

To / All Member Banks
Emirates Banks Association

After Greetings,

It gives us a great pleasure to present to your attention our annual report for the year 2005, wherein the UAE banking sector has witnessed a very successful year marked with positive development and noticeable activeness reflected positively in realizing multiple exceptional profitability achieved in the previous year.

As we hope to our banking sector more developments and progress in facing the challenges and liabilities in order to meet the international requirements, we are confident in the wise management of Central Bank of the UAE, whereas its role has exceeded not only issuing circulars and instructions, but for continuing organizing significant consultancy meetings and cooperative role with banks operating in the country to improving their performance to be ready for the forthcoming period .

Also, we would like to express our thanks to all of you for your real cooperation and supporting paid to your Association, and look forward to providing us with more of your views and suggestions that helps the association to attain its aims in serving our banking sector and those working in, which represents one of the most significant economical sectors in our beloved country.

With our best regards.

Abdullah Bin Ahmed Al Ghurair
Chairman
Emirates Banks Association

Abu Dhabi : 15/3/2006

Emirates Banks Association

ANNUAL REPORT 2005

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Emirates Banks Association

- **" Emirates Banks Association "** is one of the Societies of Public Interest in the U.A.E. - **" جمعية مصارف الامارات "** احدى الجمعيات ذات النفع العام في دولة الامارات العربية المتحدة.
- Established at the end of 1982 as **(Association of National Banks)**. - تأسست أواخر عام 1982 باسم **(جمعية المصارف الوطنية)** .
- Declared by the Ministry of Labour and Social Affairs on 19/7/1985 (Declaration No. 102/52 for 1985). - تم اشهارها من قبل وزارة العمل والشؤون الاجتماعية بتاريخ 1985/7/19 تحت رقم (52/102 لسنة 1985) .
- The name was amended to **"Emirates Banks Association"** according to the ministerial resolution No. 23 for 1986 dated 30/1/1986 - تم تعديل اسمها ليصبح **" جمعية مصارف الامارات "** بموجب القرار الوزاري رقم 23 لسنة 1986 تاريخ 1986/1/30.

Objectives

الأهداف

- 1- To promote cooperation and harmony among the member banks. - تنمية التعاون والانسجام بين البنوك.
- 2- To develop and represent the interests of the member banks and organize their obligations and defend their rights. - تنمية وتمثيل مصالح البنوك الاعضاء وتنظيم واجباتهم والدفاع عن حقوقهم .
- 3- To exchange opinions and knowledge in order to serve the interests of the member banks and coordinate the exchange of information and opinions on all matters that concern banks and those in the banking profession. - 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. - تبادل المعلومات البنكية والمالية والنقدية في المجالات الاقليمية والدولية.
- 5- To establish a training & research center and encourage nationals to join the banking profession. - تأسيس مركز للتدريب والبحوث والعمل على حث المواطنين على الانخراط في العمل المصرفي.
- 6- To extend assistance and provide service to the members and those working in the banking profession. - 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. -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 Association and those working in the banking profession. -اصدار مجلات ونشرات اخبارية دورية وكذلك نشر الكتب والكتيبات في الموضوعات التي تهم الجمعية والعاملين في المجال المصرفي.
- 9- To carry out all the other works the Association deems necessary in the interests of its members. -القيام بجميع الاعمال الاخرى التي تراها الجمعية ضرورية لصالح أعضائها .

Some of General Economic Developments in United Arab Emirates

- H.H. Sheikh Khalifa bin Zayed Al Nahyan president of the UAE, in his capacity as Ruler of Abu Dhabi, has issued law No. 19 of 2005 regarding property ownership.

The law stipulates the following:

- UAE nationals – have a right of ownership of land and property anywhere within Abu Dhabi, the ownership title must be registered.

- GCC nationals – have a right of ownership of land and property within “Investment Areas” only.

- Foreigners (Non-GCC nationals) – have a right of ownership of property by way of floors / buildings only, but not the actual land in the Investment Areas. Further rights granted extend to rights of usage: Usufruct, over land or buildings which can only be granted for a maximum term of 99 years; and the right to build (commonly referred to as “Musataha”) on land for a maximum term of 50 years. Both rights are renewable by agreement.

- H.H. Sheikh Khalifa Bin Zayed Al Nahyan president of the UAE , in his capacity as Ruler of Abu Dhabi, has issued a law regarding establishment of Abu Dhabi Emiratization Council, to be subsequent to the executive council under presidency of H.H. Sheikh Mohammed Bin Zayed Al Nahyan crown prince of Abu Dhabi deputy of chief commander of the armed forces.

- H.H. Sheikh Mohammed Bin Rashid Al Maktoum Vice President, Prime minister, and Ruler of Dubai, has issued a decree regarding establishment of the “Emirates Program for National Human Resources development”.

- The UAE has adopted the free economy policy which is based on the market system and Liberal economy rules, which grant the private sector a major role in contributing to the building of the national economy, benefiting from the freedom of mobilization of capital, goods and services and encouraging the flow of local and foreign direct investments in order to achieve exceptional economic growth rates.

UAE’s GDP expected to grow by 11.9% in the year 2005 reaching AED 424 Billion in comparison with 379 Billion in 2004.

- The Emirates securities market index grew by 110.36% reaching 6839.97 points in the year 2005.

Shares market value raised by AED 519.5 Billion in 2005 to reach total of AED 839.68 Billion including AED 105 Billion (13%) representing additional share values entered to the market.

