Performance Evaluation of Pre-post Nationalization of Banking Sector in Pakistan: An Application of CLSA-Stress Test

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Abstract

This research study is based on nationalization and de-nationalization of banking industry of Pakistan. An effort has been made to analyze and evaluate the performance and efficiency of banking sector using Credit Leona's Securities Asia stress test. It covers the period of pre and post nationalization of state owned and commercial banks of Pakistan. Through the utilization of adjusted and unadjusted stress test, it has been analyzed that some banks are mediocre, under stress or sound in regard to the capital strength, assets quality, efficiency and liquidity. This is a pioneering attempt to apply stress test on banks operating in Pakistan and prescribes a procedure to gauge solvency of individual banks.

Keywords: Performance and efficiency of banking, Banking reforms, CLSA-stress test

1. Introduction

The first program of nationalization that was taken into functioning in Pakistan in 1974 was suspended in 1980 due to change of government in the country. Government banks were treated as employment exchanges rather than financial institution. More people were employed on political basis and more number of branches was opened around the country, which resulted in loss of devotion in trained personnel and shift of loyalties to the private sectors banks and establishment of their own business out of the country. This behavior led to institutional fall down at unaffordable and unavoidable cost that leads to budget deficit, foreign debt burden, extended pressures, increased trade deficit, disequilibrium in balance of payment and alarming current account position. The banking industry affected by over employment, over branching, non-performing loans (NPLs). These were the main reasons of denationalization of banking industry and it was the only way to save the financial sector and development finance institution (DFIs) of Pakistan. Many loss making branches were closed leading to a system of financial apprehensions and healthy competition between private financial institutions and state owned banking sector with modified culture and behavior.

The main objective of this study is to watch performance and efficiency of the banking industry at the period of pre and post nationalization of state owned enterprises and private commercial banks of Pakistan through Credit Leona's Securities Asia stress test (CLSA-stress test). Reform and corrective measures were undertaken by the governments to improve the performance and soundness of banks operating in Pakistan. The study would concentrate on evaluating the soundness of banking institutions during the decades of pre and post reform period. The study also assesses the implications of reforms and measures undertaken to streamline the whole banking sector. It covers the period of twelve years from 1990 to 2002 and analysis the performance and efficiency of Pakistani banking sector during and post reform period.

This study tests solvency of banks which are operating in Pakistan and applies a new procedure of CLSA-stress test for highlighting super sound, mediocre and under stress banks during period of the study. By applying the parameters of the CLSA-stress test; capital strength, asset quality, efficiency and liquidity are examined in detail.

To study the impact of financial sector reforms on the soundness of banks operating in Pakistan, CLSA-stress test will be applied on all banks data for the following periods:

1) Year ended December 31, 1998
2) Year ended December 31, 1999
3) Year ended December 31, 2000
4) Year ended December 31, 2001
5) Year ended December 31, 2002

Taking into account the impact of financial sector reforms on the soundness of banks, we intend to analyze the soundness of banks operation in Pakistan under CLSA-stress test. Our methodology is unique in a way that it applies a well known method CLSA-stress test after confirming:

1. Capital strength
2. Asset quality
3. Efficiency and
4. Liquidity position of the banking sector in Pakistan.

This study will assist in future planning, decision making and controlling the whole financial system in the private or public sector institutions of Pakistan.

2. Literature Review

Different countries have different objectives in their attempt to privatize state owned enterprises. The objectives of privatization of each country have to clearly define so that the success or failure of privatization is properly measured. In certain instances privatization is necessitated to increase competition in the country, while in other countries the objective could be pure denationalization. Most free market economies attempt to create efficiency in the market by allowing more competition. The case of 'New Zealand' clearly fits this objective. Other objectives of privatization could be revenue generation for the government. Some heavily indebted countries, with unsustainable balance of payment problems, engaged in privatization exercise to generate revenues with which they could reduce their budget deficits (Berg, 1993). A case in point is Mexican privatization exercise and to certain extent the case of Zambia. Their primary objective was to raise revenue and to ease some of the fiscal problems of government. Other objectives such as the enhancement of efficiency, liberalization, and deregulation were also considered, but they were secondary in nature (NBP Economic Bulletin, 2001). Another privatization objective is the economic empowerment for the majority of the population. In addition to issues of efficiency enhancement deregulation and competitions, some governments are faced with issue of huge income disparities that need to be addressed. Privatization may bring successful or unsuccessful results. Dasgupta (2000), Dasgupta (2001) explains that due to the problem of nonperforming assets in post liberalized era, stakeholders and researchers start taking interest in evaluating, measuring and managing the financial performance of Indian banks.

From the continued effects of nationalization domestic banks faced difficult situation to maintain their share in their deposits and advances. The share of state owned banks further declined due to competitive growing trends of private sector. State owned banks were under pressure of political leadership and interventions resulting to overstaffing over branching which were the main causes of failure of the state owned banks (FSA-2002). While Salehi et. al. (2009) conclude that after interference of Iranian government in banking sector, going concern becomes more sustainable, while, raises higher level of inflation in the economy. Domestic Pakistani banks fenced with large amount of nonperforming loans and high administrative expenses, huge losses and eroded capital base of state owned banks (Ayub, 1996).

CAMEL model has been used successfully by many researchers to evaluate the financial performance of banks; one of the latest studies done by Sangmi and Nazir (2010). They have used the CAMEL parameters to highlight the position of banks in northern India after evaluating their capital adequacy, asset quality, management capability and liquidity. They have found it very useful in measuring the performance of banks. There are some other methods to evaluate the performance of banks, i.e. VAIC^{TM}, an intellectual capital efficiency based method that is successfully applied by Bharathi (2010), who argues that intellectual capital based method may give better picture of measuring performance of banking system.

Study on foreign and local private banks was conducted by Taseer Hadi Khalid & Co. Chartered accountants (2000), whose primary objective was to provide a reference to the day indicators of performance, growth, size a financial position of banks operation in Pakistan. For comparison purposes, they segregated banks in three categories via; foreign banks operating in Pakistan, local private banks and nationalized commercial banks. They gave good industry review and analyzed banks on financial ratios. They ranked foreign banks and local banks on assets basis and on profit before tax basis. Though Smith (1998) has also explained the meanings of financial parameters used in the analysis of banking performance.

