dear Guest” by the Kuwaiti authorities (allAfrica, 2015). Exactly two years later, the relations became more “strong and well-established” as the Kuwaiti ambassador in Cairo said and the two countries even conducted a tourism festival under the name "Kuwait for Peace, Egypt for Love" (Egyptian State Information Service, 2017). Kuwait's Deputy Foreign Minister Khaled al-Jarallah’s announcement clearly illustrates Kuwait’s political support to Egypt. When Khaled al-Jarallah went to Manama to prepare for GCC summit, he stated that Kuwait is ready to “help clear the air" between Egypt and Saudi Arabia. Saudi Arabia had been a reliable partner for Egypt after the removal of Muslim Brotherhood; yet recently Egypt tries to follow a more independent foreign policy. The reason of disagreement between Egypt and Saudi Arabia is Egypt's choice to back Assad regime despite Saudi opposition (Alaraby, 2016).

Before it was acquired by Al Ahli Bank of Kuwait, the Egyptian Al Ahli Bank of Kuwait (Piraeus Bank) was reporting loss, making the bank an unattractive target. Furthermore, after the acquisition Al Ahli Bank of Kuwait performed poorly in comparison to its Kuwaiti peers, which put in their money domestically. Since the economic criteria applied to acquisition decision shows that this investment makes no sense in economic terms and as there is enough evidence that Kuwaiti state is backing Egypt politically, Al Ahli case can be considered as a political decision.

CHAPTER 7

DISCUSSION

This thesis aimed to explore a controversial issue in the Middle East politics, and make a contribution to the literature on politics of foreign investment. Findings of the thesis provide implications for theory of the use of governmentally controlled banks as a tool in political concerns, and fill a gap in the literature where political motives for cross-border banking acquisitions are not covered. This study's examination was limited to the Gulf state-owned banks' cross-border banking acquisitions in the MENA region after the onset of the Arab Spring. Nine cases were studied in detail, which entirely covers all of the bank acquisitions made between 2011 and 2015. The economic rationales were analyzed through a methodology, which is grounded on bank, sector, and country fundamentals, whereas the political rationales were analyzed through the foreign policy orientations and its relation with national interest of countries.

CHAPTER 8

CONCLUSION

Findings did not support the popular mainstream arguments in news agencies claiming that the banking investments made in Egypt by Qatar and United Arab Emirates are political. Alongside with the acquisitions made in Lebanon, Jordan, United Arab Emirates, and Iraq, evidences were not enough to state that Egyptian investments by Qatar and United Arab Emirates were purely political, as well. On the other side, the Qatari investments in Tunisia and Libya, and Kuwaiti investment in Egypt hinted political motives. The only acquisition among the nine cases, which completely failed in economic criteria, but possessed enough political rationales, was Al Ahli Bank of Kuwait's investment in Egypt. This thesis' generalization power is constrained by geography, time period, and methodology. More broad results may be derived if the geographical coverage is widened, time selection is based on longer terms, and more variables are included in the methodology.

APPENDIX A

MATRIX EXAMPLE

Table A1. Suggestion for a Matrix to Assess Key Banking Measures

ROE	NPL	CAR	Assessment
20% and more	1% and lower	20% and more	Very Good
15%-19%	2%-4%	12%-20%	Good
10%-14%	5%-9%	8%-12%	Moderate
5%-9%	10%-14%	5%-8%	Weak
4% and less	15% and more	8% and less	Very Weak

APPENDIX B

SELECTED BALANCE SHEET AND INCOME STATEMENT ITEMS OF ACQUIRERS

Table B1. Qatar National Bank's Measures

Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%)	ROE (%)	NPL Ratio (%)
2013	121,787	14,755	85,325	94,779	2,619	15.63%	27.20%	90.03%	2.15%	17.75%	1.64%
2014	133,581	15,912	92,870	108,374	2,889	16.15%	28.04%	85.69%	2.16%	18.16%	1.62%
2015	147,916	17,037	106,615	118,386	3,111	16.31%	25.57%	90.06%	2.10%	18.26%	1.41%

Table B2. Emirates NBD's Measures

Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%)	ROE (%)	NPL Ratio (%)
2013	93,129	11,357	41,025	71,675	887	19.64%	22.83%	57.24%	0.95%	7.81%	0.02%
2014	98,835	12,731	35,765	74,502	1,399	21.06%	25.77%	48.01%	1.42%	10.99%	0.02%
2015	110,689	13,817	37,703	83,326	1,939	20.74%	28.05%	45.25%	1.75%	14.03%	0.02%

Table B3. Al Ahli Bank of Kuwait's Measures

Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%)	ROE (%)	NPL Ratio (%)
2013	11,295	1,908	7,133	9,149	125	26.93%	34.10%	77.96%	1.11%	6.55%	2.59%
2014	11,946	1,902	7,795	9,771	128	23.68%	32.44%	79.78%	1.07%	6.73%	2.45%
2015	14,363	1,832	9,805	12,716	100	17.23%	27.00%	77.11%	0.70%	5.46%	2.28%

Table B4. Qatar Islamic Bank's Measures

Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%)	ROE (%)	NPL Ratio (%)
2013	21,242	3,753	12,736	15,613	364	16.51%	32.23%	81.57%	1.71%	9.70%	1.04%
2014	26,396	3,891	15,639	20,519	458	14.61%	32.04%	76.22%	1.74%	11.77%	0.95%
2015	34,886	4,721	23,163	28,210	558	14.07%	27.13%	82.11%	1.60%	11.82%	0.69%