The share traded at Emirates securities market value reached AED 509.8 Billion in 2005 reflecting a growth up to 661% comparing with AED 67 Billion in 2004.

The share traded by sectors during 2005 as follows:

- Services sector AED 385.5 Billion
- Banking sector AED 91.4 Billion
- Industrial sector AED 21.7 Billion
- Insurance sector AED 11.2 Billion

- Foreign resources expected that the income from Emirates Oil products to reach US Dollars 39 Billion in the year 2005, meanwhile it expected that the total income of (Opec) countries to reach US Dollar 430 Billion reflecting a growth of 27% for the year 2005 in comparison with the year 2004.

- The UAE has been ranked highest in the Arab world and 9th in the world in its economic freedom as reported by “Fraser” index, Oman ranked 17, meanwhile Kuwait and Bahrain shared the rank 24.

- The UAE has topped the list of Middle East and North African countries for growth competitiveness and ranked 18th internationally according to the growth competitiveness index (GCI) for 2005,

The index, released by the world economic forum, comprises three components the technology index, public institutions index and macro economic environment index.

The UAE was followed by Qatar which ranked 19th , Kuwait 33rd , Bahrain 37th , Jordan 45th and Egypt 53rd .

- The UAE is positioned A1 grade for “countries ability to settle their debts.” according to moodys sovergin index.

UAE has topped the list of 11th Arab countries followed by Kuwait A2, Qatar A3, Bahrain Baa1, Saudi Arabia Baa2 and Oman Baa2.

- The UAE has been ranked second in the Arab world and 31st in the world according to euromoney index for risk market, reflecting the political and economical stability in the Emirates.

- A report by united nation revealed UAE among the most advanced countries in e-government programs.

UAE gained 2.17 points topping the Arab countries and ranking 21 internationally, precedes Japan which gained 2.12 points and Russian 1.89 points.

- Internet users in UAE exceeded 1.5 million in the year 2004.

- UAE Industrial sector have grown significantly in the past four years with the number of industrial firms rising from 2153 in 2000 to 3036 in 2004, the volume of industrial investments exceeded AED 63 Billion with an employment of more than 188 thousand workers.
Industrial Investment in Abu Dhabi touched AED 34.3 Billion in 2004 ie 54.4% out of the total investments in the country, noting that out of the 61 projects in various industries that were launched in the past four years, 32 were in the high investment category, with capital funding of more than AED 50 million, meanwhile the total capital investment in the manufacturing sector in Dubai touched AED 26.4 Billion as of Jan. 2005 with the total value of production touched AED 2.5 Billion.

- The UAE is positioned second among the Arab Countries in concerning the value of money transferred by migrant workers to abroad, recording volume of total US Dollars 4.4 Billion (AED 16.14 Billion), meanwhile Saudi Arabia placed at the top of Arab Countries recording US Dollars 14.9 Billion, Kuwait placed the third recording US Dollars 2.1 Billion out of US Dollars 28 Billion being total value of transfers from Arab Countries to abroad.

- Among the most distinctive achievements of Dubai international financial Centre (DIFC) in one year is launching of Dubai international exchange, which is the first international stock exchange in the region, in addition to the establishment of the first independent international and judicial system in the region represented in "DIFC Courts".
It was expected to have 15 companies to join the centre during the first year, however, 80 companies already jointed.

Some of General Economic Developments In Arab Countries

The annual report of the “Arab Economic Unity Council” indicated that Arab countries economy achieved high growth rates, Arab Countries GDP reached US Dollars 860 Billion in the year 2004 in comparison with US Dollars 746.1 Billion in the year 2003.

The report indicated also that the GDP actual growth ratio reached between 1.2% to 6.5% for some Arab Countries meanwhile it reached between 6.1% to 8.5% for other more advanced countries.

-The individual’s share average of Arab countries GDP raised up to US Dollars 2879 for the year 2004 in comparison with US Dollars 2572 in the year 2003.

- Arab economy cooperation is passing a tangible development stage specially after the signing of “Arab free trade agreement” on Jan 2005, 17 Arab countries (the signees) approved the cancellation of the inter-customs fees.

- Inter-Arab investments achieved US Dollars 45 Billion being 5% of the total Arab trade, meanwhile Arab exports achieved US Dollars 303 Billion reaching 4% and Arab imports achieved US Dollars 199 Billion reaching 2.5% of the total Arab trade.

- Preliminary estimates shows that the total Arab income from oil product exports reached US Dollars 250 Billion in the year 2004 which is the highest level ever reported.

Arab oil exports income between the years 1998 – 2003 were as follows:

Year	Oil exports income
1998	82 Billion Dollars
1999	118 Billion Dollars
2000	188 Billion Dollars
2001	161 Billion Dollars
2002	144 Billion Dollars
2003	195 Billion Dollars

The soaring oil prices, coupled with giant economic projects undertaken have led to significant rise in GCC countries economic growth indicators, accelerating the achievement of surpluses in both GCC budgets and balance of payments.

In the year 2004 GCC GDP in current prices have reached US Dollars 472 Billion achieving 20.2% growth in comparison with US Dollars 392.7 Billion in the year 2003, balance of payments also grew from US Dollars 25.16 Billion to US Dollars 38.14 Billion for the same period.