Bandt and Oung (2004) in their report used stress testing and discuss principal characteristics of stress test which were developed using macroeconomic model and financial models for measuring risks in French banking system. Haldane (2009) elaborates in his study that stress testing for banking industry is very useful and in due to extraordinary financial crisis many banks failed in stress testing.

3. Data Collection and calculations

To conduct this study secondary data has been derived from the statistics department of the State Bank of Pakistan and from Balance Sheet and Profit and Loss Account Analysis reports published by the State Bank of Pakistan. Further published audited annual reports of all banks operating in Pakistan. To supplement the analysis, however, certain data from FSA-2002, banking supervision department of the State Bank of Pakistan was also taken. From each bank's historical data, profit and loss account and balance sheet, individual ratios of the stress test are calculated.

4. Analyses, results and discussion

For the purpose of CLSA-stress testing, overall banking data has been segregated into four periods;

(a) Year ended December 31, 1998

(b) Year ended December 31, 1999

(c) Year ended December 31, 2000

(d) Year ended December 31, 2001

4.1 Stress Test

The main idea of the test is adopted from CLSA Stress test. As recommended by Basel Committee (Blaschke, et al. IMF working paper 2001) to adopt the test according to the economic situation of the country, we have adjusted the scoring criteria of the said test. For this adjustment we have analyzed the historical time series of banks operating in Pakistan. The analysis help us adjusting the criterion of thirteen parameters we have applied both measures (CLSA-actual criteria and CLSA- adjusted criteria) on the same data and discussed the effectiveness of better one to test the stress on banks. Results favor CLSA- adjusted criteria as compared to CLSA- actual criteria. This favor can be embarked by viewing the comparison of the results arrived at after applying these criterions on the same data.

4.2 Stress testing for the year ended December 31, 1998

In 1999 there are total 46 banks operating in Pakistan. Among them, 6 were public sector commercial banks (PSCBs), 4 specialized banks (SBPs), 20 foreign banks (FBIs) and 16 local private banks (LPBs). We collected individual- bank's data on stress test criteria. According to CLSA- actual criteria all 46 banks pass the test while agricultural Development bank of Pakistan (ADBP) and Indus bank were found under- stress according to SLSA–adjusted criteria. The scores obtained by both the banks under the two criterions (Table1, Figure 1).

ADBP scores -1 under both criterions while its score obtained for cost to income ratio of this bank under these criterions was different (i.e. –1 & 0). Though Indus bank had sufficient CAR (39.58%) its cost to income and credit to assets ratios were not meeting the required minimum criteria.

According to figure-2 and table-2 mediocre banks 1999 are based on the CLSA- adjusted criteria. Bank that has CLSA stress test score (TSC) equal to ZERO is said to be mediocre. During the year ended 31-12-1999, out of 46 banks operating in Pakistan, 4.35% banks failed to pass the stress test, 6.25% banks were mediocre and stood on border 1 while 89.13% banks passed the test and categorized as sound. 89.13% sound banks showed the positive impact on financial performance and efficiency due to soundness. Impact of financial sector reforms on the soundness of banks operating in Pakistan can be seen in 1999, Allied Bank of Pakistan (ABL), Industrial development Bank of Pakistan (IDBP) and Union Bank Limited were categorized as mediocre. Though CAR of Union Bank was above 8.0%, it was accumulating huge NPLs. Except this all other parameters of Union Bank were meeting the criteria of sound banks. IDBP had extremely low CAR while NPLs to Loans ratio of this bank was very high figures of mediocre banks are shown below in table. A bank is said to be on border if sum of stress test scores of a bank is ZERO i.e. TSC=0

Figure-3 and table-3 show mediocre banks during the year-1999. Capital sound banks fell mostly under the limit 11 %< CAR>23% as well as cost to income (C/L) ratio fell between the limit 15 %< C/I > 24%. The Total score of stress test (TSC) of sound banks were greater than (3). Next Table presents prominent parameters and the percentages of few sound banks.

4.2.1 Conclusion: stress testing 1998 and 1999

In figure-5, cost to income ratio of sound banks during the year-1999 under the CLSA- dusted criteria, Indus Bank (TSC= -1) was found under stress in 1999 and dissolved later by supervisory authorities due to its inadequate capital and managerial inefficiency. The dissolution of Indus Bank authenticates the accuracy of CLSA- adjusted criteria and encouraged its application in banking sector. The capital to assets ratio, generally accepted benchmark required for a bank to be solvent is 4.0% (FSA, 2002). Capital to assets ratio of ABN Amro Bank in 1999 was 4.44%. This adequate capital to Asset percentage (4.44%) of the said ratio confirms ABN Amro Bank's soundness. Capital to asset ratio of other sound banks found above the said benchmark (ANZ Grindlays 6.88%, Bank of America 7.80% etc).

4.3 Stress testing for the year ended December 31, 2000

In 2000 there were total 43 banks operating in Pakistan. Among these 6 were 12 public sector commercial banks (PSCBs), 4 specialized banks (SBs), 19 foreign banks (FBs) and 14 local private banks (LPBs). Indus bank remained under liquidation process during the year 2000. Bank of America–Pakistan operations were purchased by and merged with Union Bank Limited in the mid of the year 2000. The data collected from individual banks annual reposts have been tested for stress under actual and adjusted criteria. According to CLSA actual criteria 36 banks have passed the test. Seven banks failed to clear the test while four banks could not pass the test under both criteria (Table 5, Figure 6).

Figure-6 elaborates few sound banks as at 31-12-2000. Banks that have CLSA stress test total score (TSC) below Zero are ranked under stress. In 2000, Agricultural Development Bank of Pakistan (ADBP), Industrial Development Bank of Pakistan (IDBP), Prudential Commercial Bank and Union Bank were under stress. IDBP had alarming low both capital adequacy ratio (- 54.45 %) and equity to assets ratio (-35.60) while Union Bank Limited had huge NPLs to equity ratio (166.90 %), Prudential Commercial Bank also had very low capital adequacy ratio (-3.5 %) and equity to assets ratio (-2.47).

