Integration initiatives in the banking sector in Arab countries and their repercussions on the effectiveness of banks' performance

- Comparative experiments and analyses-

مبادرات التكامل في القطاع المصرفي بالدول العربية وتداعياتها على فعالية أداء البنوك

-تجارب وتحليلات مقارنة-

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Abstract *: Banking sector mergers in Arab countries have emerged as strategic responses to market challenges, including economic instability, regulatory changes, and the need for enhanced efficiency. These mergers aim to streamline operations, reduce costs and increase competitiveness stronger market positional and more diversified service offerings. For instance, mergers in the Gulf cooperation council (GCC) countries have generally been driven by the desire for desire for scale and diversification while North African countries focus on improving operational efficies and expanding access to banking services. However, the outcomes of these mergers very successful cases demonstrate growth in profitability customer satisfaction and broader access to financial products, while unsuccessful ones have highlighted challenges such as integration issues cultural clashes and customer alienation Comparative analyses of different Arab countries banking mergers reveal diverse impacts on banking sector effectiveness with opportunities and challenges to each region.*

Keywords: Banking mergers, Arab countries, sector performancy, financial performance, GCC.

Jel Classification: Z25, Z35, M35.

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Title: *Integration initiatives in the banking sector in Arab countries and their repercussions on the effectiveness of banks' performance - Comparative experiments and analyses-*

1- Introduction:

The banking sector in Arab countries is considered one of the basic pillars that support the national economy and directly affect economic and social development in the region. According to the Arab Economic Outlook 2025 report issued by the Arab Monetary Agency, the Arab economy is expected to witness growth of 3.8% during 2025, reflecting a continued recovery despite regional and global challenges .**(Otieno, 2024).**

The Arab banking sector has huge assets that are largely concentrated in the Arab Gulf countries, where banks such as Qatar National Bank and First Abu Dhabi topped the list of the largest banks with assets exceeding $356 and $330 billion, respectively, which constitutes a large part of the regional banking market, which is estimated at more than one trillion dollars in terms of assets. Saudi banks also constitute a significant portion of this market, with assets amounting to approximately $149 billion, equivalent to approximately 22% of the total assets of Arab commercial banks.

Despite this importance, the sector faces fundamental challenges related to market fragmentation and the presence of a large number of small and medium-sized banks, which affects their competitiveness and financial sustainability. As a result, recent years have seen a trend towards banking mergers as a strategic mechanism aimed at enhancing financial solvency and improving the efficiency of banks' performance. These operations aim to reduce dispersion, increase capital, and enhance the competitiveness of banks at the local and regional levels. **(Ullah, 2022)**

Statistics for the first quarter of 2025 show an improvement in the financial performance indicators of some major banks, as net income increased and the growth rate in assets reached about 14.2%, deposits by 14.9%, and loans by 15.4% compared to the same period of the previous year, reflecting a potential positive impact of mergers on the financial performance of banks.

However, important questions remain about the effectiveness of these initiatives in achieving the desired goals, and how the results of integration between Arab countries differ depending on differences in the financial market and regulatory systems. **(Argaam, 2019)**

1-Main problem:

What is the impact of merger initiatives in the banking sector in Arab countries on the effectiveness and performance of banks in terms of financial and competitive indicators?

1-1 Sub-questions:

• What are the models used for mergers in the Arab banking sector?

• How do mergers affect banks' profitability, liquidity, and asset quality?

• What are the most prominent challenges facing mergers in Arab banks?

• Are there differences in the impact of integration between countries in the region based on market size and the development of the economic structure?

• What policies and measures can be adopted to enhance integration outcomes as a catalyst for economic growth?

This general framework could provide a solid starting point for an objective study of the reality and outcomes of mergers in the Arab banking sector, drawing on comparative analyses and international and local experiences to assess the short- and long-term impact of these initiatives.

2- Research objectives:

• Study the reality of mergers and acquisitions in the Arab banking sector, and analyze their prevalence and forms.

• Identify the challenges facing the Arab banking sector that push towards adopting merger as a strategic solution.

• Evaluating the impact of a banking merger on banks' financial performance, in terms of profitability, liquidity, and asset quality.

• Analysis of some successful Arab experiences in adopting banking merger strategies, such as the experiences of the UAE, Oman, Bahrain, and Lebanon.

• Study the broader economic impact of mergers on the competitiveness of Arab banks and enabling them to face foreign competition.

• Providing recommendations on policies and procedures that contribute to enhancing the effectiveness of banking mergers to achieve financial stability and economic development.