- The continuous rise in oil prices have a direct influence in changing the deficits in GCC budgets to surpluses in the year 2004, the announced deficit of US Dollars 10.6 Billion have been changed to actual surplus for US Dollars 30.15 Billion, meanwhile the announced deficit of US Dollars 11.86 Billion in the year 2005 expected to reach surplus for US Dollars 17 Billion, due to the great growth in oil revenues.
- The main difference between the announced deficit and actual surplus coming from the severe reservation upon preparation of the above mentioned budgets, the oil barrel price considered to reach US Dollars 17 upon budget preparation meanwhile the same actual price reached US Dollars 35 which provided doubled revenues.

GCC Annual Budgets 2004 and 2005 (US Dollars Billion)						
الموازانات السنوية لدول مجلس التعاون الخليجي 2004 و 2005 (مليار دولار)						
2005			2004			
الفائض/العجز Surplus/Deficit (المتوقع) (Expected)	المصروفات Expenses	الاييرادات Income	الفائض/العجز Surplus/Deficit (المعلن) (Announced)	المصروفات Expenses	الاييرادات Income	
0	6.18	6.18	-0.90	6.70	5.80	الإمارات UAE
-0.90	3.20	2.30	-1.00	3.10	2.10	البحرين Bahrain
0	74.70	74.70	26.80	78.0	104.80	السعودية Saudi Arabia
-1.40	9.14	7.74	-1.30	8.90	7.60	عمان Oman
1.00	7.50	8.50	1.60	6.40	8.00	قطر Qatar
-10.56	20.40	9.84	4.95	20.15	25.10	الكويت Kuwait
-11.86	121.12	109.26	30.15	123.25	153.4	الاجمالي Total

Source: Emirates Industrial Bank

المصدر: مصرف الإمارات الصناعي

- The widespread industrial cities and regions in GCC countries with an area of (600 million SQ. meters) includes 41 cities and regions as at the end of 2004 with investments exceeding, EAD 368 Billion (US Dollars 100 Billion), including 6707 factories which are prepared with various services, facilitations, public utilities and linked with the ports and the centrals of the cities.

- Saudi Arabia is topping the GCC countries in this field having 10 industrial cities and regions with 1627 factories, the industrial investments capital in Saudi Arabia reached more than US Dollars 61.6 Billion with the employment of more than 282 thousands workers.

- UAE have grown significantly in the past four years with the number of Industrial firms rising from 2153 firms in 2000 to 3036 in 2004, the volume of industrial investments exceeded AED 63 Billion (US Dollars 17.2 Billion) with the employment of more than 188 thousand workers as mentioned above.

- The first step of GCC countries towards economic integration was through establishing free zone area in the year 1983, as a second stage, the member countries implemented the customs union in Jan 2003, previously according to GCC economic union agreement in 2002 the members start seeking for union currency which was considered as the start signal to establish GCC common market and monetary union.
Upon GCC Central Banks Governors' conference held in Riyadh March 2005, five criterias for mutual approach within the monetary and financial policies of the GCC countries, have been approved.

The Banking sector in the UAE

- During the year 2005 banking sector witnessed distinguished performance due to the significant rise in the national income beside the unprecedented upturns in various economic sectors such as construction, real-estate, tourism, trade and aviation. All these sectors depended basically on banking sector for financing their activities and large participations.
- Statistics of the UAE Central Bank for the third Quarter of the year 2005 revealed that Commercial Banks operating in UAE were 46 Banks (21 national banks + 25 foreign banks).
- The total number of banks & their branches including cash offices were 536 (422 for national banks and 114 for foreign banks).
- Central Bank statistical Bulletin for the third Quarter of the year 2005 revealed some indications for the operating banks in UAE as follows:

In AED Million

	Sept. 2004	Sept. 2005	Growth
Total Assets / Liabilities	449.747	605.869	34.7%
* Total deposits	290.504	373.675	28.6%
** Total bank credit (Net)	225.599	336.111	49%

* Excluding inter-bank Deposits

** Excluding inter-bank lending and provisions

- Upon a meeting held at Abu Dhabi Chamber of Commerce, H.E. Governor of UAE Central Bank declared that the banking sector results as for the end of 2005 were the following:

Banks results for the last three years

(AED Billion)

	Year 2003	2004	2005
Total Assets	351	442	622
Total Deposits (excluding inter – banks deposits)	248	312	428
Net Profits	6.4	9.2	18.5

- A report issued by “Standard and poor’s” indicated that banks in UAE achieved high adequacy levels during the period from the year 2000 until 2004, seven national banks in UAE were been mentioned at the list of 30th biggest banks in GCC Countries.
The report confirmed the strong financial position of all the banks indicated, as they achieved high profit levels, have a distinguished kind of Assets, strong capitals and witnessed a remarkable improved in financing levels.
- Nine national Banks operating in UAE were been mentioned at the list of top 100 Arab Banks, meanwhile 14 National Banks revealed at the list of top 1000 world banks for the year 2004.
- Credit Cards holders in Emirates Market grew from 1 Million to 4 Million customers with a percentage of 400% during the last three years.
- A study by the human resources development committee in the banking sector indicated that Emiratization percentage reached 29.83% for the year 2005 in comparison with 9.83% for the year 1997.
The number of employees in banking sector increased from 13615 employees in the year 1997 to 23319 employees in the year 2005 achieving growth by 71.3%.
- Emiratization percentage in banking sector increased during 2005 by 2.21%, the number of national employees increased by 1650 to reach a total of 6957 national employees in comparison with 5397 national employees in the year 2004.
Emiratization in branch managers’ percentage reached 57.4% in the year 2005. Meanwhile the number of female’s national employees whom working at the banks reached 8553 being 36.7% out of the total number of banking sector employees.