APPENDIX C

SELECTED BALANCE SHEET AND INCOME STATEMENT ITEMS OF ACQUIRERS' PEERS

Table C1. Qatar National Bank's State-Owned Peers' Measures

State-Owned Peers	Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%)	ROE (%)	NPL Ratio (%)
The Commercial Bank (QSC)	2013	31,062	4,545	17,773	20,773	441	14.06%	36.23%	85.56%	1.42%	9.70%	3.65%
The Commercial Bank (QSC)	2014	31,765	4,862	19,472	20,844	533	15.22%	33.29%	93.42%	1.68%	10.96%	3.79%
The Commercial Bank (QSC)	2015	33,895	4,749	20,449	22,041	394	13.51%	33.65%	92.78%	1.16%	8.30%	4.20%
Masraf Al Rayan	2013	18,275	2,939	11,380	15,130	478	20.55%	36.55%	75.21%	2.62%	16.26%	0.09%
Masraf Al Rayan	2014	21,998	3,219	15,905	18,438	554	18.36%	27.00%	86.26%	2.52%	17.21%	0.09%
Masraf Al Rayan	2015	22,801	3,393	17,099	18,940	556	18.54%	24.34%	90.28%	2.44%	16.39%	0.09%
Al Khalij Commercial Bank (Al Khaliji) QSC	2013	11,330	1,548	5,096	6,915	151	18.43%	47.22%	73.69%	1.33%	9.75%	0.34%
Al Khalij Commercial Bank (Al Khaliji) QSC	2014	14,074	1,589	6,778	9,587	155	15.28%	45.83%	70.70%	1.10%	9.75%	1.35%
Al Khalij Commercial Bank (Al Khaliji) QSC	2015	15,553	1,644	8,653	10,564	172	13.81%	39.46%	81.91%	1.11%	10.46%	0.86%

Table C2. Qatar National Bank's Private Peer's Measures

Private Peer	Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%)	ROE (%)	NPL Ratio (%)
Doha Bank	2013	18,391	3,094	10,918	11,879	360	15.90%	36.33%	91.91%	1.96%	11.64%	3.01%
Doha Bank	2014	20,741	3,102	13,053	12,944	373	15.03%	33.65%	100.84%	1.80%	12.02%	3.10%
Doha Bank	2015	22,879	3,627	14,922	14,643	377	15.73%	31.40%	101.91%	1.65%	10.39%	3.26%

Table C3. Emirates NBD's State-Owned Peers' Measures

State-Owned Peers	Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%)	ROE (%)	NPL Ratio (%)
National Bank of Abu Dhabi	2013	88,500	9,440	47,596	71,311	1,289	17.20%	42.02%	66.74%	1.46%	13.65%	3.16%
National Bank of Abu Dhabi	2014	102,396	10,333	59,964	78,579	1,519	16.39%	37.06%	76.31%	1.48%	14.70%	3.07%
National Bank of Abu Dhabi	2015	110,690	11,762	66,343	77,687	1,424	16.74%	34.17%	85.40%	1.29%	12.11%	2.76%
Abu Dhabi Commercial Bank	2013	49,862	6,759	29,995	35,295	985	21.21%	23.50%	84.98%	1.98%	14.57%	4.13%
Abu Dhabi Commercial Bank	2014	55,546	7,194	33,159	37,427	1,144	21.03%	26.06%	88.60%	2.06%	15.90%	3.13%
Abu Dhabi Commercial Bank	2015	62,147	7,822	36,431	41,876	1,341	19.76%	25.70%	87.00%	2.16%	17.14%	3.17%
Dubai Islamic Bank	2013	30,844	4,450	10,183	22,241	468	18.23%	42.25%	45.78%	1.52%	10.52%	9.12%
Dubai Islamic Bank	2014	33,729	4,822	15,120	26,214	763	14.87%	32.82%	57.68%	2.26%	15.82%	6.64%
Dubai Islamic Bank	2015	40,811	6,207	21,009	31,226	1,045	15.74%	28.34%	67.28%	2.56%	16.84%	4.15%

Table C4. Emirates NBD's Private Peer's Measures

Private Peer	Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%)	ROE (%)	NPL Ratio (%)
First Gulf Bank	2013	53,964	8,652	32,540	38,976	1,307	17.42%	28.29%	83.49%	2.42%	15.11%	3.31%
First Gulf Bank	2014	57,764	9,459	36,893	41,890	1,553	17.49%	25.13%	88.07%	2.69%	16.42%	2.45%
First Gulf Bank	2015	61,937	9,885	39,388	44,427	1,639	17.51%	25.23%	88.66%	2.65%	16.58%	2.78%

Table C5. Al Ahli Bank of Kuwait's State-Owned Peers' Measures

State-Owned Peers	Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%)	ROE (%)	NPL Ratio (%)
National Bank of Kuwait	2013	65,795	9,587	37,129	55,408	890	17.31%	36.43%	67.01%	1.35%	9.28%	1.96%
National Bank of Kuwait	2014	74,374	9,804	39,990	63,641	934	14.52%	33.10%	62.84%	1.26%	9.53%	1.50%
National Bank of Kuwait	2015	77,752	10,517	43,786	65,967	977	16.83%	38.00%	66.38%	1.26%	9.29%	1.34%
Kuwait Finance House	2013	54,079	6,911	26,252	36,041	527	17.44%	35.18%	72.84%	0.97%	7.63%	10.21%
Kuwait Finance House	2014	58,661	7,163	27,304	37,934	547	16.25%	39.72%	71.98%	0.93%	7.64%	10.46%
Kuwait Finance House	2015	54,454	6,774	26,310	36,793	625	16.67%	40.50%	71.51%	1.15%	9.23%	8.06%
Burgan Bank	2013	25,309	2,194	11,729	21,539	113	15.41%	37.87%	54.45%	0.45%	5.15%	4.25%
Burgan Bank	2014	26,464	3,262	12,315	21,628	248	13.50%	36.71%	56.94%	0.94%	7.60%	3.86%
Burgan Bank	2015	22,487	2,757	10,316	18,377	290	15.57%	36.93%	56.14%	1.29%	10.52%	4.05%

