

UAE 's Best Banks in 2008 – A Survey

By

B Rajesh Kumar

B Rajesh Kumar is Assistant Professor, Finance Area at Institute of Management Technology, Dubai. He received his PhD in Management from Indian Institute of Technology, (IIT) Kharagpur. He has over ten years of academic and research experience .He has published several empirical research papers in top refereed Indian journals like IIMA Vikalpa , IIMB Management Review and IIMC Decision. His research articles have also appeared in Journal of Applied Business and Economics published by North American Business Press. He has written two books which include a text book published by McGraw hill.

Email: rajesh155_bk@yahoo.com

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This study is based on a survey of the financial performance of UAE based 22 banks¹ that are listed on ADX and DFM .The study finds that the average total assets have increased by 22.5 % in the year 2008 compared to the previous year .The average customer deposits have increased by 38.01% and average loans and advances increased by 38.75% .The average operating income increased by 32.9% for these banks during the period 2008 .The average fee income also increased by 39.67 per cent during this period .

In terms of assets in 2008, the largest bank in UAE is Emirates NBD. The total assets of Emirates NBD were Dh 282413.676 million. The second largest bank in terms of assets was National Bank of Abu Dhabi which had assets worth Dh164654.480 million. Emirates NBD 's total assets was about 1.71 times that of the next bank with highest assets The assets of the top five banks constituted approximately 67 per of the over all assets of the banking sector under survey. In terms of growth rate National Bank of Umm Al Quwain had the highest asset growth of approximately 60 per cent in the year 2008. Emirates Islamic Bank and Gulf Finance House had an asset growth rate of 55.71 per cent and 55.23 per cent respectively. First Gulf Bank had an asset growth of approximately 47 per cent.

Table: 1 Top ten banks in terms of assets

SL	Name of Bank	Total Assets (Dh in millions)
1	Emirates NBD	282413.676
2	National Bank of Abu Dhabi	164654.480
3	Abu Dhabi Commercial Bank	147728.210
4	First Gulf Bank	107521.708
5	Mashreq Bank	93243.521
6	Dubai Islamic Bank	85031.113
7	Union National Bank	65225.275
8	Abu Dhabi Islamic Bank	51210.056
9	Commercial Bank of Dubai	35757.301
10	Emirates Islamic Bank	26400.450

In terms of customer deposits, Emirates NBD occupied the top slot.. It was followed by National Bank of Abu Dhabi and Abu Dhabi Commercial Bank. Bank of Sharjah had a growth rate of 59.66 per cent in customer deposits in 2008. Finance House occupied the second slot with a growth rate of 52 per cent. National Bank of Umm Al Quwain achieved a growth rate of 50 per cent. Abu Dhabi Commercial Bank and First Gulf Bank witnessed growth rates of 47.5% and 41.5 per cent respectively during the year 2008. The customer deposits of the top five banks constituted 66.4 per cent of the total customer deposits of twenty two banks under study.

¹ Banks like Commercial International Bank (Egypt) , Al Salam Bank (Bahrain) whose financial data was supplied in foreign denominations and other banks like Arab Bank , Jordan Bank and TAIB Bank were not included in the study .Gulf Finance House financial data was converted @ Dh 3.67/\$.

Table: 2 Top five banks in terms of customer deposits in 2008

SL	Name of Bank	Customer Deposits (Dh in millions)
1	Emirates NBD	162314.941
2	National Bank of Abu Dhabi	103481.145
3	Abu Dhabi Commercial bank	84360.821
4	First Gulf Bank	73962.659
5	Dubai Islamic Bank	66427.210

Table 3: Largest Loan Providers

SL	Name of Bank	Loans and Advances (Dh in millions)
1	Emirates NBD	188006.789
2	National Bank of Abu Dhabi	111764.267
3	Abu Dhabi Commercial Bank	108812.970
4	First Gulf Bank	79362.996
5	Dubai Islamic Bank	69981.932

Emirate NBD and National Bank of Abu Dhabi were the largest loan providers in the year 2008. In terms of growth rates, National Bank of Umm Al Quwain registered a growth rate of approximately 100 per cent. Bank of Sharjah and First Gulf Bank had a growth rate of 94.6 per cent and 78.7 per cent respectively. Emirates Islamic Bank and Finance House achieved a growth rate of 63.76 per cent and 62.86 per cent respectively.

Table: 4 Top Banks –Operating Income

SL	Name of Bank	Operating Income Dh in millions
1	Emirates NBD	8446.716
2	National Bank of Abu Dhabi	5301.282
3	First Gulf Bank	4698.449
4	Abu Dhabi Commercial bank	4418.164
5	Mashreq Bank	3983.938

In the year 2008, Emirates NBD had an operating income of Dh 8446.716 million. National Bank of Abu Dhabi and First Gulf Bank had an operating profit of Dh 5301.282 m and Dh 4698.449 m respectively. Arab Emirates Investment Bank witnessed a growth rate of approximately 180 per cent in operating income in the year 2008. Emirates NBD and Finance House had a growth rate of 70 and 67 per cent respectively in operating income.