“The average number of employees in banking sector including national employees for the year 2004 compared with the year 2005”

Date	Overall No. of Employees	No. of National Employees	Percentage of National Employees	No. & percentage of National Employees in Management		
				Upper	Middle	Lower
31/12/2004	19540	5397	27.62%	305	1006	3887
31/12/2005	23319	6957	29.83%	363	1262	5170
Percentage Changes	19.3%	28.9%	2.21%	19%	25.4%	33%

- By order of H.H. Sheikh Khalifa Bin Zayed Al Nahyan president of the UAE, the ministry of Justice will consider all the financial lawsuits including returned cheques should abide by the law, effective from 2nd Jan 2005.
- H.H. the president has issued the federal law No. (34) 2005 concerning amendment some articles of the penal code under federal law No. (3) 1987, including article 401 in concern with returned cheque as follows:

**Article No. (401) of the Penal Code
under Federal Law No. (3) 1987**

The article after amendment according to federal law No. (34) 2005 published on Dec. 2005 by Federal Gazette	The article as revealed by the law
<p>Shall be punishable by confinement or fine any individual who, in bad faith draws a cheque which does not have a provision which could be withdrawn or which has a provision less than the amount of the cheque or who, in bad faith, after issuing a cheque, withdraws all or part of the provision and renders the balance insufficient to settle the amount of the cheque or, in bad faith, orders the drawee not to pay the value of the cheque or, in bad faith, draws or signs a cheque in such a manner as to prevent it from being paid.</p> <p>Shall also be liable to the same punishment any person who shows or delivers to another a cheque payable to bearer, with full knowledge that it does not have a provision which could be withdrawn or which has a provision less than the amount of the cheque.</p>	<p>Shall be punishable by confinement or fine any individual who, in bad faith draws a cheque which does not have a provision which could be withdrawn or which has a provision less than the amount of the cheque or who, in bad faith, after issuing a cheque, withdraws all or part of the provision and renders the balance insufficient to settle the amount of the cheque or, in bad faith, orders the drawee not to pay the value of the cheque or, in bad faith, draws or signs a cheque in such a manner as to prevent it from being paid.</p> <p>Shall also be liable to the same punishment any person who shows or delivers to another a cheque payable to bearer, with full knowledge that it does not have a provision which could be withdrawn or which has a provision less than the amount of the cheque.</p>
<p>The criminal case shall terminate if payment was made or assignment was established after commitment of the offence and before a final judgment was passed in respect thereof, and if such occurred after the judgment became final, it would stop execution .</p>	
<p>If the cheque book was withdrawn by order of the court and the claimant was prohibited to obtain new cheque books pursuant to article (643) of the Commercial Transaction Law. The public prosecution shall advise the Central Bank of the matter in order to circulate to all Banks .</p>	
<p>In case any bank contravened the said order, it has be required to pay (AED 100,000).</p>	

- The financial and economic ministerial committee under presidency of H.H. Sheikh Hamdan Bin Rashid Al Maktoum Vice Ruler of Dubai, minister of finance and industry, and Sheikh Mansoor Bin Zayed Al Nahyan minister of presidency affairs vice president of the committee, has issued ministerial decision regarding establishment of federal Credit Bureau with appending committee in order to follow up the study of this project with the concerned parties in the state and the operating Banks and to point out the rules and basics for organizing the project.

- The Central Bank took several measures and issued a number of important directives during the year of 2005 the most important of which are summarized as follows:
 - Notice No. 559/2005 dated 22/2/2005 reminding all banks to strictly adhere to central banks requirements under circular No. 19/97 dated 4/11/1997 particularly in regard to the limitations in respect of loans extended to subscribers in the public subscription of companies under establishment.

 - Circular No. 25/2005 dated 13/4/2005 resolving new rules for loans extended to finance purchase of company shares, withdrawing and cancelling the notice No. 19/97 dated 4/11/1997 (copy enclosed).

 - Notice No. 1767/2005 dated 29/5/2005 in concern of implementation of the electronic commercial credit system, which replaces the manual system currently used at the Risk Bureau.

 - Notice No. 3660/2005 dated 4/10/2005 in concern of upgrading the inter – bank funds transfer system which will allow value dating of transfer requests and the ability to make bulk transfers.

- H.E. Governor of UAE central bank declared that the Bank’s Finance covering purchasing of companies shares exceeds AED 10 billion including the purchase of limited uncovered shares, but within the control and observation of Emirates Securities & Commodities Authority.

- H.E. also declared that the banking sector will witness during 2006 the issuance of the amendment of Central Bank federal law No. 10 of 1980 “concerning the Central Bank, the Monetary System and organization of Banking”, including the latest developments in banking business and the international requirements in concern (Basel 2) beside the Monetary union of the GCC countries.

- During the year 2005 Central Bank signed a contract for assembling the “Image Cheque Clearing System” (ICCS). This system will allow banks to evolve an electronic clearing and settlement environment from the current paper based system.
The ICCS will be fully implemented in UAE on June 2006.

- During the year 2004 the total number of the cleared cheques in UAE reached 17.44 Million cheques with total amount AED 416.97 Billion according to Central Bank of the UAE's statistical Bulletin.
- Central Bank of UAE held several meetings with the operating banks discussing the preparation for the implementation of New Basel Capital Accord (Basel 2).
- On 26th December 2005 The Central Bank of the United Arab Emirates (CB UAE) and the International Finance Corporation (IFC), the private sector arm of the World Bank, signed an Advisory Agreement to support corporate governance reforms in the UAE's banking sector.

