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## Asset quality of foreign banks fell last year

Dubai | By C.L. Jose | 08-07-2001

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The asset quality of foreign banks worsened in 2000 from the previous year. **While only Habib Bank AG was able to reduce the ratio of non-performing loans to gross loans and advances**, that of Habib Bank Ltd is stuck at an alarming 80 per cent, according to a report.

However, the scenario among national banks is comparatively better, although Mashreqbank and Abu Dhabi Commercial Bank still have a high ratio of non-performing loans to gross loans and advances, with Mashreqbank's being as high as 20 per cent.

These are the findings of a KPMG analysis which compared the trends in the financials of the banks last year, which it said was a good year regarding profitability, especially the foreign banks operating in the country. Almost all national banks maintained profitability growth, and some foreign banks were able to make an impressive turnaround.

The KPMG analysis shows that this is particularly true with National Bank of Abu Dhabi (NBAD) which reversed the trend last year to post a high growth in profitability. In the case of foreign banks, HSBC still maintains the lead in profitability, leaving Standard Chartered Bank (SCB) a distant second, but banks like Citibank, and SCB made a U-turn from the previous year to post a reasonably good profit before tax (PBT).

The black patch in the foreign bank segment is that of Standard Chartered Grindlays Bank Ltd and Habib Bank Ltd which remain in the red. Among the larger national banks, Mashreqbank managed to arrest the downward trend in 1999, it could not do much to improve profitability in 2000.

While almost all foreign banks were able to post higher growth in net interest income with the exception of leading banks HSBC and Citibank (Citibank posted negative growth in interest income for two years in a row), almost all national banks failed to revive the net interest income growth with the exception of NBAD and Emirates Bank International. National Bank of Dubai (NBD) which maintains a relatively small loan portfolio made negative growth in net interest income during 2000.

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Another important trend was that the net loans and advances as part of total assets shrank for almost all banks. **Among foreign banks, only Habib Bank AG witnessed growth in the ratio of net loans and advances to total assets.** The case is the same with almost all national banks with the exception of Abu Dhabi Commercial Bank (ADCB).

While there was a shrinkage in customer deposits with NBAD and EBI, the growth in customer deposits posted by Union National Bank (UNB) was relatively less in 2000 compared with that of the previous year. The performance of foreign banks in general was not impressive, although HSBC managed a substantial growth in customer deposits during 2000.

Many banks witnessed poor growth in loan offtake. Only NBAD and ADCB among the national banks, could improve the growth rate in the ratio of net loans and advances to customer deposits during 2000. The study did not provide detailed figures.

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