Table: 5 Top Performers in terms of Fee Income

SL	Name of Bank	Fee Dh in millions
1	Emirates NBD	2997.620
2	Gulf Finance House	1785.176
3	Mashreq Bank	1252.770
4	National Bank of Abu Dhabi	1131.307
5	Abu Dhabi Commercial Bank	982.094

Emirates NBD and Gulf Finance House were the top performers in terms of fee income.

Table: 6 Profit Maximizers

SL	Name of Bank	Net Profit Dh in millions
1	Emirates NBD	3681.233
2	National Bank of Abu Dhabi	3018.735
3	First Gulf Bank	2997.203
4	Mashreq Bank	1732.069
5	Dubai Islamic Bank	1730.290

Emirates NBD was the largest profit maximizer in the year 2008. In terms of growth rate Emirates Islamic Bank witnessed a growth of 67.9 per cent in net profit in the year 2008. National Bank of Ras Al Khaimah had a growth of 58 per cent in its net profits. First Gulf Bank registered a growth of 49% and Emirates NBD had a growth of 32.8 per cent respectively.

Table: 7 Position in terms of Net Interest Income

SL	Name of Bank	Net Interest Income Dh in millions
1	Emirates NBD	5408.990
2	National Bank of Abu Dhabi	3607.565
3	First Gulf Bank	2580.500
4	Abu Dhabi Commercial Bank	2508.476
5	Mashreq Bank	2083.775

Table: 8 Top Islamic Banks –Ranking

SL	Parameter	Name of the Bank	Value in Dh (millions)
1	Total Assets	Dubai Islamic Bank	85031.113
2	Customer Deposits	Dubai Islamic Bank	66427.210
3	Net Profit	Dubai Islamic Bank	1730.290

In terms of asset growth rate among Islamic banks, Emirates Islamic bank witnessed a growth of 55.71 per cent. Sharjah Islamic Bank had a growth rate of 42.74 per cent in assets. Abu Dhabi Islamic Bank and Dubai Islamic bank recorded asset growth rate of 16 and 8 per cent respectively. In terms of customer deposits, Abu Dhabi Islamic Bank had a growth of 40.79 per cent followed by Dubai Islamic Bank which had a growth rate of 30 per cent in customer deposits in the year 2008 compared to previous year .In terms of net profit, Abu Dhabi Islamic Bank witnessed a growth of 10.66 per cent in the year 2008.

Table: 9 Ranking on the basis of overall average growth rate

The dimension of overall average growth rate includes growth in customer deposits, loans and advances , fee income , operating income and net profit .

SL	Name of Bank	Average growth rate(%)
1	Emirates Islamic Bank	81.96
2	First Gulf Bank	65.91
3	Finance House	61.58
4	Emirates NBD	59.50
5	Gulf Finance House	52.96

Emirates Islamic Bank had the highest overall average growth rate in the year 2008.

Table 10: Most Productive Banks

Productivity has been measured by the ratio of operating expenses to the total assets of the banks in the year 2008.

SL	Name of Bank	Operating expenses to assets ratio
1	National Bank of Abu Dhabi	0.00907
2	Union National Bank	0.009817
3	National Bank of Umm Al Quwain	0.012517
4	Commercial Bank of Dubai	0.013637
5	National Bank of Fujairah	0.014146

The operating expenses of large banks like Emirates NBD, Abu Dhabi Commercial bank and First Gulf bank constituted 1.77%, 2.04% and 1.58 % of their total assets respectively.

Table: 11 Best Asset Quality

Asset quality was measured by the ratio of impairment losses of assets to loans and advances.

Smaller banks were toppers with respect to quality of assets

SL	Name of Bank	NPA to loans and advances
1	Emirates Islamic Bank	0.0038
2	United Arab Bank	0.0039
3	Union National Bank	0.0040
4	National Bank of Abu Dhabi	0.0064
5	National Bank of Ras Al Khaimah	0.00643

Emirates NBD had a NPA of 0.87 per cent of the total loans and advances .Abu Dhabi Commercial bank had an NPA of 1.37 per cent of the total loans and advances. National Bank of Abu Dhabi had an NPA of 0.64 per cent of its loans and advances.

Table: 12 Ranking by Return on Assets .

Return on Assets was found out by the ratio of net profit to total assets.

SL	Name of Bank	ROA in %
1	Finance House	10.26
2	Gulf Finance House	8.37
3	National Bank of Ras Al Kamiah	4.56
4	United Arab Bank	3.30
5	First Gulf Bank	2.78

Emirates NBD had a ROA of 1.30 per cent. National Bank of Abu Dhabi had a ROA of 1.83 per cent .Abu Dhabi Commercial bank had a ROA of 0.91 per cent . Bank of Sharjah had a ROA of 2.59 per cent.

Table: 13: Most Efficient Users of Capital

The ratio used to find out the most efficient users of capital was return on equity .Return on equity was found by the ratio of net profit divided by equity and net worth.