This is the first project of its kind in the UAE in that it aims to strengthen corporate governance in the banking sector. We expect the project to provide a strong signal of the UAE banking sectors commitment to further improve upon its corporate governance practices and thus integrate into the global financial system", said H.E. Sultan Bin Nasser Al Suwaidi, Governor of the Central Bank of the UAE.

The project has two components: The first sets out to conduct a high-level workshop on bank corporate governance for the GCC and MENA, with a view towards setting the corporate governance reform agenda in the region; the second, to develop and publish, in the form of handbook, corporate governance guidelines for bank directors in the UAE.

- The Four Islamic Banks in UAE achieved sylogistic levels in the year 2005, During the third Quarter the total net profits grew by 116% from AED 861 million to AED 1863 million comparing with the year 2004 and expected to exceeds 125% by the end of 2005, meanwhile total assets grew "for the same period" by 44% from AED 44,942 million to AED 64,903 million and total deposits by 37% from AED 37,603 million to AED 51,717 million according to third Quarter results.
- Under the patronage of H.H. Sheikh Hamed Bin Zayed Al Nahyan the Chairman of Economic Department, Member of Executive Council in Abu Dhabi, The Union of Arab Banks organized "Arab Banking Conference" during April 2005 under title "Synergizing Banking & Investment for Development", 300 Arab experts attended the conference.
- During March 2005 Dubai witnessed the organizing of "International Islamic Financial Forum" with participation of more than 400 experts.
- The expanding and openness of the Islamic banks sector has been discussed, noting that Islamic banks all over the world reached 270 Banks with market value more than US Dollars 13 Billion, adding Islamic Banks Assets, the sectors value will reach 256 Billion. Meanwhile it's investments exceeds US Dollars 400 Billion Islamic Finance in UAE reached 20% out of total Banks activities, meanwhile the retails reached 30%.

The Third International Conference of Hawala - Abu Dhabi

Central Bank of the United Arab Emirates in Collaboration with international Monetary Fund & Menafatf organized the third international Conference of Hawala in the Capital Abu Dhabi for the period 2 – 3 April 2005 and the following conference Communique:

The Conference acknowledged and re-affirmed the important achievements of the First and Second International Conferences on Hawala held during 2002 and 2004 respectively. The previous Conferences identified challenges in implementing regulatory regimes for informal funds transfer (IFT) systems and stressed the need to gather and analyze information and to conduct further outreach.

This Conference fully recognized the key social and economic role of Hawala and other IFT systems in facilitating remittances, particularly those of migrant workers. A major outcome of the Conference was its contribution in increasing awareness of the role of IFT systems.

As is the case with other parts of the financial system, IFT systems can be misused and exploited for criminal purpose. Consequently, it is important to increase the transparency of this sector and implement measures to address these risks in accordance with international standards and best practices in this area, in particular FATF Special Recommendation VI.

This Conference acknowledged that the challenges and concerns identified in the Second International Conference on Hawala still remain, but that the international financial institutions, international and regional organizations, and national authorities are continuing to increase their knowledge of how these systems operate.

This Conference highlighted the importance of undertaking further work in the following areas. There is a need for:

- enhancing information exchange and international cooperation, including mutual legal assistance;
- understanding thoroughly the operational and settlement features of IFT systems, particularly in trade transactions and cash movements;
- ensuring that legitimate IFT operators continue to have appropriate access to banking services;
- regulating this sector effectively without unnecessarily limiting the access of customers to financial services; and
- conducting further education and training for IFT operators on the requirements of applicable regulatory regimes.

The Conference encouraged each country to assess in their domestic IFT sectors the specific risks of money laundering, terrorist financing and other related crimes.

Finally, the Conference encouraged the FATF to take these issues into account as it refines international standards.

The Conference expressed its gratitude to the Government, the Central Bank and the National Anti-Money laundering Committee of the United Arab Emirates, the International Monetary Fund and the MENAFATF for organizing this Conference.

Arab Banking Sector

According to the Union of Arab Banks economical study for the year 2004, there are 470 banks in the Arab region widespread as follows:

267	Domestic	Commercial banks
45	Domestic	Islamic banks
52	Domestic	Investment banks
49	Domestic	Specialized banks
57	Foreign	Banks

Most of the banks were focused in Lebanon 66 banks, UAE 46 banks, Bahrain 56 banks and Egypt 54 banks.

- Preliminary figures for the year 2005 in the Arab banking sector shows that Arab banks' total deposits have been reached US Dollars 632 Billion achieving 13.5% growth in comparison with the year 2004, loans and advances US Dollars 526 Billion reaching 22.3% growth and shareholders equity US Dollars 97 Billion reaching 21.7% growth for the same period. Meanwhile Arab Banks' total Assets reached more than US Dollars 1000 Billion which is close to achieve 20% growth in comparison with the year 2004. The Arab Banks total Assets exceeds not less than 130% of Arab Gross Domestic Product.
- Internationally, 73 Arab Banks joined the list of the biggest 1000 banks in the world ranked in accordance to the capital main criterion as revealed by the annual studies of "The Banker" magazine.

The mentioned list included the following:

- 14 banks from UAE
 - 10 banks from Saudi Arabia
 - 8 banks from Bahrain
 - 7 banks from Kuwait
 - 7 banks from Egypt
 - 5 banks from Lebanon
-
- According to year 2004 statistics revealed by the general council of the Islamic banks and financial institutions, Islamic institutions all over the world reached 284 Islamic banks with transactions more than US Dollar 261 Billion in addition to 310 traditional banks offering Islamic transactions reaching more than US Dollars 200 Billion.
 - The number of Islamic banks in GCC countries grew by 70% over the past years from 2000 – 2004, there are 17 Islamic banks operating in the Gulf with total Assets more than US Dollars 47 Billion.