These objectives aim to shed comprehensive light on the issue of banking integration in the Arab world through a descriptive analytical study of models and experiences, with a focus on benefiting from integration to enhance the competitive capabilities of banks and develop the sector in general.

3-Research hypotheses:

* Arab banks face structural and financial challenges, such as the small size of banks, increasing loan default rates, and the fragmentation of the banking market, which makes mergers a strategic option required to improve the effectiveness of banks' performance.

* Banking mergers in Arab countries are limited in number and value compared to their global counterparts, which reflects that mergers are a secondary option and not the primary option for banking transformation.

* Banking mergers have positive repercussions on the liquidity and solvency indicators of Arab banks, but they may have a temporary negative impact on profitability indicators due to merger and restructuring costs.

* Merger enhances the ability of merged banks to attract foreign capital and enhance their technical and administrative efficiency, which increases their competitiveness in local and regional markets.

* The different regulatory and oversight work environments in Arab countries lead to varying results of mergers from one country to another, as appropriate policies contribute to enhancing the effectiveness of mergers.

* The experiences of countries such as the UAE, Oman, Bahrain, and Lebanon provide successful models that can be used to develop other integration strategies in the region.

These hypotheses form the basis for an analytical study aimed at evaluating the role of integration in raising the efficiency and effectiveness of the Arab banking sector and confronting its financial and regulatory challenges.

4-Research methodology:

This research relies on a descriptive analytical approach, which is consistent with the nature of studying the phenomenon of mergers in the Arab banking sector. It describes the reality of mergers and analyzes selected experiences and case studies from Arab countries. The approach includes collecting secondary data from official reports and reliable sources, in addition to analyzing banks' financial indicators before and after mergers to measure the impact on financial performance and competitive capabilities.

5-Research structure:

The research structure for understanding the topic of integration in the Arab-banking sector is advanced and divided into an introduction and three topics, followed by conclusions and recommendations, as follows:

• Axis 1: Banking Merger.

This section discusses the nature of banking mergers, their motivations, types, and various forms, while reviewing the reasons for Arab banks' orientation toward these operations.

• Axis II: Financial performance evaluation.

This section examines the concept of banks' financial performance, its importance, objectives, and methods. It also addresses banks' financial analysis to measure the extent of change in performance before and after a merger.

• The third axis: The effects of integration in Arab countries and its repercussions on the effectiveness of banking performance.

This research examines banking merger experiences in some Arab countries, presenting the historical development of mergers, analyzing the financial performance of banks before and after the merger, and studying the economic and financial repercussions on the banking sector.

Axis 1: Banking Merger.

Banking mergers are considered one of the most significant strategic transformations taking place in the banking sector in Arab countries. These operations aim to merge two or more institutions to form a new banking entity or expand an existing one, while enhancing financial efficiency and competitiveness in the banking market.

1-What is a banking merger.

A banking merger is the process of consolidating two or more banks into a single new entity, through which financial, administrative, and technical resources are combined, with the aim of increasing capital, reducing operational costs, and enhancing the ability to adapt to the demands of increasing competition, whether at the local or regional level.

2- Motives for banking integration in the Arab world.

There are many motives behind Arab banks' move towards integration, including:

• Small size of banks: Many local banks face difficulty competing, especially as the banking sector expands globally. For example, in Algeria, several mergers have taken place to reduce the number of small banks and increase concentration (from 18 banks to much fewer over the past decade).

• Increased capital requirements: With increasing Lightening by financial regulators, banks need to raise their capital. In the UAE, for example, a massive banking merger between National Bank of Abu Dhabi and First Gulf Bank succeeded, adding more than $330 billion in assets to the resulting bank, strengthening its financial strength.

• Improving asset quality: Mergers aim to reduce the percentage of non-performing loans and improve their quality by integrating multiple expertise and sources.

• Increased efficiency and reduced costs: The merger allows for reduced redundancy and economies of scale in operation, as happened in Qatar, where Al Rayyan Bank and Al Khaleeji Bank completed a large-scale strategic merger, which led to improved administrative structures and reduced costs.

• Geographical expansion and diversity of services: The merger allows banks to expand their scope of activity and offer a wider range of products and services.

• Attracting foreign investment: Larger, well-organized banks have greater attractiveness for investment, increasing opportunities for financing and international cooperation.

3- Forms and types of banking mergers.

Bank mergers vary depending on the legal form:

• **Full merger:** Banks are merged to form a new unified entity, as in the case of the merger of First Abu Dhabi Bank and First Gulf Bank in the UAE.

• **Acquisitions:** where one bank buys the largest stake in another bank, as happened in some mergers in the Maghreb.

