

# GCC Commercial Bank Performance Rankings 2014

the **darien analytics** survey  
FINANCIAL MARKET ANALYSIS

**darien analytics** is a London-based consulting firm, founded by Andrew Cunningham  
For more information visit [www.darienmiddleeast.com](http://www.darienmiddleeast.com)

# Emiratis dominate ranking of Best Performing GCC Banks

Investbank, based in the UAE, was the best performing commercial bank in the GCC during 2013, according to a comprehensive survey undertaken by **darien analytics**. Second place was taken by National Bank of Ras al Khaimeh, also based in the UAE, with Saudi Arabia's Al-Rajhi in third.

**UAE banks filled six of the top ten places, with Qatari and Saudi banks taking two each. Banks from these three countries accounted for 39 of the 50 best performing banks.**

Taken as a whole, GCC commercial banks performed well in 2013, with 86% reporting higher net profits and only five of the 74 reporting net losses (and two of those reporting net losses were newly-created Omani Islamic banks whose losses reflect the general economics of start-ups and not their own particular performance).

The Darien Analytics GCC Commercial Banks Performance Ranking is based on a detailed analysis of financial statements of commercial banks in the six GCC states. To be eligible for inclusion banks must be either primarily funded by customers' deposits and/or primarily engaged in extending credit. They must also be active. On this basis, the Performance Ranking comprises 74 commercial banks: 13 from Bahrain, 9 from Kuwait, 9 from Oman, 10 from Qatar, 12 from Saudi Arabia and 21 from the UAE.

The Ranking of the best performing banks is based on six financial ratios that address capital strength and ability to absorb losses, profitability, efficiency and funding strength. The six ratios are equity to assets,

operating profit to loans and investments, return on average assets, return on average equity, costs to income and equity and customers' deposits to assets. The banks are scored based on their performance on each of these ratios, relative to the other banks. A bank's scores for each ratio are then summed to give an overall score and a position in the Ranking.

For more information on how the rankings were compiled and the basis for selecting the six ratios please refer to the Appendix on the back page.

A striking feature of the Ranking is that many of the lions of Gulf commercial banking do not appear among the best performers. There are exceptions, such as Al-Rajhi, in third place and Qatar National Bank in seventh, but most of the Top 10 ranked banks are among the region's smaller commercial banks and even the Top 20 best performers are heavily weighted towards small and medium sized banks.

It might be thought that strong financial performance by smaller banks is due to more volatile profitability – financial ratios being swayed by a few non-recurring items, in contrast to the more steady earnings profiles of the larger banks. But that is not true. And in any case, two of the six

performance ratios ratios are based on balance sheet figures, not the income statement, and another two are based on operating profits, not net profits.

Perhaps more tellingly, 13 of the Top 20 ranked banks were also ranked in the Top 20 when Darien conducted a similar Performance Ranking, based on the same six ratios, in 2011.

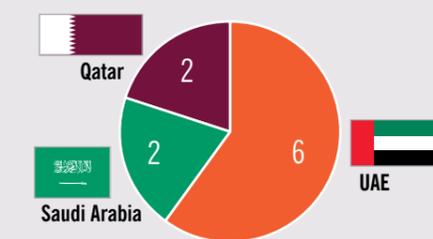
Darien Analytics' performance rankings do not address issues of management quality, corporate governance or strategy, all of which are essential ingredients of good performance. But excellence in these non-financial areas must ultimately find expression in a bank's financial performance. What is the purpose of good management, good governance and good strategy if not to enhance profits and create a strong balance sheet over the long term?

Larger banks may feel that they have the expertise and sophistication to operate at lower capital ratios. A low capital ratio would lead to a low score on the capital to assets metric but if the bank is producing strong profits, leaner capital will push the bank to a higher score on the return on equity ratio.

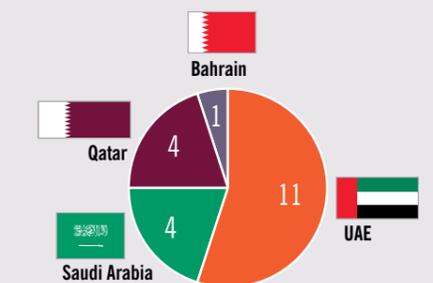
The lions of Gulf banking may have big footprints and high credit ratings, but that is no excuse for financial under-performance.

## BREAKDOWN OF BEST PERFORMING BANKS BY COUNTRY

### TOP 10



### TOP 20



### TOP 50



## REMARKABLE PERFORMANCE BY EMIRATI BANKS

The performance of Emirati banks was remarkable in 2013. Of the 21 Emirati banks included in the Survey, six are ranked in the Top 10 performing banks and 13 in the Top 20. Eighteen are ranked in the top 50. There is no simple explanation for Emirati banks' exceptional performance. It is not the case that Emirati banks outpace all other banks in one or two metrics. They perform well across the whole range of indicators.

Saudi and Qatari banks also perform well with two banks from each country in the Top 10 and four each in the Top 20. All ten Qatari commercial banks included in the Survey find a place in the Top 50 performing banks while 11 of Saudi Arabia's 12 commercial banks find a place in the top 50.

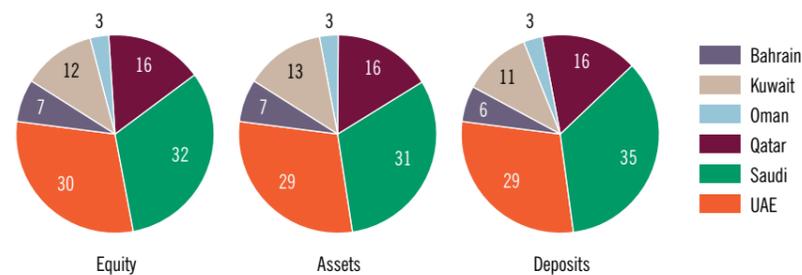
The dominance of banks from the UAE, Saudi Arabia and Qatar is not surprising.

