

Wealth Creators in the Banking Sector in UAE during 2010-2015 Period

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The returns of 20 actively traded banking stocks in UAE were analysed during the five and half year period 2010 to mid-2015. The performance of the stocks of banking firms was analysed in terms of yearly average returns, cumulative total returns and holding period returns. The stock prices were obtained from Abu Dhabi Stock Exchange and Dubai Financial Market websites.

Table 1. Best Banking Stocks –Total Cumulative Returns

SL	Banks	Cumulative Returns in Percent
1	Gulf Finance House	184
2	Abu Dhabi Commercial Bank	183
3	Emirates NBD	153
4	Dubai Islamic Bank	134
5	Ajman Bank	127
6	Commercial Bank of Dubai	107
7	Union National Bank	99
8	Invest Bank	81
9	Abu Dhabi Islamic Bank	80
10	Rak Bank	77
11	Mashraq	65
12	Commercial Bank International	61
13	Al Salam Bank	56
14	National Bank of Umm Al Qaiwaim	52
15	First Gulf Bank	35
16	Finance House	27
17	National Bank of Abu Dhabi	16
18	United Arab Bank	14
19	Bank of Sharjah	6

The total daily cumulative returns for each stock was calculated for the five and half year period ranging from Jan 1 2010 to June 15 2015. The daily returns were cumulated to get the total cumulative returns for the above period. In terms of cumulative daily returns, Gulf Finance House was the greatest wealth creator among the banks. The stock price increased during the five and half year period 2010-Mid 2015 to yield return of 184 per cent. During the same period, the second highest wealth creator Abu Dhabi Commercial Bank (ADCB) generated return of 183 per cent. The other major wealth creators who generated returns of over 100 per cent are Emirates NBD, Dubai Islamic Bank, Ajman Bank and Commercial Bank of Dubai. The analysis is based on the active strategy of buying and selling continuously for the period of five and half years.

Yearwise Comparison

The year 2014 and 2015 were the best performing years for the banking stocks in the UAE. In the year 2013, all the 19 banking stocks had average positive yearly returns. In year 2014, 17 out of 19 stocks registered average positive yearly returns. Only nine out of 20 banking stocks registered average positive yearly returns during the period Jan-June 2015. In the year 2010 and 2011, 6 and 9 stocks documented average positive yearly returns. In 2012, 11 stocks out of 19 banking stocks had positive average yearly returns. The average yearly returns were positive for 16 out of 19 banking stocks during the period 2010-2014.

Table 2. Bank stocks with highest average yearly returns 2010-2014

SL	Banks	Average Yearly Return in Percent
1	National Bank of Umm al Qaiwaim	144.62
2	Commercial Bank of Dubai	60.25
3	Gulf Finance House	54.08
4	Commercial International Bank	52.27
5	Abu Dhabi Commercial Bank	50.40
6	Ajman Bank	43.34
7	Emirates NBD	41.88
8	Dubai Islamic Bank	38.55
9	Rak Bank	37.09
10	Invest Bank	35.63
11	Abu Dhabi Islamic Bank	26.28
12	Union National Bank	24.69
13	Al Salam Bahrain	18.60
14	First Gulf Bank	13.52
15	National Bank of Abu Dhabi	11.28
16	Bank of Sharjah	3.47

National Bank of Umm al Qaiwaim had average yearly returns of approximately 145 per cent during the five year period 2010-2014. Commercial Bank of Dubai and Gulf Finance House had an average yearly returns of approximately 60 per cent and 54 per cent during the five year period 2010-2014. Abu Dhabi Commercial Bank and Ajman Bank had an average yearly returns of 50 percent and 43 percent during the period 2010-2014. Emirates NBD registered an average yearly return of approximately 42 per cent during the five year period 2010-2014. Dubai Islamic Bank had registered an average return of 38.6 per cent during the five year period 2010-2014.

Table 3. Best Banking stocks in year 2010

SL	Banks	Average Yearly Returns in Percent
1	Finance House	136
2	Rak Bank	78
3	Abu Dhabi Commercial Bank	50
4	First Gulf Bank	21
5	Abu Dhabi Islamic Bank	9
6	Union National Bank	8

Finance House, Rak Bank and Abu Dhabi Commercial Bank were the best performing stocks in terms of average yearly returns in year 2010.