Table C6. Al Ahli Bank of Kuwait's Private Peer's Measures

Private Peer	Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%)	ROE (%)	NPL Ratio (%)
Commercial Bank of Kuwait	2013	13,890	1,990	7,351	11,730	84	18.38%	44.94%	62.67%	0.60%	4.22%	1.35%
Commercial Bank of Kuwait	2014	14,383	1,890	7,174	12,149	169	18.15%	47.90%	59.05%	1.17%	8.94%	0.80%
Commercial Bank of Kuwait	2015	13,303	1,901	6,864	11,006	152	18.39%	45.42%	62.37%	1.14%	8.00%	0.90%

Table C7. Qatar Islamic Bank's State-Owned Peers' Measures

State-Owned Peers	Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%)	ROE (%)	NPL Ratio (%)
The Commercial Bank (QSC)	2013	31,062	4,545	17,773	20,773	441	14.06%	36.23%	85.56%	1.42%	9.70%	3.65%
The Commercial Bank (QSC)	2014	31,765	4,862	19,472	20,844	533	15.22%	33.29%	93.42%	1.68%	10.96%	3.79%
The Commercial Bank (QSC)	2015	33,895	4,749	20,449	22,041	394	13.51%	33.65%	92.78%	1.16%	8.30%	4.20%
Masraf Al Rayan	2013	18,275	2,939	11,380	15,130	478	20.55%	36.55%	75.21%	2.62%	16.26%	0.09%
Masraf Al Rayan	2014	21,998	3,219	15,905	18,438	554	18.36%	27.00%	86.26%	2.52%	17.21%	0.09%
Masraf Al Rayan	2015	22,801	3,393	17,099	18,940	556	18.54%	24.34%	90.28%	2.44%	16.39%	0.09%
Al Khalij Commercial Bank (Al Khaliji) QSC	2013	11,330	1,548	5,096	6,915	151	18.43%	47.22%	73.69%	1.33%	9.75%	0.34%
Al Khalij Commercial Bank (Al Khaliji) QSC	2014	14,074	1,589	6,778	9,587	155	15.28%	45.83%	70.70%	1.10%	9.75%	1.35%
Al Khalij Commercial Bank (Al Khaliji) QSC	2015	15,553	1,644	8,653	10,564	172	13.81%	39.46%	81.91%	1.11%	10.46%	0.86%

Table C8. Qatar Islamic Bank's Private Peer's Measures

Private Peer	Audited Financial Date	Bank Asset Size (USD mio)	Bank Equity (USD mio)	Loans (USD mio)	Deposits (USD mio)	Net income (USD mio)	Capital Adequacy Ratio (%)	Liquidity Ratio (%)	Loan/ Deposit Ratio (%)	ROA (%)	ROE (%)	NPL Ratio (%)
Doha Bank	2013	18,391	3,094	10,918	11,879	360	15.90%	36.33%	91.91%	1.96%	11.64%	3.01%
Doha Bank	2014	20,741	3,102	13,053	12,944	373	15.03%	33.65%	100.84%	1.80%	12.02%	3.10%
Doha Bank	2015	22,879	3,627	14,922	14,643	377	15.73%	31.40%	101.91%	1.65%	10.39%	3.26%

APPENDIX D

SELECTED MACROECONOMIC VARIABLES OF ACQUIRERS' COUNTRIES

Table D1. Qatar's Measures

Qatar	2010	2011	2012
Nominal GDP (USD billion)	125	170	190
Real GDP Growth (%)	16.7	13.4	4.9
Population (million)	1.6	1.9	2
GDP per head (USD dollar at PPP)	91,689	134,073	135,802
Recorded unemployment (end-period %)	0.5	0.4	0.5
Central government balance (% of GDP)	5.61	6.7	11.2
Exchange rate (USD/ QR)	3.64	4.71	4.80
Consumer prices (end-period %)	2.2	2.1	2.6
Current-account balance (USD million)	21,027	52,124	62,000
Total international reserves(USD million)	31,187	16,825	33,189

Table D2. United Arab Emirates' Measures

United Arab Emirates	2011	2012
Nominal GDP (USD billion)	349	384
Real GDP Growth (%)	3.9	4.4
Population (million)	7.1	7.5
GDP per head (USD dollar at PPP)	54,310	54,665
Recorded unemployment (end-period %)	4.1	4
Central government debt (% of GDP)	45.3	42.6
Exchange rate (USD/ DH)	3.67	3.67
Consumer prices (end-period %)	0.9	0.7
Current-account balance (USD million)	50,955	66,560
Total international reserves(USD million)	37,269	47,035

Table D3. Kuwait's Measures

Kuwait	2013	2014
Nominal GDP (USD billion)	174	164
Real GDP Growth (%)	1.1	-1.6
Population (million)	4	4.1
GDP per head (USD dollar at PPP)	69,203	67,054
Recorded unemployment (end-period %)	2.1	2.1
Public Sector debt (% of GDP)	6.1	6.5
Exchange rate (USD/ Kuwaiti Dinar or KD)	0.28	0.29
Consumer prices (end-period %)	2.7	3.0
Current-account balance (USD million)	68,667	50,555
Total international reserves(USD million)	29,465	32,229

REFERENCES

Abderrezak, A. (2008). Foreign direct investment in the MENA region: is there a colonisation memory effect? *The Journal of North African Studies*, *13*(2), 219–22

Abed, I. A., & Hellyer, P. (2001). *United Arab Emirates: A new perspective.* London, England: Trident Press.

Accad, M. (2016, November 02). Al Ahli Bank of Kuwait expands following acquisition of Piraeus Bank Egypt. *World Finance*. Retrieved from https://www.worldfinance.com

Achtmeyer, W. F. (1994). Strategic synergies: fact or fiction. In M. L. Rock, R. H. Rock, & M. Sikora (Eds.), *The mergers & acquisitions handbook* (pp. 107-111). Philadelphia, PA: McGraw-Hill.

