UAE BANKS FEDERATION

2014

ANNUAL REPORT

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UAE BANKS FEDERATION

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CONTENTS

VISION

- To be recognized as the distinguished professional representative and collective voice of the banking industry in the UAE.

MISSION

- Promote 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 beneficial role and distinctive financial, economic and social contribution of the banks.
- Empower and upgrade banking performance standards and the quality of human capital in the banking sector to be in line with best international practices.
- Provide a platform for the exchange of ideas, opinions and information among member banks.
- Offer representational leadership for member banks through the development of solutions that meet the changing needs of the marketplace.
- Assist and enable member banks to build competitive and sustainable businesses that support customers, society and economy.

VALUES

- Professionalism
- Integrity
- Transparency
- Innovation & Creativity

H.E. Abdul Aziz Abdulla Al Ghurair
MASHREQ BANK
Chairman

H.E. Khalfan Mohamed Al Roumi
INVESTBANK
Vice Chairman

H.E. Abdul Aziz Abdullah Al Zaabi
NATIONAL BANK OF RAS AL KHAIMAH
Member

H.E. Issa Abdulrahman Al Ateeq
NATIONAL BANK OF UMM AL QUWAIN
Member

Mr Abdulla Abdul Raheem
NATIONAL BANK OF ABU DHABI
Member

Mr Abdulshakoor Hussain Tahlak
EMIRATESNBD BANK
Member

Mr. Hamed Ahmad Kazim
COMMERCIAL BANK OF DUBAI
Member

Mr Abdulla Khalil Al Mutawa
ABU DHABI COMMERCIAL BANK
Member

Mr Abdullah Zeid Al Shehi
ABU DHABI ISLAMIC BANK
Member

CREATIVE IDEAS AND HEALTHY GROWTH

The year 2014 lived up to its expectations among the UAE's banks, not only in terms of the growth in assets and profits but also in the overall development of the industry. The UAE Banks Federation is proud to have played a distinctive role in this process through the support it provides to its member banks and in the interface it offers with the UAE Central Bank, as well as other national financial institutions.

The Federation continued the consultative approach of cooperation with Central Bank on issues of common concern to the banks which has contributed to the adoption and formulation of initiatives.The key among these initiatives was the Marginal Lending Facility, which was launched in 2014 and allows banks to access funds from the Central Bank on an overnight basis against eligible securities as collateral.

Following many months of planning and data collection, Al Etihad Credit Bureau was launched in 2014, and the Federation played a significant role in ensuring that its member banks provided the necessary credit history and repayment records of customers and actively signed up to use the new platform in making credit decisions. The Bureau will undoubtedly help to alleviate loan defaults and at the same time encourage responsible borrowing by customers.

The Federation has also continued to play a key role in the development of the Mobile Wallet, which is the financial component of the UAE Smart Government initiative. Once implemented, the project will enable payments through mobile devices nation-wide, and promote financial inclusion among the unbanked in the economy.

Discussion of best practice, identification of threats to the industry and development of common positions on issues of significance to member banks continued to be the principle goals of the Federation's nine specialized committees. Some noteworthy examples of the subject areas focused on in 2014 included SME financing, Close-Out Netting, Anti-Money Laundering, Customer Charter and Emiratization.

The Federation is pleased to note that banks are the highest employers of UAE nationals in the private sector with an average of 34 percent across the banking sector.

I wish to express gratitude on behalf of the Federation and its member banks, to the Governor of the UAE Central Bank and his staff for their valuable and much appreciated cooperation during the year. I would also like to thank the members banks and committees of the UBF for their valuable and wholehearted cooperation and unstinting support for the Federation and the principles that it stands for.

Abdul Aziz Abdulla Al Ghurair
Chairman, UAE Banks Federation

UAE BANKS FEDERATION: A NEW MODEL OF BANKING PARTNERSHIP

In line with its vision and mission, the UAE Banks Federation (UBF) plays a vital role in enhancing cooperation and coordination among member banks on relevant and current banking issues in order to develop the banking sector and enhance its contribution to economic and social development.

