



Annual Report

2012

UAE Banks Federation

Annual Report

2012

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About UAE Banks Federation (UBF)

Established in 1982, the **UAE Banks Federation (UBF)** is a professional representative body of the member banks operating in the UAE. It advocates the banks interests, and enhances cooperation and coordination among them so as to upgrade the banking industry for the benefit of the banking sector and national economy.

UBF is managed by a nine-member **Board of Directors** elected every three years. The **Board of Directors** is responsible for planning, policy-making and supervision of UBF's activity. The Board of Directors is chaired by H.E. Abdul Aziz Abdullah Al Ghurair, CEO of Mashreq Bank.

The **Advisory Council of Chief Executive Officers**, consisting of the CEOs of the national banks in addition to the largest foreign banks, oversees the implementation of the policies, follows up on UBF's activities and makes the necessary decisions on all issues of concern to the banking sector.

The **Steering Committee**, derived from the Advisory Council, follows up on certain issues of significance referred to the Committee by the Council when necessary. In addition, the Advisory Council of the CEOs depends on the ten technical committees specialized in all areas of the banking industry. The work of these committees is to study and review all matters referred to them, and submit recommendations and proposals to the Advisory Council.

Members of UBF has reached 51 Banks by 2012.

UBF Establishment

- “ (UAE Banks Federation)”
Is one of the Public Utility Associations in the United Arab Emirates.
 - Established at the end of 1982 as
(Association of National Banks)
 - Declared by the Ministry of Labour and Social Affairs on 19/7/1985 (Declared No. 102/52 for 1985)
 - The name was amended to “Emirates Banks Association” according to the ministerial resolution No. 23 for 1986 dated 30/1/1986.
 - The name was amended to “(UAE Banks Federation)” according to Ministerial Degree No. 42/2013 dated 29/1/2013.
- "جمعية (اتحاد مصارف الإمارات)"
إحدى الجمعيات ذات النفع العام في دولة الإمارات العربية المتحدة
 - تأسست أواخر عام 1982 باسم (جمعية المصارف الوطنية) .
 - تم إشرافها من قبل وزارة العمل والشؤون الاجتماعية بتاريخ 19/7/1985 تحت رقم (52/102 لسنة 1985)
 - تم تعديل اسمها ليصبح " جمعية مصارف الإمارات " بموجب القرار الوزاري رقم 23 لسنة 1986 تاريخ 30/1/1986 .
 - تم تعديل اسمها ليصبح " جمعية (اتحاد مصارف الإمارات) بموجب القرار الوزاري رقم 42 لسنة 2013 بتاريخ 29/1/2013

Vision:

- To be recognized as the distinguished professional representative and forceful voice of the Banking Industry in the UAE

Mission:

- Step up cooperation, communication and interaction among member banks on common issues
- Represent and advocate the interests, needs and concerns of the banking community.
- Enhance visibility and promote the image of the banking industry, and raise public awareness to the favorable role and distinctive financial, economic and social contribution of the banks
- Empower the banking human capital and upgrade banking performance standards to be in line with best international practices
- Provide a platform for exchange of ideas, opinions and information among member banks
- Provide added value and benefits to member banks enabling them to build competitive and sustainable businesses which support the economy, customers and society.

Values:

- Professionalism
- Integrity and Honesty
- Transparency
- Innovation and Creativity

Objectives	الأهداف
1. To promote cooperation and harmony among the member banks.	1. تنمية التعاون والانسجام بين البنوك .
2. To develop and represent the interests of the member banks and organize their obligations and defend their rights.	2. تنمية وتمثيل مصالح البنوك الاعضاء وتنظيم واجباتهم والدفاع عن حقوقهم .
3. To exchange opinions and knowledge in order to serve the member banks and coordinate exchange of information and opinions on all matters that concern banks and those in the banking profession.	3. تبادل الافكار والخبرات بما فيه صالح البنوك الاعضاء وتنسيق تبادل المعلومات والآراء في كافة الامور التي تهم المصارف والعاملين في المجال المصرفي.
4. To exchange banking, financial and monetary information in the regional and international fields.	4. تبادل المعلومات البنكية والمالية والنقدية في المجالات الاقليمية والدولية .
5. To establish a Training & Research Center and encourage nationals to join the banking profession.	5. تأسيس مركز للتدريب والبحوث والعمل على حث المواطنين على الانخراط في العمل المصرفي .
6. To extend assistance and provide services to the members and those working in the banking profession.	6. تقديم المساعدات وتأمين الخدمات للاعضاء وللعاملين في الحقل المصرفي .
7. To coordinate cooperation in the field of banking procedures and in legal, technical and administrative affairs, in addition, to find solutions to problems encountered by banks and those working in the banking profession.	7. تنسيق التعاون في مجال الاجراءات المصرفية والشؤون القانونية والفنية والادارية بالاضافة الى ايجاد الحلول للمشاكل التي تعترض المصارف والعاملين في المجال المصرفي .
8. To publish news bulletins and periodicals and to publish books and booklets on topics which concern the Federation and those working in the banking professional.	8. اصدار مجلات ونشرات اخبارية دورية وكذلك نشر الكتب والكتيبات في المواضيع التي تهم الاتحاد والعاملين في المجال المصرفي .
9. To carry out all the other works the Federation deems necessary in the interests of its members.	9. القيام بجميع الاعمال الاخرى التي يراها الاتحاد ضرورية لصالح أعضائها.