Ahram Online. (2013, March 26). *Qatar calls on Arabs to support Egypt economy.* Retrieved from http://english.ahram.org.eg

Ahram Online. (2013, October 13). *Qatar National Bank might sell freshly acquired NSGB Egypt*. Retrieved from http://english.ahram.org.eg

Al Ahli Bank of Kuwait. (2016, May 23). *ABK reaches final agreement in the acquisition of Piraeus Bank's 98.5% stake in Piraeus Bank Egypt*. Retrieved from https://abk.eahli.com

Al Arabiya News. (2013, January 25). *Qatar's QNB ups stake in Tunisian bank*. Retrieved from https://english.alarabiya.net/

Al Jazeera. (2012, April 02). *'Fugitive' Iraqi vice-president visits Qatar*. Retrieved from http://www.aljazeera.com

Al Jazeera. (2012, December 26). *Iraq Sunnis block trade routes in new protest*. Retrieved from http://www.aljazeera.com

Al-Alyan, A. A. (2014, March 20). Kuwait and Egypt: Ties that bind. *Kuwait Times*. Retrieved from http://news.kuwaittimes.net/

Alaraby. (2016, December 7). *Kuwait wants to mend Egypt-Saudi relations, says deputy minister*. Retrieved from https://www.alaraby.co.uk/english

Alexander, C., & Dodge, S. (2017, June 07). *Muslim Brotherhood is at the heart of Gulf standoff with Qatar.* Retrieved from https://www.bloomberg.com/graphics/2017-muslim-brotherhood/

Al-Hamad, T. (1997). Will the Gulf monarchies work together? *Middle East Quarterly*, March, 47-53.

Al-Hassan, A., Khamis, M., & Oulidi, N. (2010). *The GCC banking sector: topography and analysis.* Washington DC: International Monetary Fund.

All Africa. (2015, January 02). *Egypt: Kuwait lauds relations with Egypt* Retrieved from http://allafrica.com/

Al-Rasheed, M. (2016, April 01). *How united is the GCC?* Retrieved from http://www.al-monitor.com/pulse/originals/2016/04/gulf-nationalism-regime-survivial-saudi-qatar-uae.html

Altunbas, Y., & Marqués-Ibáñez, D. (2008). Mergers and acquisitions and bank performance in Europe: the role of strategic similarities. *Journal of Economics and Business*, *60*(3), 179-290.

Aman, A. (2017, June 08). *Egypt's role in the push to cut off Qatar.* Retrieved from http://www.al-monitor.com/pulse/originals/2017/06/egypt-saudi-arabia-uae-bahrain-cut-diplomatic-ties-qatar.html

Amihud, Y., DeLong, G. L., & Saunders, A. (2003). The effects of cross-border bank mergers on bank risk and value. *Journal of International Money and Finance, 21*, 857-877.

Arab Finance. (2014, March 18). *Qatari bank gorges on Egypt debt as relations sour: Arab credit*. Retrieved from https://www.arabfinance.com

Arab News. (2012, September 2). *QNB Group raises stake in the UAE-based CBI .* Retrieved from http://www.arabnews.com/

Arab Spring. (2017). *Britannica*. Retrieved from https://www.britannica.com/event/Arab-Spring

Arena, M. (2008). Bank failures and bank fundamentals: A comparative analysis of Latin America and East Asia during the nineties using bank-level data. *Journal of Banking & Finance*, *32*(2) 299-310.

Ariss, R. T., Rezvanian, R., & Mehdian, S. M. (2007). Cost efficiency, technological progress and productivity growth of banks in GCC countries. *International Journal of Business, 12*(4), 471-491.

Asfour, L. (2012, January 06). *Is Lebanon immune to the Arab spring?* Retrieved from http://www.newstatesman.com/

Ashour, O. (2012, March 09). *Libya's Muslim Brotherhood faces the future*. Retrieved from https://www.brookings.edu/

Association of Banks in Lebanon . (2015). *Lebanese banking sector main characteristics.* Beirut, Lebanon: Author.

Athanasoglou, P. P., Brissimis, S. N., & Delis, M. D. (2008). Bank-specific, industry-specific and macroeconomic determinants of bank profitability. *Journal of International Financial Markets, Institutions and Money, 18*(2), 121-136.

Awad, M. (2012, September 6). *Qatar says to invest $18 billion in Egypt economy*. Retrieved from http://www.reuters.com/

Baabood, A. (2014). *Gulf countries and Arab transitions: role, support and effects.* Doha, Qatar: European Institute of the Mediterranean Yearbook 2014: Transitional Processes and Political Change in Arab Countries.

Badawi, N. (2013, July 14). Following Morsi's ouster, Qatar's support to Egypt in question. *Daily News Egypt*. Retrieved from http://www.dailynewsegypt.com

Badreldin, A., & Kalhoefer, C. (2009). The effect of mergers and acquisitions on bank performance in Egypt. *Journal of Management Technology, 18, 1-15.*

Berger, A. N. (1998). The efficiency effects of bank mergers and acquisition: A preliminary look at the 1990s data. In Yakov Amihud and Geoffrey Miller (Eds.), *Bank mergers& acquisitions (pp.* 79-111). Dordrecht, the Netherlands: Kluwer Academic Publishers

Berger, A. N. (2007). International comparisons of banking efficiency. *Financial markets, institutions & instruments, 16*(3), 119-144. doi: 10.1111/j.1468-0416.2007.00121.x

Berger, A. N., Clarke, G. R., Cull, R., Klapper, L., & Udell, G. F. (2005). Corporate governance and bank performance:A joint analysis of the static, selection, and dynamic effects of domestic, foreign, and state ownership. *Journal of Banking and Finance, 29*(8), 2179-2221.

Bergsten, C. F., Horst, T., & Moran, T. H. (1979). *American multinationals and American national interests.*, Washington DC: Brookings Institution.