## 50 BEST PERFORMING COMMERCIAL BANKS IN THE GCC, 2014\*

1	Investbank	UAE
2	National Bank of Ras Al Khaimeh	UAE
3	Al-Rajhi	Saudi Arabia
4	First Gulf Bank	UAE
5	National Bank of Umm al-Qaiwain	UAE
6	Masraf al-Rayan	Qatar
7	Qatar International Islamic Bank	Qatar
8	Union National Bank	UAE
9	Commercial Bank of Dubai	UAE
10	Samba Financial Group	Saudi Arabia
11	Qatar National Bank	Qatar
12	Saudi British Bank	Saudi Arabia
13	United Arab Bank	UAE
14	Bank Albilad	Saudi Arabia
15	National Bank of Fujairah	UAE
16	Arab Bank for Investment and Foreign Trade (Al Masraf)	UAE
17	Future Bank	UAE
18	Mashreq Bank	UAE
19	Doha Bank	Qatar
20	National Bank of Bahrain	Bahrain
21	Bank of Sharjah	UAE
22	Al-Ahli United Bank	Bahrain
23	National Commercial Bank	Saudi Arabia
24	Riyad Bank	Saudi Arabia
25	Abu Dhabi Commercial Bank	UAE
26	Ahli Bank of Qatar	Qatar
27	International Bank of Qatar	Qatar
28	Alinma Bank	Saudi Arabia
29	Saudi Hollandi Bank	Saudi Arabia
30	Arab National Bank	Saudi Arabia
31	Dubai Islamic Bank	UAE
32	Bank Dhofar	Oman
33	AlAhli Bank	Oman
34	Oman Arab Bank	Oman
35	Qatar Islamic Bank	Qatar
36	Bank Muscat	Oman
37	Al Ahli Bank of Kuwait	Kuwait
38	Banque Saudi Fransi	Saudi Arabia
39	Abu Dhabi Islamic Bank	UAE
40	Al Salam Bank	Bahrain
41	Commercial Bank of Kuwait	Kuwait
42	National Bank of Kuwait	Kuwait
43	Saudi Investment Bank	Saudi Arabia
44	Sharjah Islamic Bank	UAE
45	National Bank of Abu Dhabi	UAE
46	Commercial Bank International	UAE
47	Al Khalij Commercial Bank	Qatar
48	Commercial Bank of Qatar	Qatar
49	National Bank of Oman	Oman
50	Barwa Bank	Qatar

\* Rankings are based on banks' performance, relative to their peers, on six financial ratios. See Appendix for more details, and the accompanying text.

## LOCATION OF EQUITY, ASSETS AND DEPOSITS\*



\* These percentages are calculated by summing the indicators of individual banks and as such contain some “double counting” of assets (when banks consolidate onto their own financial statements figures of subsidiary banks). As a result, these figures do not equate to country-by-country market shares although they can be used as a reasonable proxy for such shares.

These are the most vibrant economies in the GCC and also the largest. They offer their banks the best opportunities to undertake sound banking business.

Kuwaiti banks have suffered from decades of political stagnation in their home market although there are some indications that government spending may open up over the short and medium term, paving the way to some new opportunities. Most interestingly, four Kuwait banks appointed new CEOs during the first half of 2014 (Commercial Bank of Kuwait, Gulf Bank, Kuwait Finance House and National Bank of Kuwait). New blood may bring stronger performance.

The performance of Omani banks should not be underestimated. Although no Omani bank performs well enough to be ranked in the Top 20, four are ranked within the Top 40 with one other squeezing into the Top 50. Kuwait and Bahrain each contribute only three banks to the Top 50. The introduction of Islamic banking to Oman at the end of 2012 has added new opportunities for banks in the Sultanate.

Bahraini banks operate in the smallest of the six GCC economies: a GDP of \$33bn in 2013, compared to \$81bn in Oman, the fifth largest, according to World Bank figures. In many cases, they are also suffering from Bahrain’s loss of its position as the Gulf’s regional banking centre and, in particular, as the offshore banking centre for Saudi Arabia. As other countries have liberalised their banking systems, the value of operating out of Bahrain has diminished. Dubai has also provided strong competition and access to a much larger domestic economy.

Bahrain’s banks accounted for many of the lowest ranked banks in Darien’s 2011 Ranking and they occupy the lowest four places in the 2014 Ranking. There are occasional success stories: National Bank of Bahrain ranks at number 20 and Al Ahli United Bank, building a strong regional

franchise through acquisition as well as organic growth, ranks 22nd.

The Darien Analytics Survey contains only 13 Bahraini banks, whereas the Central Bank of Bahrain listed 104 licensed institutions at the end of December 2013. Many licensed banks are incorporated outside Bahrain (for example, Paksitan’s Habib Bank Ltd) and so are not eligible for inclusion. Many others are investment banks or, in practice, private equity firms, and on that basis are not included. Some others are dormant.

### HIGH LEVELS OF CONCENTRATION

The GCC commercial banking market is highly concentrated. The biggest ten banks (ranked by equity) accounted for 46% of the combined shareholders’ equity of the 74 banks surveyed. Those ten banks accounted for 47% of combined assets and 48% of combined customers’ deposits.

The biggest 20 banks (ranked by equity) accounted for 69% of combined equity, 68% of combined assets and 69% of combined customers’ deposits.

Four GCC banks have equity of more than \$10bn: Qatar National Bank, Qatar National Bank, EmiratesNBD and Al-Rajhi. Two have assets of more than \$100bn: Qatar National Bank and Al-Rajhi.

### STRONG OVERALL PERFORMANCE

A wide disparity exists between the best performing Gulf banks and the worst but, taken as a whole, most GCC banks show strong financial indicators.

Sixty six GCC banks had unweighted equity to assets ratios in excess of 12% and 44 reported a return on average equity of more than 12% (and this in a region where some banks are under little pressure to

generate competitive shareholder returns). Thirty four banks reported a return on average assets in excess of 2% and 46 reported cost to income ratios below 40%.

But it is in funding structure that GCC banks show their greatest strength: 64 of the 74 banks surveyed fund more than 80% of their balance sheet from equity or customers’ deposits. Darien Analytics of course recognises the value of medium or long term debt as part of a bank’s liability structure, but Darien Analytics also has a long memory: the last time any GCC banks had retail depositors queuing outside their branches to withdraw money was after the Iraqi invasion of Kuwait in August 1990. The last time a British bank had depositors queuing outside its branches was in September 2007, after Northern Rock’s wholesale funding strategy fell apart.