4.3.1 Conclusion: Stress testing for the year ended December 31, 2000

Agricultural Development Bank of Pakistan (ADBP) was found under stress in 1999 has failed to pass the test (TSC = 1) again in 2000. Among other un-sound banks, IDBP (TSC =0.5) and Prudential Commercial Bank (TSC = -5) were not performing operations satisfactorily. The capital adequacy ratio of both of these banks was negative. After scanning under six parameters it is found that, Union bank (TSC =-1) has objectionable capital strength ratio (NPLs / Equity = 166.90%) as well it has huge and beyond the limits liquidity ratio (Loans / Assets =56.66%). Capital to assets ratio of ABN Amro bank was 4.45 % and falls under generally accepted benchmark. It is interesting and important to note that the said ratio of the bank under stress was below 4.00% (e.g. . . IDBP 0.73, Union bank 2.65%) all un-sound banks in 2000 were piling up huge NPLs and were landing big loans to borrowers.

4.4 Stress testing for the year ended December 31, 2001

Total number of banks (43) remained on the same position in 2001 as they were in 2000. The only change observed in 2001 as compared to 2000 was the acquisition of Prudential Commercial Bank by Saudi-Pak Industrial & Agricultural Investment Company. This Investment Company purchased Prudential Commercial bank Ltd. and renamed as Saudi-Pak Commercial Bank Limited in Nov. 2001. Out of these 43 banks, 6 were public sector commercial banks (PSCBs), 4 specialized banks (SBs), 19 foreign banks (FBs) and 14 were local private banks (LPBs). Data for each individual bank for 2001 have been analyzed first under both criterions. According to CLSA actual criteria, out of 43 banks 7 were unsuccessful to pass the test, while under CLSA-adjusted criteria Agricultural Development Bank of Pakistan (ADBP), Industrial Development Bank of Pakistan (IDBP), Saudi-Pak Commercial bank Limited and Allied Bank Limited (ABL) were under stress. Union Bank Limited and United Bank Limited (UBL) found mediocre under CLSA adjusted criteria while they could not pass the stress test under CLSA actual criteria.

During the year ended 31.12.2001, out of 43 banks, 9.30% banks failed to clear the stress test, 4.65% banks passed the test of capital adequacy ratio (CAR). The Total score of stress test (TSC) of sound banks is 4 and above. Following table present the prominent parameters of few sound banks.

Banks that were found (Table 8) under stress in the year 2001 comprised Agricultural Development Bank of Pakistan (ADBP), Industrial Development Bank of Pakistan (IDBP), Saudi-Pak Commercial Bank Limited and Allied Bank limited. These banks had CLSA stress test total score (TSC) below ZERO; some of these are:

4.4.1 Stress testing for the year ended December 31, 2001

Among four un-sound banks in 2001, Citi bank remained sound since 1999, capital to assets ratio of Emirates Bank was 4.84%, found above the generally accepted benchmarks of 4%. Other sound banks fell between 7.00 to 10.83 percent. It is interesting to note that ADBP was the only bank that remained unsound from 1999-2002 and had capital adequacy ratio of 6.59 % in 2002.

The capital to assets ratio of all banks under stress was below 4.00 % (e.g. IDBP 0.88 %, ABL 1.03 % etc). Total stress test score (TSC) of banks under-stress ranges from -1 to -44 in 2001. Parameters of unsound banks showed that Allied Bank Limited had objectionable capital strength ratio (NPLs to Equity = - 525.76 %) as well as IDBP had alarming low capital adequacy ratio (-187.84 %). Among six parameters of sound banks, Soneri Bank Limited had a little bit higher capital strength ratio (NPLs to Equity ratio = 24.36 %) and AMEX Bank and Emirates Bank both had slightly high cost to income ratio of 28.62 % and 26.39 % respectively.

4.5 Stress Test for the year ended December 31, 2002

Merger of ANZ Grindlays Bank with Standard Chartered Bank, amalgamation of Platinum Commercial Bank into KASB Bank Limited and the purchase of Emirates Bank Pakistan operation by Union Bank Limited at the end of 2002, have reduced the total number of banks to 40 from 43 in 2002 (Table 10, Figure 11). United Bank Limited has been excluded from 2002 analysis. These mergers, amalgamation, and privatization of banks show the effective implementation of banking reforms. In this way, supervising authorities achieved their goals set for financial sector reforms in late 1980s. Once again, under the both criterions, only 2 out of 40 banks could not pass the stress test under CLSA-adjusted criteria. Both specialized banks ADBP and IDBP found under stress according to CLSA adjusted criteria while under the CLSA actual criteria out of 40 banks, 4 banks found under stress. Union Bank Limited and Punjab Provincial Cooperative Bank (PPCB) that passed the test under CLSA adjusted criteria and failed to clear CLSA actual criteria. It is important to note even a single bank was not found in mediocre list in 2002. The different score obtained by Union Bank Limited again embossed authenticity of CLSA adjusted criteria and we confidently use it for the remaining analysis 2002. Though score obtained by Union Bank Limited, for staff cost per employee ratio, under both criterion was -1, while score obtained under other parameters like CIR and LAR and asset equity ratio to total assets ratio were different in 2002.

We found CLSA-adjusted criteria (Table 10, Figure 12) more appropriate than CLSA actual criteria. Consequently, CLSA adjusted criterion was used for the rest of the analysis, United Bank Limited (UBL) and Union Bank Limited which were mediocre in 2001 improved their soundness and passed the stress test in 2002. In the year ended 2002, out of 40 banks, 5% banks have failed to clear the stress test, not a single bank was mediocre while 95% banks have passed the stress test.

Banks that had negative CLSA test total score (TSC) were under Stress. In 2002, Zari Taraqiati Bank Limited (old ADBP) and Industrial Development Bank of Pakistan (IDBP), were under stress.