BNP Paribas. (2012, December 20). *Emirates NBD and BNP Paribas sign agreement for the sale of BNP Paribas Egypt to Emirates NBD*. Retrived from https://group.bnpparibas/en/

Boussaada, R., & Karmani, M. (2015). Ownership concentration and bank performance: Evidence from MENA banks. *International Journal of Business and Management, 10*(3), 189-202.

Boyce, G. (2013). Qatar's foreign policy. *Asian Affairs*, *44*(3), 365-377.

Brown, N., & Williamson, S. (2013, November 20). *Kuwait's Muslim Brotherhood under pressure*. Retrieved from http://foreignpolicy.com

Buch, C. M., & DeLong, G. (2004). Cross-border bank mergers: What lures the rare animal? *Journal of Banking & Finance*, *28*(9), 2077–2102.

Buch, C. M., & Spindler, M. (2008). *Banking globalization: International consolidation and mergers,* Tubingen, Germany: Institut für Angewandte Wirtschaftsforschung (IAW).

Burger, M., Ianchovichina, E., & Rijkers, B. (2014). Risky business political instability and green field investment in the Arab World. *World Bank Policy Research Working Paper*, 6716, December, Washington D.C.

Byman, D. L. (2011, September 08). *Lebanon and the Arab Spring*. Retrieved from https://www.brookings.edu/events/lebanon-and-the-arab-spring/

Cafiero, G., & Wagner, D. (2015, December 11). *How the Gulf Arab rivalry tore Libya apart*. Retrieved from http://nationalinterest.org

Caiazza, S., Pozzolo, A. F., & Trovato, G. (2014). Do domestic and cross-border M&As differ? Cross country evidence from the banking sector. *Applied Financial Economics*, *24*(14), 967–981.

Cantir, C., & Kaarbo, J. (2012). Contested roles and domestic politics: Reflections on role theory in foreign policy analysis and IR Theory. *Foreign Policy Analysis, 8*(1)5-24.

Carapico, S. (2012). *Arab uprisings: New opportunities for political science.* Retrieved from http://pomeps.org/wp-content/uploads/2012/06/POMEPS_Conf12_Book_Web.pdf

Central Bank of Libya. (2017). *Resolution No.27 from the Board of the CBL*. Tripoli, Libya: Author.

Central Bank of the United Arab Emirates (2014). *Financial stability report 2014.* Abu Dhabi, United Arab Emirates: Author

Claessens, S., & Horen, N. V. (2013). Impact of foreign banks. *Journal of Financial Perspectives, 1*(1), 1-14.

Claessens, S., & Horen, N. V. (2014). Foreign banks: trends and impact. *Journal of Money, Credit and Banking*, *46*(1), 295–326.

Colombo, S. (2013). The GCC countries and the Arab Spring: Between outreach, patronage and repression. In J. Davis (Ed.), *The Arab Spring and Arab thaw unfinished revolutions and the quest for democracy* (pp. 163-168). New York, NY: Routledge.

Cull, R., Peria, M. S., & Verrier, J. (2017). *Bank ownership: Trends and implications.* Washington DC: International Monetary Fund.

Dazi-Heni, F. (2015, June 25). *The Arab Spring impact on Kuwaiti "Exceptionalism"*. Retrieved from https://cy.revues.org/2868#ftn68

Dinç, S. I. (2005). Politicians and banks: Political influences on government-owned banks in emerging markets. *Journal of Financial Economics*, *77*, 453-479.

Dodge, T. (2012). *After the Arab Spring: Power shift in the Middle East?* Retrieved from London School of Economics website: http://www.lse.ac.uk/ideas/research/reports/arab-spring

Dot-Pouillard, N. (2016, May 20). *Iran and the Muslim Brotherhood: The best of enemies?* Retrieved from http://www.middleeasteye.net

Drysdale, P. (2011). A new look at Chinese FDI in Australia. *China& World Economy,19*(4), 54-73.

Dubai Customs. (2015). *Dubai-Egypt trade grows 21.5 % to AED 11.3 billion during Jan-Sep 2014*. Dubai, United Arab Emirates: Author.

Egyptian State Information Service. (2017). *Egypt-Kuwait relations witness continued growth at all levels*. Cairo, Egypt: Author.

Ehteshami, A. (2015). *GCC foreign policy: From the Iran-Iraq war to the Arab awakening.* Retrieved from London School of Economics Middle East Center website: http://eprints.lse.ac.uk/61772/1/The%20new%20politics%20of%20intervention%20of%20Gulf%20Arab%20states.pdf

Embassy of Libya. (2017). *Foreign policy*. Washington DC: Author

Embassy of the United Arab Emirates. (2017). *Foreign policy*. Washington DC: Author

Erel, I., C.Liao, R., & Weisbach, M. S. (2012). Determinants of cross-border mergers and acquisitions. *The Journal of Finance*, *67*(3), 1045-1082.

Espinoza, R. A., & Prasad, A. (2010). *Nonperforming loans in the GCC banking system and their macroeconomic effects.* Washington D.C.: International Monetary Fund.

European Council on Foreign Relations (2016). *A quick guide to Libya's main players*. Berlin, Germany: Author.

Farid, D. (2015, January 04). *Egypt-Kuwait economic relations marked by financial assistance, investment disputes*. Retrieved from http://www.dailynewsegypt.com/

Faulkner, D., Teerikangas, S., & Joseph, R. J. (2012). *The handbook of mergers and acquisitions* (1st ed.). Oxford: Oxford University Press.

Fawcett, L. (2013). *International Relations of the Middle East.* (4th ed.).Oxford: Oxford University Press.

Felsch, M. (2016). Qatar's rising international influence:a case of soft power? *Conjuntura Internacional*, *13*(1) 22-35.

Feng, L., & Ruizhuang, Z. (2006). The typologies of realism. *Chinese Journal of International Politics*, *1*(1)109-134.