**Board of Directors
As at 31/12/2012**

H.E. Abdul Aziz Abdullah Al-Ghurair Mashreqbank Chairman	معالي السيد عبدالعزيز عبدالله الغرير بنك المشرق رئيساً
H.E. Khalfan Mohamed Al Roumi Investbank Vice Chairman	معالي خلفان محمد الرومي بنك الاستثمار نائباً للرئيس
H.E. Abdul Aziz Abdullah Al Zaabi RAKBANK (National Bank of Ras Al Khaimah) Member	سعادة عبدالعزيز عبدالله الزعابي بنك رأس الخيمة الوطني ش.م.ع. عضواً
H.E. Issa Abdulrahman Al Ateeq National Bank of Umm Al Qaiwain Member	سعادة عيسى عبدالرحمن العتيق بنك أم القيوين الوطني عضواً
Mr. Abdullah Mohammad Ghobash National Bank of Abu Dhabi Member	السيد عبدالله محمد غباش بنك أبوظبي الوطني عضواً
Mr. Abdullah Khalil Al Mutawa Abu Dhabi Commercial Bank Member	السيد عبدالله خليل المطوع بنك أبوظبي التجاري عضواً
Mr. Yacoub Yusuf Hassan Commercial Bank of Dubai Member	السيد يعقوب يوسف حسن بنك دبي التجاري عضواً
Mr. AbdulShakoor Hussain Tahlak EmiratesNBD Bank Member	السيد عبدالشكور حسين تهلك بنك الإمارات دبي الوطني عضواً
Mr. Abdullah Zeid Al Shehi Abu Dhabi Islamic Bank Member	السيد عبدالله زيد الشحي مصرف أبوظبي الإسلامي عضواً

**Member Banks
As at 31/12/2012**

1. National Bank Of Abu Dhabi (P.L.C.)
2. Abu Dhabi Commercial Bank (P.L.C.)
3. Arab Bank For Investment & Foreign Trade (Al Masraf)
4. Union National Bank (P.L.C.)
5. Commercial Bank of Dubai (P.S.C.)
6. Dubai Islamic Bank (P.J.S.C.)
7. Emirates NBD (P.J.S.C.)
8. Emirates Islamic Bank ((P.L.C.)
9. MashreqBank (P.L.C.)
10. Sharjah Islamic Bank (P.L.C.)
11. Bank Of Sharjah (P.L.C.)
12. United Arab Bank (P.L.C.)
13. InvestBank (P.L.C.)
14. RAK Bank (National Bank OfRas Al-Khaimah P.S.C.)
15. Commercial Bank International (P.L.C.)
16. National Bank Of Fujairah (P.S.C.)
17. National Bank Of Umm-Al Qaiwain (P.L.C.)
18. First Gulf Bank (P.L.C.)
19. Abu Dhabi Islamic Bank (P.L.C.)
20. Dubai Bank
21. Noor Islamic Bank
22. Al-Hilal Bank
23. Ajman Bank
24. Emirates Investment Bank
25. National Bank Of Bahrain

26. Arab Bank (P.L.C.)
27. Banque Misr
28. National Bank of Oman
29. Credit Agricole Corporate & Investment Bank
30. Bank of Baroda
31. BNP Paribas
32. HSBC Bank Middle East
33. Arab African International Bank
34. Al Khaliji (France)S.A.
35. Al Ahli Bank Of Kuwait (K.S.C.)
36. Barclays Bank
37. Habib Bank Limited
38. Habib Bank AG. Zurich
39. Standard Chartered Bank
40. Citibank N.A
41. Bank Saderat Iran
42. Bank Melli Iran
43. BLOM Bank France
44. Lloyds TSB Bank
45. Royal Bank of Scotland N.V
46. United Bank Limited
47. Doha Bank
48. SAMBA Financial Group
49. Bank-Audi SAL- Audi Saradar Group
50. Deutsche Bank
51. Industrial and Commercial Bank of China

