Financial Performance of UAE Banking Sector: Domestic vs. Foreign Banks

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ABSTRACT

UAE (United Arab Emirate) is considered as a hub of profit in banking industry nowadays. A number of banks include foreign, public and domestic banks are enjoying fruitful business in the UAE because of its rapidly growth trading, oil and business industries. There is no doubt that UAE known as the hub of increasing banking sector, therefore, we aim to evaluate the performance of domestic and foreign banks of UAE specifically. The major aim is to find out which sector is more effective and earning more based on bank specific factors that include: return on assets, return on equity, liquidity ratio, management efficiency, capital adequacy and asset management. Six foreign and domestic banks of the UAE have been taken into account for the period of 2008 to 2014. Trend and correlation analysis have been performed to get more authentic results. Previous studies have been used to support end results of our study. The findings proved that foreign banks are performing a way better than domestic banks in the UAE.

Keywords: domestic and foreign banks of UAE, UAE banks' performance analysis, Comparative analysis UAE banks

ÖZ

Son zamanlarda Birleşik Arap Emirlikleri Bankacılık sektörü karlılığı ile dikkat çekmektedir. Özellikle giderek büyüyen ticaret, petrol ve iş dünyası gerek yabancı gerekse yerli ve kamu bankalarının olumlu yönde finansal performanslarına yansıdığı gözlemlenmiştir. Bu nedenler bu çalışmada yerel ver yabancı bankalar baz alınarak bankacılık finansal rasyoları; aktif getiri, sermaye getirisi, likitide oranları, yönetim etkinliğini içeren rasyolar, sermaye yeterliliği ve aktif yönetimi rasyoları analiz edilmiştir. Çalışmada altı yabancı ve yerel banka 2008-2014 yıllarını kapsan dönemde zaman analizi yanında korelasyon analiz ile test edilmiştir. Sonuç olarak, yabancı bankaların yerel bankalardan daha iyi performans gösterdiklerini görmekteyiz.

Anahtar kelimeler: Yerel ve yabancı bankalar, Birleşik Arap Emirlikleri, Banka performans analizi, Karşılaştırmalı Analiz

To my beloved Family

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

Chapter 1

INTRODUCTION

The banking industry of UAE (United Arab Emirates) has 46 actively operating banks in UAE, these 46 banks consists of local and overseas banks providing their financial services to the entire UAE. According to some researchers the UAE banking sectors is yet scattered and needs to be united, though, it considered one of the strongest banking sectors globally. The foreign banks of UAE banking sector have an effective role in UAE economy than the local or domestic ones. Therefore, it considered secure or defensive enough against worldwide interruption. Conversely, the banking sector is facing struggling hard to comply with the worldwide standard "Basel II". Five of the all banks, profound for their highly involve financial activities in the entire UAE banking industry. While, ten other banks counted more firmed and stable in financial terms. Although, the central bank of UAE is responsible to monitor all the transactions and operations of entire banking sector. The overall performance of banking sector plays a vital role in the growth of UAE economy. A rapid growth in UAE banking sector has been recorded in past few years. The UAE banking sector has a very competitive environment for its local and overseas banks.

Although, the banking industry has grown significantly over the recent decades, it is unfortunate that it is being overcrowded at an alarming rate. Notably, there are many lenders competing for the customers. Noteworthy is the fact that many banks in the United Arab Emirates are on the run to diversify their sources of income. Many of the

banks in the United Arab Emirates have a license to operate, although the population is not significantly larger. It beats logic for a country with a small population such as that of the United Arab Emirates to be a home to so many banks. It is estimated that there are fifty four banks that operate in the United Arab Emirates. The number includes those that are being operated only in the Dubai International Financial Centre (DIFC).

Banks are on the run to align their strategy with the expected outcome. They do this through devising methods of coping with competition to accumulate a significant market share. Others consolidate with other micro-finance institutions to increase their market segment. Notably, the industry has experienced a chain of banking cartels emanating from the amalgamation of banks. One of the most popular mergers in the United Arab Emirates' banking industry is that of the National Bank of Dubai and the Emirates Bank International. The amalgamation which took place in 2007 has raised one of the biggest banks in the United Arab Emirates. NBD, the outcome of the amalgamation is ranked as being the second biggest lender owing to its large asset pool. The biggest lender in the United Arab Emirates is the National Bank of Abu Dhabi (Aarti Nagraj, 2014).

Thus, the overall current situation of UAE banking sector shows the huge potential for the research and in this regard we aimed to performed some financial analysis among local (domestic) and foreign (overseas) banks of UAE. The study is conducted by taking 6 foreign and 6 domestic banks into account. The collected data is based on last 7 years financial performance (2008 – 2014). The performance of both banking systems have been evaluated under economical and bank specific financial factors.

1.1 Study Objective

The main goal behind conducting this study is to contribute into the UAE banking sector's financial analysis by measuring the performance of both UAE domestic and foreign banks. The purpose is to find out either foreign or domestic banks are good enough in making profit that supports business owners, borrowers and depositors of UAE.

1.2 Research Methodology

In order to achieve the study aim, 6 domestic and 6 foreign banks are taken for the period of last 7 years (2008-2014). Bank specific factors such as liquidity, management efficiency, and adequacy of capital, return on assets (ROA), asset management and return on equity (ROE) will be used as control variables to evaluate the banks' performance. Trend analysis and correlation analysis are used to provide the clearest picture of results.

1.3 Implications of the study

The present study seeks to analyze the domestic and foreign banks of UAE in terms of their profitability and other bank specific indicators. It aims to analyze the last 7 years banks data to see which sector is performing better and is more profitable for owner's and regulators' financial needs within the UAE.

Chapter 2

LITERATURE REVIEW

The following study section presents the summaries of previously done bank's performance and comparative analysis. This section of study also helps to understand how other authors have measured the banks' performance, on what factors and by which technique.

The globally known researcher Berger (2007), after conducting his 100 of researches, he also conducted research on banks' performance indicators. To accomplish his research he divided his study into various sections. The first one was about banks' efficiency comparison in various countries but by using the same method. The other was performance comparison in district counties by using the similar technique and factors. The third and last one was specifically about domestic and foreign banks in a single country with a technique that was more feasible to use in that country. However, in his studies he found that the economic factors have highest influence on banks performance. He also found that in most cases foreign banks were good enough than local banks.

Dorothea and Oleksandr (2007) argued about the profit margin of a particular bank depends on the presence of foreign banks. Their study involved an analysis of 160 banks in Ukraine for the years 2003 to 2005. The findings of their study indicated that domestic and foreign banks have a positive correlation in terms of their profitability.

When the banks were divided in terms of their size and profit margin, the relationship increased to include small and large banks. It is important to note that the division was marginally critical for banks that do not generate substantial profit.

Al-Tamimi and Al-Amiri (2003) studied the main domestic affiliated banks (Abu Dhabi domestic bank and Dubai domestic bank) operating in the United Arab Emirates. These two banks are so far the largest in the United Arab Emirates because they influence the major activities in the banking industry especially of banks that serve domestic clients. They have a total of twenty one branches in the United Arab Emirates; thus, forming five percent of all the conventional banks in the United Arab Emirates. During the study, the researchers made a close comparison of the quality of services offered by these banks using SERVQUAL standards. The findings of the study indicated that the two banks are popular for their swift service delivery courtesy of their unmatched quality. The findings do not conform to the belief that Domestic banks alongside other domestic banks have quality issues. For the banks in the United Arab Emirates to compete fairly with foreign banks, which influx into the country on a regular basis, they have to increase their attention to the quality of the services they offer. Research indicates that profitability and quality of services are interrelated.

Claessens, et al., (2001) have done a comprehensive research to determine the impact of competition and efficiency of services offered by foreign banks. They used a big data of some internal banks in 80 nations since 1988-1995. The study indicates that an increase in the number of foreign banks in a country reduces the profits that domestic banks earn. Other disadvantages of an increase in foreign banks over domestic ones include less interest on income and increased expense of domestic banks. Research

indicates that when the number of foreign banks increased, domestic banks are likely to improve their efficiency. Therefore, those who provide good quality services, earn a larger profit. Therefore, according to their study, foreign banks are imperative in improving the quality of services offered by domestic banks.