Finnemore, M., & Sikkink, K. (1998). International norm dynamics and political change. *International Organization*, *52*(4) 887-917.

Fitzroy, N. (2017). *Country report Kuwait.* London: Economist Intelligence Unit.

Fouad, D. (2015, March 03). *Saudis account for 27% of Arab investments in Egypt*. Retrieved from http://www.arabnews.com/economy/

Freer, C. (2015). *The rise of pragmatic Islamism in Kuwait's post Arab Spring opposition movement.* Washington D.C.: Brookings.

Gaub, F. (2015). *From Doha with love: Gulf foreign policy in Libya.* Retrieved from London School of Economics Middle East Center website: http://eprints.lse.ac.uk/61772/1/The%20new%20politics%20of%20intervention%20of%20Gulf%20Arab%20states.pdf

General Assembly of the United Nations. (2015). *H.H. Sheikh Abdullah Bin Zayed Al Nahyan, Minister for Foreign Affairs*. Retrieved from https://gadebate.un.org/en/70/united-arab-emirates

Ghaddar, H. (2013, February 07). *Qatar bets on Islamists*. Retrieved from https://www.wilsoncenter.org/

Ghannouchi, R. (2016, May 20). *From political Islam to Muslim democracy*. Retrieved from https://www.foreignaffairs.com/

Ghosh, S. (2016). Political transition and bank performance: How important was the Arab Spring? *Journal of Comparative Economics, 44*(2) 372-382.

Gilpin, R. (2001). *Global political economy understanding the international economic order*. Princeton, New Jersey, NJ: Princeton University Press.

Globerman, S., & Shapiro, D. (2009). Economic and strategic considerations surrounding Chinese FDI in the United States. *Asia Pacific Journal of Management, 26*(1), 163-183.

Guardian. (2015, February 16). *Egypt's Morsi on trial accused of leaking secrets to Qatar*. Retrieved from https://www.theguardian.com/world

Gulf Times. (2013, May 18). *Tunisian prime minister hails ties with Qatar*. Retrieved from http://www.gulf-times.com/

Gulf Times. (2014, December 07). *Lebanon will not forget Qatar's support, says ambassador*. Retrieved from http://www.gulf-times.com/

Gulf Times. (2017, January 11). *Qatar, Lebanon enjoy decades of friendship*. Retrieved from http://www.gulf-times.com/

Harris, M. (2015, February 05). *Jordan's youth after the Arab Spring*. Retrieved from https://www.lowyinstitute.org/

Haykel, B. (2013). *Qatar's foreign policy*. Oslo, Norway: Norwegian Peacebuilding Resource Centre

Hilleary, C. (2012, October 18). *Iran-UAE island dispute could escalate*. Retrieved from https://www.voanews.com/

Hopkins, W. E., & Hopkins, S. A. (1997). Strategic planning-financial performance relationships in banks: A Causal Examination. *Strategic Management Journal*, *18*(8), 635-652.

Houston, J. F. (1994). The overall gains from large bank mergers. *Journal of Banking& Finance, 18*(6), 1155-1176.

Hunter, G. S. (2012, December 15). *Qatar National Bank to buy SocGen's Egyptian operations*. Retrieved from http://www.thenational.ae/

International Finance Corporation (2012). *Doing business in a more transparent world.* Washington DC: Author

International Monetary Fund (2012). *Staff country reports Lebanon.* Washington DC: Author

International Monetary Fund. (2012). *Press release: IMF reaches staff-level agreement with Egypt on a US$ 4.8 billion stand-by arrangement*. Washington DC: Author

Iraq Business News. (2012, April 04). *Qatar National Bank (QNB) takes majority stake in Mansour Bank*. Retrieved from iraq-businessnews: http://www.iraq-businessnews.com/2012/04/24/qatar-national-bank-qnb-takes-majority-stake-in-mansour-bank/

Jamail, D. (2011, December 28). *Rivals say Maliki leading Iraq to 'civil war'*. Retrieved from http://www.aljazeera.com/indepth/features/2011/12/2011122881820637664.html

Kalecki, M. (1937). The principle of increasing risk. *Economica, 3*, 440-447.

Kamrava, M. (2011). Mediation and Qatari foreign policy. *The Middle East Journal*, *65*(4), 539-556.

Karami, A. (2013, June 23). *Fars News objects to Arab media coverage of Iraq*. Retrieved from http://www.al-monitor.com/

Keohane, R. O., & Martin, L. L. (1995). The promise of institutionalist theory. *International Security*, *20*(1), 39-51.

Khalid, M. (2013, February 25). *The bullish case for Qatar National Bank*. Retrieved from http://oeronline.com/industries/banking-finance/the-bullish-case-for-qatar-national-bank-2.html

Khatib, L. (2013, January 7). *Qatar's involvement in Libya: A delicate balance*. Retrieved from Tufts University Reinventing Peace Foundation website: https://sites.tufts.edu/reinventingpeace/2013/01/07/qatars-involvement-in-libya-a-delicate-balance/

Kirkpatrick, D. D. (2015, February 19). *Gulf leaders back Qatar in its feud with Egypt*. Retrieved from http://www.nytimes.com/2015/02/20/world/middleeast/gulf-cooperation-council-backs-qatar-in-dispute-with-egypt.html?_r=0

La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2002). Government ownership of banks. *The Journal of Finance, 67*(1), 265-301.

Leberon, R. (2014, February 18). *Egypt, not Syria, the main game for the United Arab Emirates*. Retrieved from http://www.atlanticcouncil.org/

Lewis, A. (2011, October 25). *Profile: Tunisia's Ennahda Party*. Retrieved from http://www.bbc.com/news/world-africa-15442859

Li, Q. (2008). Foreign direct investment and interstate military conflict. *Journal of International Affairs, 62*(1), 53-66.