SL	Name of Bank	ROE in percentage
1	Finance House	31.31
2	National Bank of Ras Al Kamiah	30.59
3	Gulf Finance House	30.18
4	Emirates Islamic Bank	23.92
5	National Bank of Abu Dhabi	21.02

Abu Dhabi Commercial Bank had a ROE of 8.5 per cent. Emirates NBD 's ROE in the year 2008 was 14.28 per cent.

Best Capitalized Banks

Capital Adequacy ratios are considered broad indicators of the risk appetite .Capital Adequacy ratio is the is ratio of a bank's capital to its risk weighted assets.

Table: 14 Best Capitalized Banks

SL	Name of Bank	CAR
1	Sharjah Islamic Bank	39
2	Finance House	37
3	Arab Emirates Investment Bank	28.75
4	Bank of Sharjah	22.38
5	National Bank of Ul Umm Al Quwain	18.5

Sharjah Islamic Bank had the highest Capital Adequacy ratio of 39 per cent .Emirates NBD and Abu Dhabi Commercial Bank had a Capital Adequacy Ratio of 11.4 and 11.07 respectively. National Bank of Abu Dhabi and Mashreq bank had a Capital Adequacy Ratio of 13.71 per cent and 14.08 respectively. The average Capital Adequacy ratio of the twenty two banks was 19.73 per cent in the year 2007 .The average decreased to 17.07 per cent in the year 2008. The average capital adequacy ratio of the Islamic banks were 18.41 per cent in 2008.

Table 15: Liquidity Position

The liquidity position of the banks is measured by the ratio of cash to deposit.

SL	Name of Bank	Ratio of cash to Deposit
1	Ajman Bank	2.03
2	National Bank of Fujairah	0.20
3	National Bank of Abu Dhabi	0.18
4	Mashreq bank	0.1298
5	Sharjah Islamic Bank	0.1292

Table: 16: EPS Position in 2008

In terms of earnings per share, the top ranks can be assigned to Mashreq bank, First Gulf Bank and National Bank of Abu Dhabi

SL	Name of Bank	EPS
1	Mashreq bank	11.22
2	First Gulf Bank	2.1
3	National Bank of Abu Dhabi	1.54
4	Gulf Finance House	1.35
5	Finance House	1.14

Table: 17: Wealth creators in Stock Market

In terms of Wealth maximization in 2008, Dubai Islamic Bank occupied the top position .It was followed by First Gulf bank and Union National Bank .The analysis was based on the bank's values in the respective listed exchanges (DFM and ADX) as on 31/12/2008 .

SL	Name of Bank	Market Value in AED
1	Dubai Islamic Bank	21626332.26
2	First Gulf bank	13,599,863
3	Union National Bank	10,335,965
4	Ajman Bank	7774770.81
5	Sharjah Islamic Bank	4,367,068

Ranking Summary

SL	Total Assets	Customer Deposits	Loans & Advances	Operating Income	Productivity	Asset Quality	Efficiency (ROE)	Risk (CAR)
1	Emirates NBD	Emirates NBD	Emirates NBD	Emirates NBD	National Bank of Abu Dhabi	Emirates Islamic Bank	Finance House	Sharjah Islamic Bank
2	National Bank of Abu Dhabi	National Bank of Abu Dhabi	National Bank of Abu Dhabi	National Bank of Abu Dhabi	Union National Bank	United Arab Bank	National Bank of Ras Al Kamiah	Finance House
3	Abu Dhabi Commercial Bank	Abu Dhabi Commercial bank	Abu Dhabi Commercial Bank	First Gulf Bank	National Bank of Umm Al Quwain	Union National Bank	Gulf Finance House	Arab Emirates Investment Bank

References:**1) Data sources from ADX and DFM Websites****Appendix:****Banks Financial Parameters –Year 2008**

	Name of Bank	Net Profit in '000 AED	ROA in percentage	ROE in percentage
1	Abu Dhabi Commercial Bank	1358473	0.91	8.5
2	Abu Dhabi Islamic Bank	851052	1.66	15.09
3	Ajman Bank	3052	0.29	3.03
4	Arab Emirates Investment Bank	0.598373	0.15	0.60
5	Bank of Sharjah	410631	2.59	10.68
6	Commercial Bank of Dubai	771381	2.15	16.4
7	Commercial Bank International	127276	1.13	7.85
8	Dubai Islamic Bank	1730290	2.03	19.38
9	Emirates Islamic bank	400583	1.51	23.92
10	Emirates NBD	3681233	1.30	14.28
11	Finance House	248849	10.26	31.31
12	First Gulf Bank	2997203	2.78	18.03
13	Gulf Finance House	1071217.95	8.37	30.18
14	Invest Bank	4704	0.05	0.30
15	Mashreq Bank	1732069	1.85	16.21
16	National Bank of Abu Dhabi	3018735	1.83	21.03
17	National Bank of Fujairah	-50270	-0.39	-3.22
18	National Bank of Ras Al Khaimah	635984	4.56	30.59
19	National Bank of Umm Al Quwain	283665	2.09	10.19
20	Sharjah Islamic Bank	231579	1.49	5.56
21	Union National Bank	1441185	2.20	18.72
22	United Arab Bank	250198	3.3	18.65