CEOs Advisory Council

1. Chief Executive Officer - MashreqBank (P.L.C.)
2. Group Chief Executive Officer - National Bank Of Abu Dhabi(P.L.C.)
3. Chief Executive Officer / Board Member - Abu Dhabi Commercial Bank (P.L.C.)
4. General Manager - Arab Bank For Investment & Foreign Trade (Al Masraf).
5. Chief Executive Officer - Union National Bank (P.L.C.)
6. Chief Executive Officer - Commercial Bank of Dubai (P.S.C.)
7. Chief Executive Officer - Dubai Islamic Bank (P.J.S.C.)
8. Chief Executive Officer - Emirates NBD (P.J.S.C.)
9. Chief Executive Officer - Emirates Islamic Bank ((P.L.C.)
10. Chief Executive Officer - Sharjah Islamic Bank (P.L.C.)
11. Chief Executive Officer - Bank Of Sharjah (P.L.C.)
12. Chief Executive Officer - United Arab Bank (P.L.C.)
13. General Manager - InvestBank (P.L.C.)
14. General Manager - RAK Bank (National Bank Of Ras Al-Khaimah P.S.C.)
15. Chief Executive Officer - Commercial Bank International (P.L.C.)
16. Chief Executive Officer - National Bank Of Fujairah (P.S.C.)
17. Chief Executive Officer - National Bank Of Umm-AlQaiwain (P.L.C.)
18. Chief Executive Officer - First Gulf Bank (P.L.C.)
19. Chief Executive Officer - Abu Dhabi Islamic Bank (P.L.C.)
20. Chief Executive Officer - Dubai Bank
21. Chief Executive Officer - Noor Islamic Bank
22. Group Chief Executive Officer - Al-Hilal Bank
23. Chief Executive Officer - Ajman Bank
24. Chief Executive Officer – Emirates Investment Bank
25. Chief Executive Officer – HSBC Bank Middle East
26. Chief Executive Officer - Citibank N.A
27. Chief Executive Officer – Standard Chartered Bank

Steering Committee

- 1- Chief Executive Officer - MashreqBank (P.L.C.)
- 2- Group Chief Executive Officer - National Bank Of Abu Dhabi (P.L.C.)
- 3- Chief Executive Officer / Board Member - Abu Dhabi Commercial Bank (P.L.C.)
- 4- Chief Executive Officer - Emirates NBD (P.J.S.C.)
- 5- General Manager - RAK Bank (National Bank Of Ras Al-Khaimah P.S.C.)
- 6- Chief Executive Officer - First Gulf Bank (P.L.C.)
- 7- Chief Executive Officer - Abu Dhabi Islamic Bank (P.L.C.)
- 8- Group Chief Executive Officer - Al-Hilal Bank

Specialized Technical Committees

1- Accounts & Basel Implementation Committee

Chaired By : Mr. Toresten Kleine Buning
Head of Group Economic & Risk Strategy / EmiratesNBD

2- Legal, Regulatory and Compliance Committee

Chaired By : Mr. Abdul Hakim Bin Herz
GM & Legal Affairs, and Fraud Preventions & Investigation / EmiratesNBD

3- Consumer Banking Committee

Chaired by: Mr. Christopher Dommett
DBD Credit & Risk / NBAD

4- Wholesale & Corporate Committee

Chaired by : Mr. Mahdi Kazim
General Manager – Corporate Banking / EmiratesNBD

5- SME Committee

Chaired by : Mr. Hameed Noor
Head, SME Banking / Mashreqbank

6- Islamic Banking

Chaired By : Mr. Moinuddin Malim
CEO – Mashreq Al Islami / Mashreqbank

7- Financial Markets Committee

Chaired By : Mr. Kevin Taylor
Group Treasurer / ADCB

8- Risk Management Committee

Chaired by : Mr. Rohit Kumar
Senior Vice President and Head of Credit Risk and Market Risk / NBAD

9- PR & Communication Committee

Chaired by : Mr. Ibrahim Sowaidan
Head of Group Corp. Communication / EmiratesNBD

10- HR – Practice Committee

Chaired By : Ms. Jane Chapo
Head of Human Resources, UAE and M.E. / Standard Chartered bank

Activities & Achievements of 2012

I. Organizational and Administrative:

- Forming the Advisory Council of the CEOs.
- Forming a Steering Committee from members of the Council.
- Forming ten specialized Technical committees on all aspects of banking business.
- Convening six meetings of the Advisory Council; two meetings of the Board of Directors, two meetings of the Ordinary General Assembly as well as the Extraordinary General Assembly; two meetings with the Board of Directors of the Central Bank, in addition to four consultation sessions held by the Central Bank, and two meetings with the Ministry of Justice and Ministry of Finance.
- Approval to change the name of UAE Banks Association into the UAE Banks Federation.
- Development of a new organizational structure to incorporate new positions and staff.
- Appointment of a Public Relations Manager.

II. Institutional:

The level of coordination and cooperation with the Central Bank was enhanced, so as the principle of consultation on relevant regulations and circulars. The same arrangement was agreed with the Federal National Council, where the principle of consultation and coordination with UBF was established as to the draft laws that are related to the banking sector.

III. Banking:

- **The Central Bank:**
 - o **"Liquidity Regulations" and "Circular on Monitoring of Large Exposure Limits":** upon the UBF's recommendation, the Central Bank agreed to postpone the enforcement of the Regulations and Circular to allow the banks to study these two issues and express their opinion thereon through the UBF.

- **Al Etihad Federal Credit Bureau:** The UBF followed up with the Ministry of Finance and the Central Bank to establish Al Etihad Credit Information Company. The UBF is a key member of the committee currently overseeing the implementation of the project.

- **The Central Bank Circular No. 29/2011, Dated 23/2/2011 on Regulations Regarding Bank Loans and Services offered to Individual Customers:** The Central Bank agreed in principle that each bank may continue to use its own forms and that banks can use the unified forms for guidance.