Lindblom, T., & Koch, C. V. (2002). Cross-border bank mergers and acquisitions in the EU. *The Service Industries Journal, 22,* 41-72.

Marks, J. (2009). Nationalist policy-making and crony capitalism in the Maghreb: The old economics hinders the new. *International Affairs, 85*(5), 951-962.

Mearscheimer, J. (2001). *The tragedy of great power politics.* New York, NY: Norton.

Middle East Online. (2013, November 23). *Qatar finances Ennahda's rule in Tunisia with $500 million*. Retrieved from http://www.middle-east-online.com/english/?id=62816

Mikhail, G. (2017, July 18). *Egypt keen on protecting Qatari investments*. Retrieved from http://www.al-monitor.com/pulse/originals/2017/07/egypt-cut-ties-qatar-investments-economy.html

Milner, H. V. (1998). Rationalizing politics: The emerging synthesis of international, American, and comparative politics. *International Organization*, *52*(4), 759-786.

Mishkin, F. S. (2006). *The economics of money, banking, and financial markets.* Boston, MA: Pearson Addison Wesley.

Moeller, S. B., & Schlingemann, F. P. (2005). Global diversification and bidder gains: A comparison between cross-border and domestic acquisitions. *Journal of Banking & Finance, 29,* 533–564.

Mohamed, S. E., & Sidiropoulos, M. G. (2010). Another look at the determinants of foreign direct investment in MENA countries: An empirical investigation. *Journal of Economic Development*, *35*(2), 75-95.

Mohammad, A. (2017, June 17). *Qatar: An ambitious foreign policy?* Retrieved from http://foreignpolicynews.org/2017/06/17/qatar-ambitious-foreign-policy/

Moravcsik, A. (2008). The New Liberalism. In C. Reus-Smit & D. Snidal (Eds.), *The Oxford handbook of international relations* (pp. 235-254). New York, NY: Oxford University Press.

Morgenthau, H. (1948). *Politics among nations: The struggle for power and peace.* New York, NY: Alfred A. Knopft.

Morisset, J. (2000). *Foreign direct investment in Africa: Policies also matter.* Geneva, Switzerland: Transnational Corporations United Nations Conference on Trade and Development.

Namatalla, A. A., & MacDonald, F. (2015, May 21). *Al-Ahli Bank of Kuwait to buy Piraeus Egypt for $150 million*. Retrieved from https://www.bloomberg.com/

Nonnemberg, M. B., & Mendonça, M. J. (2004, April 07). *The determinants of foreign direct investment in developing countries*. Retrieved from http://www.anpec.org.br/encontro2004/artigos/A04A061.pdf

Noutary, E., & Luçon, Z. (2013). *The Arab Spring: What consequences on foreign investment?* Marseille, France: European Institute of the Mediterranean.

Nunnenkamp, P., & Spatz, J. (2002). *Determinants of FDI in developing countries: Has globalization changed the rules of the game?* New York, NY: Transnational Corporations, ISSN 1014-9562, United Nations Publications.

Nuruzzaman, M. (2015). Qatar and the Arab Spring: down the foreing policy slope. *Contemporary Arab Affairs*, *8*(2), 226-238.

Observatory of Economic Complexity. (2017). *Exports, imports, trade Data.* Retrieved from://atlas.media.mit.edu/en/

Omran, M. (2007). Privatization, state ownership, and bank performance in Egypt. *World Development*, *35*(4), 714-733.

Osman, M. (2016, December 03). *Qatar partner in Tunisia's democratic transition, says Rached Ghannouchi of Ennahda*. Retrieved from https://thepeninsulaqatar.com/

Ottaway, M., & Hamzawy, A. (2011). *Protest movements and political change in the Arab World*. Washington DC: Carnegie Endowment for International Peace.

Owoputi, J. A. (2014). Bank specific, Industry specific and macroeconomic determinants of bank profitability in Nigeria. *European Scientific Journal*, *10*(25), 408-423.

Oye, K. A. (1985). Explaining cooperation under anarchy: Hypotheses and strategies. *World Politics*, *38*(1), 1-24.

Pala, O., & Aras, B. (2015). Practical geopolitical reasoning in the Turkish and Qatari foreign policy on the Arab Spring. *Journal of Balkan and Near Eastern Studies*, *17*(3), 286-302.

Pasiouras, F., & Kosmidou, K. (2007). Factors influencing the profitability of domestic and foreign commercial banks in the European Union. *Research in International Business and Finance*, *21*, 222-237.

Phillips, C. (2015). *Gulf actors and the Syria crisis.* London, England: London School of Economics Middle East Center.

Pilloff, S. J., & Santomero, A. M. (1998). The value effects of bank mergers and acquisitions. In Y. Amihud & G. Miller (Eds.), *Bank mergers& acquisitions (pp.* 59-78). Dordrecht, the Netherlands: Kluwer Academic Publishers.

Prince, R. (2013, August 15). *Tunisia: between a rock and a hard place*. Retrieved from https://www.opendemocracy.net/

Qatar Islamic Bank. (2013). *Annual report 2013.* Doha, Qatar: Author.

Qatar National Bank (2012). *QNB Group acquires a stake of the Bank of Commerce and Development in Libya*. Doha, Libya: Author.

Qatar National Bank. (2013). *Annual report 2013.* Doha, Qatar: Author.

Reuters. (2014, February 6). *Qatar's QNB aims to become largest MENA lender by 2017*. Retrieved from http://m.arabianbusiness.com/

Roberts, D. B. (2012). Understanding Qatar's foreign policy objectives. *Mediterranean Politics*, *17*(2), 233-239.

Roberts, D. B. (2015). *Qatar's strained Gulf relationships.* London, England: London School of Economics Middle East Center.