Table 4. Best Banking stocks in year 2011

SL	Banks	Average Yearly Returns in Percent
1	Mashraq	1000
2	Gulf Finance House	419
3	Abu Dhabi Commercial Bank	46
4	Al Salam	31
5	Bank of Sharjah	21
6	EmiratesNBD	20
7	Abu Dhabi Islamic Bank	13
8	Rak Bank	11
9	<u>Ajman Bank</u>	<u>4</u>

Mashraq bank had registered the highest average stock returns of 1000% in the entire period of study of five and half years. In the year 2011, the next highest average stock returns were given by Gulf Finance House and Abu Dhabi Commercial Bank.

Table 5. Wealth Creators in the year 2012

SL	Banks	Average Yearly Returns in Percent
1	Commercial Bank International	629
2	National Bank of Umm Al Qaiwaim	108
3	Ajman Bank	94
4	Invest Bank	53
5	Al Salam	27
6	Commercial Bank of Dubai	26
7	Abu Dhabi Commercial Bank	19
8	Union National Bank	9
9	Dubai Islamic Bank	7
10	Abu Dhabi Islamic Bank	3
11	National Bank of Abu Dhabi	1

CBI, NBQ and Ajman Bank were the biggest wealth creators in year 2012. CBI's average yearly stock returns amounted to 629% during the year 2013. NBQ registered average yearly returns of 108 per cent in year 2012. Ajman Bank had registered yearly average return of 94 per cent in year 2012.

Table 6. Best Banking stocks in year 2013 and 2014

		2013		2014	
SL	Banks	Average Yearly Returns in Percent	SL	Banks	Average Yearly Returns in Percent
	National Bank of Umm			National Bank of Umm	
1	Al Qaiwaim	581	1	Al Qaiwaim	203
2	Mashraq	446	2	Mashraq	145
	Commercial Bank			Commercial Bank of	
3	International	369	3	Dubai	129
4	United Arab Bank	329	4	Emirates NBD	65
	Commercial Bank of				
5	Dubai	199	5	Invest Bank	55
6	Finance House	191	6	United Arab Bank	53
7	Dubai Islamic Bank	152	7	Dubai Islamic Bank	52
8	Invest Bank	143	8	Finance House	45
9	Emirates NBD	128	9	Ajman Bank	42
	Abu Dhabi Commercial				
10	Bank	125	10	Rak Bank	33
11	Rak Bank	113	11	Al Salaam	25
12	Union National Bank	105	12	Bank of Sharjah	23
				National Bank of Abu	
13	Abu Dhabi Islamic Bank	95	13	Dhabi	15
				Abu Dhabi Islamic	
14	Ajman Bank	93	14	Bank	12
				Abu Dhabi	
15	Gulf Finance House	84	15	Commercial Bank	12
16	First Gulf Bank	76	16	Union National Bank	8
				Commercial Bank	
17	Bank of Sharjah	73	17	International	4
18	Al Salam	61			
	National Bank of Abu				
19	Dhabi	50			

National Bank of Umm Al Qaiwaim (NBQ) and Mashraq were the largest wealth creators in the year 2013 and 2014 respectively. NBQ had average yearly returns of 581 percent and 203 percent in the year 2013 and 2014 respectively. Mashraq Bank had documented an average yearly returns of 446 per cent and 145 percent respectively during the period 2013 and 2014.

Table 7. Half Yearly Average Returns 2015

Bank	Half Yearly Average Returns in Percent
Amlak Finance	1694
Gulf Finance House	265
Union National Bank	25
Commercial Bank of Dubai	24
Abu Dhabi Commercial Bank	23
Emirates NBD	18
Commercial Bank International	12
Finance House	12
Invest Bank	5

Amlak Finance was the highest wealth creator by the mid of year 2015 in terms of average yearly returns. The other two highest wealth creators by mid of the year 2015 was Gulf Finance House and Union National Bank. Amlak Finance documented half yearly average returns of 1694 per cent. Gulf Finance House and Union National Bank had documented half yearly average returns of approximately 265 per cent and 25 per cent respectively.