5. Findings

Zari Taraqiati Bank, Habib AG Zurich remained under stress from 1999-2002, while Citi Bank, MCB remained sound during this period. Capital to assets ratio of Citi Bank was 7.3% and meets the generally accepted benchmark of 4%, while for the other sound banks it remained between 4.89% and 11.87%.

Through the utilization of adjusted and unadjusted stress test, it has been analyzed that some banks are mediocre, under stress or sound in regard to the capital strength, assets quality, efficiency and liquidity. The study is a pioneering attempt to apply stress test on banks operating in Pakistan and confirms a procedure to gauge solvency of individual banks. For testing the solvency of banks through stress testing macro prudential indicators may also be included in evaluating the performance of banking sector (Blaschke, et al.). Overall analyses of soundness of banking sector through stress testing show a positive impact of reforms and reveal an overall improvement in the banking sector.

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Table 1. Comparison of A.D.B.P. (under stress) scores under two criterions

31-12-1999 Parameters	Percent	CLSA- Actual Criteria			CLSA Adjusted Criteria		
		+1	-1	Score	+1	-1	Score
Capital Adequacy Ratio	6.40	<16%	<08%	-1	>=8%	<08%	-1
Cost to Income Ratio	47.95	<30%	>40	-1	<40%	>65%	0
Staff Cost per Employee	0.55	<0.9%	>1.1%	+1	<0.2%	>0.8%	0
Loans to Total Assets	58.98	<60%	>70%	+1	<50%	>75%	0
		Total score		0	Total Score		-1

Table 2. Comparison of Indus Bank Scores under two criterions

31-12-1999 Parameters	Percent	CLSA- Actual Criteria			CLSA Adjusted Criteria		
		+1	-1	Score	+1	-1	Score
Capital Adequacy Ratio	39.58	>16%	<08%	+1	>=8%	<08%	-1
Cost / Income Ratio	196.2	<30%	>40%	-1	<40%	>65%	-1
Staff Cost per Employee	0.59	<0.9%	>1.1%	+1	<0.2%	>0.8%	0
Loans to Total Assets	56.88	<60%	>70%	+1	<50%	>75%	0
Customer-deposit /Liability	68.33	>90%	<80%	-1	>86%	<74%	-1
		Total score		+1	Total Score		-1

Table 3. Mediocre Banks during the year

31-12-1999 Percent Parameters	**Allied Bank of**		**Industrial Devil. Bank of Pakistan**		**Union Bank Limited**	
	Calculated Percentage	**Score**	**Calculated Percentage**	**Score**	**Calculated Percentage**	**Score**
Capital adequacy Ratio	-1	6.80	-33.22	-1	11.12	0
Equity to total Assets	1.97	-1	1.02	-1	7.16	-1
NPLs to Equity	81.92	-1	282.00	-1	150.50	-1
NPLS to Total Loans	19.26	-1	119.90	-1	59.23	-1
Staff cost per Employee	0.98	-1	0.89	-1	0.86	-1
Loans to Assets	54.44	0	64.29	0	17.98	+1
Customer-deposit /Liability	91.06	+1	39.81	-1	73.79	-1

Table 4. Few Sound Banks 31-12-2002

31-12-2002 Parameters Percent	ABN Amro	Bank of America	ANZ Bank	Metropolitan Bank Ltd	Sonery Gen Bank Ltd.	Bank Al-Habib
Capital Adequacy Ratio	14.58	22.13	16.00	14.55	18.54	11.83
Equity to total Assets	7.74	10.22	10.72	6.88	11.09	5.88
NPLs to Equity	11.70	2.83	28.34	12.99	24.12	25.00
NPLS to Total Loans	6.08	0.50	11.12	3.63	31.80	4.27
Cost to Income ratio	15.49	16.82	23.54	17.62	19.15	15.00
Loans to Assets	11.66	29.61	21.75	12.15	10.96	15.44

Table 5. Few Sound Banks 31-12-2000

31.12.2000 Parameters	ABN Amro	Al-Baraka Isl. Bank	Citi Bank	Metorpolitan Bank	Emirates Banks	Soneri Banks
Capital Adequacy Ratio	11.18	14.36	22.97	13.42	19.13	10.73
Equity to total Assets	5.78	11.49	8.68	7.29	8.30	6.33
NPLs to Equity	8.23	12.30	18.04	12.23	14.06	30.39
NPLS to Total Loans	0.89	1.86	3.82	1.11	3.79	2.67
Cost to Income ratio	15.08	24.70	25.29	19.12	2.53	18.20
Total Prov./Loans	2.66	1.71	4.00	3.57	27.15	3.13
Total Score (TSC):	4	5	4	5	6	5

Table 6. Under Stress Banks 31-12-2000

31.12.2000 Parameters	A.D.B.P.	I.D.B.P.	Prudential Comm. Bank Limited	Union Bank Limited
Capital Adequacy Ratio	6.59	-54.54	-3.05	7.35
Equity to total Assets	6.65	-35.60	-2.47	4.38
NPLs to Equity	288.80	188.40	146.30	166.90
NPLs to Total Loans	62.68	64.78	30.19	16.18
Cost to Income ratio	33.82	65.84	117.00	32.65
Loans to Assets	96.59`	108.00	79.55	56.66
Total score	-1	-5	-4	-1

Table 7. Mediocre Banks as at 31-12-2001

31.12.2001 Percent	Union Bank Limited		United bank Limited	
	Calculated Percent	Score	Calculated percent	Score
Capital Adequacy Ratio	6.15	-1	7.47	-1
Equity Adequacy Ratio	4.20	0	1.45	-1
NPLS to Total Loans	16.08	0	17.38	0
Staff cost per Employee	1.17	-1	0.80	-1
Loans to Assets	48.83	0	40.31	0
Cost to Income Ratio	30.05	+1	36.79	+1