- **Deposits Insurance Scheme:** Upon the UBF recommendation that scheme is not imperative, the Central Bank agreed to defer consideration of same.

- **National Defaulted Debt Settlement Fund:** In coordination with the Central Bank and all member banks, the UBF cooperated with the designated Committee to settle the loans of citizens pursuant to the stately order of H.H. Sheikh Khalifa bin Zayed Al Nahyan (May God protect him).

- **Foreign Account Tax Compliance Act (FATCA):** UBF submitted its proposals to the Central Bank calling for a workshop for all the banks on the subject. The proposals also recommended that the FATCA should be dealt with at a governmental level (Model One).

- **Requirements of Basel II & III:** upon the request and recommendations of UBF, the concerned UBF committee cooperated and coordinated with the relevant committees in the Central Bank to study the Basel requirements.

- **Establishment of "Shariah Governance" Unit:** the Central Bank was addressed with a recommendation to establish the "Shariah Governance" Unit to regulate the business of Islamic banks.

- **Publication of Final Accounts of Banks:** in response to UBF's proposals, the Central Bank agreed in principle to consider that the banks may publish their final accounts on their websites, as well as the Securities and Commodities Authority website for national listed banks only .

- **Electronic Payment Regulations (EPR):** UBF reviewed the draft Regulations and submitted the proposals and recommendations thereon to the Central Bank.
- **Application of EMV System:** upon the recommendation of the UBF, the Central Bank agreed in principle to postpone the date of compliance to use the EMV chips for all debit cards until the end of 2013.
- **Office of Foreign Asset Control (OFAC):** UBF contributed to the formulation of the common opinion of the local banks on this office and on the difficulties and challenges that banks may face in dealing with OFAC Group. The comments were submitted to the Central Bank.
- **UAE Direct Debit System (UAEDDS):** UBF reviewed the system sent by the Central Bank and submitted its proposals in its respect. It also participated in workshops with the Central Bank on the subject.
- **Standard Classification of Economic Sectors:** after reviewing the subject, the UBF submitted to the Central Bank its proposals and recommendations to reconsider the existing classification.

- **Ministry of Justice:**

- **Assignment of Criteria for Banking Experts:** upon UBF's proposals to regulate the profession of experts, a memorandum of understanding was signed with the Ministry of Justice and the Central Bank regarding the criteria to assign banking experts. In addition, a joint committee was formed of UBF, the Central Bank and the Ministry of Justice to decide on the applications for a banking expert license. Efforts are under way to sign memoranda of understanding with the local judiciary departments in Abu Dhabi, Dubai and Ras Al Khaimah, as well as to have the above-mentioned committee accredited by these departments.
- **Establishment of Specialized Commercial Courts:** the Ministry of Justice was formally addressed with the proposal to establish specialized commercial courts to consider the claims of banks and financial institutions in the State, following the example of the Judicial Department in Abu Dhabi.

IV. Legal:

The UBF, through the Legal Committee, has contributed to reviewing and considering the following draft laws:

1. Draft Law on Bankruptcy: it was referred to the UBF by the Ministry of Finance;
2. Draft Law on Commercial Companies: it was referred to the UBF by the Federal National Council;
3. Draft Law on Lease Financing: it was referred to the UBF by the Economic Development Department.

V. Society for Worldwide Interbank Financial Telecommunication (SWIFT):

- **Periodic newsletter on the outgoing and incoming messages of the UAE, compared to the other GCC states:**

Since many years, the UBF has been publishing a quarterly periodical based on compiling the statistics of SWIFT headquarters in Belgium relating to the issuance and receipt traffic of remittances. The periodical newsletter is distributed to all UAE SWIFT users, in addition to the UBF Board of Directors and the Central Bank.

It has also compiled the statistics of outgoing and incoming messages of the UAE every month and compared them with those of the GCC Arab States in terms of number and percentage.

Middle East Regional Conference (MERC):

The Middle East Regional Conference was convened during 2012 in Abu Dhabi. It was attended by more than 150 participants from the UAE and other countries of the region.

- تقرير الرسائل الصادرة والواردة عن طريق خدمة سويفت في دول مجلس التعاون لدول الخليج العربية
 (2012 – 2011)

Report for SWIFTNet FIN Traffic Messages Sent & Received in G.C.C.
(2011 – 2012)

الرسائل الصادرة Total Sent				
	Growth	2012	2011	
Total GCC	%3,14	46,465,117	45,003,054	إجمالي دول مجلس التعاون الخليجي
Total UAE	%-7,96	19,212,685	20,743,546	دولة الامارات العربية المتحدة
UAE %		%41,35	%46,09	النسبة المئوية لدولة الامارات

الرسائل الواردة Total Received				
	Growth	2012	2011	
Total GCC	%0,41	32,538,308	32,392,188	إجمالي دول مجلس التعاون الخليجي
Total UAE	%4,98	18,351,428	17,435,860	دولة الامارات العربية المتحدة
UAE %		%56,40	%53, 83	النسبة المئوية لدولة الامارات

Financial Report

1. Economic Developments

More than four years have passed since the outbreak of the global economic crisis, and the global economy failed to fully recover. The year 2012 experienced continuous economic slowdown, especially that United States has failed to settle its accumulated budget deficit and deferred decisive action on the "Fiscal Cliff". In addition, the Euro Zone debt crisis continued and growth rate of emerging economies of China, Brazil and India has slowed down. According to World Bank Reports, the global economy grew by 3.2% in 2012, compared to the previous projections of 2.5%, and to 3.9% in 2011 suggesting that the growth rate will probably remain at 3.5% for the year 2013. The report also stressed that the global economic recovery has been fragile and growth in high-income countries remained weak since the crisis. This was reflected on the economies of countries where growth declined heading to recession in some of them, on the light of ongoing economic developments in the world and geopolitical developments in the region.