El-Biesi (2010) carried out an examination of the effect of entry of foreign banks in the financial markets. Macro-economy investigates the impact of selected macro-economic, financial market and bank determinants on the profitability of foreign banks in nine economies in North Arica and the Middle East. The study started in 2002 and ended in 2007. They used panel data sets in 71 foreign countries. According to the study, the level of the bank is one of the factors that affect the profitability of foreign banks. Other factors include liquidity ratio, assets and capital. Factors that affect the overall profitability of the banking industry entail the industry's level of capitalization in the stock market, and growth of the income per capita. Additionally, other factors such as the stock market volume and concentration ratio have a significant impact.

sabi et al. (2000) analyzed the status of new markets in Mexico and Argentina. The study involved an investigation of the local lending trends of foreign banks. The study revealed that the loan growth of foreign institutions was higher than that of domestic banks in both Mexico and Argentina. Therefore, foreign banks contribute significantly to the growth of the economy when compared to domestic banks.

Sabi (1996) has examined how both foreign and domestic banks perform during a period of transition into a market driven economy in Hungary. The findings of the study revealed that domestic banks accumulate less profit when compared to foreign

banks. Moreover, foreign banks approach liquidity with more caution and they also take calculated risks when giving out credit. The research findings indicated that foreign banks minimized the funds allocated as consumer loans and were quite careful when giving out long term loans. In fact, a mere 8.4% of the foreign banks in Hungary gave long term loans. The researcher noted that the influx of foreign banks in Hungry did not contribute to an improvement of the domestic banks' performance.

Aktaş and Kargın (2007) have performed an in-depth comparison of domestic and foreign banks operating in UAE. They used different financial ratios. The study's results indicated that domestic banks had less liquidity ratio and inadequate capital when compared to foreign banks.

Pasiouras & Kosmidou (2007) investigated the factors that determine the profitability of both foreign and domestic banks in 15 countries which are members of the European Union since 1995-2001. They concluded that the structure of a bank in terms of its financial administration impacted on their profitability.

Tahir et al., (2010) carried out a study in Malaysia since 2000-2006. The aim of the study was to prove the fact that internal commercial banks were more effective when compared to foreign banks. Similarly, they were to examine whether the profit ratios of foreign banks were slightly bigger than that of domestic banks.

Jha and Sarangi (2011) carried out an in-depth analysis of seven banks in both the private and public sector since 2009-2010. During this study, he examined the performance record of the banks using three ratio sets. In fact, they used all the

profitability ratios. In last, they concluded that the Axis ban , ICICI bank, BOI, PNB, SBI, IDBI and HDFC hold the best positions respectively.

Rao (2002) carried out a study of 35 banks in the United Arab Emirates from 1998 to 2000. The study entailed an examination of the scope, scale, productivity and cost efficiency of the banks. Rao came to a conclusion that there was significant cost in economies in the United Arab Emirates' banks. Moreover, the findings of the study revealed that the status of the large banks remained intact while that of small banks kept on improving. In addition, Rao found out that small banks had a management committee that could maintain their performance portfolio for a long time when compared to the big banks.

Ilhomovich (2009) investigated the relationship between domestic and foreign banks in Malaysia from 2004-2008. Statistics reveal that domestic banks earn a better profit internally when compared to foreign banks, although foreign financial institutions have a bigger pool of capital. Also, he found out that in Malaysia, foreign banks that operate impact negatively on the quality of financial services offered by domestic banks.

Demirgüç-Kunt and Huizinga (2000) paid attention to foreign owned banks owing to the fact that they have a bigger margin of interest alongside profits especially if they operate in developing countries. His findings revealed that national banks that operate in developing countries earn lower profits and have many non-performing loans when compared to privately run banks. On the other hand, foreign banks have lower operating costs and earn more profits.

Chapter 3

OVERVIEW OF UAE BANKING SECTOR & ECONOMY

3.1 The Banking Sector

The banking industry in the United Arab Emirates is one of the major revenue contributors. Its banking industry has grown steadily over the recent years. Hence, it is suitable for the global economy. The banking industry in the United Arab Emirates has the latest banking technology; a factor that makes it ideal. According to the International Monetary Fund (IMF), the banking sector is a profitable industry when compared to others. The capital management system makes the banking industry fast and efficient to its customers (mentioned in an IMF noticed published on March, 2003). It is so far the best in the entire Arab region. Reports indicate that during the first half of 2011, its banking industry controlled 18% of total assets of 470 banks which profess to the Union of Arab Banks (UAB). In addition, the industry was under the control of 28% capital of the banking industry (Emirates24/7, 2011).

One of the factors that have kept the United Arab Emirates' banking industry outgoing is the adoption of modern day banking trends. The adoption of the Basel II banking standards has made the industry counter international challenges in the banking industry. There are five major banks that hold a significant market share. In addition, the top ten popular banks are quite stable to retain their market share. The United Arab Emirates' Central Bank is the major banking institution that oversees the activities of other banks. The central bank has been quite vocal in steering the

country's economic growth. Hence, the banking industry is fairly well off to compete in the global arena (M. Annam Hashmi, 2007).

3.1.1 The Banking Structure

Statistics indicate that by the end of 2011, there were 24 local banks in the United Arab Emirates. Mentioned below figure shows the structure of UAE banking

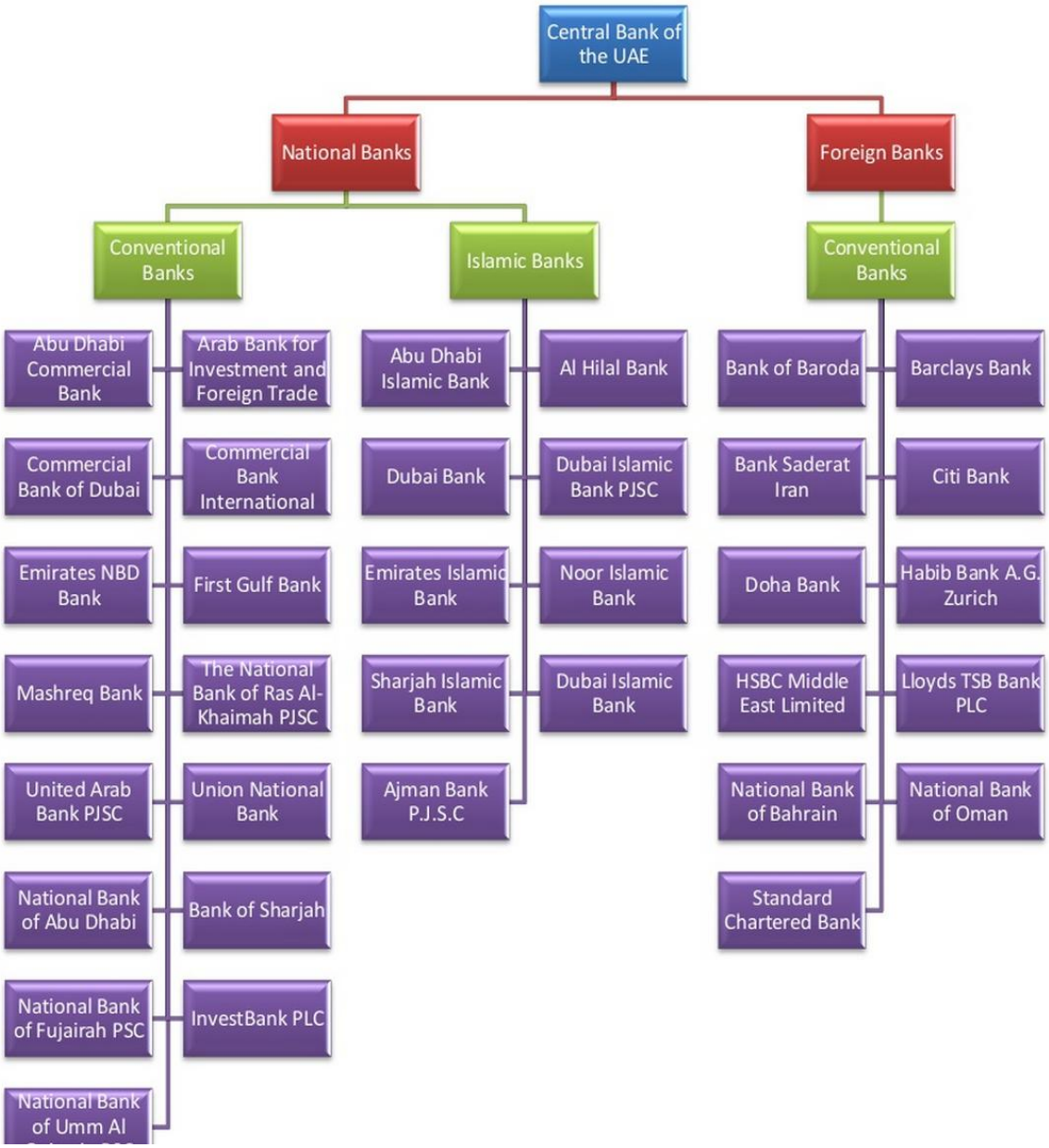

Figure 1: UAE Banking Structure

structure. These banks had 768 affiliates. On the contrary, there were 22 foreign banks that had 110 affiliates that were officially recognized in the United Arab Emirates. Shortly after the infamous global financial crisis, the United Arab Emirates' banking industry came up with better strategies to gain a considerable stance in the entire Middle East among other parts of the world such as Africa and Asia. The political instability in many of the countries in these regions made it gain considerable success (AHK, 2013).