• **Strategic alliances and partnerships:** The merger preparation phase takes place or is used to enhance cooperation between banks without a full merger.

These strategies have helped several Arab banks build larger and more internationally competitive banking institutions, but with challenges related to the implementation and administrative and financial integration of these operations, which requires careful follow-up to ensure maximum benefit.

4- Methods of repaying banking mergers:

The mechanism for repaying banking mergers is considered one of the important aspects that determine the success of the process and the effectiveness of achieving its financial and strategic goals, and the repayment of merger companies varies between several main methods, including:

*** Direct cash payment.**

The acquiring bank pays a direct sum of money to the target bank's shareholders in exchange for their shares in the bank. This method is simple and clear, but it depends on the availability of sufficient financial liquidity in the acquiring bank.

*** Stock exchange (share payment).**

In this method, the acquiring bank issues new shares to the target bank's shareholders in exchange for their shares, resulting in the new shareholders sharing ownership of the merged bank. This method is considered a common method in banking mergers because it maintains cash liquidity within the bank.

*** Mixed payment (cash and shares).**

It is a method that combines cash and equity, where part of the value is paid in cash and another part in shares of the merged bank. This method can be customized to adjust the balance between financial liquidity and equity.

*** Reliance on bonds and other financial instruments.**

In some cases, the merger may be repaid by issuing bonds or other financial instruments granted in exchange for shares, with the value of these instruments being repaid later, enabling the bank to improve its capital structure and better manage cash flows.

The repayment method varies depending on the status of the two banks, their ability to provide liquidity, and investor interest. Local laws and regulations also influence the selection of the appropriate method, taking into account the impact on the value of shares and shareholders' equity.

Applying these methods requires careful planning to avoid financial risks and ensure acceptance of the merger process by both parties, investors and regulatory parties.

5- Banking merger requirements.

Banking mergers require the availability of several basic conditions and requirements to ensure the success of the process and achieve the desired goals. The most important of these requirements are **:(Gattoufi, 2009)**

*** Approval of regulatory and supervisory authorities.**

Mergers must obtain approval from the relevant banking sector governance authorities in each country, such as central banks and financial oversight bodies, which require that conditions related to financial solvency, capital adequacy, and the protection of depositors' rights be met.

*** Compatibility of strategies and visions between stakeholders.**

There should be consistency and clarity in the merger objectives between the two banks or participating institutions, so that growth, expansion and banking strategies are compatible.

*** Careful financial and technical study.**

The merger process requires the preparation of comprehensive feasibility studies that include financial, legal, technical, and administrative aspects to evaluate the financial impact, determine costs, and the benefits of the merger on performance.

*** Asset and liability valuation procedures.**

A careful assessment of the assets and liabilities of the banks concerned is required to determine the true value of each party and ensure fairness in the division of shares or compensation.

*** Planning for administrative and operational integration.**

Follow-up includes the integration of information systems, human resources, banking operations, and distribution channels, with the aim of achieving consistent integration that reduces conflicts and enhances efficiency.

*** Legal and legislative compatibility.**

Compliance with local and international regulations and laws related to banking operations requires protecting the rights of shareholders and depositors, and complying with financial and accounting standards.

*** Readiness of senior management and technical personnel.**

The need for senior management and technical cadres qualified and receptive to change to follow up on the implementation of the merger process efficiently and effectively.

These requirements constitute the basic basis that ensures the stability of the merger process and its effectiveness in enhancing the financial and competitive capabilities of the resulting bank.

The second axis : the banking sector and evaluating financial performance.

1- The banking sector: its functions and objectives

The banking sector is considered a vital pillar of the national economy, acting as a financial intermediary linking savers and investors and supporting economic growth by providing the necessary financing to individuals and businesses.

1-1- Banking sector jobs.

• **Accepting deposits:** Enables individuals and businesses to safely deposit their funds, whether demand deposits, current or fixed, creating an opportunity to invest these savings.

• **Granting loans:** Provides the necessary financing to various economic sectors through personal and commercial loans and investment funds, which contributes to developing projects and increasing production.

• **Facilitating financial operations:** This includes payment and money transfer services, credit card issuance, and foreign exchange services.

• **Achieving financial stability:** By regulating liquidity and credit and controlling financial risks, the banking sector maintains the integrity of the financial system.

• **Supporting economic development:** by financing development projects and infrastructure, and contributing to increasing job opportunities and improving the standard of living.

1-2 Objectives of the banking sector.

• **Enhancing economic efficiency:** by providing financial resources in an efficient manner to achieve optimal use of capital.

• **Supporting economic growth:** by stimulating investment and providing financing for small, medium and large enterprises.