Exceptionally, the UAE economy was able to gradually recover from the financial crisis, after it went through an adaptation phase in 2009 and 2010, by means of continuous fiscal consolidation. This was represented in maintaining the increase in the surplus of the external current account balance while curbing inflation rate, supporting the banking sector and diversifying the economy by reduction of dependence on oil exports and rise of UAE to become the hub for services in the Middle East. Tourism, transportation and logistics services, as well as the high oil prices, increasing non-hydrocarbon exports, influx of expatriates and increasing demand for real estate, particularly in the wake of recent regional events, played key role in the economic recovery. This resulted in the increase of GDP up to around AED 1.4 trillion (\$ 375 billion) for the year 2012 at current prices, being a record level, achieving a real growth of 3% last year due to the positive performance of the non-oil sectors, increased public spending, diversifying economy and promoted investments, which enabled UAE economy to maintain its position as the second largest Arab economy for the tenth year in a row. Moreover, the "*Economist Intelligence Unit*" has recently granted UAE the sovereign rating of "BB" due to its surpluses in financial accounts and large stock of foreign assets.

2. Banking Sector Developments:

The UAE banking sector has managed to survive the global economic crisis over the last five years, starting from the mortgage crisis through the global financial crisis and finally the debt crisis in Euro Zone. Thanks to the strict regulatory rules and precautionary safety policies pursued by the Central Bank as well as the measures taken to support the financial stability by providing liquidity, supporting bank recapitalization, rationalizing (large) exposures and real estate loans, and controlling loans granted to GREs, combined with the policy of prudence and caution adopted by the banks in the management of their assets and liabilities.

All that enabled the banks to maintain a comfortable level of liquidity and a strong capital base, in addition to a high capital adequacy ratio as well as to realize a profit of approximately AED 26.5 billion in 2012, accompanied with generous dividend payout to the shareholders. It is worth noting that cash dividend of National Banks have reached about AED 11 Bn which represent about 48% of total profits.

Moreover, the banks remarkably grew in terms of total assets by approximately 8% to AED 1,791 billion in 2012. The UAE banking sector is reportedly considered the largest Arab banking sector in terms of assets as it accounts for about 31% of the total volume of banking sector in the GCC region and about 20% of the gross volume of the Arab banking sector as of 31/12/2012.

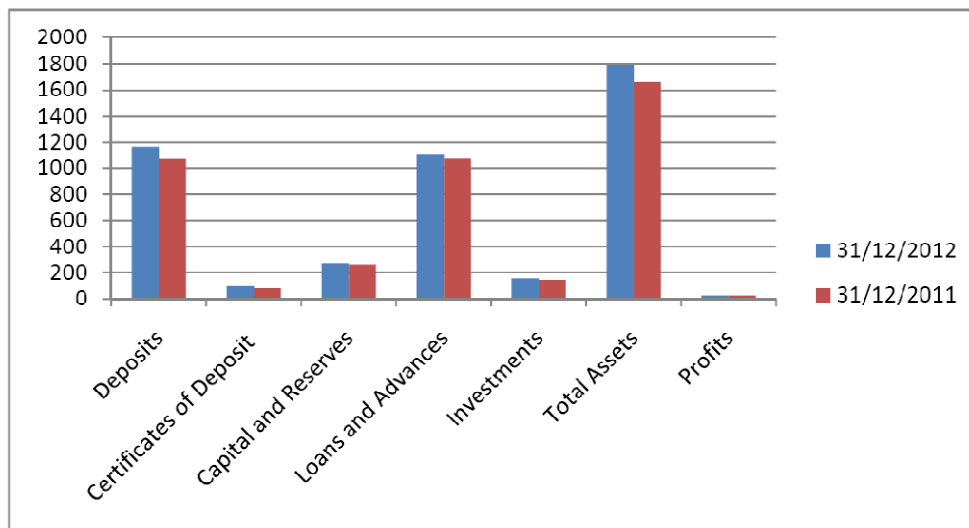
The volume of deposits increased from AED 1,069.7 billion in 2011 to AED 1,167.8 billion, coupled with an increase in capital and reserves from AED 258 billion in 2011 to AED 276 billion by the end of 2012. Furthermore, the volume of loans, advances and overdrafts grew by AED 2.6% to AED 1,099.1 billion by the end of 2012. The latest report of Union of Arab Banks indicated that the UAE banking sector contribution was 21% of total deposits, 21% of total loans, and 24% of total capital and reserves. The UAE banking sector has also contributed with the biggest number of banks to be listed on the Top 1000 World Banks as per The “Banker” report in July 2012 for the numbers as of 31/12/2011 (19 banks). Despite the increase in loan loss provisions, the banking sector continued to have a good level of capitalization, profitability and capital adequacy. The interest margin remained at a comfortable level although the UAE banking sector is the most competitive in the GCC region.