The graphic above shows the aggregate market share of banks in the six GCC states. Saudi banks have the biggest share of equity, assets and deposits. The UAE is a bigger banking market, but Darien Analytics’ statistics sum the financial indicators for individual domestic banks and do not include the indicators for foreign banks. Foreign banks account for a significant proportion of banking activity in the UAE.

The figures on Oman’s market share are the most striking. The Sultanate’s banks account for just 3% of GCC banks’ equity, assets and deposits. Oman’s banks are a quarter of the size of Kuwait’s, although Oman’s GDP is only a little less than half that of Kuwait’s. Basic economic maths, combined with the recent introduction of Islamic banking, would suggest that there are considerable opportunities for the Omani banking sector to grow.

Finally, it is interesting to take a historical perspective. In the mid-1990s, Saudi banks were the biggest in a GCC. A study by Middle East Economic Survey showed that six of the biggest ten banks, ranked by equity at the end of 1997, were Saudi. National Commercial Bank topped the list. The other four came (one each) from Bahrain (Arab Banking Corporation, at number 3), Kuwait, Qatar and the UAE.

Sixteen years later, four of the ten biggest are Saudi, but four are from the UAE.

Qatar National Bank’s growth has been extraordinary. Ranked ninth at the end of 1997 with equity of \$796.5mn, it was the biggest GCC bank at the end of 2013 with equity of \$14,764.6mn. That is a compound average growth rate of 20%. ■

# Measuring the Financial Performance of Islamic Banks

## Do Islamic banks perform better than conventional banks?

The simple answer is ‘No’; at least in the GCC in 2013.

There were 25 wholly Islamic commercial banks in the GCC, out of 74 active commercial banks included in Darien Analytics’ GCC Commercial Banks Performance Ranking. Three of these feature in the Top 10, which is in line with the overall proportion of Islamic banks in the GCC. But only four are included in the Top 20.

Seven Islamic banks appear in the top half of the performance rankings while 18 appear in the lower half.

This runs against conventional wisdom.

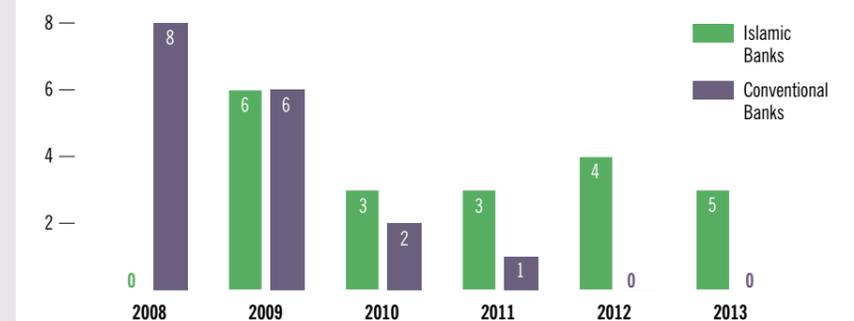
Conventional wisdom says that Islamic banks have two advantages when it comes to financial performance. First they have a large stock of current accounts on which they pay no return, so lowering their costs of funds. Secondly, they have stronger asset quality because the nature of Shari’a-compliant contracts is such that financing must be based on real economic activity by customers – rather than a need for general purpose funds – and this real economic activity ensures that there is always a source for repayment that is tied to the customer’s obligation to the bank.

If these two points are correct then, other things being equal, Islamic banks should show higher profitability (lower cost of funds and lower levels of provisioning).

Yet only four Islamic banks appear in the upper half of either the Return on Average Assets Ranking and the Return on Average Equity Ranking. The four are Al-Rajhi, Masraf Al-Rayan, Bank Albilad and Qatar International Islamic Bank in the case of both ratios. All feature highly in the overall Performance Ranking.

Over the last six years, Islamic banks have been more prone to declaring net losses than conventional banks. The graphic

## NET LOSSES DECLARED BY GCC COMMERCIAL BANKS\*



\* Figures for 2013 include Bank Nizwa and alizz Islamic bank: both declared net losses but these were due to the economics of start-ups and not to a lack of on-going profitability. Figures for 2008-2010 are taken from Darien’s 2010 Gulf Commercial Bank Rankings that included figures on 70 banks.

above shows that conventional banks felt the initial effects of the Global Financial Crisis before Islamic banks. This was to be expected because conventional banks had invested in complex financial instruments that had to be marked to market. Islamic banks were usually unable to invest in such instruments due to Shari’a restrictions. However, once the financial crisis progressed into a more widespread economic downturn, including declining values of real assets, Islamic banks were equally affected.

This picture has changed in more recent years, with a few Islamic banks declaring net losses while conventional banks did not. It seems clear that this pattern is driven by the particular circumstances of the under-performing banks (some of the same banks appear year after year). The prominence of loss-declaring Islamic banks is not due to any inherent weakness in the Islamic banking model.

Darien Analytics believes that there is no reason why Islamic banks should perform less strongly than conventional banks, but we also believe that all discussions about bank performance should be rooted in hard numbers rather than philosophical conjecture.

For example, the conventional wisdom that Islamic banks have a large stock of short-term deposits on which they pay no return is hard to substantiate.

Qatar is the one GCC market where analysis of this issue is possible because in Qatar the Central Bank has prohibited conventional banks from conducting any Shari’a-compliant activity. One can therefore compare the balance sheets of wholly Shari’a-compliant banks with those of wholly conventional banks. (In the other five GCC countries most conventional banks also conduct Shari’a-compliant activity.)

At the end of 2013, Islamic banks in Qatar had fewer deposits maturing in less than one month or in fewer than three months than conventional banks – in some respects their deposit profiles were longer-term than conventional banks, not shorter-term. (The details are contained in a Darien Middle East presentation entitled “Bank Risk and Islamic Banking” posted on www.darienmiddleeast.com.)