The United Arab Emirates' banking industry falls into two classes. They include foreign and national banks. Each of the two classes is sub-divided into the Emirati National Domestic Banks and Emirati National Convection Banks. The latter are 15 while the former are 9.

3.1.2 The Size of the Banking Sector

The total assets of the entire United Arab Emirates' banking industry amounted to $464 billion by the end of June. Initially, it amounted to $437 billion in 2010 and $413 billion in 2009. By the end of June, the assets formed $2.463 trillion as per the UAB data metrics. The equity of the shareholders in the United Arab Emirates' banking industry amounted to 73.2 billion in June. This formed 28% of the equity of the shareholders in the Arab banks.

The United Arab Emirates was under the control of the credits and deposits in the banking industry in the Middle East. This formed $285 billion and $360 billion respectively. The report indicated that Saudi Arabia had the largest economy in the Arab world. Moreover, its banking industry seconds that of the United Arab Emirates. According to the report, the Saudi Arabian economy's assets stood at $401 billion in

June. In addition, the shareholder's equity of $76 billion seconded that of the United Arab Emirates. The deposits stood at $ 61.1 billion (Tariq Al-Basha, 2015).

Table 1: UAE Banks' total assets and capital at the end of 2013

Bank Name	Total Assets	Total Capital
Emirates NBD Bank	342,061,275,000	5,557,775,000
National Bank of Abu Dhabi NBAD	325,061,656,000	4,280,470,000
First Gulf Bank	195,032,370,000	3,000,000,000
ADCB	183,142,536,000	5,595,597,000
Mashreq Bank	89,654,914,000	1,690,770,000
Commercial Bank of Dubai	44,476,191,000	2,038,352,000
The National Bank of Ras Al-Khaimah PJSC	30,126,769,000	1,676,245,000
Bank of Sharjah	24,972,508,000	2,100,000,000
United Bank of Fujairah	21,455,399,000	1,100,000,000
Commercial Bank International	14,814,659,000	1,575,858,000
National Bank of U.A.Q PSC	12,538,632,000	1,600,000,000
Invest Bank PLC	12,299,345,000	1,312,500,000
Total (AED)	1,329,845,313,000	34,023,968,000
Total (USD)	359,058,234,510	9,186,471,360

Source: Tariq Al-Basha, 2015

Reports indicate that the Qatar National Bank (QNB) scooped the third position with an asset value of $61.3 billion. Egypt's Alahli Bank came fourth with an asset base of at $52.3 billion. The Jordan's Arab Bank was number five with an asset value of $51 billion, while the Saudi American Bank Group (Samba) was number six with an asset base of $49.9 billion. The Saudi Arabian Al Rajhi Bank followed the suit with an asset base of $49.2 billion. The Abu Dhabi Commercial Bank in the United Arab Emirates and the Saudi Arabian Riyadh Bank followed closely with an asset value of $48.5 billion and $46.2 billion in 2010 (Emirates 24/7, 2011).

3.1.3 Foreign and Domestic Banks

The influx of foreign banks in the United Arab Emirates' banking industry has steered the growth of the industry in a number of ways. First, the availability of foreign banks increases the pool of qualified human capital to work with the domestically run banks. Foreign banks outsource for staff from countries across the world. This makes it easy for these staffs to interact with the staffs of the locally run banks; thus, sharpening their management skills due to social interaction that emanate from commercial partnerships. There are instances where the management of some foreign banks may offer to train the local employees on the basics of the international banking industry. This may make the management of the locally run banks more effective and reliable (Niels. H. & Robert. L., 2003).

There are some foreign banks, which have closed down some of their branches in the United Arab Emirates. Hence, they leave a gap in the industry, which the major local banks in the United Arab Emirates do not hesitate to grasp. It is important to note that foreign banks operating in the United Arab Emirates could not expand further as the law demanded that they operate a maximum of eight affiliate branches countrywide (1980-2003). However, the governing authority changed the laws in 2003. The foreign banks could operate more than eight branches if they sought permission. This made it possible for the foreign banks provide credit facilities valued at $573 million (CB of UAE, 2006).

Courtney Trenwith (2015) notified that foreign banks cannot compete favorably with state banks in the United Arab Emirates. This has made foreign banks shy away from investing in the retail sector. Instead, they pay much attention to corporate investment

as it is more profitable. Similarly, they can compete fairly well with state banks in corporate investments. Noteworthy is the fact that the local banks adopt strategies that make them more competitive bearing in mind that competition is on the rise. Their balance sheet potential besides liquidity is some of the factors that have made them competitive when compared to the foreign run banks (Courtney Trenwith, 2015).

3.2 The Economy & Macroeconomic Factors

The economy of the United Arab Emirates has gradually recovered from the downfall of the security and the real estate markets. The economy has recorded a significant growth index. Currently, the GDP stands at 5%, although the prices did not change in 2013, at least as per the estimates of the International Monetary Fund (IMF). The growth was attributed to the GDP of other economic indicators apart from oil revenues that stood at 5.4%. On the contrary, the stunted oil exports and production amounted to 4.0% of the GDP. The growth of the non-oil industry was attributed to the rise of the returns in the real estate industry, trade, transport and tourism sectors. Moreover, the investment has a significant contribution to the growth of the economy following Dubai's intention to host the 2020 Expo.

The export of non-oil products led to the economic growth and diversification in 2013. Hence, the economic growth rose to 11.9% as a result of integration of the Gulf into regional trade. Moreover, there was a booming market for the non-oil exports in both Africa and Asia, which the United Arab Emirates had tapped. The re-exports and exports formed 8.3% in 2013 as there was a rise in hydrocarbon exports which formed 2.5%. Similarly, there was 11.9 % rise in export of non-hydrocarbon products (CB of UAE, 2013).

3.2.1 GDP

The Gross Fixed Capital Formation formed 20% of the GDP in 2013, there was no change as the percentage was the same even in 2012. The investment in the public sector fell to 6.3% all the way from 7.1% in 2013. On the other hand, the private investment rose to 13.2% from 12.5% (ieconomics, 2015). The figure 3 below consists of gross domestic product ratio for the past 8 years. As shown in figure, we can see that the UAE economy has highest GDP ratio in 2013 and the lowest ratio in 2006.

Figure 2: UAE GDP ratio (2006 – 2013)
Source: ieconomics, 2015

3.2.2 Inflation

The inflation of prices came into being in 2013. The Consumer Price Index (CPI) rose to 1.4% on a yearly basis. The inflation pressure rose in the entire 2013. The rise in the rates of rent and property on a yearly basis made the Consumer Price Index (CPI) rise from – 2.6% in 2012 to + 0.3% in 2013 (ieconomics, 2015).

The figure below represents the quarterly based inflation ratio of the UAE economy for the last couple of years.

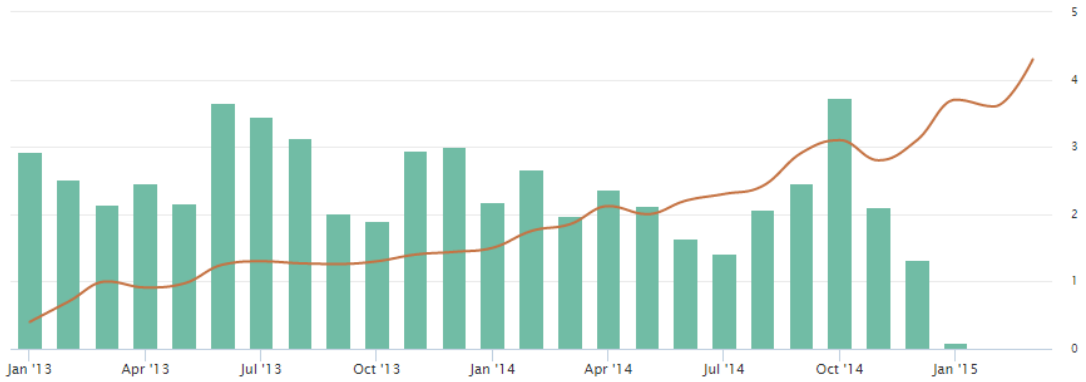

Figure 3: Inflation Rate of UAE (2013-15)

Chapter 4

RESEARCH METHODOLOGY

This section covers the comprehensive detail of our entire study analysis.