Through the constructive consultative approach with the UAE Central Bank, UBF has been able to contribute to the launch of Interim Marginal Lending Facility (IMLF), as well as take part and contribute to the launch of Al Etihad Credit Bureau of its consumer credit reports through direct cooperation with the Ministry of Finance and the Central Bank. Further, UBF continued to monitor implementation of its initiative on regulations to appoint bank experts and mechanism to approve experts and firms in order to promote the experts profession before judicial authorities in the country. Following the launch of the Code of Conduct in 2013, UBF has also approved the consumer charter during 2014, which aims to raise professional standards in line with international best practices.

A professional representative body of 50 member banks operating in the UAE, UBF was established in 1982 as the Association of National Banks. It was then renamed as the Emirates Banking Association before becoming the UAE Banks Federation in 2013. UBF has clearly defined vision and mission focused on developing and representing the interests of its member banks and defending their rights and to be recognized as the distinguished professional representative and the dynamic collective voice of the banking industry in the UAE. Its prime objective is to promote and enhance the banking industry to serve its customers better, and contribute to the public good and development of the national economy.

Customer service through raising public awareness of the benefits of banks and the pivotal role they play in society and the economy is an important function of the UBF, which also takes into account the collective views of its members on matters of mutual concern. The Federation delivers superior value and benefits to member banks, enabling them to build competitive and sustainable businesses, which support the economy, customers and society.

Advocating member banks' interests, and enhancing cooperation and coordination among them, UBF is successfully going forward in its mandate to promote and enhance the national banking industry to be at par with international standards.

Among its member banks UBF facilitates the exchange of banking, financial and monetary information, and coordinates cooperation on banking procedures in legal, technical and administrative fields. It organizes networking events as well as timely large and small meetings to facilitate communication and interaction between member banks. The Federation also provides the banks with a platform to exchange ideas, opinions and information, and offers representational leadership for member banks by developing solutions to meet the changing needs of the marketplace, and facilitates training and research among its members.

The dynamic Board of Directors of UBF constitutes nine members who are responsible for planning, policy-making and supervision of all of the various activities of UBF. They are elected every three years. The Federation also has Advisory Council consisting of bank CEOs that oversees the implementation of the policies, follows up on the Federation's activities and makes the necessary decisions on all issues of concern to the UAE banking sector. Furthermore, nine specialized technical committees have been established within the Federation to deal with all relevant banking issues as well as the research needed to sort out and resolve these issues.

Chief Executive Officer	Mashreq Bank (P.L.C.)
Group Chief Executive Officer	National Bank of Abu Dhabi (P.L.C.)
Group Chief Executive Officer	Emirates NBD (P.J.S.C.)
Chief Executive Officer	First Gulf Bank (P.L.C.)
Chief Executive Officer	Union National Bank (P.L.C.)
Chief Executive Officer	Commercial Bank of Dubai (P.S.C.)
Chief Executive Officer	Dubai Islamic Bank (P.J.S.C.)
Chief Executive Officer/Board Member	Abu Dhabi Commercial Bank (P.L.C.)
Chief Executive Officer	Emirates Islamic Bank ((P.L.C.)
Chief Executive Officer	Sharjah Islamic Bank (P.L.C.)
Chief Executive Officer	Bank of Sharjah (P.L.C.)
Chief Executive Officer	United Arab Bank (P.L.C.)
General Manager	Invest Bank (P.L.C.)
Chief Executive Officer	National Bank of Ras Al Khaimah P.S.C.
Chief Executive Officer	Commercial Bank International (P.L.C.)
Chief Executive Officer	National Bank of Fujairah (P.S.C.)
Chief Executive Officer	National Bank of Umm Al Qaiwain (P.L.C.)
Chief Executive Officer	Arab Bank for Investment & Foreign Trade (Al Masraf)
Chief Executive Officer	Abu Dhabi Islamic Bank (P.L.C.)
Chief Executive Officer	Noor Bank
Group Chief Executive Officer	Al Hilal Bank
Chief Executive Officer	Ajman Bank
Chief Executive Officer	Emirates Investment Bank
Chief Executive Officer	HSBC Bank Middle East
Chief Executive Officer	Citibank N.A
Chief Executive Officer	Standard Chartered Bank
Chief Executive Officer	Barclays Bank
General Manager (UAE)	National Bank of Kuwait
General Manager (UAE)	Samba Financial Group

Consumer Banking Committee
Mr. Ian Hodges
Head of Personal Banking
RAK BANK

HR – Practice Committee
Mr. Ehab A. Hassan
Group Chief Human Resources Officer, EVP
Human Resources Group
NBAD