Table 8. Few Sound Banks 31-12-2001

31.12.2001 Parameters	AMEX Bank	Al-Baraka Isl. Bank	Citi Bank	Metropolitan Bank Ltd.	Emirates Bank Limited.	Soneri Bank Ltd.
Capital Adequacy Ratio	**16.39**	**18.26**	**26.01**	**13.99**	**17.19**	**12.14**
Equity to total assets	**7.40**	**12.67**	**8.56**	**7.45**	**6.35**	**7.54**
NPLs to Equity	**13.70**	**15.05**	**18.12**	**10.84**	**21.48**	**24.36**
NPLs to Total Loans	**3.42**	**3.30**	**3.46**	**1.00**	**3.77**	**2.68**
Cost to Income ratio	**28.62**	**14.17**	**21.23**	**14.06**	**26.39**	**14.99**
Total Prov. / Loans	**2.70**	**3.52**	**2.95**	**3.17**	**4.62**	**4.28**
Total Score (TSC)	**4**	**6**	**4**	**6**	**5**	**6**

Table 9. Under Stress Banks 31-12-2001

31-12-2001 Parameters	A.D.B.P	I.D.B.P	Saudi-Pak comm... Bank Limited	Allied Bank Limited
Capital Adequacy ratio	6.59	-187.84	-22.64	5.08
Equity to total Assets	6.48	-95.80	5.42	-3.10
NPLs to Equity	147.40	186.20	149.60	-525.76
NPLs to Total Loans	52.10	74.15	71.26	31.01
Cost to income ratio	37.59	40.68	53.24	50.36
Loans to Assets	120.30	94.07	52.56	52.55
Total Score (TSC)	-1	-4	-1	-2

Table 10. Few Sound Banks in 2002

31.12.2002 Parameters	AMEX Bank	Al-Baraka Isl. Bank	Citi Bank	Metropolitan Bank Ltd.	Emirates Bank limited.	Soneri Bank Ltd.
Capital Adequacy Ratio	12.50	18.80	11.80	9.00	22.99	10.10
Equity to total assets	7.51	14.56	7.04	3.55	22.75	8.19
NPLs to Equity	6.42	16.53	24.63	2.15	14.88	16.62
NPLs to Total Loans	0.58	3.98	2.96	1.01	4.72	2.61
Cost to Income ratio	15.20	17.44	14.39	38.98	32.89	173.19
Total Prov. / Loans	3.94	4.17	2.96	35.82	4.80	5.94
Total Score	8	7	6	8	7	6