• **Achieving financial stability:** by supervising banks and regulating their activities to reduce financial risks and secure depositors' funds.

• **Increase financial inclusion:** Providing banking services to the largest possible number of individuals and businesses, especially previously unserved groups.

Banking institutions play a pivotal role in driving the economy. They form the basis of financial liquidity and support the movement of various markets and economic sectors, making them among the most important sectors in promoting stability and economic development in countries.

2- The concept of banking performance.

Banking performance refers to the extent to which a bank is able to achieve its planned financial and operational objectives, and it reflects the bank's efficiency in exploiting its resources to achieve positive results within the surrounding banking environment. Banking performance can be defined as a picture of the level of a bank's ability to exploit its assets, human and financial resources, to achieve profits, achieve customer satisfaction, and comply with previously established plans, while diagnosing any deviations and intervening to correct them.

Banking management experts believe that banking performance is very similar to that of other business organizations, but it is unique in its special nature due to the nature of financial work, as it is often measured by financial indicators such as return on assets (ROA), return on equity (ROE), asset quality, and liquidity ratios. Performance also includes evaluating the banking services provided and the efficiency of internal banking operations.

Banking performance evaluation is an ongoing process that requires comparing actual results with planned objectives, and involves analyzing and addressing deviations to improve financial and administrative efficiency. Performance evaluation is of particular importance in the banking sector because it contributes to improving the economic efficiency of banks, ensuring the stability of the financial system, and enhancing banks' competitiveness in local and international markets.

In short, banking performance is a measure of a bank's success in achieving its financial and operational objectives through effective management of banking resources and operations, which is reflected in the sustainability and economic growth of the bank and society as a whole.

3- Performance evaluation.

Banking performance evaluation is a systematic evaluation process that aims to measure and analyze the extent to which banks achieve their financial and operational objectives efficiently and effectively. This evaluation is based

on a set of indicators and standards that allow the bank, regulatory authorities and investors to know the true state of the bank's performance, which facilitates the process of making banking and administrative decisions.

3-1 Performance evaluation objectives.

* Identify the strengths and weaknesses of the bank's performance.
* Measuring the bank's contribution to achieving financial and economic stability.
* Improving the efficiency of using banking resources and operations.
* Develop appropriate development and growth strategies based on evaluation results.
* Protect the rights of depositors and shareholders by ensuring transparency of performance.

3-2 Tools and metrics for evaluating banking performance.

Financial indicators: such as return on assets (ROA), return on equity (ROE), non-performing loan ratio, and liquidity indicators.

Audit and review reports: to ensure the bank's compliance with financial and accounting standards.

Benchmark comparisons: Comparing a bank's performance with similar banks or with sectoral indicators to track the bank's competitive position.

Risk analysis: assessing the risks associated with loans, liquidity, and market risks.

3-3The importance of performance evaluation in banking mergers.

In mergers, a performance evaluation is used to assess the status of the merging banks and estimate the potential impact of the merger on the financial bank's strength and competitive position. Accurate evaluation helps in making a balanced decision that ensures the desired benefits of the merger are achieved while reducing risks.

Performance evaluation is an essential tool to ensure the sustainability of banks and enhance their effectiveness in achieving their economic and social goals in a changing and volatile economic environment. **(Huizinga, 2001)**

4-Financial analysis.

Financial analysis is a key tool used to assess the financial position and economic performance of banking institutions. It relies primarily on studying and analyzing financial statements that reflect the bank's financial health, through financial statements such as the balance sheet, income statement, and cash-flow statement.

4-1 Objectives of financial analysis in the banking sector.

• Knowing the bank's ability to meet its short- and long-term financial obligations.
• Evaluating the bank's profitability and the efficiency of using its assets and resources.
• Analyze liquidity and the availability of sufficient cash to meet withdrawal requests and obligations.
• Detecting financial strengths and weaknesses, which enables management to make decisions based on accurate information.
• Monitoring the quality of assets, especially non-performing and irregular loan ratios.

4-2 financial analysis tools and metrics.

• **Liquidity ratios:** such as the current ratio and the quick liquidity ratio, to determine the bank's ability to cover its obligations.
• **Profitability ratios :** such as return on assets (ROA) and return on equity (ROE).
• **Capital adequacy ratio:** to assess the extent to which capital is compatible with the risks charged.

• **Loan-to-deposit ratio:** to measure efficiency in the use of deposited funds.

• **Asset quality indicators:** the percentage of non-performing loans and the reserves allocated to cover those loans.

4-3The role of financial analysis in banking mergers.