4.1 Sample Size

We chose a sample of 12 banks, 6 foreign and 6 domestic banks respectively. The data as mentioned above was for last 7 years. The all selected banks are mentioned below:

Table 2: The UAE domestic and foreign banks

Domestic Banks	Foreign Banks
• National Bank Of Abu Dhabi (NBD) • Bank of Sharja (BOS) • Dubai Islamic Bank (DIB) • First Gulf Bank (FGB) • Abu Dhabi Islamic Bank (ADIB) • Union National Bank (UNB)	• Habib Bank Ltd. (HBL) • National Bank of Bahrain (NBB) • HSBC Middle East Ltd. (HME) • Standard Chartered Bank (SCB) • Citi Bank (CB) • Al-Khaliji Bank (AB)

4.2 Data Sources

Most of the data are collected from the balance sheets and income statements of each bank available on their official websites and from the UAE Central bank's website.

Annual reports some other financial associations have also been useful sources. It is important to underline that the used data are annual based data.

4.3 The Profitability Indicators

The profitability of any bank can be analysed by its Return on asset, Return on equity (ROE), and various other sources that directly benefit the banks' owners and regulators. For our study we use Return on asset (ROA), ROE return on equity (ROE), capital adequacy (CA), management efficiency (ME), liquidity volume (LV), asset management (AM), earning capability (EA) performance indicators to assess the performance of chosen banks. We used all these ratios in two different ways to identify either foreign or domestic banks are performing their best in UAE economy. Mentioned below is a small description of these ratios:

4.3.1 Return on Assets (ROA)

Return on Asset (ROA) ratio can be obtained with overall income and total number of assets of a bank. Return on assets is one of the important ratios that signify banks' performance and competency on others. The more return on assets shows the more efficient asset management of the bank. It shows that the bank is effectively utilizing its investment on assets by having enough return (Gul et. al., 2011).

4.3.2 Return on Equity (ROE)

Net income and the total shareholders' equity drive the return over invested money by shareholders. The better return on equities shows the better capability and the position of the bank. Therefore, the more better and efficient management of returns on equities would be, the better the position, profitability and performance of the bank will be considered (Gul et Al, 2011).

4.3.3 Capital Adequacy

The capital adequacy ratio identifies the bank's position against the uncertain

conditions, threats and risks. This ratio can be driven by total assets and total equity of shareholders. The capital adequacy indicates if the bank has enough capital to deal with any uncertain situation and risks (Chitan, 2012).

4.3.4 Asset Quality

Non-performing or number of total loans and receivables and total assets at the end of each financial year shows the asset quality of the bank. Providing more and more loans to clients is one of the main goals of banks to achieve more profit. This ratio defines bank's capability towards maintaining unsettled loans. To deal with this kind of loans needs better management of asset quality (Chitan, 2012).

4.3.5 Efficiency

The bank management would be considered efficient enough if it has a well-managed ratio of its daily operations expenditures and income generated over those expenses. It shows the healthy financial stability and management of the bank. To keep the income ratio higher than the expenses is one of the important goals of any business. This ratio can be driven by considering interest income over interest expense (Chitan, 2012).

4.3.6 Liquidity Ratio

When liquid assets examined over total assets, it generates the current liquidity position of the bank. Liquid assets represent all the assets exist or turned into cash form and total assets signify all tangible and intangible assets. In order to deal with short and long term funding's to clients, the bank should be capable enough to managing their liquidity ratio (Chitan, 2012).

4.3.7 Inflation

Inflation rate of any country shows how rapidly the goods' prices rise in a certain period. If the prices grow quickly, it shows an increase in the inflation rate and if the inflation rate falls, the prices of goods and services still rise, but at a slower rate. If the

rate of inflation increases, then the disposable income people have to buy things with is reduced more quickly. This can have a negative effect on an economy and hence the currency (Tradimo, 2015).

4.4 Data Analysis

As mentioned earlier, we used two types of analysis to prove the authenticity of our study. Firstly, we used trend analysis; the "trend analysis" is a statistical technique, mostly use for future data prediction by evaluating the previous data. This technique works with different performance and cost variables, it's a widely used technique as it provides very easily understandable results (Research methods, 2006).

Secondly, we performed the correlation analysis that works with dependent and independent variables to find out if there is any change in independent variable due dependent variable (Research Methods, 2006). The correlation analysis is very useful for our study as we also aimed to know if economic factor also affect bank's performance or not. We use SPSS to perform correlation analysis.

Chapter 5

DATA ANALYSIS

This section of study presents the complete data analysis and their detailed interpretation.

5.1 Trend Analysis

5.1.1 ROA

The average return on assets for both domestic and foreign banks of UAE was calculated with this formula: ROA = Net income/ Total assets

Table 3: ROA analysis of foreign and domestic banks of UAE (2008-2014)

Year	Domestic Banks							Foreign Banks						
	NBAD	DIB	UNB	GB	ADIB	BOS	Avg	HBL	NBB	HSBC	SCB	CB	AKB	Avg
2008	0.01	0.01	0.02	0.02	0.03	0.00	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
2009	0.01	0.01	0.02	0.02	0.02	0.00	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02
2010	0.01	0.01	0.02	0.02	0.02	0.00	0.01	0.01	0.02	0.02	0.02	0.02	0.04	0.02
2011	0.01	0.01	0.02	0.02	0.02	0.00	0.01	0.02	0.02	0.02	0.03	0.02	0.03	0.02
2012	0.02	0.01	0.02	0.02	0.01	0.00	0.02	0.01	0.02	0.01	0.03	0.02	0.02	0.02
2013	0.02	0.01	0.02	0.02	0.01	0.00	0.02	0.02	0.02	0.01	0.03	0.01	0.02	0.02
2014	0.02	0.02	0.03	0.03	0.02	0.01	0.02	0.02	0.02	0.01	0.03	0.01	0.02	0.02

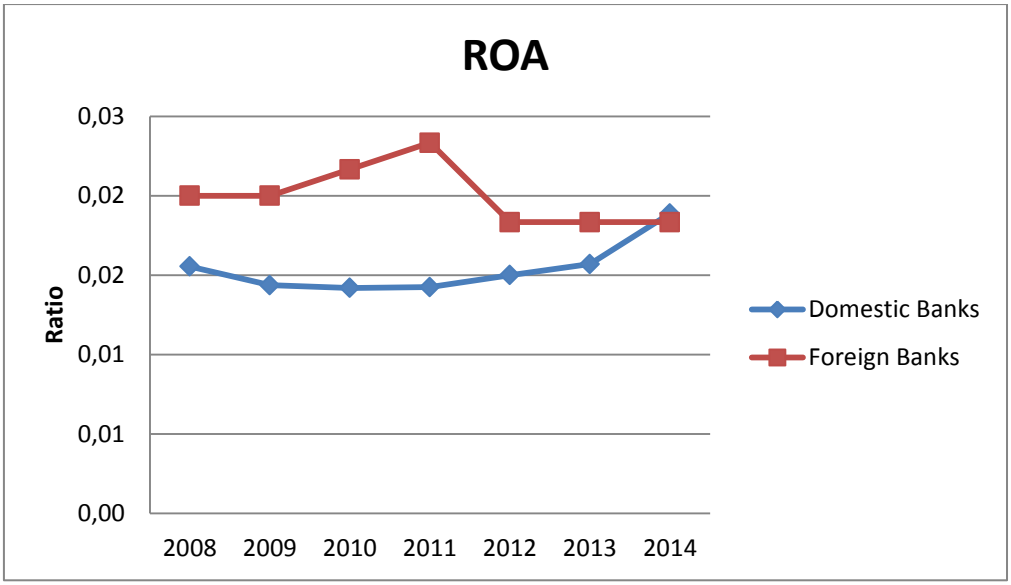

Figure 4: ROA ratio analysis of banks

The above analysis shows that the return on assets ratio for both banking sectors was quiet distinct during whole period. Foreign banks took a start with 0.02 average returns in 2008, and domestic banks on other hand also had same average return. In 2009, foreign banks managed to maintain same previous ratio but domestic banks decreased their ratio to 0.019. Foreign banks had a good increment in 2010, while domestic banks face continuous decrement till 2012. However, after 2011 foreign banks also had a huge decrement that continuous till 2014. Domestic banks performed very well in ROA ratio and reached to the same level with foreign banks. This shows that domestic banks can lead in future. Overall, the total return were higher for foreign banks entire whole period, so foreign banks were found better than domestic banks on average return on assets.