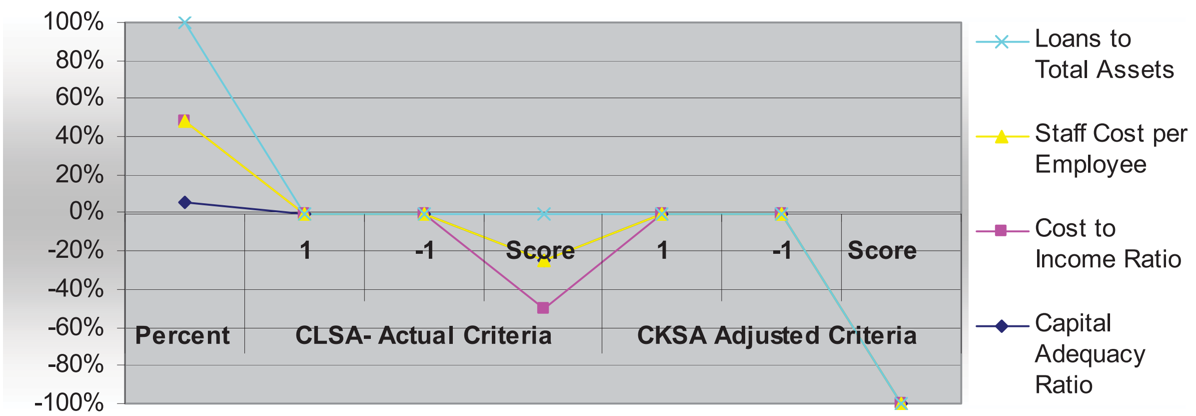

Figure 1. Comparison of A.D.B.P. scores under two criterions

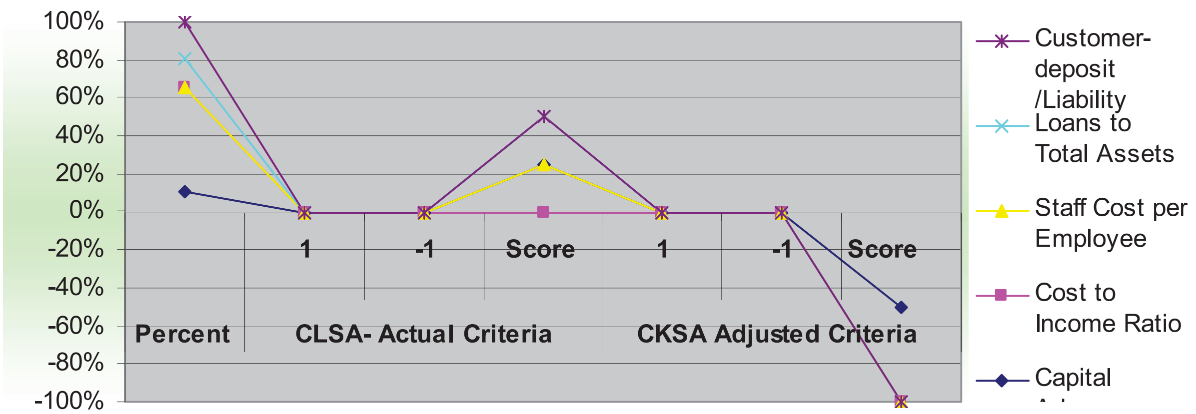

Figure 2. Mediocre Banks during the year-1999

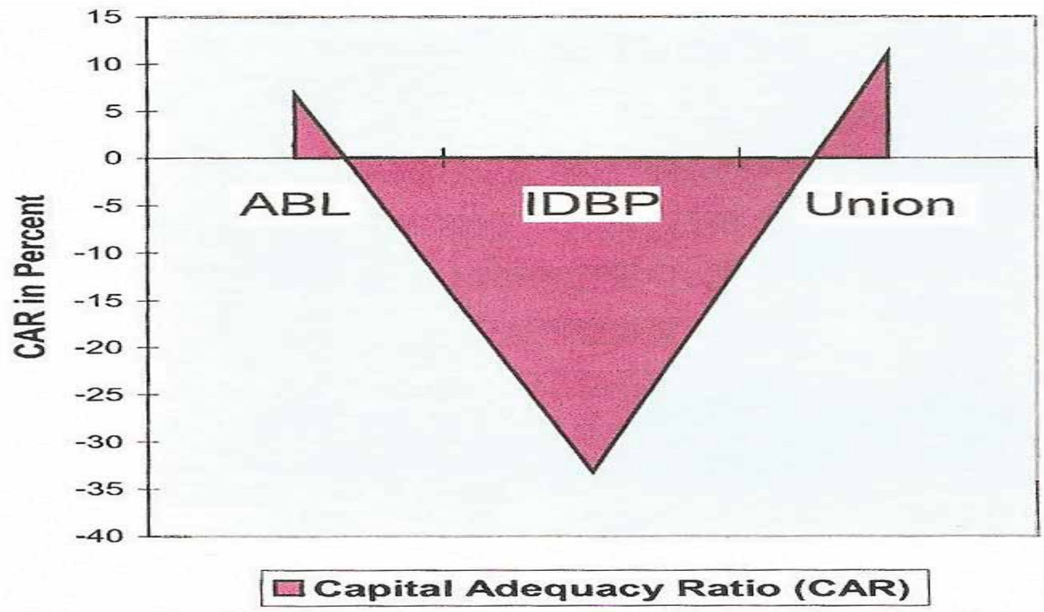

Figure 3. Mediocre Banks during the year-1999

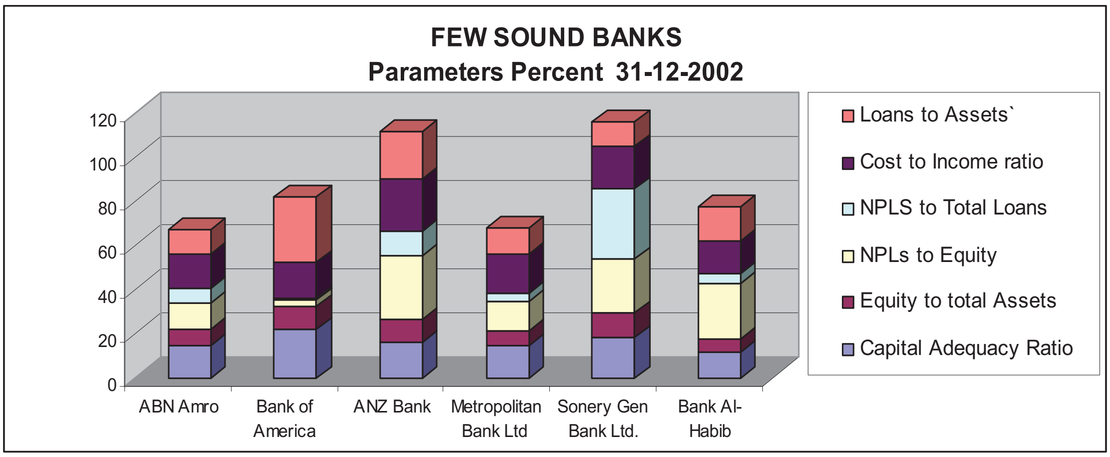

Figure 4. Few Sound Banks 31-12-2002