Legal Committee
Dr. Nimer Basbous
General Counsel - Legal Department
FGB

Wholesale & Corporate Committee
Mr. Mahdi Kazim
General Manager – Corporate Banking
EmiratesNBD

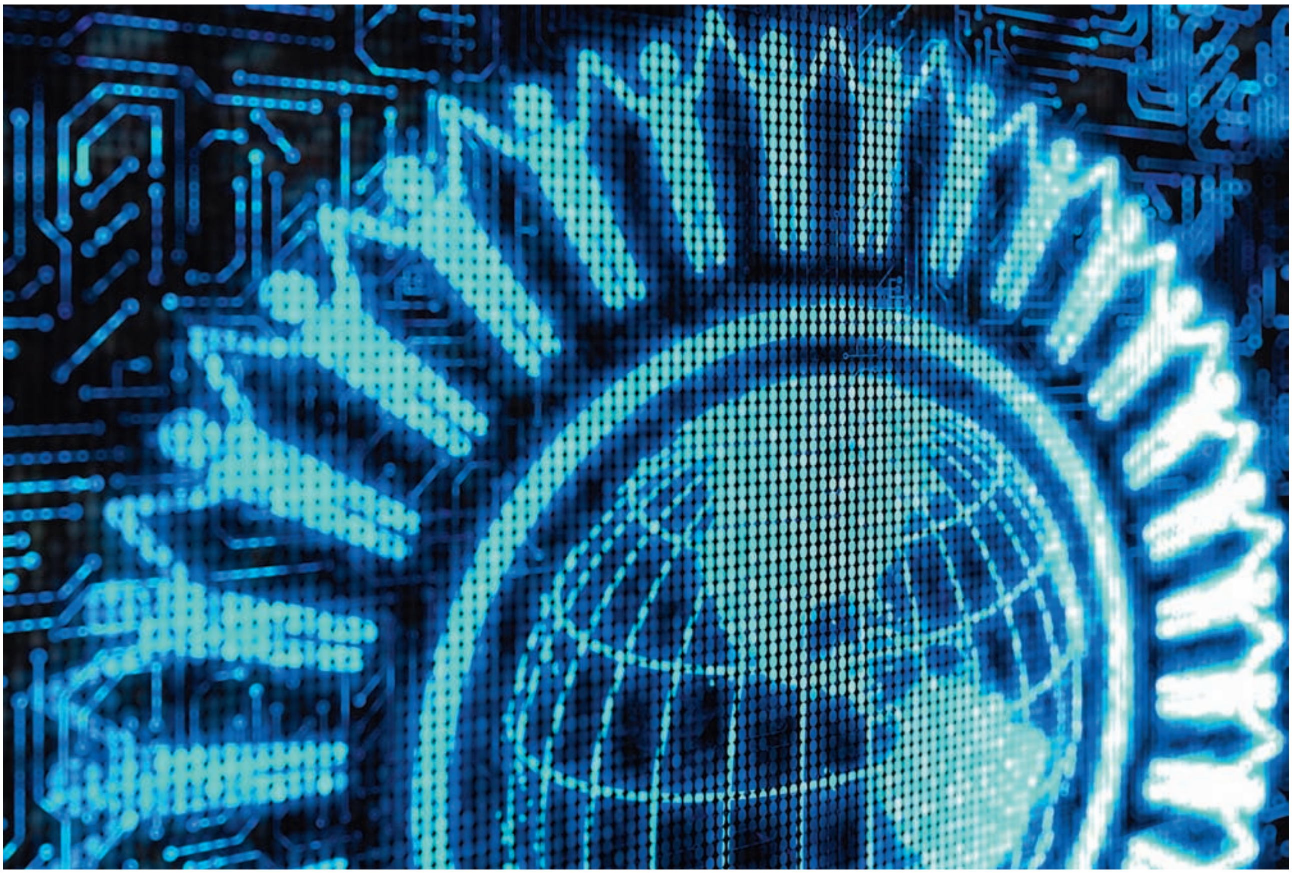
SMEs Committee
Mr. Mahdi Mamdoh Kilani
EVP - Head of Business Banking Division
ADIB

Islamic Banking
Mr. Mohammed Rizwan
CRO – Risk Management Group
SIB

Financial Markets Committee
Mr. Kevin Taylor
Group Treasurer
ADCB

Risk Management Committee
Mr. Rohit Kumar
SVP and Head of Credit Risk and Market Risk
NBAD