The issue of the relative asset quality of Islamic banks versus conventional banks needs more research. Darien Analytics looks forward to publishing the results in due course. ■

# CGG Commercial Banks: Financial Results 2011-2013

LISTED BY EQUITY SIZE

		BALANCE SHEET INDICATORS (\$MN)					INCOME STATEMENT (\$MN)				FINANCIAL STRENGTH INDICATORS (%)					PROFITABILITY INDICATORS (%)			FUNDING STRENGTH (%)			
		Equity	Assets	Net Loans	Investments (net)	Customers' Deposits	Operating Income	Operating Expenses	Operating Profit	Net Profit	Equity % Assets	Equity % Loans & Investments	Operating Profit % Avg. Assets	Operating Profit % Avg. Loans & Investments	Equity & Operating Profit % Avg. Loans & Investments	Net profit % avg. assets	Net profit % avg. equity	Operating expenses % operating income	Customer Deposits % Assets	Equity and Customer Deposits % Assets	Loans % assets	Loans % deposits
<b>1 Qatar National Bank</b> QATAR	2013	14,764.6	121,873.6	85,386.2	21,518.3	92,208.9	3,970.2	844.9	3,125.2	2,620.9	12.11	13.81	2.91	3.30	18.90	2.44	18.75	21.28	75.66	87.77	70.06	92.60
	2012	13,182.0	92,529.6	68,654.3	13,747.6	74,176.6	3,086.9	530.1	2,556.8	2,313.7	14.25	16.00	2.91	3.42	21.05	2.64	18.59	17.17	80.17	94.41	74.20	92.56
	2011	11,708.2	82,920.6	53,259.2	13,835.7	54,956.2	2,751.1	440.4	2,310.6	2,074.4												
<b>2 Emirates NBD</b> UAE	2013	11,359.1	93,143.3	64,901.1	4,768.1	65,250.1	3,228.4	1,142.1	2,086.3	886.7	12.20	16.30	2.36	3.13	20.17	1.00	8.33	35.38	70.05	82.25	69.68	99.47
	2012	9,937.3	83,938.1	59,397.6	4,216.4	58,245.1	2,781.8	1,022.2	1,759.6	695.4	11.84	15.62	2.18	2.85	18.96	0.86	7.15	36.74	69.39	81.23	70.76	101.98
	2011	9,525.2	77,499.2	55,314.4	4,485.4	52,638.7	2,703.9	980.7	1,723.2	676.2												
<b>3 National Commercial Bank</b> SAUDI ARABIA	2013	11,342.8	100,606.4	50,049.1	33,411.2	80,159.2	3,963.4	1,547.1	2,416.3	2,130.4	11.27	13.59	2.51	3.06	17.41	2.21	19.50	39.03	79.68	90.95	49.75	62.44
	2012	10,520.2	92,178.4	43,641.3	31,084.2	73,027.8	3,631.8	1,395.1	2,236.7	1,765.6	11.41	14.08	2.59	3.13	17.84	2.05	17.64	38.41	79.22	90.64	47.34	59.76
	2011	9,490.2	80,326.6	36,080.4	32,133.3	63,861.0	3,235.9	1,264.0	1,971.9	1,628.4												
<b>4 Al-Rajhi</b> SAUDI ARABIA	2013	10,241.1	74,631.0	49,816.1	10,552.7	61,756.1	3,763.9	1,082.0	2,681.9	1,983.4	13.72	16.96	3.68	4.58	22.08	2.72	19.87	28.75	82.75	96.47	66.75	80.67
	2012	9,736.5	71,386.5	45,905.4	10,824.1	59,108.5	3,733.2	1,009.0	2,724.3	2,105.1	13.64	17.16	4.18	5.21	23.84	3.23	22.54	27.03	82.80	96.44	64.31	77.66
	2011	8,931.1	58,866.8	37,420.2	10,348.2	49,399.6	3,334.2	927.7	2,406.5	1,967.7												
<b>5 National Bank of Kuwait</b> KUWAIT	2013	9,625.9	66,023.4	37,964.3	8,342.3	37,193.0	2,223.8	735.1	1,488.7	892.7	14.58	20.79	2.39	3.43	25.58	1.43	9.44	33.06	56.33	70.91	57.50	102.07
	2012	9,293.1	58,587.9	35,028.8	5,602.5	33,775.5	2,308.7	652.6	1,656.1	1,096.3	15.86	22.87	3.10	4.43	29.26	2.05	12.46	28.27	57.65	73.51	59.79	103.71
	2011	8,403.2	49,006.7	29,231.8	5,405.3	24,452.3	1,942.7	582.6	1,360.1	1,092.2												
<b>6 National Bank of Abu Dhabi</b> UAE	2013	9,443.0	88,514.3	50,051.9	14,565.9	57,481.8	2,559.1	881.9	1,677.2	1,288.8	10.67	14.61	1.97	2.82	18.67	1.51	14.38	34.46	64.94	75.61	56.55	87.07
	2012	8,476.4	81,842.5	44,814.6	9,682.0	51,812.9	2,360.1	780.8	1,579.3	1,179.5	10.36	15.55	2.09	2.99	19.04	1.56	15.06	33.08	63.31	73.67	54.76	86.49
	2011	7,185.8	69,617.3	43,437.3	7,673.3	41,339.2	2,145.9	698.1	1,447.9	1,009.5												
<b>7 Samba Financial Group</b> SAUDI ARABIA	2013	9,314.7	54,675.6	30,254.3	16,090.6	42,222.4	1,866.8	569.9	1,296.9	1,202.7	17.04	20.10	2.42	2.96	24.11	2.24	13.53	30.53	77.22	94.26	55.33	71.65
	2012	8,473.7	52,614.1	27,400.7	14,036.9	39,710.1	1,787.2	550.9	1,236.3	1,156.6	16.11	20.45	2.38	3.04	23.82	2.22	14.47	30.82	75.47	91.58	52.08	69.00