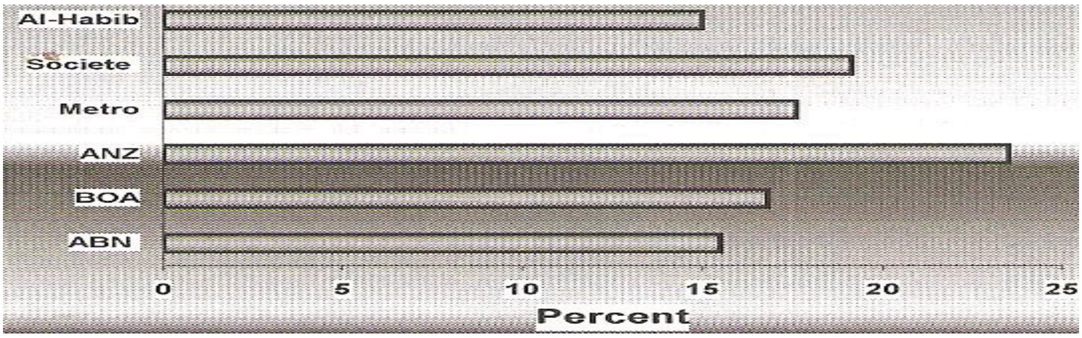

Figure 5. Cost to Income Ratio of Sound Banks during the year-1999

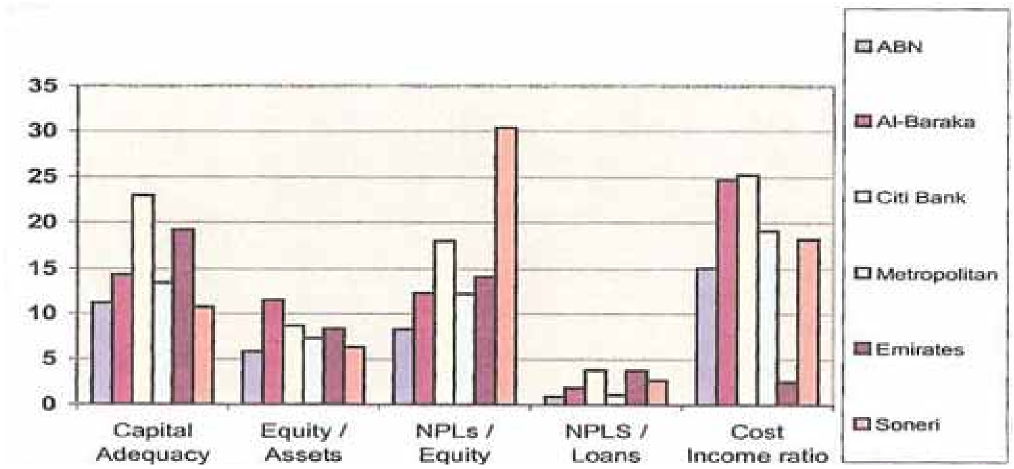

Figure 6. Few Sound Banks 31-12-2000

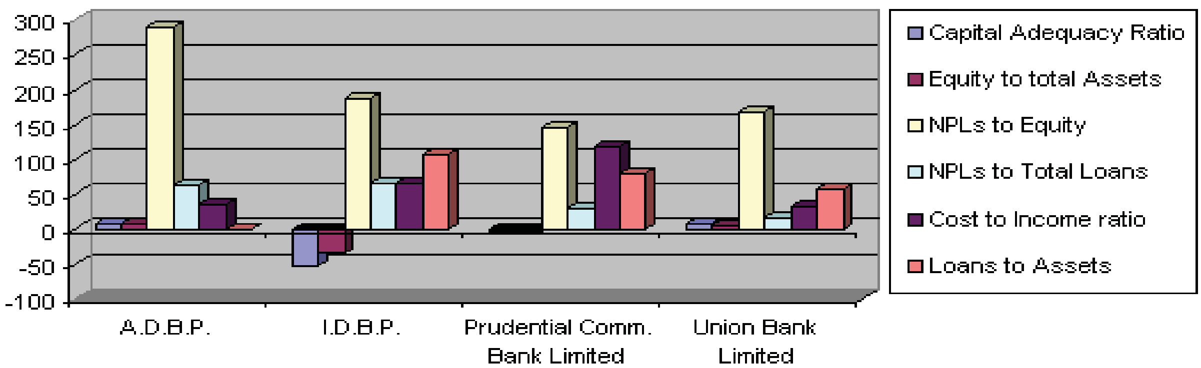

Figure 7. Under Stress Banks 31-12-2000

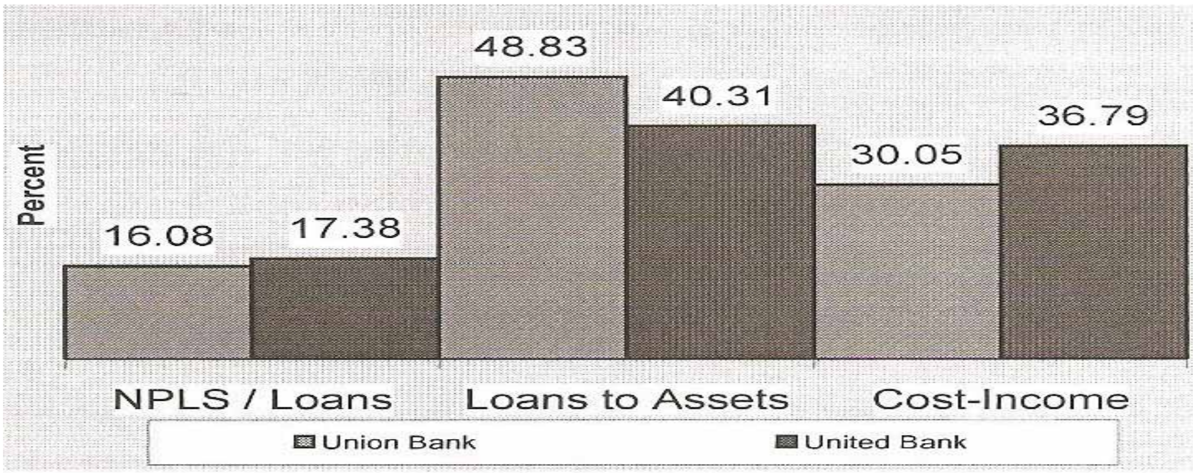