Financial analysis is an essential stage before and after mergers to evaluate the financial feasibility of the operation, as it enables estimating the true value of assets and liabilities, evaluating financing capabilities, in addition to identifying potential risks that may affect the future performance of the merged bank.

Using financial analysis, the bank or regulatory body can make informed strategic decisions based on accurate data, which enhances the chances of successful mergers and achieving their desired goals. **(Ullah, 2022)**

The third axis: Integration experiences in Arab countries and their repercussions on the effectiveness of the banking sector

Banking mergers are among the most prominent measures adopted by banks in Arab countries to strengthen their competitive positions, increase capital, and improve the quality of financial performance. These experiences vary across Arab countries in terms of the number of transactions and their financial and administrative impact, with the largest shares of mergers concentrated in a limited number of countries, such as Lebanon, Egypt, the UAE, and Jordan.

The Lebanese Experience: The Lebanese banking sector witnessed the largest number of mergers in the 1990s, with the number of mergers reaching approximately 23 between 1994 and 1999, reducing the number of banks from 80 to 50. The primary objective of these operations was to enhance banking capital to meet reconstruction and development needs. For example, the United Bank of Lebanon, which resulted from the merger of four banks, had assets exceeding $1.5 billion and a capital of $250 million, making it one of the largest banks in the region.

Emirates Experience: In April 2017, the merger of National Bank of Abu Dhabi with First Gulf Bank was completed to become First Abu Dhabi Bank, which became the largest bank in the UAE with assets exceeding $330 billion. This merger contributed to expanding the customer base and increasing the liquidity and financial solvency of the merged bank, although there was a negative temporary impact on profitability due to merger and restructuring costs.

Egypt's experience: Egypt has witnessed mergers at varying intervals, including the merger of the Bank of Credit and Commerce into the Bank of Egypt in 1993 with support from the Central Bank of Egypt, to enhance capital and competitiveness. Mergers also continued to include other banks with the aim of ending the financial default problems facing some small banks and increasing operational efficiency.

1- The experience of merging the first bank with the Saudi British Bank (SABB) in the Kingdom of Saudi Arabia.

Saudi Arabia witnessed one of the most significant historical banking mergers between Saudi British Bank (SABB) and First Bank. The legal merger between the two banks was completed in June 2019, and the merger of all products and services for customers was announced as complete in March 2021. **(Harbi, 2024)**

1-1 Integration background.

The merger of the Saudi British Bank (SABB) and First Bank stems from the desire of both parties to establish a strong banking entity that will be one of the largest banks in Saudi Arabia, based on a long legacy and long experiences of each bank. This merger resulted in the third largest bank in the Kingdom in terms of assets and services.

1-2 Size of the merged bank.

• **Total assets:** approximately 257 billion Saudi riyals.

• **Loans to customers:** 168 billion Saudi riyals.

• **Customer deposits:** 195 billion Saudi riyals.

• **Total revenues**: about 10.9 billion Saudi riyals.

• **Number of customers:** more than one million customers.

• **Paid-up capital at the First Bank before the merger:** approximately 20.5 billion Saudi riyals.

1-3Integration objectives.

• Unifying the financial, administrative and technical strength of the two banks.

• Enhancing the ability to provide advanced banking services in line with Saudi Vision 2030.

• Expanding the network of branches and digital banking services.

• Attracting and attracting young Saudi competencies and integrating multiple experiences.

• Supporting economic growth by providing financing for infrastructure projects and various companies. **(Limam, 2017)**

1-4 Effects of merger.

• The merged bank became the third largest bank in Saudi Arabia.

• Enhancing the bank's competitiveness locally and internationally, especially by benefiting from the partnership with the global HSBC Group.

• Operational efficiency has been improved and integrated banking services covering all sectors have been provided.

• Providing greater resources for innovation and development of digital services.

• In March 2023, the bank's name was changed to "First Saudi Bank" to reflect the new unified identity.

1-5 Merger Management.

A 300-member project team was formed to complete the merger, which included relocating thousands of customers and reorganizing banking operations, integrating 4,500 corporate customers and more than 500,000 individual customers.