	2011	7,501.8	51,410.9	23,765.1	16,048.0	36,605.1	1,750.1	521.7	1,228.5	1,148.0												
<b>8 Riyadh Bank</b> SAUDI ARABIA	2013	9,031.9	54,731.5	34,983.6	11,610.0	40,852.7	1,886.4	687.5	1,198.8	1,052.5	16.50	19.38	2.27	2.74	23.36	2.00	11.99	36.45	74.64	91.14	63.92	85.63
	2012	8,533.7	50,775.0	31,362.7	9,679.2	39,036.8	1,811.8	627.4	1,184.4	925.4	16.81	20.79	2.39	2.93	24.00	1.87	11.16	34.63	76.88	93.69	61.77	80.34
	2011	8,042.9	48,240.9	30,128.7	9,765.2	37,289.3	1,673.7	669.4	1,004.3	839.9												
<b>9 First Gulf Bank</b> UAE	2013	8,651.1	53,107.3	34,566.2	4,660.0	37,564.7	2,292.9	480.9	1,812.0	1,307.6	16.29	22.05	3.60	4.82	27.85	2.60	15.58	20.97	70.73	87.02	65.09	92.02
	2012	8,130.7	47,655.4	31,213.6	4,704.3	32,482.4	1,979.3	388.2	1,591.1	1,135.6	17.06	22.64	3.51	4.58	27.96	2.51	14.73	19.61	68.16	85.22	65.50	96.09
	2011	7,288.6	42,881.3	28,514.8	5,116.3	28,175.5	1,765.3	332.9	1,432.4	1,009.1												
<b>10 Abu Dhabi Commercial Bank</b> UAE	2013	7,848.0	49,869.7	35,847.9	5,919.6	31,431.0	1,993.1	642.1	1,351.0	985.6	15.74	18.79	2.73	3.35	22.83	1.99	13.52	32.22	63.03	78.76	71.88	114.05
	2012	6,727.9	49,230.7	33,546.1	5,270.3	29,739.8	1,795.8	563.5	1,232.4	765.2	13.67	17.33	2.48	3.21	20.71	1.54	12.01	31.38	60.41	74.08	68.14	112.80
	2011	6,011.7	50,028.5	33,970.7	4,103.0	29,727.2	1,652.7	561.8	1,090.9	829.2												
<b>11 Kuwait Finance House</b> KUWAIT	2013	7,330.7	57,290.2	38,586.2	4,315.6	35,865.4	2,919.9	1,581.4	1,338.6	529.2	12.80	17.09	2.45	3.30	21.40	0.97	8.05	54.16	62.60	75.40	67.35	107.59
	2012	5,823.8	52,232.0	33,719.7	4,436.2	33,366.6	2,689.2	1,349.2	1,340.0	438.0	11.15	15.26	2.68	3.63	19.38	0.88	7.71	50.17	63.88	75.03	64.56	101.06
	2011	5,599.5	48,406.1	31,523.1	4,683.2	31,942.0	2,587.2	1,292.2	1,295.0	133.4												
<b>12 Banque Saudi Fransi</b> SAUDI ARABIA	2013	6,191.0	45,347.7	29,679.2	9,146.2	35,093.1	1,347.3	449.1	898.2	641.5	13.65	15.95	2.05	2.44	19.27	1.47	10.48	33.34	77.39	91.04	65.45	84.57
	2012	6,057.0	42,123.8	27,441.9	7,341.5	30,855.7	1,337.5	414.4	923.0	805.0	14.38	17.41	2.32	2.89	21.85	2.02	14.24	30.99	73.25	87.63	65.15	88.94
	2011	5,241.9	37,464.6	24,622.2	4,445.5	29,326.2	1,222.7	399.9	822.8	776.3												
<b>13 Saudi British Bank</b> SAUDI ARABIA	2013	6,088.6	47,279.8	28,296.9	9,973.1	37,055.8	1,550.7	459.4	1,091.4	1,006.3	12.88	15.91	2.45	3.06	20.15	2.26	17.59	29.62	78.38	91.25	59.85	76.36
	2012	5,357.1	41,823.5	25,656.6	7,365.3	32,153.7	1,379.4	426.7	952.6	865.1	12.81	16.22	2.42	3.09	20.49	2.19	17.41	30.94	76.88	89.69	61.34	79.79
	2011	4,578.1	36,978.6	22,618.3	5,920.5	28,156.2	1,306.4	420.2	886.2	770.3												
<b>14 Arab National Bank</b> SAUDI ARABIA	2013	5,116.8	36,782.2	23,587.9	7,532.8	28,365.6	1,362.5	531.4	831.1	672.7	13.91	16.44	2.27	2.74	19.62	1.84	13.60	39.00	77.12	91.03	64.13	83.16
	2012	4,781.6	36,480.3	23,048.2	6,493.8	28,716.8	1,270.0	505.1	764.9	633.1	13.11	16.19	2.25	2.73	19.83	1.87	13.69	39.77	78.72	91.83	63.18	80.26
	2011	4,461.6	31,355.9	19,426.7	6,955.9	23,431.1	1,211.2	473.4	737.8	579.0												
<b>15 Commercial Bank of Qatar</b> QATAR	2013	4,549.5	31,084.1	18,374.4	4,041.4	17,428.3	943.7	395.0	548.7	441.2	14.64	20.30	2.07	2.83	26.25	1.66	10.19	41.85	56.07	70.70	59.11	105.43
	2012	4,103.7	21,985.4	13,348.3	3,066.1	11,368.1	819.7	282.5	537.2	552.8	18.67	25.00	2.58	3.46	29.85	2.65	13.80	34.46	51.71	70.37	60.71	117.42
	2011	3,907.8	19,672.7	11,454.6	3,221.9	10,432.2	786.4	240.4	546.0	517.4												
<b>16 Alinma Bank</b> SAUDI ARABIA	2013	4,488.4	16,800.1	11,979.4	1,439.8	11,403.2	607.8	263.9	343.9	267.9	26.72	33.45	2.20	2.88	40.51	1.72	6.00	43.42	67.88	94.59	71.31	105.05
	2012	4,449.1	14,420.9	9,928.2	523.3	8,600.5	487.5	247.0	240.6	195.8	30.85	42.57	1.98	2.66	51.79	1.62	4.50	50.66	59.64	90.49	68.85	115.44
	2011	4,238.8	9,809.8	6,736.6	9																	