Figure 8. Mediocre Banks during the year 2001

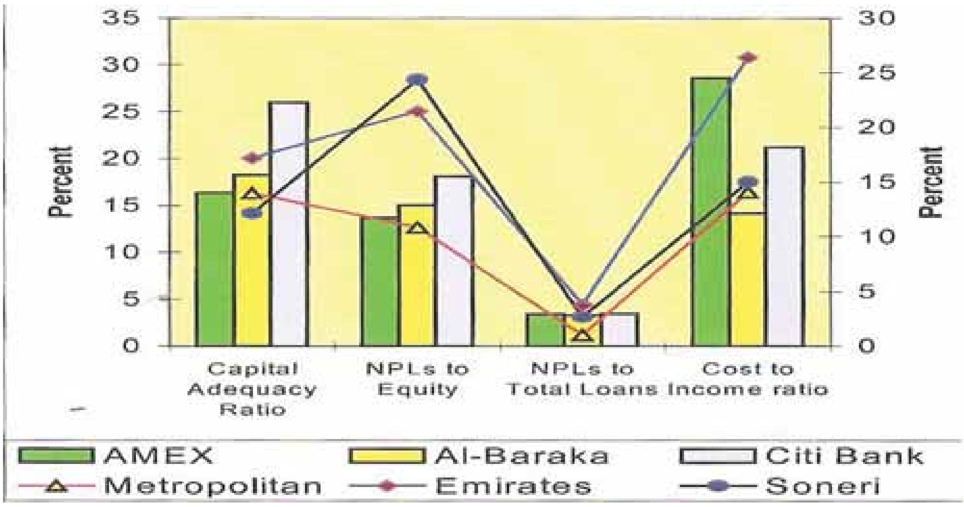

Figure 9. Mediocre Banks 31-12-2001

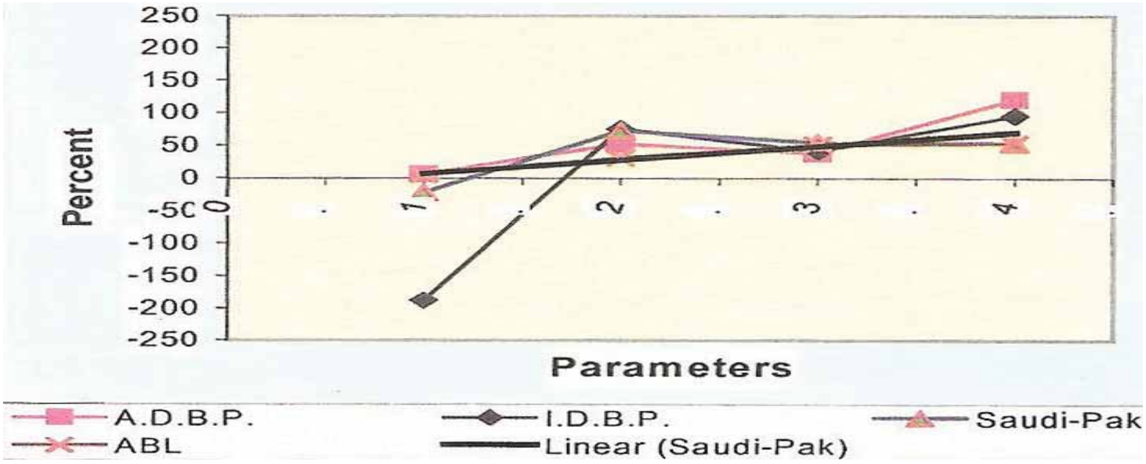

Figure 10. Under Stress Banks 31-12-2001

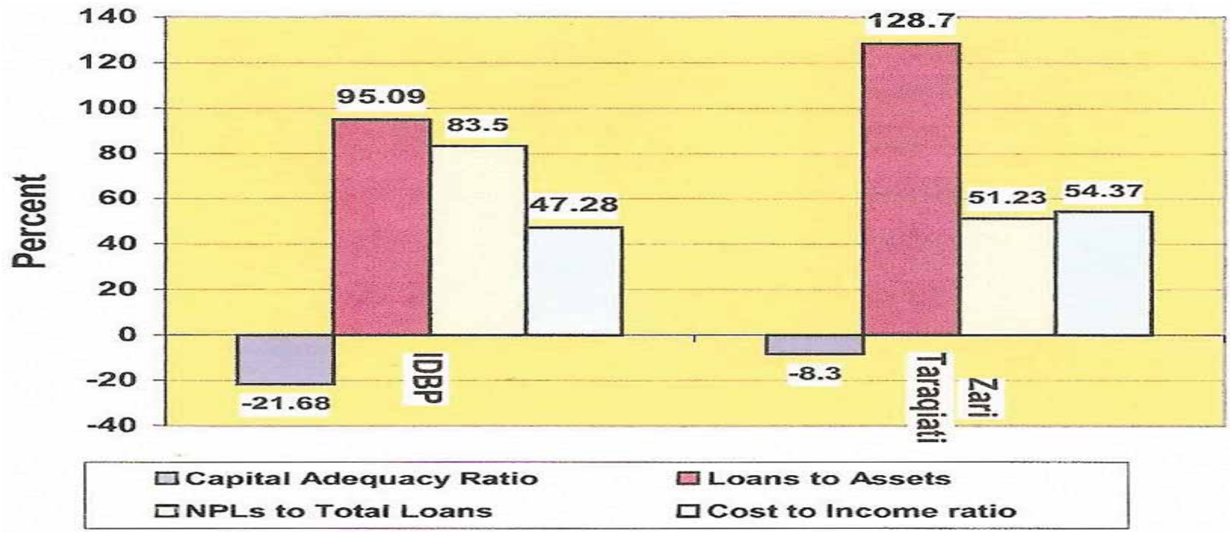

Figure 11. Under Stress Banks – 2002

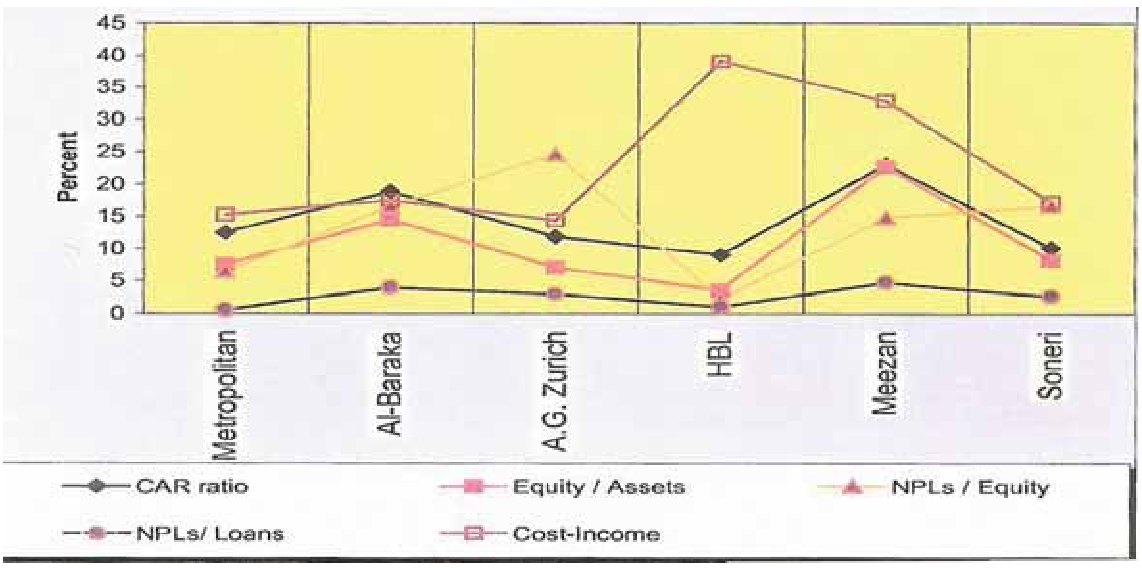

Figure 12. Few Sound Banks 31-12-2002