According to the International Monetary Fund (IMF) reports, the UAE banking sector was able to pass stress tests, and became more flexible and more prepared, compared to previous years. This was due to the overall improved capital adequacy of State's banks in general, the supported quality of capital and the good management by the banks of their provisions in a more feasible manner under the supervision of the Central Bank.

Key Indicators

(Rounded to nearest AED billion)

Indicator	31/12/2012	31/12/2011	Growth %
Deposits	1167,8	1069,7	9,2
Certificates of Deposit	95,1	80,4	18,2
Capital and Reserves	276,4	258,4	6,9
Loans and Advances	1099,1	1071,-	2,6
Investments	155,2	143,-	8,4
Total Assets	1791,6	1662,1	7,8
Capital Adequacy Ratio (%)	21%	20,8%	---
Profits	26,5	26,6	---



2.1 Assets:

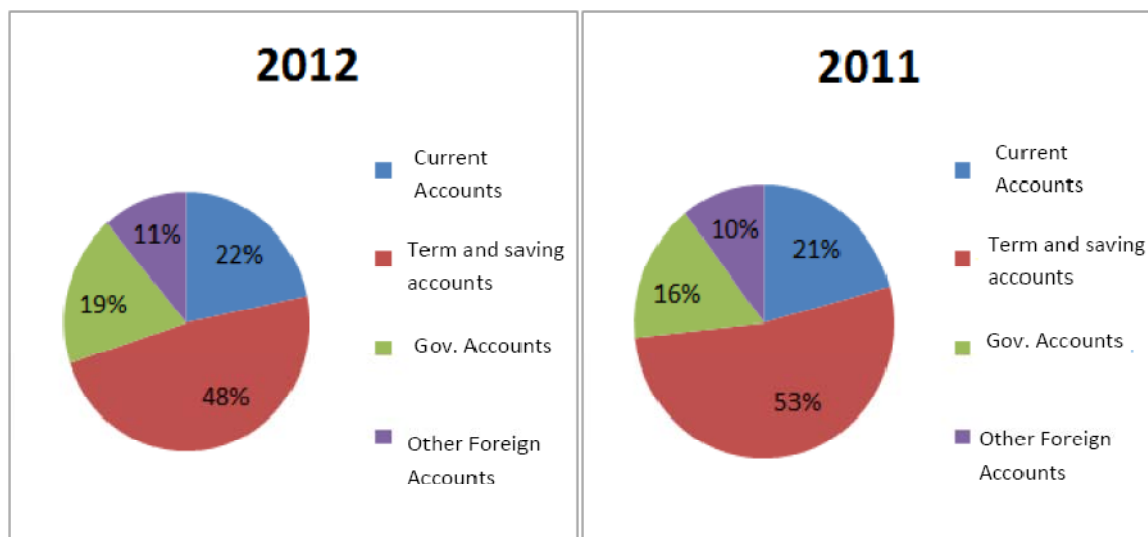
Total assets of the banks rose by about 8%, to AED 1,791.6 billion by the end of 2012, equivalent to an increase of AED 129.5 billion, compared to AED 1,662.1 billion in 2011 although total assets in foreign currency have slightly declined from AED 307.6 billion to AED 306.6 billion by the end of 2012. Most balance sheet components contributed to this increase, especially loans, advances and investments, which accounted for about 70% of total assets.

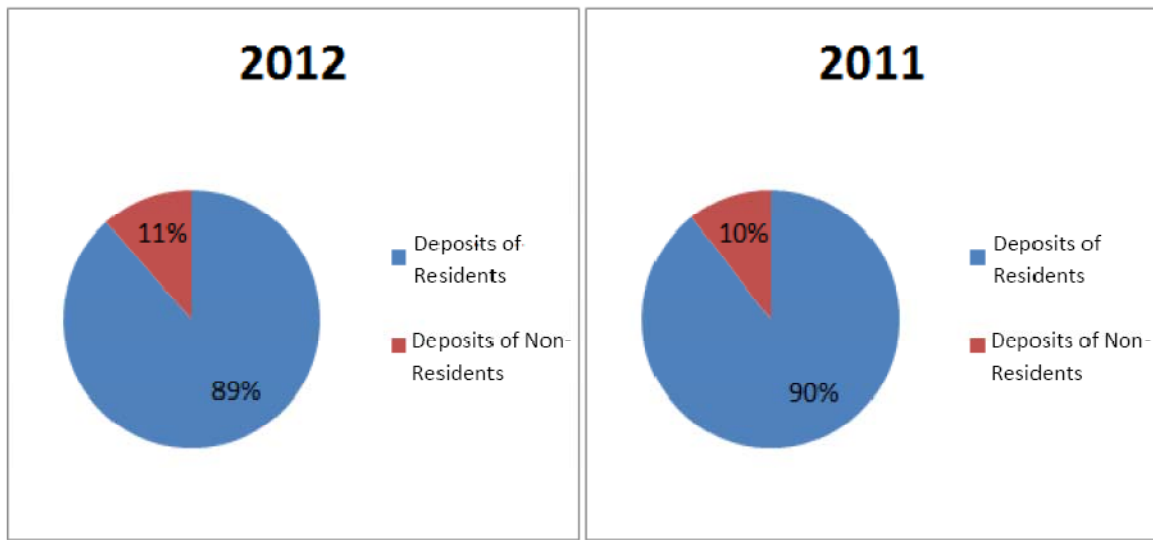
2.2 Deposits:

Total deposits grew by AED 98.1 billion or 9.2% to amount to AED 1,167.8 billion by the end of 2012, compared to AED 1,069.7 billion by the end of 2011 due to increase in deposits of non-residents by 19.6% and deposits of residents by 7.9%, which represented 88.5% of total deposits by the end of December 2012. The government deposits grew by 25.7%, equivalent to AED 45 billion, to reach AED 220 billion by the end of 2012, compared to AED 175 billion at the end of 2011. The quasi-money deposits (total term deposits and saving deposits of residents, commercial insurance in AED and deposits of residents in foreign currency) have slightly edged up to AED 563 billion in 2012, compared to AED 561 billion in 2011. Term and saving deposits, which are relatively costly, accounted for the largest portion of total deposits with a share of 48%.

(Rounded to nearest AED billion)

	<u>2012</u>	<u>2011</u>	<u>Growth%</u>
Current Accounts	253	222	13,9
Term and Saving Accounts	563	561	0,35
Government Accounts	220	175	25,7
Other Foreign Accounts	131	111	18,9
Total Deposits	1167	1069	9,2
Including:			
Deposits of Residents	1033	957	7,9
Deposits of Non-Residents	134	112	19,6



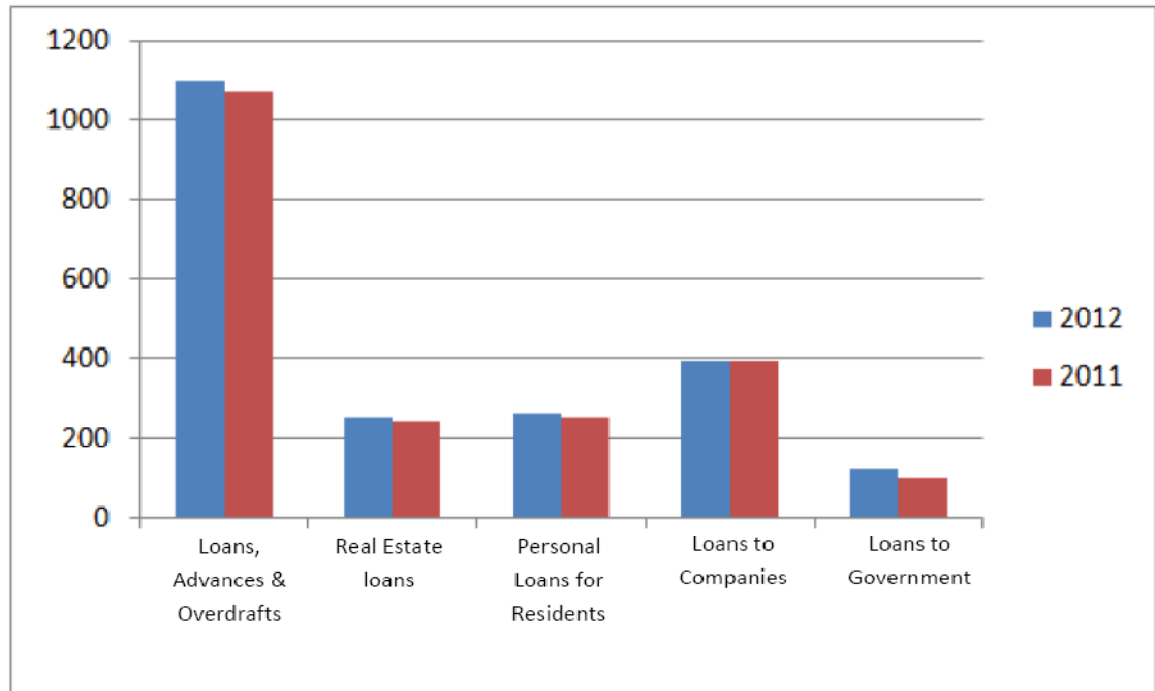


2.3 Loans, Advances and Overdrafts:

Total loans and advances overdrafts rose by 2.6%, equivalent to an increase of AED 28 billion, to hit AED 1,099 billion by the end of 2012, compared to AED 1,071 billion at the end of 2011. Such increase was reflected in all basic components, particularly loans to the government, which hit the highest level of about 19.4%, to reach AED 123 billion, followed by real estate loans by 5.4%, then personal loans by 3.6%, and at lastly corporate loans by 1% which still accounts for the major share of the total credit facilities of the banks. The slight gross increase in the portfolio of loans, advances and overdrafts reflects the policy of prudence and caution pursued by the banks, as well as the decreasing demand for borrowing by companies. It is worth noting that despite the rise in the loan loss provisions, the proportion of such provisions to the total loans, advances and overdrafts is still reasonable, reflecting healthy assets quality in light of the balanced policy adopted by the banks in terms of lending.