# CGG Commercial Banks: Financial Results 2011-2013

LISTED BY EQUITY SIZE

		BALANCE SHEET INDICATORS (\$MN)					INCOME STATEMENT (\$MN)				FINANCIAL STRENGTH INDICATORS (%)					PROFITABILITY INDICATORS (%)			FUNDING STRENGTH (%)			
		Equity	Assets	Net Loans	Investments (net)	Customers' Deposits	Operating Income	Operating Expenses	Operating Profit	Net Profit	Equity % Assets	Equity % Loans & Investments	Operating Profit % Avg. Assets	Operating Profit % Avg. Loans & Investments	Equity & Operating Profit % Avg. Loans & Investments	Net profit % avg. assets	Net profit % avg. equity	Operating expenses % operating income	Customer Deposits % Assets	Equity and Customer Deposits % Assets	Loans % assets	Loans % deposits
<b>26 Masraf al-Rayan</b> QATAR	2013	2,941.7	18,287.8	11,388.1	4,126.7	13,281.8	606.3	131.2	475.1	477.9	<b>16.09</b>	18.96	2.70	<b>3.11</b>	22.36	<b>2.71</b>	<b>17.02</b>	<b>21.64</b>	72.63	<b>88.71</b>	62.27	85.74
	2012	2,673.8	16,928.6	11,459.7	3,574.0	12,363.6	532.9	124.4	408.5	417.5	<b>15.79</b>	17.79	2.41	<b>2.93</b>	22.10	<b>2.47</b>	<b>15.61</b>	<b>23.35</b>	73.03	<b>88.83</b>	67.69	92.69
	2011	2,673.1	16,923.9	9,547.1	3,308.0	9,081.0	523.9	112.9	411.0	386.8												
<b>27 Saudi Investment Bank</b> SAUDI ARABIA	2013	2,734.0	21,465.1	12,684.3	4,719.0	15,211.4	537.8	203.1	334.7	343.1	<b>12.74</b>	15.71	1.80	<b>2.28</b>	20.88	<b>1.84</b>	<b>13.11</b>	<b>37.76</b>	70.87	<b>83.60</b>	59.09	83.39
	2012	2,504.0	15,769.8	9,090.9	2,913.3	10,789.7	459.6	168.8	290.9	243.5	<b>15.88</b>	20.86	1.96	<b>2.69</b>	25.86	<b>1.64</b>	<b>10.17</b>	<b>36.71</b>	68.42	<b>84.30</b>	57.65	84.26
	2011	2,282.1	13,853.4	7,231.1	2,371.7	9,806.3	430.9	166.5	264.5	188.7												
<b>28 Saudi Hollandi Bank</b> SAUDI ARABIA	2013	2,507.0	21,457.9	14,307.1	4,493.0	16,499.8	697.6	238.7	458.9	400.4	<b>11.68</b>	13.34	2.31	<b>2.71</b>	17.49	<b>2.02</b>	<b>16.96</b>	<b>34.22</b>	76.89	<b>88.58</b>	66.68	86.71
	2012	2,217.6	18,289.8	12,088.0	3,037.9	14,394.0	592.5	226.1	366.4	334.5	<b>12.12</b>	14.66	2.18	<b>2.60</b>	18.34	<b>1.99</b>	<b>15.95</b>	<b>38.15</b>	78.70	<b>90.82</b>	66.09	83.98
	2011	1,975.7	15,254.0	9,976.8	3,067.6	11,918.0	534.8	213.9	320.9	275.2												
<b>29 Gulf International Bank</b> BAHRAIN	2013	2,264.0	21,156.9	8,317.2	3,776.7	13,451.3	278.3	151.6	126.7	121.5	<b>10.70</b>	18.72	0.65	<b>1.11</b>	20.91	<b>0.63</b>	<b>5.53</b>	<b>54.47</b>	63.58	<b>74.28</b>	39.31	61.83
	2012	2,130.0	17,704.8	7,110.3	3,660.6	9,471.9	255.0	136.1	118.9	117.9	<b>12.03</b>	19.78	0.69	<b>1.15</b>	21.67	<b>0.68</b>	<b>5.76</b>	<b>53.37</b>	53.50	<b>65.53</b>	40.16	75.07
	2011	1,962.8	16,788.9	6,751.8	3,235.4	8,520.3	226.9	119.8	107.1	104.5												
<b>30 Burgan Bank</b> KUWAIT	2013	2,200.1	25,396.8	14,038.1	1,495.8	16,470.6	900.2	400.4	499.8	113.9	<b>8.66</b>	14.16	2.15	<b>3.49</b>	18.87	<b>0.49</b>	<b>5.18</b>	<b>44.48</b>	64.85	<b>73.52</b>	55.27	85.23
	2012	2,201.8	21,218.1	11,988.6	1,104.8	13,836.9	675.3	252.9	422.4	222.7	<b>10.38</b>	16.82	2.26	<b>3.91</b>	24.27	<b>1.19</b>	<b>10.58</b>	<b>37.45</b>	65.21	<b>75.59</b>	56.50	86.64
	2011	2,034.5	16,369.8	8,100.1	534.4	10,054.7	587.6	220.8	366.8	207.1												
<b>31 Commercial Bank of Kuwait</b> KUWAIT	2013	1,998.1	13,948.2	8,224.5	1,261.9	9,337.3	476.0	115.0	361.0	84.1	<b>14.32</b>	21.06	2.68	<b>3.92</b>	25.58	<b>0.62</b>	<b>4.25</b>	<b>24.16</b>	66.94	<b>81.27</b>	58.96	88.08
	2012	1,964.5	13,030.6	7,558.4	1,403.6	8,018.8	444.8	104.4	340.3	4.3	<b>15.08</b>	21.92	2.60	<b>3.77</b>	25.55	<b>0.03</b>	<b>0.22</b>	<b>23.48</b>	61.54	<b>76.61</b>	58.01	94.26
	2011	1,911.1	13,357.9	7,771.7	1,417.3	8,106.2	467.2	102.9	364.3	2.9												
<b>32 Commercial Bank of Dubai</b> UAE	2013	1,965.0	12,110.9	8,247.3	1,151.5	8,425.7	551.1	170.9	380.2	275.1	<b>16.23</b>	20.91	3.33	<b>4.36</b>	26.87	<b>2.41</b>	<b>14.40</b>	<b>31.01</b>	69.57	<b>85.80</b>	68.10	97.88
	2012	1,854.3	10,699.4	7,406.0	647.5	7,637.6	505.8	155.8	350.1	233.8	<b>17.33</b>	23.02	3.32	<b>4.41</b>	27.77	<b>2.22</b>	<b>13.08</b>	<b>30.80</b>	71.38	<b>88.71</b>	69.22	96.97