5.1.2 ROE

The return on equity that defines the real picture of a bank's performance, based on its profitability to its shareholders. The ROE for UAE domestic and foreign banks are as follows:

Table 4: ROE analysis of foreign and domestic banks of UAE (2008-2014)

Year	Domestic Banks							Foreign Banks						
	NBAD	DIB	UNB	GB	ADIB	BOS	Avg	HBL	NBB	HSBC	SCB	CB	AKB	Avg
2008	0.1	0.1	0.1	0.1	-0.3	0.0	0.0	0.7	0.2	0.3	0.4	0.1	0.1	0.3
2009	0.1	0.1	0.1	0.1	0.3	0.0	0.1	0.6	0.2	0.3	0.4	0.1	0.1	0.3
2010	0.1	0.1	0.2	0.1	0.2	0.0	0.1	0.6	0.2	0.3	0.4	0.1	0.1	0.3
2011	0.1	0.1	0.2	0.1	0.1	0.0	0.1	0.7	0.2	0.2	0.4	0.2	0.1	0.3
2012	0.2	0.1	0.2	0.1	0.1	0.0	0.1	0.6	0.2	0.2	0.4	0.2	0.1	0.3
2013	0.1	0.1	0.2	0.2	0.1	0.0	0.1	0.5	0.2	0.2	0.4	0.4	0.1	0.3
2014	0.2	0.2	0.2	0.2	0.1	0.0	0.1	0.5	0.1	0.2	0.4	0.3	0.1	0.3

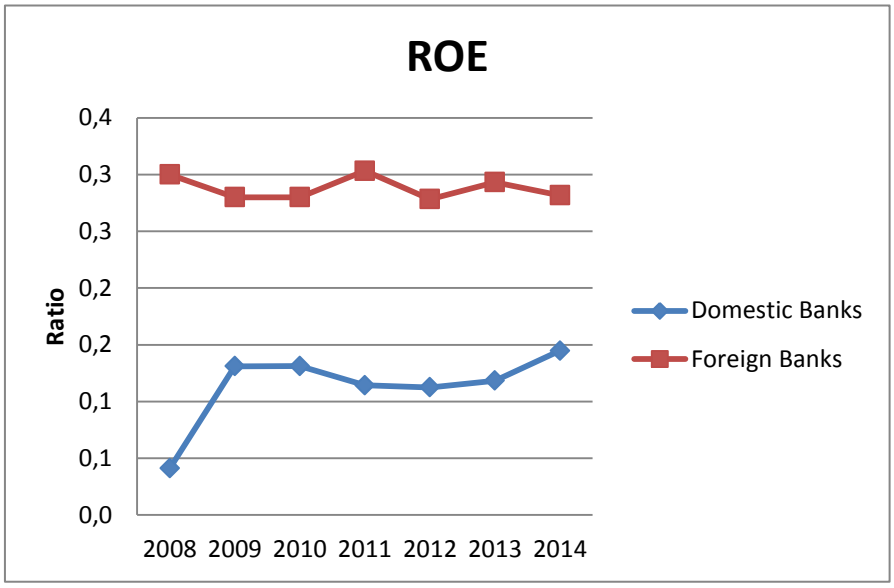

Figure 5: ROE ratio analysis of domestic and foreign banks of UAE

The above figure shows the return on shareholders' equity for both domestic and foreign banks of UAE for the past 7 years. In 2008, the equity return for domestic banks was only 0 and after domestic banks did their best to approach the average return level to 0.1 consecutively in 2009 and 2010. 2011 was again a year of decrement for domestic banks, but right after there is a consistent increase in their average return that reached to 0.2 in 2014. In contrast, foreign banks had 0.3 returns in 2008 that next year altered around gain with 0.3 return. 2011 was a most significant

year, where foreign banks mange to have more than 0.3 return. 2012, 2013 and 2014 has minor ups and downs in the ratio. Hence, he figure clearly shows that foreign banks have much higher return than domestic banks in whole period.

5.1.3 Capital Adequacy

The capital adequacy ratio as mentioned in table 5 below for both domestic and foreign banks is driven as follows: Capital Adequacy = Total Equity/Total Assets

Table 5: Capital Adequacy ratios of domestic and foreign banks (2008 – 2014)

Year	Domestic Banks							Foreign Banks						
	NBAD	DIB	UNB	GB	ADIB	BOS	Avg	HBL	NBB	HSBC	SCB	CB	AKB	Avg
2008	0.1	0.1	0.1	0.2	-0.1	0.3	0.1	0.0	0.2	0.1	0.1	0.1	0.4	0.1
2009	0.1	0.2	0.1	0.2	0.0	0.3	0.1	0.2	0.2	0.0	0.1	0.1	0.4	0.2
2010	0.1	0.2	0.2	0.2	0.1	0.2	0.1	0.2	0.2	0.1	0.1	0.1	0.5	0.2
2011	0.1	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.3	0.1	0.1	0.1	0.3	0.2
2012	0.1	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.3	0.1	0.1	0.1	0.2	0.2
2013	0.1	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.3	0.1	0.1	0.1	0.2	0.1
2014	0.1	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.3	0.1	0.1	0.1	0.1	0.2

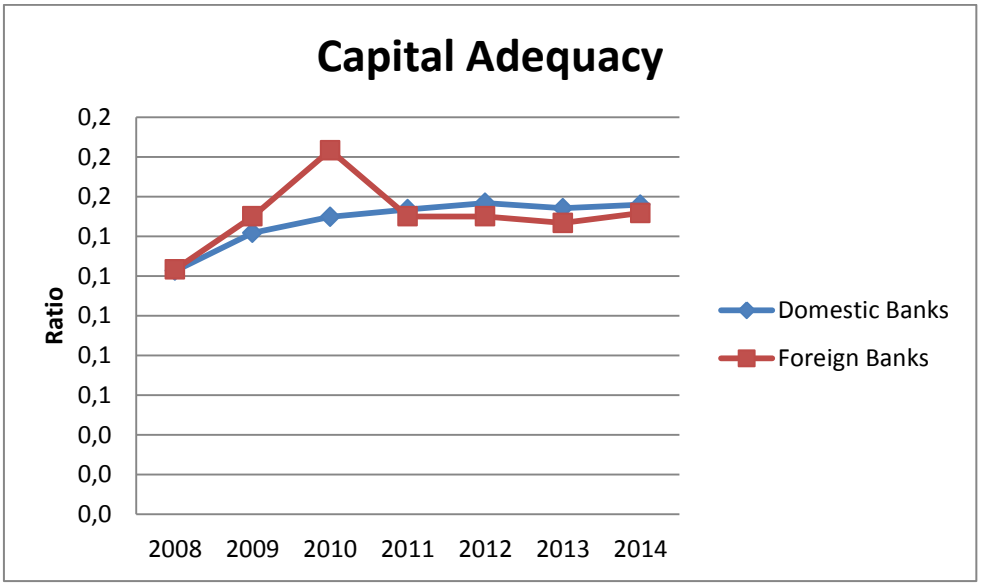

Figure 6: Capital Adequacy of domestic and foreign banks (2008 – 2014)

As we can see in figure 7, in 2008 both domestic and foreign banks had the same level of capital adequacy ratio of 0.1. Later on in 2009, domestic banks and foreign banks had almost same ratio. The year 2010 was a quite significant year for foreign banks with the highest ratio for the entire period. Domestic banks in 2010 succeed to maintain its level without any decrease but with minor increase in capital adequacy. Whereas, foreign banks faced decrement in 2011 and that last longer till 2014 with too many variations of increase and decrease in capital ratio. However, overall analysis is in favor of foreign banks in better capital management.