مقارنة وتوزيع البنوك الإسلامية في دول المجلس
Comparison and Distribution of Islamic Banks in GCC Countries
2000 – 2004

Countries	بنوك إسلامية عام 2000* Islamic Banks 2004*	بنوك إسلامية عام 2000* Islamic Banks 2000*	البلد
Bahrain	5	4	البحرين
Kuwait	3	1	الكويت
Oman	0	0	عمان
Qatar	2	2	قطر
Saudi Arabia	3	1	المملكة العربية السعودية
United Arab Emirates	4	2	الإمارات العربية المتحدة
Total	17	10	المجموع

* باستثناء شركات التمويل والمؤسسات الاستثمارية، والترخيص متعدد الأغراض في البحرين.
* Excluding financial companies, Investment Institutions, and multipurpose license in Bahrain.

Arab Banking Sector 2005 – 2000 القطاع المصرفي العربي

USD mn

بملايين الدولارات

	2005	النمو % Growth	2004	النمو % Growth	2003	النمو % Growth	2002	النمو % Growth	2001	النمو % Growth	2000	النمو % Growth	
Total Assets	1059385	20.0	882600	13.5	779697	14.7	679751	1.0	672911	21.9	552063	4.6	إجمالي الموجودات
Total Credits	526464	22.3	430352	18	364681	11.8	326318	4.8	311222	6.4	333267	1.9	القروض والتسهيلات
Total Deposits	632128	13.5	556654	16.5	477868	13.6	420673	7.1	392817	17	335506	4.4	إجمالي الودائع
Total Equities	96715	21.7	79453	11.3	71396	13.4	62953	34.5	60443	1.1	59757	3.3	حقوق المساهمين

primary records 2005
Source : Union of Arab Banks

أرقام العام 2005 الأولية
المصدر: اتحاد المصارف العربية

Arab Banking Sector 2005 – 2004 القطاع المصرفي العربي

بملايين الدولارات

Millions USD

Countries	التغير السنوي % Change	حقوق المساهمين Shareholders Equity		التغير السنوي % Change	إجمالي الودائع Total Deposits		التغير السنوي % Change	القروض والسلفيات Total Credits		التغير السنوي % Change	إجمالي الموجودات Total Assets		اسم الدولة
		2004	2005		2004	2005		2005	2004		2005	2004	
Saudi Arabia	31.30	24090	18350	11.10	127474	114708	34.40	113874	84586	13.10	197696	174769	السعودية
UAE	44.10	19500	13530	36.70	99960	73150	58.70	103255	65047	60.50	196860	122621	الإمارات
Bahrain	6	12500	11795	20	22290	18572	30.10	23200	17835	18	140300	118900	البحرين
Egypt	18	6151	5213	19.40	90374	76688	10.40	53600	48567	18.10	122635	103842	مصر
Kuwait	11	8700	7835	11.60	45500	40771	11.50	51450	46152	9.90	71192	64800	الكويت
Lebanon	14.10	4400	3855	2.40	57200	55835	6.70	34110	31957	3.30	7000	67786	لبنان
Morocco	10.00	4500	4085	17.00	45200	38710	15.00	34500	30084	10.00	56800	51600	المغرب
Algeria	3.50	2000	1933	5.40	40500	38426	2.70	33000	32146	5.40	42000	39855	الجزائر
Syria	7.60	1550	1440	4.20	15000	14391	6.60	7500	7034	4.60	29700	28382	سوريا
Tunisia	4	2400	2308	5.20	15500	14738	3	17700	17178	4.60	23000	21980	تونس
Jordan	13.60	3000	2640	18.60	15700	13241	32.70	14500	10928	15.10	28900	25100	الأردن
Qatar	15.50	4200	3636	19.70	20000	16703	32.60	18000	13574	17.70	29750	25282	قطر
Oman	10.80	1695	1530	20.90	9680	8006	9.70	10015	9129	12.90	14350	12715	عمان
Libya	8.40	770	710	20.50	11700	9713	7.00	6000	5604	20	15800	13242	ليبيا
Palestine	30.00	400	307	7.00	4250	3958	24	1800	1428	20.00	6100	5114	فلسطين
Yemen	20	240	200	19.00	3700	3101	20.00	1200	998	16.50	4300	3694	اليمن
Sudan	1.00	570	536	26.00	3200	2532	32.00	2500	1890	25.00	5100	4079	السودان
Iraq	19.50	49	41	34.00	4900	3650	14.00	460	429	30.00	5000	3857	العراق
Total	21.70	96715	79543	13.50	632128	556654	22.30	526464	430352	20.00	1059385	882600	المجموع
03 – 04%	14			10			17			13.50			-03 %04

2005 primary records
Source: Union of Arab Banks

أرقام العام 2005 أولية
المصدر: اتحاد المصارف العربية

Emirates Banks Association

Activities performed by the Association

EBA's Board of Directors expressed their satisfaction for the completion of joining all the National Banks to the membership of EBA, and welcomed both Dubai Islamic Bank and National Bank of Umm Al-Qaiwain for joining during 2005.

The Board of Directors hope that the rest of the Foreign Banks in UAE will join EBA membership as the services and activities of EBA covers all the operating banks in the country.