This experience embodies the actual model of banking integration in the Kingdom of Saudi Arabia, which reflects the development of the banking sector and its desire to keep pace with major economic and social developments in the Kingdom, and is an important example of how to build strong and sustainable banking entities that support economic development. **(Shrestha, 2017)**

Table (01) : Profitability indicators for Al-Awal and SABB Bank before and after the merger process for the period 2017-2022

Indicator	Alawwal Bank 2017	Alawwal Bank 2018	SABB 2017	SABB 2018	SABB-Alawwal 2019	SABB-Alawwal 2020	SABB-Alawwal 2021	SABB-Alawwal 2022
Net income (mn SAR)	1.336	1.130	3.954	4.929	3.271	(4.133)	3.201	4.872
Total Assets (mn SAR)	99.869	82.028	187.615	174.564	265.472	276.451	272.366	314.450
Total Equity (mn SAR)	13.600	13.860	33.470	32.463	56.160	50.761	53.020	54.682
ROA (%)	1.34	1.38	2.22	2.82	1.23	(1.50)	(1.18)	1.55
ROE (%)	9.82	8.15	11.81	15.18	5.82	(8.14)	6.04	8.91

Source: Number of researchers based on (annual reports of All SABB Bank for different years and multiple pages).

The table presents important financial data for both First Bank and SABB Bank before the merger and for the merged bank "First SABB Bank" after the merger during the period from 2017 to 2022, and includes the following indicators:

• **Net income :** reflects the bank's net profitability. Saab Bank was generating relatively higher income than First Bank before the merger, with net income in 2017 being SAR 3,954 million for Saab Bank compared to SAR 1,336 million for First Bank. After the merger, net income fluctuated with losses in 2020 due to merger costs, but it recovered significantly and reached 4,872 million riyals in 2022.

• **Total assets :** an indicator of the size of the bank. Total assets increased significantly after the merger, with SABB's total assets reaching SAR 314,450 million in 2022, compared to the lower total assets before the merger (SAP's SAR 187,615 million and SABB's SAR 82,028 in 2018).

• **Total equity :** reflects a bank's ability to finance its operations and address risks. Equity increased after the merger to SAR 54,683 million in 2022, compared to lower figures before the merger (SAR 32,463 million for SABB and SAR 13,860 million for First Bank in 2018).

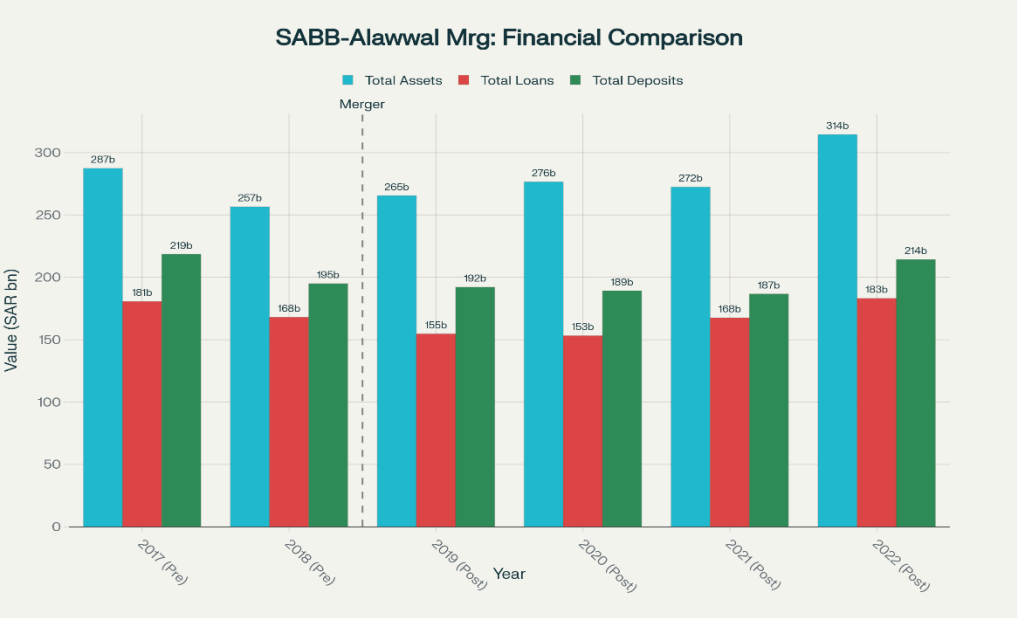
• **Rate of Return on Assets (ROA) :** Shows a bank's efficiency in using its assets to make a profit. This index fluctuated after the merger, recording losses in 2020 and then improving in 2022 to reach 1.549%.

• **Rate of return on equity (ROE) :** Expresses the profitability of shareholders' equity. It experienced similar volatility to ROA, falling to negative levels after consolidation in 2020, but recovering to 8.910% by 2022.

In general, the table reflects the impact of the merger on the financial performance of the new bank, as data indicate that the merger process caused a temporary decline in some profitability indicators due to merger and restructuring

costs. However, this decline was temporary, with most financial indicators improving significantly after 2020, indicating the bank's recovery and strengthening of its financial and investment position over the medium term.