5.1.4 Assets Quality

The asset quality ratio of both banking systems is achieved by this formula: Asset quality = Total loans and receivables/ Total assets

Table 6: Assets quality ratio for UAE foreign and domestic banks (2008-2014)

Year	Domestic Banks							Foreign Banks						
	NBAD	DIB	UNB	GB	ADIB	BOS	Avg	HBL	NBB	HSBC	SCB	CB	AKB	Avg
2008	1.0	0.1	0.3	0.0	0.0	0.2	0.3	0.1	0.4	0.4	0.3	0.1	0.4	0.3
2009	0.0	0.1	0.3	0.0	0.0	0.9	0.2	0.1	0.4	0.4	0.3	0.1	0.5	0.3
2010	0.0	0.1	0.3	0.0	0.0	0.7	0.2	0.1	0.4	0.4	0.3	0.1	0.7	0.3
2011	0.0	0.1	0.3	0.0	0.0	0.6	0.2	0.0	0.4	0.4	0.4	0.1	0.5	0.3
2012	0.0	0.1	0.3	0.0	0.0	0.5	0.2	0.1	0.3	0.4	0.4	0.1	0.4	0.3
2013	0.0	0.1	0.3	0.0	0.0	0.5	0.2	0.1	0.3	0.4	0.5	0.5	0.5	0.4
2014	0.0	0.1	0.3	0.0	0.0	0.6	0.2	0.1	0.3	0.4	0.5	0.1	0.5	0.3

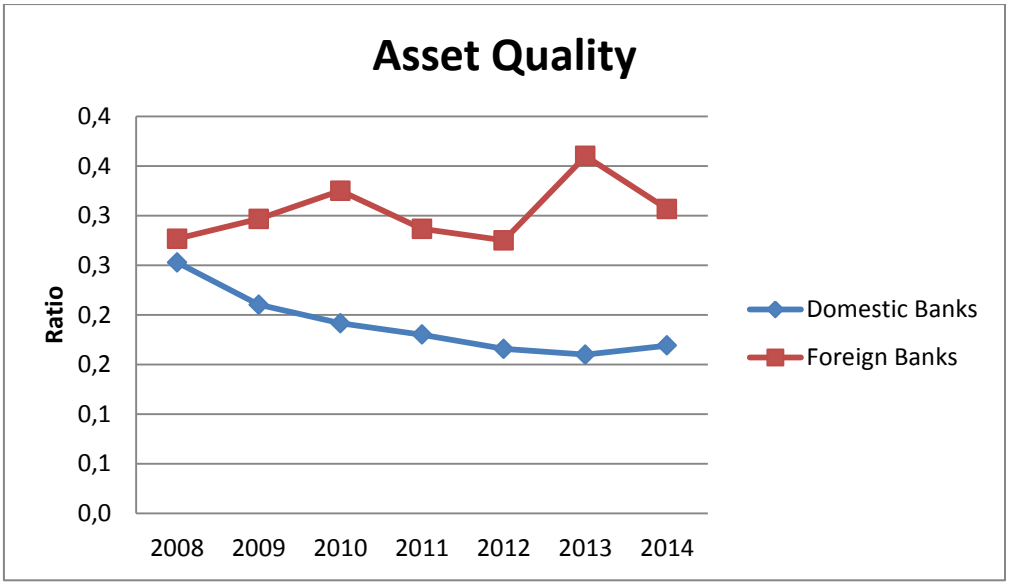

Figure 7: Assets quality ratio analysis of foreign and domestic banks of UAE

The figure 8 above gives a clear picture of asset quality management for both foreign and domestic banks of UAE for the past 7 years. Right since from 2008 till 2014 foreign banks have a higher ratio than domestic banks. However, domestic banks took start with a 0.3 of the average ratio in 2008 that reached to 0.2 in 2009. Right after 2009, domestic banks faced a continuous decrease till 2014. On the other hand, foreign banks had a good beginning with a 0.3 ratio of 2008 that reached up to 0.35 in 2010. Although, year for foreign banks 2013 was more significant with a 0.4 ratio, and the rest of the year they face too many ups and downs in maintaining asset quality. Anyhow, in 2014 foreign banks had 0.31 ratios, which is good enough to deal with uncertain loans. Thus, in comparison with domestic banks, foreign banks are performing well enough in asset management.

5.1.5 Efficiency

When it comes to examining management efficiency of any bank, many financial ratios can be taken into consideration. Hence, for study, we used interest income over

interest expense as per availability of data. We used following formula to drive banks' efficiency: Management Efficiency = Interest income/Interest Expense

Table 7: Management Efficiency ratio of foreign and domestic banks of UAE

Year	Domestic Banks							Foreign Banks						
	NBAD	DIB	UNB	GB	ADIB	BOS	Avg	HBL	NBB	HSBC	SCB	CB	AKB	Avg
2008	0.5	0.2	0.7	0.2	0.8	0.2	0.4	0.2	0.1	0.3	0.5	0.2	0.2	0.2
2009	0.8	0.1	0.9	0.3	0.8	0.6	0.6	0.2	0.9	0.3	0.5	0.3	0.3	0.4
2010	0.3	0.9	0.9	0.3	0.8	0.4	0.6	0.2	0.8	0.3	0.5	0.3	0.2	0.4
2011	0.4	0.7	0.1	0.4	0.9	0.3	0.5	0.1	0.7	0.3	0.4	0.3	0.4	0.4
2012	0.4	0.6	0.2	0.6	0.9	0.2	0.5	0.1	0.6	0.3	0.4	0.3	0.3	0.3
2013	0.4	0.6	0.2	1.0	0.3	0.2	0.5	0.2	0.5	0.3	0.4	0.4	0.2	0.3
2014	0.5	0.5	0.3	0.3	0.4	0.2	0.4	0.3	0.5	0.4	0.3	0.5	0.2	0.4

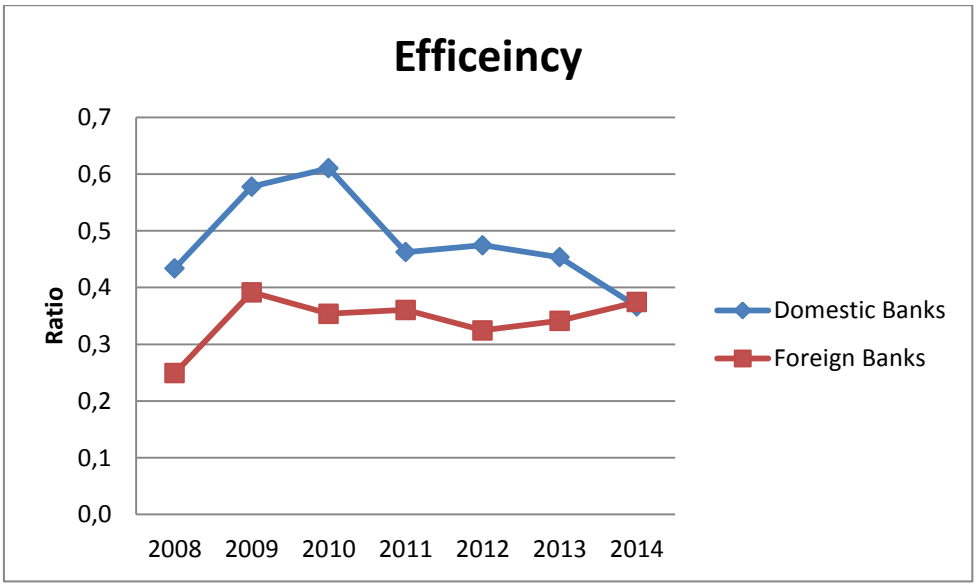

Figure 8: Management Efficiency of foreign and domestic banks of UAE

The scenario of banks' management efficiency is totally opposed in this case. As shown in figure 9, domestic banks' efficiency remains higher than foreign banks during the entire period except 2014, where it has almost same ratio just with 0.39

differences. In 2014, domestic banks had 0.4 average ratios, while foreign banks also had 0.4 efficiency ratio. While in the previous years, foreign banks performed well enough to maintain their ratio near 0.3 and 0.4 with minor ups and downs. On the other hand, domestic banks have been much way better right from the beginning in comparison to foreign banks. But right after 2009, efficiency ratio is consistently decreasing for domestic banks, which shows is in near future foreign banks will also lead in their interest income than expenses.