Roberts, D. B. (2016, March 18). *Mosque and state: The United Arab Emirates' secular foreign policy*. Retrieved from https://www.foreignaffairs.com

Ryan, C. R. (2014). Jordanian foreign policy and the Arab Spring. *Middle East Policy, 21*(1), 144-153. Middle East Policy Center.

Sabry, B. (2013, April 18). *As Qatar supports Egypt, many Egyptians unexcited.* Retrieved from http://www.al-monitor.com/

Sadjadpour, K. (2011). *The battle of Dubai: The United Arab Emirates and the U.S.-Iran cold war.* Washington D.C.: Carnegie Endowment for International Peace.

Sadowski, Y. (2002). The evolution of political identity in Syria. In S. Telhami, & M. Barnett (Eds.), *Identity and foreign Policy in the Middle East* (pp. 137-155). Ithaca, NY : Cornell University Press.

Sahut, J. M., & Mili, M. (2011). Banking distress in MENA countries and the role of mergers as a strategic policy to resolve distress. *Economic Modelling, 28*(1), 138-146.

Salah, M. (2013, February 25). *Qatar National Bank buys 100% of NSGB*. Retrieved from http://www.dailynewsegypt.com/

Salah, M. (2013, May 02). *Standard& Poor's: Gulf banks replace European banks in MENA*. Retrieved from http://www.dailynewsegypt.com/

Salem, P. (2013). *Iraq's tangled foreign interests and relations.* Beirut, Lebanon: Carnegie Middle East Center.

Sambidge, A. (2013, June 11). *Emirates NBD completes $500m BNP Paribas deal*. Retrieved from http://www.arabianbusiness.com/

Sapienza, P. (2004). The effects of government ownership on bank lending. *Journal of Financial Economics, 72*(2), 357-384.

Snoj, J. (2013, December 18). *Population of Qatar by nationality*. Retrieved from http://www.bq-magazine.com/economy/2013/12/population-qatar-nationality

Sood, A., & Ahluwalia, V. (2009). Mergers and acquisitions in the banking sector: An appraisal. *the Icfai University Journal of Banking Law*, *7*(1), 20-36.

Stansfield, G. (2016). *Iraq: People, history, politics* (2nd ed.). New Jersey, NJ: John Wiley& Sons.

Stanko B., & Zeller, T. (1994). Financial ratios for the commercial banking industry: Do they measure what you think? *Journal of Business and Economic Perspectives, 20*(1), 119-127.

Summary, R. M., & Summary, L. J. (1995). The political economy of United States foreign direct investment in developing countries: An empirical analysis. *Quarterly Journal of Business and Economics*, *34*(3), 80-92.

Tetreault, M. A. (2011). The winter of the Arab Spring in the Gulf monarchies. *Globalizations, 8*(5), 629-632.

Toperich, S. (2014, July 24). *Libya: The Muslim Brotherhood's last stand?* Retrieved from http://www.huffingtonpost.com/sasha-toperich/libya-the-muslim-brotherhoods-last-stand_b_5618001.html

Trading Economics. (2017). *Sovereign credit ratings*. Retrieved from http://www.tradingeconomics.com/

Ulrichsen, K. C. (2012). *Small states with a big role: Qatar and the United Arab Emirates in the wake of the Arab Spring.* Kuwait: HH Sheikh Nasser al-Mohammed al-Sabah Publication Series.

Usher, S. (2014, March 7). *Saudi Arabia declares Muslim Brotherhood 'terrorist group'*. Retrieved from http://www.bbc.com/news/world-middle-east-26487092

Utvik, B. O. (2014). The Ikhwanization of the Salafis: Piety in the politics of Egypt and Kuwait. *Middle East Critique*,*23*(1), 5-27.

Uysal, V. B., Kedia, S., & Panchapagesan, V. (2008). Geography and acquirer returns. *Journal of Financial Intermediation*, *17*(2), 256–275.

Van Wyk, J., & Lal, A. K. (2010). FDI location drivers and risks in MENA. *Journal of International Business Research*, *9*(12), 99-116.

Wagner, D. (2015, December 13). *The UAE and Qatar wage a proxy war in Libya*. Retrieved from https://intpolicydigest.org/2015/12/13/uae-qatar-wage-proxy-war-libya/

Walker, P. (2013). *Country report Tunisia.* London, England: Economist Intelligence Unit.

Waltz, K. (1979). *Theory of international politics.* Reading, England: Addison-Wesley.

Wehrey, F. (2013). *World Politics Review: What has been the trajectory of relations between Egypt and the UAE since the fall of Hosni Mubarak?* . Washington DC: Carnegie Endowment for International Peace.

Weldes, J. (1996). Constructing national interests. *European Journal of International Relations*, *2*(3), 275-318.

Wendt, A. (1992). Anarchy is what states make of it: The social construction of power politics. *International Organization*, *46*(2), 391-425.

Williams, L. (2014, March 19). *Inside Doha, at the heart of a GCC dispute*. Retrieved from http://www.thenational.ae/world/qatar/inside-doha-at-the-heart-of-a-gcc-dispute#page1

Wintour, P. (2017, 07 17). *Qatar: Gulf states hint at possible expulsion from regional bloc.* Retrieved from https://www.theguardian.com/world/2017/jul/17/gulf-states-hint-at-possible-expulsion-of-qatar-from-regional-bloc

World Bank. (2017). *Global financial development*. Retrieved from http://databank.worldbank.org/data/reports.aspx?source=global-financial-development

Yom, S. L., & Gause III, F. G. (2012). Resilient royals: How Arab monarchies hang on. *Journal for Democracy, 23*(4), 74-88.

You, K. (2015). *What drives China's outward FDI? A regional analysis.* Helsinki, Finland: Bank of Finland Institute for Economies in Transition

Zahran, M. (2012, October 04). *Muslim Brotherhood targeting United Arab Emirates?* Retrieved from https://www.gatestoneinstitute.org/3370/muslim-brotherhood-united-arab-emirates