Figure (01): Liquidity indicators of Al-Awal and SABB Bank before and after the merger process for the period 2017-2022



Source: Number of researchers based on (annual reports of All SABB Bank for different years and multiple pages).

Figure 01 shows a detailed comparison of the financial and banking performance between First Bank and SABB Bank before the merger, and the performance of the merged entity after the merger during the years 2017 to 2022 across six main indicators:

• Total Assets (Total Assets):

The table shows a significant growth in the entity's total assets after the merger, rising from SAR 99,869 million for First Bank and SAR 187,615 million for SABB Bank in 2017 to more than SAR 314,450 million after the merger in 2022. This significant growth reflects the financial strength and structural transformation resulting from consolidation.

• Total Loans (Total Loans):

Total loans increased from SAR 63,639 million to First Bank and SAR 117,006 million to SABB Bank in 2017 to SAR 183,132 million to the merged entity in 2022, indicating an increase in the financing capacity of the merged bank.

• Total Deposits (Total Deposits):

There was a significant increase in total deposits after the merger, reaching 214,278 million riyals in 2022, while they did not exceed 140,239 million riyals for SABB Bank and 78,274 million riyals for First Bank in 2017.

• Loan-to-asset ratio (Loans-to-Assets Ratio):

During the first years of the merger, we observed the percentage falling below 60% and then rising again in 2021 and 2022, reflecting the restructuring of the merged institution's lending policy.

• Deposit to Asset Ratio (Deposits-to-Assets Ratio):

The percentage remained good and ranged between 68% and 81% after the merger, indicating the stability of the new entity's customer deposit base.

• Loan-to-Deposits Ratio (Loans-to-Deposits Ratio):

The percentage before the merger ranged between 81% and 84%, and achieved stability after the merger around the level of 80%-89%, reflecting balanced growth in granting loans compared to deposits.

• Following the merger, the new entity witnessed significant growth in size, financing capacity and customer base strength.

• Expansion of financial indicators, especially assets and deposits.

• The merger contributed to improving the efficiency of loan allocation and the stability of the capital structure.

• Indicators indicate improved competitiveness, despite some temporary fluctuations in some ratios during the post-merger phase.

These results support the consolidation approach as a strategic option to raise financial performance and benefit from economies of scale in the Saudi banking sector. The graph (table) shows the comparison between the basic banking indicators of the first bank, SABB Bank, and the merged entity after the merger for the period between 2017 and 2022. **(Otieno, 2024)**

2- Merger of First Gulf Bank with Abu Dhabi National Bank in the United Arab Emirates.

In July 2016, the UAE banking sector witnessed the announcement of the merger of two of the largest national banks: First Gulf Bank (FGB) and National Bank of Abu Dhabi (NBAD), which led to the establishment of First Abu Dhabi Bank (FAB), the largest banking institution in the UAE and the Middle East in terms of assets at the time.

2-1 Merger details and numbers.

• The assets of National Bank of Abu Dhabi before the merger amounted to about 400 billion dirhams, while the assets of First Gulf Bank were about 227 billion dirhams.

• After the merger, the assets of the new bank (FAB) jumped to more than AED 627 billion (approximately $170 billion), topping local and regional banks in terms of volume.

• The merger took place through a "share swap" mechanism, where First Gulf Bank shareholders received 1,254 shares of National Bank of Abu Dhabi shares for every share they owned in First Gulf Bank, thus the distribution of ownership became 52% for First Gulf shareholders and 48% for National Abu Dhabi shareholders.

• The Abu Dhabi Investment Council and other government branches own more than 37% of the shares in the new entity.

• The listing of First Gulf Bank shares was terminated and consolidated stock trading began in April 2017. **(Matherly, 2021)**

2-2 Financial and economic impacts.

• First Abu Dhabi Bank became the largest Emirati bank, surpassing Qatar National Bank in terms of asset value at the time.

• The merger enhanced the bank's ability to provide diversified banking solutions to individuals and businesses, drawing on both banks' expertise in retail banking (FGB) and institutional and investment services (NBAD).

• The merger contributed to accelerating support for economic development in the UAE, achieving annual savings in operating costs amounting to approximately 500 million dirhams (equivalent to 136 million dollars), while increasing the ability to confront fluctuations in oil markets and interest rates.

• The new bank's banking network has expanded to include more than 120 branches in the UAE and a strong presence in global markets. **(Argaam, 2019)**

3- Comparing the results of the integration process between the two experiments.

Table 02: Detailed comparison between the two mergers: SABB Bank and First Bank in Saudi Arabia versus First Abu Dhabi Bank in the UAE.