EBA feel proud for the trust and confidence given to by the Central Bank of UAE and other official parties in the country, in addition to international parties in the concern such as the International Finance Corporation (IFC) of the world Bank Group, as the program manager of the (Corporate Governance/MENA), and the consultation team assigned to prepare a Handbook/Guidelines for UAE Bank Directors, assured the importance of EBA to the banking sector, and they praised the Association initiative to the issuance of the "Charter of Banking Business in United Arab Emirates " which has been unanimously approved by EBA general assembly upon its meeting on 14th April 2004 .

This charter expressed the morality of banking business in implementation of good corporate governance.

Annual General Meeting :

EBA General Assembly held its annual general meeting on Sunday 27/3/2005, and the minutes of this meeting was distributed to all member banks under our Ref. No. 176/2005 on 3/4/2005.

Board of Directors :

Besides participating in the AGM, EBA Board of directors held several meetings during the year 2005, one of these meetings was with H.E. the Governor of the Central Bank of the UAE, along with H.E. the Deputy Governor and Executive Directors in the Central Bank in Abu Dhabi.

- This in addition to continuous communications and consultations between the members in related matters -

- EBA Board of Directors expressed their thanks and appreciation to the Central Bank during their joint meeting, for the real efforts exerted in controlling the development of the banking sector through its continuous consultation meetings with banks. Also for the wise supervisory that maintain the interest of the Banking sector in the country, the matter that reflected positively on the UAE banking Business revealed in the results and rating reports issued by the international credit ratings agencies and rising rank of the National banks and the UAE Banking sector to high standards.
- EBA Board of Directors expressed grateful satisfaction to the Central Bank for producing permission to National Banks to open new branches inside UAE. Which facilitate spreading of banking services smoothly among all areas in UAE.
- Both parties stressed on the cooperation between the Association and the Central Bank in order to serve the banking sector and removing any problems facing the banks with other parties.
- EBA stressed on the need to establish the Federal Credit Bureau system within the Central Bank, in order to promote the availability of this service among all Emirates of the country, and insure the security of information, in accordance with Federal Law No.10 of 1980 concerning "The Central Bank, the Monetary System and Organization of Banking.
- In respect to the Free Trade Agreements (FTA) and Trade services liberalization among the requirement of WTO, the EBA Board and the Central Bank agreed that the National Interest must be taken into account when signing agreements or any developments circumstances, taking in consideration that our domestic Banking sector is already an opened one.
- EBA Board of Directors stressed on the necessity of appointing a delegate from UAE banking sector among the responsible teamwork existed at the representative office of UAE National Committee of WTO in Geneva, and this matter is highly recommended to be discussed with the Ministry of Economy and planning.
- H.E. the Governor of Central Bank pointed out that a new personal loans system is in preparation at the Central Bank, and will be circulating to all banks once completed.
- As per a request submitted to the Central Bank earlier, that the executive director of the legal department in the Central Bank of the UAE, joins the membership of the legal consultation committee of EBA. This request has been approved with thanks by H.E. the Governor, taking into consideration that the EBA Technical Committee including an Executive Officer representing the Central Bank.

- According to a previous proposal submitted by EBA Board of Directors to the Central Bank, suggesting a number of amendments on some forms at the current used Risk Bureau system - including the banking facilities opened and /or used limits -.

Central Bank of the UAE emphasized that implementation of the new electronic commercial credit system which replaces the manual one currently used at the Risk Bureau, will cover all required upgrade. In addition to a number of useful instructions that the new system includes which will provide more data about customers that would help the banks to adapt the right instructions when granting facilities.

- A suggestion was been raised previously to the Central Bank proposing the possibility of finding unified instructions to deal with Dormant Accounts. H.E. the Governor declared that the subject is under consideration at the Central Bank, and banks will be aware with any further instructions once completed.
- A suggestion was been raised previously to the Central Bank of the UAE to facilitate the clearing of cheques drawn on banks in areas where no branches of the Central Bank, instead of clearing by post. The central Bank clarified that this will be insured and covered through the new system depends on the image processing which will be operating soon.
- During the meeting, it was agreed, to ask the EBA Legal Consultation Committee to list all subjects and recommendations submitted previously to Central Bank and required discussion with Ministry of Justice, as a manner, in order to put for discussion during a proposed joint meeting including Central Bank, Ministry of Justice, and Emirates Banks Association, for discussion.

Other Activities:

- Chairman of the Association Mr. Abdullah A. Al Ghurair, and in the presence of H.E. Mr. Ahmed Humaid AlTayer - member of EBA Board of Directors- had received the Union Bank of Switzerland (UBS) high level Delegation during their visit to the country, and discussed with them all phases of cooperation between the Association and the their bank.

On 31st January 2005 and during the same visit, the UBS held under the patronage of EBA, a specialized seminar in Dubai on : "Treasury Trends 2005" .

- Members of the Board of Directors; H.E. Mr Khalfan M. AlRoumi and Mr. Rashid H. Al Mazroui, received SWIFT representatives, during their visit for the UAE, to attend the 2nd SWIFT Regional Conference in the Middle East held during the period of 1st-3rd March 2005, including the SWIFT Chairman of Board of Directors, and Senior Officers who thanked EBA for its role and taking care of SWIFT activities
- Emirates Banks Association sponsored a dinner party during the conference for all the participants.