5.1.6 Liquidity Ratio

The liquidity ratios for both domestic and foreign banks for the last 7 years are mentioned in below table, this ratio for both banking systems calculated as follows:

Liquidity = Liquid Assets/Total Assets

Table 8: Liquidity ratios of UAE foreign and domestic banks (2008 -2014)

Year	Domestic Banks							Foreign Banks						
	NBAD	DIB	UNB	GB	ADIB	BOS	Avg	HBL	NBB	HSBC	SCB	CB	AKB	Avg
2008	0.1	0.8	1.0	0.0	0.7	0.1	0.5	0.1	0.8	0.1	0.0	0.0	0.0	0.2
2009	0.1	0.8	1.0	0.1	0.8	0.1	0.5	0.1	0.8	0.1	0.0	0.1	0.7	0.3
2010	0.0	0.9	1.0	0.1	0.8	0.1	0.5	0.1	1.0	0.1	0.0	0.1	0.7	0.3
2011	0.0	0.8	0.9	0.2	0.9	0.1	0.5	0.1	0.9	0.1	0.0	0.0	0.8	0.3
2012	0.0	0.9	0.9	0.2	0.9	0.1	0.5	0.1	0.9	0.1	0.1	0.0	0.8	0.3
2013	0.0	0.8	0.9	0.2	0.3	0.1	0.4	0.1	1.0	0.1	0.0	0.0	0.9	0.3
2014	0.0	0.8	0.9	0.2	0.4	0.1	0.4	0.1	1.0	0.1	0.0	0.0	0.9	0.3

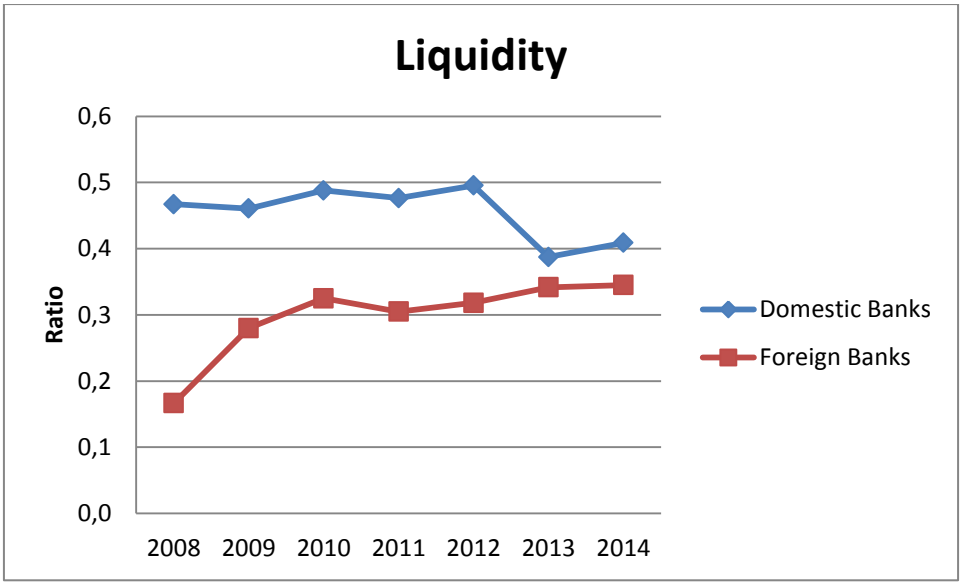

Figure 9: Liquidity ratio analysis of domestic and foreign banks of UAE

The figure 10 above illustrates the liquidity ratio of UAE foreign and domestic banks from 2008 to 2014. Foreign banks started with a 0.2 ratio in 2008, while domestic banks had 0.5 ratios. The year 2009 was a good year for liquid assets over total assets for foreign banks where they reach up to 0.3 average ratios that increased more in 2010. In 2011, foreign banks faces a small decrement but managed to recover quickly in 2012. By continuing same efforts foreign banks successfully reached to 0.35 liquidity ratio in 2013 and 2014 approximately. In contrast, domestic banks have a consistent outcome till 2012 and the ratio was around 0.48 to 0.5. In 2013, they faced a huge decrement and reached around 0.39 of a liquidity ratio. However, they again managed to increase some liquidity ratio in 2014 and it as approximately 0.4, which is much closer to foreign banks. From the figure we analyzed that domestic banks in whole period were more efficient in managing liquidity ratio than foreign banks.

The trend analysis for our study suggests that the foreign banks of UAE are performing well in terms of ROA, ROE, capital adequacy and asset management. While, domestic banks of UAE are doing well in management efficiency by gaining

more interest income over interest expenses and also have a better liquidity ratio than foreign banks. Thus, overall foreign banks are performing better in the UAE than its domestic banks.

5.2 Correlation Matrix

We chose bank specific factors such as ROA, ROE, capital adequacy, management efficiency, asset quality management, liquidity and economic factor "inflation" as independent variables and banks' performance as the dependent variable. The purpose was to perform the Pearson's correlation analysis to assess the relationship level among all these variables. In this example, we used two-tailed significance test. The table below consists of the correlation outcomes first based on ROA for domestic banks of UAE:

Table 9: Correlation of variables ROA (Domestic Banks)

Variables	ROA	CA	AQ	LQD	EFF	INF
ROA	1 42					
CA	-,432** ,004 42	1 42				
AQ	,049 ,758 42	,259 ,098 42	1 42			
LQD	,116 ,465 42	,174 ,271 42	,625** ,000 42	1 42		
EFF	-,059 ,713 42	-,488** ,001 42	-,246 ,116 42	-,386* ,012 42	1 42	
INF	,070 ,660 42	-,160 ,310 42	,031 ,847 42	-,020 ,901 42	-,040 ,804 42	1 42

Note: (*) Correlation is significant at the 0.05 level (2-tailed), (**) Correlation is significant at the 0.01 level (2-tailed).

Based on the correlation analysis of our study, we found that ROA have a significant but negative correlation with capital adequacy that shows that the increase or decrease in one variable will not affect another variable. Moreover, capital adequacy also has a significant but negative correlation with management efficiency, since Pearson's correlation is -.488 at a significance level of 1% (0.001). While, asset quality has a significant and positive correlation of .625 with liquidity. Although, liquidity also has a significant relation with management efficiency at .012 level and a negative correlation of -.386 value. However, no any significant relation traced for inflation and other variables. The table below covers the correlation analysis in aspect of ROE for domestic banks:

Table 10: Correlation analysis based on ROE for domestic banks

Variables	CA	AQ	LQD	EFF	INF	ROE
CA	1 42					
AQ	,259 ,098 42	1 42				
LQD	,174 ,271 42	,625** ,000 42	1 42			
EFF	-,488** ,001 42	-,246 ,116 42	-,386* ,012 42	1 42		
INF	-,160 ,310 42	,031 ,847 42	-,020 ,901 42	-,040 ,804 42	1 42	
ROE	-,305* ,050 42	-,065 ,681 42	-,063 ,693 42	,278 ,075 42	-,118 ,459 42	1 42

According to the above analysis, efficiency has a perfectly significant relation with capital adequacy, while correlation value is .488. The capital adequacy found negatively correlated with ROE, since .305 was correlation value at a significant level

of 0.50. Asset quality here also noticed positively correlated to liquidity with a significant level of .000. Liquidity here has a negative correlation with efficiency at very strong significant level of .012. Moreover, inflation again here not been seen in any correlation significant relation with any variables.

The table 10 below consists of the correlation results for foreign banks of UAE, considering the all same variables used for domestic banks above:

Table 11: Correlation of variables based on ROA (Foreign Banks)

Variables	ROA	CA	AQ	LQD	EFF	INF
ROA	1 42					
CA	,601** ,000 42	1 42				
AQ	-,151 ,339 42	,001 ,993 42	1 42			
LQD	,327* ,034 42	,715** ,000 42	,147 ,354 42	1 42		
EFF	,678** ,000 42	,709** ,000 42	,007 ,963 42	,625** ,000 42	1 42	
INF	,015 ,927 42	-,036 ,824 42	,165 ,295 42	-,139 ,378 42	,081 ,609 42	1 42

Note: (*) Correlation is significant at the 0.05 level (2-tailed), (**) Correlation is significant at the 0.01 level (2-tailed).

The above analysis shows a positive correlation of ROA and capital adequacy, since correlation value is .601 at a significance level of .00. The ROA also has a significant relation of .34 levels with liquidity, whereas, correlation is .327, which shows a positive ratio, that means changes in one variable can cause changes in other variable.

Furthermore, ROA has a positive correction of .678 values with efficiency, and at a significance level of .00. Moreover, capital adequacy also has a positive correlation and a significance relation with liquidity, since correlation value was .715 at .000 significance level. While, the capital adequacy also has a significant relation with management efficiency for foreign banks and a positive correlation of .709 value. Meanwhile, for asset quality no any significant correlation relation has been recorded. Although, a positive correlation (.625) and significance (0%) is traced for liquidity with management efficiency. However, no any significant or correlation relationship has been found for inflation with any single bank specific factor. The result indicates that inflation (economic factor) does not have any significant effect on bank specific variables.