	2011	1,721.3	10,412.7	7,301.7	520.6	7,739.6	507.2	155.3	351.9	223.9												
<b>33 Al Ahli Bank of Kuwait</b> KUWAIT	2013	1,919.6	11,334.3	7,771.5	895.2	6,912.2	410.3	121.0	289.3	125.7	<b>16.94</b>	22.15	2.64	<b>3.53</b>	26.95	<b>1.15</b>	<b>6.70</b>	<b>29.50</b>	60.98	<b>77.92</b>	68.57	112.43
	2012	1,835.5	10,561.3	7,058.3	673.2	6,531.8	413.5	127.9	285.6	106.6	<b>17.38</b>	23.74	2.66	<b>3.63</b>	26.93	<b>0.99</b>	<b>5.95</b>	<b>30.93</b>	61.85	<b>79.23</b>	66.83	108.06
	2011	1,765.4	11,076.0	7,431.5	689.4	7,561.0	415.7	129.5	286.3	180.9												
<b>34 National Bank of Ras Al Khaimah</b> UAE	2013	1,774.3	8,203.5	5,979.5	734.1	6,281.7	857.8	375.5	482.4	389.6	<b>21.63</b>	26.43	6.17	<b>7.61</b>	35.63	<b>4.99</b>	<b>23.43</b>	<b>43.77</b>	76.57	<b>98.20</b>	72.89	95.19
	2012	1,550.6	7,419.2	5,522.4	432.1	5,641.2	787.7	348.9	438.9	381.9	<b>20.90</b>	26.04	6.23	<b>7.79</b>	35.30	<b>5.42</b>	<b>27.00</b>	<b>44.29</b>	76.04	<b>96.94</b>	74.43	97.89
	2011	1,278.9	6,671.9	5,001.7	316.9	4,980.4	718.2	308.5	409.7	327.7												
<b>35 Gulf Bank</b> KUWAIT	2013	1,714.8	17,978.1	11,931.0	440.2	11,807.1	592.8	204.1	388.7	114.3	<b>9.54</b>	13.86	2.21	<b>3.16</b>	17.10	<b>0.65</b>	<b>6.91</b>	<b>34.43</b>	76.57	<b>98.20</b>	72.89	95.19
	2012	1,595.7	17,217.4	11,802.8	434.8	11,536.8	638.0	206.7	431.3	109.8	<b>9.27</b>	13.04	2.52	<b>3.53</b>	16.58	<b>0.64</b>	<b>7.03</b>	<b>32.41</b>	76.04	<b>96.94</b>	74.43	97.89
	2011	1,547.5	17,211.8	11,990.6	381.2	11,977.3	572.5	185.2	387.3	110.0												
<b>36 Barwa Bank</b> QATAR	2013	1,575.5	9,241.0	5,316.7	2,125.4	5,834.3	322.4	160.6	161.8	138.5	<b>17.05</b>	21.17	2.00	<b>2.40</b>	25.77	<b>1.71</b>	<b>9.20</b>	<b>49.82</b>	63.13	<b>80.18</b>	57.53	91.13
	2012	1,434.3	6,938.6	4,211.4	1,827.3	4,077.8	257.5	127.5	130.0	94.8	<b>20.67</b>	23.75	2.13	<b>2.63</b>	31.60	<b>1.56</b>	<b>6.86</b>	<b>49.50</b>	58.77	<b>79.44</b>	60.70	103.28
	2011	1,330.0	5,249.0	2,531.4	1,329.6	2,771.4	177.8	114.8	63.0	67.1												
<b>37 Al Khalij Commercial Bank</b> QATAR	2013	1,549.0	11,338.3	5,687.8	3,819.4	5,474.0	259.0	105.2	153.8	151.4	<b>13.66</b>	16.29	1.49	<b>1.76</b>	19.52	<b>1.47</b>	<b>9.74</b>	<b>40.62</b>	48.28	<b>61.94</b>	50.16	103.90
	2012	1,557.8	9,249.3	3,579.6	4,357.9	4,764.7	266.1	102.6	163.6	140.7	<b>16.84</b>	19.63	1.96	<b>2.32</b>	24.37	<b>1.68</b>	<b>9.25</b>	<b>38.54</b>	51.51	<b>68.36</b>	38.70	75.13
	2011	1,483.6	7,469.3	3,160.8	3,028.7	3,331.1	258.2	107.0	151.2	133.7												
<b>38 Bank Al Jazira</b> SAUDI ARABIA	2013	1,527.6	15,993.5	9,331.8	3,359.2	12,821.8	490.5	280.3	210.1	173.5	<b>9.55</b>	12.04	1.42	<b>1.82</b>	15.07	<b>1.17</b>	<b>12.12</b>	<b>57.16</b>	80.17	<b>89.72</b>	58.35	72.78
	2012	1,338.1	13,557.8	7,981.9	2,401.3	10,859.6	426.5	246.9	179.7	133.6	<b>9.87</b>	12.89	1.50	<b>1.99</b>	16.82	<b>1.12</b>	<b>10.27</b>	<b>57.87</b>	80.10	<b>89.97</b>	58.87	73.50
	2011	1,262.1	10,373.8	6,215.9	1,439.3	8,309.7	322.2	222.6	99.6	80.8												
<b>39 Qatar International Islamic Bank</b> QATAR	2013	1,460.3	9,459.3	5,227.1	1,857.8	6,785.0	329.8	86.5	243.3	206.2	<b>15.44</b>	20.61	2.81		27.27	<b>2.38</b>	<b>14.50</b>	<b>26.23</b>	71.73	<b>87.17</b>	55.26	77.04
	2012	1,383.3	7,844.8	4,031.1	1,374.6	5,441.8	264.2	59.7	204.5	186.5	<b>17.63</b>	25.59	2.87	<b>4.31</b>	33.48	<b>2.62</b>	<b>13.68</b>	<b>22.60</b>	69.37	<b>87.00</b>	51.39	74.08
	2011	1,343.8	6,414.3	2,907.9	1,169.6	4,598.1	240.7	55.6	185.1	179.3												
<b>40 Bank Albilad</b> SAUDI ARABIA	2013	1,360.2	9,686.1	6,244.0	444.6	7,761.9	511.2	271.5	239.7	194.5	<b>14.04</b>	20.34	2.72	<b>4.01</b>	26.74	<b>2.21</b>	<b>15.40</b>	<b>53.11</b>	80.14	<b>94.18</b>	64.46	80.44
	2012	1,166.9	7,950.1	4,874.0	410.4	6,338.6	463.9	238.5	225.3	251.4	<b>14.68</b>	22.08	2.94	<b>4.89</b>	30.21	<b>3.28</b>	<b>24.19</b>	<b>51.43</b>	79.73	<b>94.41</b>	61.31	76.89
	2011	911.1	7,394.6	3,674.9	253.8	6,144.0	366.3	211.1	155.2	87.9												
<b>41 Sharjah Islamic Bank</b> UAE	2013	1,235.1	5,917.6	3,409.0	336.2	3,240.6	216.7	105.4	111.3	83.6	<b>20.87</b>											