Table 8. Volatility of stocks

SL	Banks	Standard deviation of daily stock returns
1	UNB	0.018
2	ADIB	0.018
3	DIB	0.019
4	NBAD	0.020
5	ADCB	0.021
6	ENBD	0.022
7	BOS	0.023
8	FGB	0.023
9	RAKBANK	0.024
10	AJMAN	0.025
11	CBD	0.033
12	ALSALAM	0.041
13	INVESTB	0.045
14	UAB	0.051
15	MASHRAQ	0.054
16	CBI	0.064
17	FH	0.065
18	NBQ	0.068
19	GFH	0.097

The volatility of stocks are measured in terms of standard deviation of the daily stock returns during the five and half year period Jan 2010 –Mid Jan 2015. The stocks with most stable returns were the stocks of Union National Bank, Abu Dhabi Islamic Bank and Dubai Islamic Bank. The most volatile stocks in terms of volatility of daily stock returns were Finance House, NBQ and Gulf Finance House Stocks.

Holding Period Yield

Table 9. Holding Period Yield

Sl	Year	3 rd Jan 2010	15 th Jun-2015	HPY in Percent
1	ADCB	1.61	7.5	366
2	ENBD	2.95	9.63	226
3	DIB	2.35	6.75	187
4	UNB	3.090	6.65	115
5	Ajman Bank	0.93	1.99	114
6	CBD	3.6	6.51	81
7	ADIB	2.9	5.1	76
8	Rak Bank	4.5	7.55	68
9	Invest Bank	1.8	2.66	48
10	Mashraq	83	118	42
11	CBI	1.4	1.65	18

In this section of analysis, it is assumed that a stock is bought on the first day of trading week in January 2010 and sold off on 15th June 2015. Thus the stock is held for a period of five and half years and then the holding yield is calculated. For example, assume that an investor who brought a stock of ADCB on 3rd Jan 2010 sells it on June 15 2015. The holding period yield for this transaction resulted in a yield of 366 per cent during the five and half year period.

Table 10. Holding period Yield for the period Jan 2015-June 2015

Sl	Banks	HPY in Percent
1	Gulf Finance House	137
2	Amlak Finance	113
3	UNB	15
4	Emirates NBD	15
5	Abu Dhabi Commercial Bank	13
6	Invest Bank	4

The holding period yield is estimated under the assumption that a stock brought on the first day of trading in Jan 2015 is held for investment till June 15 2015 and then sold off. Gulf Finance House and Amlak Finance had the highest holding yield for the six month period Jan-June 2015.

Table 11. Average Holding Period Yield 2010-2014

SL	Year	Average Holding Period Yield in Percent
1	ADCB	37
2	DIB	33
3	ENBD	30
4	AJMAN	30
5	Mashraq	.25
6	CBD	19
7	UNB	18
8	ADIB	17
9	Rak Bank	16
10	UAB	10
11	NBQ	9
12	Invest Bank	9
13	CBI	6
14	FGB	3
15	NBAD	3
16	BOS	1

The average holding period yield for the period 2010 -2014 is estimated above. Each stock's holding period yield every year for the four year period is estimated and then the average yield is estimated. Abu Dhabi Commercial Bank and Dubai Islamic Bank stock had given the highest average holding period yield during the period 2010-2014. Out of the 19 banks studied, 16 banks had positive average holding period yield.

In year 2010, Abu Dhabi Commercial Bank, Rak Bank and First Gulf Bank had the highest holding period yield with yield of 29%, 12% and 11% respectively. In 2011 Mashraq bank, Abu Dhabi Commercial Bank, Bank of Sharjah and Abu Dhabi Islamic bank had the highest holding period yield with yield of 36%, 32%, 6 %, 6% respectively. In 2012 and 2013, the highest holding period yield was generated by Ajman Bank and Dubai Islamic bank. In 2014, Commercial Bank of Dubai generated the highest holding period yield. The maximum holding period yield was generated in the year 2013 where four of the top high yielding banks generated yield of over 100 per cent. In the year 2013, DIB and ENBD generated holding period yield of 164 per cent and 124 per cent respectively.

Table 12. HPY in Percent of five top banks in terms of yields.

	Year	2010	Year	2011	Year	2012	Year	2013	Year	2014
1	ADCB Rak	29	1 Mashraq	36	1 Ajman	78	1 DIB	164	1 CBD	48
2	Bank	12	2 ADCB	32	2 CBI	48	2 ENBD	124	2 Mashraq	40
3	FGB	11	3 BOS	6	3 NBQ	13	3 UAB	115	3 ENBD	34
4	FH	9	4 ADIB	6	4 ADCB	12	4 ADCB	110	4 DIB	15
5	ADIB	3	5 ENBD	-1	5 UNB	7	5 UNB	92	5 NBQ	14