EBA Committees Activities

EBA Board of Directors continued in following-up the activities achieved by the committees that the association participating in its membership or those formed by the association:

A. The Human Resources Development committee in the Banking Sector - (HRDC-BS):

EBA Board Members expressed their appreciation and admiration to the committee for the hard efforts exerted to achieve its goals as well as, to the UAE Banks for responding positively to attract the highest number of UAE National graduates for joining the banking sector. In addition sponsor the training operations, and lead the distinguished ones for assuming top and senior positions.

A remarkable increase in the number of the Nationals working in the banking sector was observed, whereas since formation of the committee in 1997, the number of Nationals was (1278 employees recording a percentage of 9.38%), of the total number of 13615 from both genders.

As at the end of 2005, number of Nationals in the banking sector recorded a continuous significant increase reached 6957 employees of both genders of the total number amounting 23319 employees, and recording a percentage of 29.83% of the total average).

At the end of 2005, Emiratization in Branch Manager positions has closed almost 57.4% and nine banks achieved a percentage of 100% in their branch manager positions.

It's known that the **HRDC-BS** is chaired by H.E. Ahmed Humaid Al Tayer, and including H.E. Khalfan M. Roumi - EBA Board of Directors member, who represents the Association in its membership.

B. The UAE National Committee Of WTO:

Emirates Banks Association stressed on the need of coordination with the Central Bank to bring a unified attitude regarding Trade in Services liberalization, particularly what related to banking sector, through the role of UAE membership to the World Trade organization (WTO) .

This intention was been assured during the meeting with the Central Bank as mentioned above.

Taking in consideration that both: Emirates Banks Association and Central Bank of UAE are members in the UAE National Committee of WTO.

C. Technical & Legal Consultation Committees :

During its meetings, EBA Board of Directors reviewed the recommendations already reported by its Committees and took the required procedures regarding what recommended for circulating among the banks, and /or needing further actions or opinion of the Central Bank of the UAE and/or Ministry of Justice, prior circulating to the banks.

- A memo has been circulated about " release of guarantor from his obligations under his PG ", attached with Ministry of Justice opinion on an inquiry raised by the association on the applicability of Article No.(1092)of the Civil Transactions Law No.5/1985 on Banking Transactions, whereas no similar text was mentioned in the Federal Commercial Procedure law No.18/1993 .

❖ Article No.(1092) Script :

((If a debit is due, the creditor must claim for it within six months from the date on which it fell due, otherwise the surety shall be deemed to have been discharged)).

Hence, Ministry of Justice's opinion, clarified that **((the cassation Judiciary of the Federal Supreme Court has established that Guaranty follows the guaranteed debt in its civil or commercial characteristics and that the banking activities are commercial acts regardless the borrowers identity, and this also apply to the guarantee of the facilities, and this diverts the PG from applying Article No.(1092) of the Civil Transactions Law))**

- Upon a query submitted previously by EBA to Ministry of Justice on " The Non-Negotiable " & " A/C Payee cheque ", and the possibility of paying the value of the cheque, to the attorney of first beneficiary weather in cash or in the account pursuant to the power of attorney that is duly authenticated by the notary public that empowers him to receive and encash cheques on behalf of the beneficiary .
- The opinion that the association received on the subject entioned that the cheque may be paid cash to the attorney in case of the " Non-negotiable cheque " only, while it could not be credited to his account.

In both cases i.e., " Non-Negotiable " & " A/C Payee " the cheque would be credited only to the first beneficiary (The Principal and not in any case to his attorney.

EBA Website has been upgraded on the net to absorb the most number of needed information and data about the association, its activities and the possibility of adding and /or editing any of them accordingly from time to time.

This site was been sorted as the following:

- Information about the association
- Board of Directors
- Objectives
- Member Banks and Committees formed
- Charter of Banking Business in the United Arab Emirates
- Association publications (including annual report)
- Events
- SWIFT statistics

We hope all to visit this site, and inform the association of any remarks about it.

E.B.A. Publications Matters :

1. The Financial Position of the Banks Operating in U.A.E.

During the 2nd half of 2005, E.B.A. has published its annual booklet " The Financial Position of the Banks Operating in U.A.E- (Vol.18) for the years (2003-2004)" that has been distributed among all banks and concerned parties .

2. The Group of Verdicts on Banking Cases :

E.B.A. issued the 9th supplement (2005) on the verdicts related to banking cases, which E.B.A. pay attention to collect since 1996. Memos issued by the E.B.A. Legal Consultation Committee have been included to this issuance along with the verdicts copies, for easy reference.

3. S.W.I.F.T. News Letter :

E.B.A. continued the issuance of the S.W.I.F.T. quarterly newsletter about sent and received SWIFTNet Fin Traffic Messages performed by U.A.E User Group comparing with the same done by G.C.C.User Groups.

In addition, the Following comparative report for (2004-2005) about SWIFTNet Fin Traffic Messages sent & received by UAE SWIFT User Group & G.C.C. show that 40.25% of sent messages and 53.28% of received messages performed by SWIFT User Group of UAE in compare with all GCC. Groups.

Report	2005	2004
<u>No. Outgoing Messages</u>		
Total / G.C.C.	20,657,665	18,179,728
Total / U.A.E.	8,314,819	7,291,826
Percentage	40.25%	40.11%
<u>No. Incoming Messages</u>		
Total / G.C.C.	14,770,535	12,775,265
Total / U.A.E.	7,870,390	6,665,741
Percentage	53.28%	52.18%

At the end of 2005 SWIFT Net Traffic by region showed total SWIFT and the Top 10 Countries in Africa & Middle East where the United Arab Emirates rank for the whole year was ranked the second in both Traffic sent & Traffic received.