(Rounded to nearest AED billion)

	<u>2012</u>	<u>2011</u>	<u>Growth%</u>
Loans, advances and overdrafts, including:	1099	1071	2,6
Real Estate loans	254	241	5,4
Personal Loans for Residents	261	252	3,6
Loans to Companies	395	391	1,0
Loans to Government	123	103	19,4



2.4 **Liquidity:**

Liquidity increased as expressed in terms of volume of certificates of deposit, which grew by about 19%, to AED 95 billion by the end of 2012. According to the latest data of the Central Bank, the total liquidity of banks and Central Bank has risen by 8.6%, equivalent to increase of AED 81.7 billion. This improvement has reflected on the EIBOR, which declined by the end of 2012 down to its lowest levels since 2009 on all terms particularly for one year which hit about 1,9725% by the end 2012. With this level of comfortable liquidity, banks have been able to pay back about AED 33,6 Billion being around 48% of the government support funds as of 31/3/2013 before maturity.

2.5 **Capital, Reserves and Capital Adequacy:**

Total banks capital and reserves amounted to AED 276.4 billion by the end of 2012, compared to AED 258.4 billion at the end of 2011, with a growth of 6.9% and so leading to high capital adequacy of 21.2% by the end of December 2012, compared to 20.8% in 2011. This ratio exceeds the ratio set out under the regulations of the Central Bank, i.e. 12% for the total capital although several banks repaid the government subsidies granted in 2009, by Ministry of Finance and which was accounted for in the “Tier II Capital”. The adequacy ratio reflects the ability of the banks to cope with any negative impact on asset quality and liquidity positions.

3. Development of the Banking System:

According to Central Bank statistics, the number of national banks remained 23 by the end of 2012. However, their branches rose up to 805 in 2012, compared to 768 branches in 2011. Meanwhile, the branches of the 28 foreign banks operating in the local market rose to 83 by the end of 2012. Total number of all banks and their branches reached 1,111 (945 national + 166 foreign), including exchange offices and electronic banking service units. The number of ATMs linked to UAESWITCH in the State amounted to 4,492 by the end of December 2012, compared to 4,172 ATMs at the end of December 2011.

Moreover, the number of debit and credit cards increased to AED 10.4 million at the end of 2012, compared to 10.1 in 2011 reflecting an increase of 296 new cards (+2.3%).

Description	Number
Number of commercial banks operating in UAE	: 51 banks
Number of national banks operating in UAE	: 23 banks (including 8 Islamic banks)
Number of foreign banks operating in UAE	: 28 banks (including 6 GCC banks)
Number of business banks	: 4
Number of finance companies	: 25
Number of representative offices	: 117
Number of finance investment companies	: 23
Number of money exchanges	: 122

* Source: Report of the Central Bank: Monetary and Banking Developments and Capital Markets in the UAE (Fourth Quarter 2012)

4. Regional and international Ranking of the UAE Banks:

According to "The Banker" issued in July 2012, the number of UAE banks on the list of Top 1000 World Banks was 19 banks, and seven UAE banks ranked among the Top 25 Middle East Banks in terms of Tier 1 capital base. Furthermore, UAE banks occupied 14 positions among the top 100 Arab banks in terms of assets, as stated in the list of Union of Arab Banks issued in June 2012. Fourteen UAE banks were listed among the 50 biggest Gulf banks in the report issued by "Arabian Business" magazine, in terms of the market capitalization of banks listed on the stock markets as at June 2012. (Above ranking is based on latest banks financial numbers as of 31/12/2011)

5. Prospects:

Despite the limited improvement of global economic conditions during the fourth quarter of 2012, as shown by the clear signs of recovery of the US economy and good performance of the emerging economies, the continuing crisis of the Euro Zone and the more recent Cyprus crisis further overshadowed the recovery of the global economy. According to the IMF Report of January 2013, it is projected that the average growth in United States will reach 2% in 2013; the activity will shrink in the Euro Zone; and the emerging and developing economies will grow by 5.5%. The projections indicate further that the global growth will reach 3.2% in 2013 and 4.1% in 2014. At the UAE level, the national economy is projected to grow by 3.3% in 2013 compared to 3% in 2012, with the nominal GDP is estimated to reach \$ 395 billion in 2013 supported by the continuous public spending, as world oil price is expected to maintain the level of \$ 100, and continuing investment in flows. These optimistic projections for the national economy will most probably have a positive impact on the banking sector, which is expected to continue growth momentum in 2013. However, challenges will continue to persist like: Maintaining adequate liquidity and strong capitalization to face any negative economic developments; readiness for the new regulatory requirements set by the Basel Committee; governance and stress testing; as well as certain risks, most notably the prevailing geopolitical developments in the region and the continuing crisis in the Euro Zone.