Aspect	SABB - Alawwal Bank Merger (Saudi Arabia)	FAB Merger (FGB + NBAD, UAE)
Year of Merger	2019 (completion & integration by 2021)	2017
Assets Before Merger	SABB: SAR 187.6 billion Alawwal: SAR 99.9 billion	NBAD : AED 400 billion FGB : AED 227 billion
Assets After Merger	SAR ~314 billion (2022)	AED ~627 billion (approx. USD 170 billion)
Merger Mechanism	Full merger with phased integration	Share swap with balanced ownership
Annual Cost Synergies	Not specified	Approx. AED 500 million (~USD 136 million)
Branch Network Impact	Gradual expansion and digital services enhancement	Rapid expansion to over 120 branches locally and internationally
Market Position Impact	Became 3rd largest bank in Saudi Arabia by assets	Largest bank in UAE and MENA by assets
Strategic Advantages	Enhanced financial strength and improved digital services	Combined expertise and strong cost efficiency
Transition Period	Multi-year with financial fluctuations	Quick and smooth operational integration

Source: Number of researchers based on (annual reports of All SABB Bank for different years and multiple pages).

Year of merger:

• SABB Bank and First Bank of Saudi Arabia A legal and final merger took place in June 2019, implementation was completed and services began in March 2021.

• In the UAE, First Gulf Bank merged with National Bank of Abu Dhabi in 2017, forming First Abu Dhabi Bank (FAB).

Assets before and after the merger:

• Before the merger, SABB Bank's assets were about 187.6 billion riyals, and First Bank's assets were about 99.9 billion riyals.

• After the merger in Saudi Arabia, assets rose to approximately 314 billion riyals, indicating a significant expansion in the bank's size and influence.

• In the UAE, assets after the merger amounted to approximately AED 627 billion, or more than $170 billion.

Integration mechanism:

• In Saudi Arabia, it took place through a share exchange deal, where First Bank shareholders received 0.485 shares in SABB Bank for every share they owned, increasing the capital from 15 billion riyals to 20.55 billion riyals, with the issuance of 2,055 million new shares.

• In the UAE, it was done directly through a stock swap process and operations were quickly consolidated, to enhance market presence and save costs.

Results and effects:

• In Saudi Arabia, the merger led to the establishment of the third largest bank in Saudi Arabia, achieving annual savings of about 10-15%, in addition to improving operational efficiency and developing services.

• In the UAE, the merger created the region's largest bank, with significant branch network expansions, increased regional and international competitiveness, and savings of approximately $136 million annually.

Budgets and financing results:

• Data indicate a significant increase in asset size, an expansion in the customer base, and the two banks have benefited from mergers to increase efficiency and the ability to finance the growth of the national economy.

In conclusion, both mergers are important for strengthening the financial position, enabling banks to compete globally, achieving cost savings, and providing improved customer services, while making significant improvements in the size and strength of banking institutions after the merger.

4- Conclusion:

Banking mergers in Arab countries, particularly in Saudi Arabia and the UAE, have shown clear positive effects on the asset size and capital strength of the merged banks, strengthening their competitive position in local and regional markets.

* Although there were some financial difficulties and fluctuations in profitability indicators during the first phase of the merger, performance is gradually improving over the medium and long term, as gradual integration is achieved and operational efficiency improves.

* The merger helped unify technical and administrative resources, improving the quality of banking services provided and expanding the network of branches and digital services.

* Achieving savings in operating costs was an influential factor in enhancing profits and budget health for the merged banks, confirming the feasibility of the merger strategy as a tool to enhance financial sustainability.

* The speed and success of mergers varies depending on administrative efficiency, advance planning, and the suitability of regulatory policies from one country to another.

Recommendations:

* Strengthening the regulatory and supervisory framework to ensure clarity in the terms of mergers, protect the rights of shareholders and depositors, and facilitate merger procedures without bureaucratic complications.

* Focus on advance planning for mergers to ensure smooth integration of financial and administrative systems, and avoid negative repercussions such as disruption of profitability levels in initial support.

* Focus on modernizing the digital and technological infrastructure of integrated banks to accelerate the integration of electronic services and improve customer experience.

* Developing human resources skills and competencies in banks to ensure acceptance of change and achieve the highest levels of administrative harmony between merged entities.

* Encouraging mergers between small and medium-sized banks to raise their competitiveness and enhance overall financial stability in Arab markets.

* Preparing extensive studies for financial, technical and social evaluation before each merger to ensure the achievement of the desired goals and reduce potential risks.

By following these recommendations, Arab countries can maximize the benefits of banking mergers and enhance the role of the banking sector in supporting economic development and financial stability.

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