Table 12: Correlation Analysis based on ROE (foreign banks)

Variables	CA	AQ	LQD	EFF	INF	ROE
CA	1 42					
AQ	,001 ,993 42	1 42				
LQD	,715** ,000 42	,147 ,354 42	1 42			
EFF	,709** ,000 42	,007 ,963 42	,625** ,000 42	1 42		
INF	-,036 ,824 42	,165 ,295 42	-,139 ,378 42	,081 ,609 42	1 42	
ROE	-,259 ,102 42	-,218 ,166 42	-,393* ,010 42	,008 ,960 42	-,092 ,564 42	1 42

The table above consists on the correlation variables results for foreign banks based on the ROE. The result shows that the capital adequacy has a strong correlation relation with liquidity and efficiency, where correlation value is .715 and .709 respectively but at the same significant level of .000. While, liquidity also found in a positive correlation with efficiency but in a negative correlation with ROE, although the significant level was strongly significant with a value of 0.10 for ROE. Moreover, inflation here also not been recorded with any correlation or significant relation with any of the variable.

Chapter 6

CONCLUSION & DISCUSSION

The continued success of the United Arab Emirates' banking industry has attracted a number of foreign operated banks in the United Arab Emirates. Apart from the increased influx of foreign banks in the United Arab Emirates, the industry has experienced gradual growth each year. As the aim of our study is to analyze the performance of foreign and domestic banks of the UAE, we first presented the overview about UAE banking industry to understand the core basis of UAE banking sector and then we reviewed various other author's studies and analysis to get support for our own study's analysis.

In order to follow the study objectives, we chose 6 domestic and 6 foreign UAE banks' data from 2008 till 2014. We performed two globally implemented analysis, one was trend analysis to get a clear picture of all outcomes that can easily be interpret and the other was correlation analysis to know the strength among all the bank specific and economic factor. These analysis were based on major banks specific indicators such as ROA, ROE, capital adequacy, asset quality, liquidity, and efficiency and also inflation (major economic factor). The main idea behind was to know, if any of bank or economic factor effect's in other factor's growth or decline.

The results from trend analysis are in favor of foreign banks of UAE, in terms of return on assets, return on shareholders' equity, capital adequacy and assets

management. While, domestic banks of UAE just been found good enough in management efficiency and liquidity aspects. The overall analysis shows too many close results, ups and downs in financial values for both bank but the final results suggest that foreign banks are performing much better than domestic banks in UAE. The results also suggest that the only two bank specific factor in which domestic banks are doing well, are also declining and soon can be intercept foreign banks' outcome and could be decreased in near future.

The correlation analysis has also shown too many significant and positive correlations among ROA, ROE, CA, LIQ and EFF bank specific factors for foreign banks. The analysis was also done on the basis of ROA and ROE separately. The findings from this analysis for foreign banks have shown no any significant relation among asset quality and other variables while analyzing for ROA but for ROE it found positively correlated with liquidity. Although, no any results claiming any significant correlation has been traced for inflation as well. Similarly, the findings for domestic banks has the same result in inflation aspect, however, mostly negative correlation but with strong significant level has been noticed among all other variables for domestic bank of UAE.

Thus, the end results suggest that foreign banks are prevailed in UAE economy and performing and earning well enough than domestic banks. Also, the increasing number of foreign banks in UAE will soon rule the UAE banking industry. Somehow, it is a positive sign for UAE economy but the other side it's a threat for their own developed banking industry. Therefore, domestic banks need to enhance their performance in various aspects.

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APPENDICES

Appendix A: Correlation Analysis for Domestic Banks

		roa	Ca	aq	lqd	eff	inf
roa	Pearson Correlation	1	-,432**	,049	,116	-,059	,070
	Sig. (2-tailed)		,004	,758	,465	,713	,660
	N	42	42	42	42	42	42
ca	Pearson Correlation	-,432**	1	,259	,174	-,488**	-,160
	Sig. (2-tailed)	,004		,098	,271	,001	,310
	N	42	42	42	42	42	42
aq	Pearson Correlation	,049	,259	1	,625**	-,246	,031
	Sig. (2-tailed)	,758	,098		,000	,116	,847
	N	42	42	42	42	42	42
lqd	Pearson Correlation	,116	,174	,625**	1	-,386*	-,020
	Sig. (2-tailed)	,465	,271	,000		,012	,901
	N	42	42	42	42	42	42
eff	Pearson Correlation	-,059	-,488**	-,246	-,386*	1	-,040
	Sig. (2-tailed)	,713	,001	,116	,012		,804
	N	42	42	42	42	42	42
inf	Pearson Correlation	,070	-,160	,031	-,020	-,040	1
	Sig. (2-tailed)	,660	,310	,847	,901	,804	
	N	42	42	42	42	42	42

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

		ca	Aq	lqd	eff	inf	roe
ca	Pearson Correlation	1	,259	,174	-,488**	-,160	-,305*
	Sig. (2-tailed)		,098	,271	,001	,310	,050
	N	42	42	42	42	42	42
aq	Pearson Correlation	,259	1	,625**	-,246	,031	-,065
	Sig. (2-tailed)	,098		,000	,116	,847	,681
	N	42	42	42	42	42	42
lqd	Pearson Correlation	,174	,625**	1	-,386*	-,020	-,063
	Sig. (2-tailed)	,271	,000		,012	,901	,693
	N	42	42	42	42	42	42
eff	Pearson Correlation	-,488**	-,246	-,386*	1	-,040	,278
	Sig. (2-tailed)	,001	,116	,012		,804	,075
	N	42	42	42	42	42	42
inf	Pearson Correlation	-,160	,031	-,020	-,040	1	-,118
	Sig. (2-tailed)	,310	,847	,901	,804		,459
	N	42	42	42	42	42	42
roe	Pearson Correlation	-,305*	-,065	-,063	,278	-,118	1
	Sig. (2-tailed)	,050	,681	,693	,075	,459	
	N	42	42	42	42	42	42

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Appendix B: Correlation Analysis for Foreign Banks

		roa	ca	aq	lqd	eff	inf
roa	Pearson Correlation	1	,601**	-,151	,327*	,678**	,015
	Sig. (2-tailed)		,000	,339	,034	,000	,927
	N	42	42	42	42	42	42
ca	Pearson Correlation	,601**	1	,001	,715**	,709**	-,036
	Sig. (2-tailed)	,000		,993	,000	,000	,824
	N	42	42	42	42	42	42
aq	Pearson Correlation	-,151	,001	1	,147	,007	,165
	Sig. (2-tailed)	,339	,993		,354	,963	,295
	N	42	42	42	42	42	42
lqd	Pearson Correlation	,327*	,715**	,147	1	,625**	-,139
	Sig. (2-tailed)	,034	,000	,354		,000	,378
	N	42	42	42	42	42	42
eff	Pearson Correlation	,678**	,709**	,007	,625**	1	,081
	Sig. (2-tailed)	,000	,000	,963	,000		,609
	N	42	42	42	42	42	42
inf	Pearson Correlation	,015	-,036	,165	-,139	,081	1
	Sig. (2-tailed)	,927	,824	,295	,378	,609	
	N	42	42	42	42	42	42

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

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		ca	aq	lqd	eff	inf	roe
ca	Pearson Correlation	1	,001	,715**	,709**	-,036	-,259
	Sig. (2-tailed)		,993	,000	,000	,824	,102
	N	42	42	42	42	42	42
aq	Pearson Correlation	,001	1	,147	,007	,165	-,218
	Sig. (2-tailed)	,993		,354	,963	,295	,166
	N	42	42	42	42	42	42
lqd	Pearson Correlation	,715**	,147	1	,625**	-,139	-,393*
	Sig. (2-tailed)	,000	,354		,000	,378	,010
	N	42	42	42	42	42	42
eff	Pearson Correlation	,709**	,007	,625**	1	,081	,008
	Sig. (2-tailed)	,000	,963	,000		,609	,960
	N	42	42	42	42	42	42
inf	Pearson Correlation	-,036	,165	-,139	,081	1	-,092
	Sig. (2-tailed)	,824	,295	,378	,609		,564
	N	42	42	42	42	42	42
roe	Pearson Correlation	-,259	-,218	-,393*	,008	-,092	1
	Sig. (2-tailed)	,102	,166	,010	,960	,564	
	N	42	42	42	42	42	42

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).