# Appendices

## APPENDIX A: THE SIX RATIOS

The Darien Analytics ranking of GCC commercial banks is based on banks' performance, relative to their peers, according to six ratios. We believe that these six ratios, taken together, provide a good overall picture of how well a bank is performing.

**1. Equity to Assets:** this is an unweighted ratio and measures a bank's ability to absorb large and unexpected balance sheet losses. We note that the financial community has taken more interest in unweighted leverage ratios, as opposed to risk-adjusted capital ratios, since the global financial crisis of 2007-2009.

**2. Operating profit to loans and investments:** this ratio measures a bank's ability to absorb credit losses and adjustments to the value of securities without declaring a net loss or writing down the value of equity. Although risks exist in other areas of a bank's asset portfolio, historically, it is in their loan books and securities portfolios that banks generally suffer the greatest losses.

**3. Net profit to average assets:** this measures the return that a bank is able to generate on the assets that it holds.

**4. Net profit to average equity:** this measures a bank's ability to generate capital internally. Note that the inclusion of this ratio alongside the unweighted equity to assets ratio limits the ability of a bank to receive a high overall score simply on the basis that it holds large amounts of equity. To score highly on both ratios 1. and 4. a bank has to be using its equity efficiently.

**5. Cost to income:** this measures the efficiency with which a bank employs its operating expenses.

**6. Equity and customers' deposits to assets:** this measures a bank's funding strength, or, conversely, the extent to which it is not reliant on market funding. Of course, it is possible that a bank that funds itself almost entirely from equity and deposits does so because it is unable to raise commercial funding. Nevertheless, we believe that – even with the advent of international standards on structural liquidity ratios – customers' deposits provide the most secure form of funding. There have rarely been retail-based runs on banks in the Gulf.

## APPENDIX B: METHODOLOGY

The purpose of Darien Analytics' GCC Commercial Banks Performance Ranking is to report and compare the performance of commercial banks in the six GCC states."

When deciding whether to include a bank in the survey, three criteria were used:

**1.** We reviewed the lists of licensed commercial banks that are published by each of the six GCC central banks.

**2.** Only banks which are headquartered within the GCC were included. We did not

include subsidiaries or branches of banks whose headquarters lie in another GCC state. For example, Kuwait Finance House BSC in Bahrain is not included in this survey even though it is listed by the Central Bank of Bahrain as a bank operating in Bahrain. The bank is a subsidiary of Kuwait Finance House (KFH) and KFH appears in the survey as a Kuwaiti bank.

**3.** We have confined the survey to banks that are predominantly funded by customers' deposits (as opposed to equity) and which are predominantly engaged in extending credit (as opposed to making direct investments). An exception is made for newly-created banks that, in their initial years, are likely to be funded primarily by shareholders' equity. (Shari'a-compliant products such as Murabaha are considered credit instruments.) As a result of this third criterion, this survey omits a large number of Bahrain-based investment banks. Some of these are fairly recent creations, but some, such as Investcorp and United Gulf Bank, are venerable institutions and important landmarks within the GCC financial industry. Omitting them implies no disrespect on our part – simply an attempt to remain true to the survey's aim of ranking commercial banks.

Development banks are not included in this survey.

Some of the banks listed are wholly-owned subsidiaries of other banks that are listed, or are majority owned by other banks. We have generally included such subsidiaries in the survey if they publish their own full financial statements. Readers may have counterparty relationships with the subsidiary and so may be interested in its stand-alone financial performance, even when it falls squarely under the protection of its parent. An important consequence of this approach is that some double counting occurs of balance sheet assets/liabilities, and of income/expenses. As a result, for example, the sum of all the loan figures for all the 74 banks in the Survey overstates the total value of loans extended by the banks.

Despite international efforts to harmonise the presentation of financial reporting, significant differences remain in the way banks present their financial statements. In this survey, the desire to remove apparent inconsistencies has been balanced against the danger that adjustments to published figures could lead to different, but no less material, distortions. All the figures from this report are taken from publicly-available financial statements and it is recognised that even after consulting the notes to the accounts, a third party may not fully understand, in the absence of a discussion with a bank's management, why an item has been classified in one way or another. As a result, we have taken a conservative approach to adjusting banks' financial figures as presented in their published reports.

One exception has been the treatment of Islamic banks' unrestricted investment accounts and the return paid on them to investors. Such accounts are always treated as customers' deposits and the return paid on them is always treated as a cost of funds.

The financial ratios published in this survey have been calculated from the currency in which the bank reports (that is, local currency in all cases except for some Bahraini banks that report in dollars). Similarly, statements about whether balance sheet and profit/loss items have shown growth or contraction are based on their reporting currency.

Figures shown in dollars have been converted from local currency using exchange rates quoted on Oanda for 31 December of the years in question.

HSBC Bank Oman is the product of a merger in 2012 between Oman International Bank and HSBC's operations in Oman. The figure given for Eskan Bank's customers' deposits includes government deposits. Dubai Bank and Emirates Islamic Bank, which are 100% and 99.9% owned by Emirates NBD, are not analysed in this survey even though they retain separate banking licences. Bank Nizwa and alizz Islamic Bank, both based in Oman, only recently began operations so only their end 2013 financials have been used in this survey.



**Andrew Cunningham** has spent more than 25 years writing, training and consulting on banking and finance, both in the Middle East and in Europe and the U.S.

**Darien Analytics** advises clients on international financial regulation, corporate governance and bank risk management, and has a particular focus on Middle Eastern and emerging markets, and Islamic finance. More analysis on Middle East finance can be seen on the website [www.darienmiddleeast.com](http://www.darienmiddleeast.com)

Darien Analytics Ltd is incorporated in the UK. Its company number is 08840371.

**darien analytics**  
FINANCIAL MARKET ANALYSIS

Phone +44 (0)755 75 27 243  
Email [andrew@darienmiddleeast.com](mailto:andrew@darienmiddleeast.com)  
Website [www.darienmiddleeast.com](http://www.darienmiddleeast.com)