Compliance Committee
Mr. Waheed Rathore
Executive Vice President Group Chief Compliance Officer
& MLRO Risk Management Group
ADCB



- National Bank of Abu Dhabi (P.L.C.)
- Abu Dhabi Commercial Bank (P.L.C.)
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- Bank of Sharjah (P.L.C.)
- United Arab Bank (P.L.C.)
- InvestBank (P.L.C.)
- The National Bank of Ras Al Khaimah (RAK Bank) (P.S.C.)
- National Bank of Fujairah (P.S.C.)
- Emirates Investment Bank
- Ajman Bank
- Al Hilal Bank
- Noor Bank
- Arab Bank (P.L.C.)
- Abu Dhabi Islamic Bank (P.L.C.)
- Union National Bank (P.L.C.)
- National Bank of Umm Al Qaiwain (P.L.C.)
- Commercial Bank International
- BNP Paribas
- Bank of Baroda
- Credit Agricole Corporate and Investment Bank
- BanqueMisr
- HSBC Bank Middle East
- Arab African International Bank
- AL Khaliji - France S.A
- Al Ahli Bank of Kuwait (K.S.C.)
- Barclays Bank
- Habib Bank Limited
- Habib Bank AG. Zurich
- Standard Chartered Bank
- Citibank N.A.
- Bank Saderat Iran
- Bank Melli Iran
- BLOM Bank France
- Royal Bank Of Scotland N.V.
- United Bank Limited
- Doha Bank
- Samba Financial Group
- Deutsche Bank
- Industrial and Commercial Bank of China
- The Bank of Tokyo - Mitsubishi UFG, Ltd.
- National Bank of Kuwait
- National Bank of Oman

ANNUAL REPORT 2014

UAE BANKING RESILIENT AMID GLOBAL ECONOMIC HEADWINDS IN 2014

THE world economy growth in 2014 was lower than initially expected, continuing a pattern of disappointing out turns over the past several years.

Growth picked up only marginally in 2014, to 2.6 percent, from 2.5 percent in 2013. Beneath these headline numbers, increasingly divergent trends are at work in major economies.

While activity in the United States and the United Kingdom has gathered momentum as labor markets heal and monetary policy remains extremely accommodative, the recovery has been sputtering in the Euro Area and Japan as legacies of the financial crisis linger, intertwined with structural bottlenecks.

China, meanwhile, is undergoing a carefully managed slowdown. Disappointing growth in other developing countries in 2014 reflected weak external demand, but also domestic policy tightening, political uncertainties and supply-side constraints.

The oil price shock

Amid the mixed picture, a sharp decline of energy prices threw the world in turmoil recently and negatively impact oil-producing economies such as Russia, Brazil, South Africa and some GCC countries; in contrast, benefiting consumption-linked nations such as India, Indonesia and Turkey.

Crude oil was the worst performer amongst all asset classes, having plunged 44.5 percent in 2014. Rising production in the US, higher incoming supply from Iraq, West Africa and elsewhere, coupled with anemic global demand growth began pushing crude oil prices lower from its peak of $115 in June 2014. It is now trading at around $65.

The steep decline in global oil prices has changed the economic dynamics of oil exporters in the Middle East and North Africa.

The most significant macroeconomic event in the GCC in 2014 was unquestionably the collapse in crude oil prices in June and the sustained rise in the US Dollar index in April. Lower oil prices, in turn, led to lower growth in GCC economies.

In the short term, most of the oil exporters have the ability to drawdown some of their accumulated financial reserves and so mitigate the impact of lower oil prices on economic activity and growth. However, with a more constrained fiscal outlook over the next few years, oil-exporting countries would need to adapt progressively to new realities.

New Realities

According to the IMF, the oil price decline is expected to significantly erode fiscal positions across the region, at varying speeds. Except for Kuwait, all countries in the region are expected to run fiscal deficits in 2015. The Gulf Cooperation Council fiscal surplus (4.6 percent of GDP in 2014) is now projected to turn into a deficit of 6.3 percent of GDP in 2015 — a downward swing of about 11 percent of GDP.

Fortunately, most oil exporters have large buffers in the form of foreign assets. These countries are generally expected to reduce the growth of government spending this year, but in a measured way.

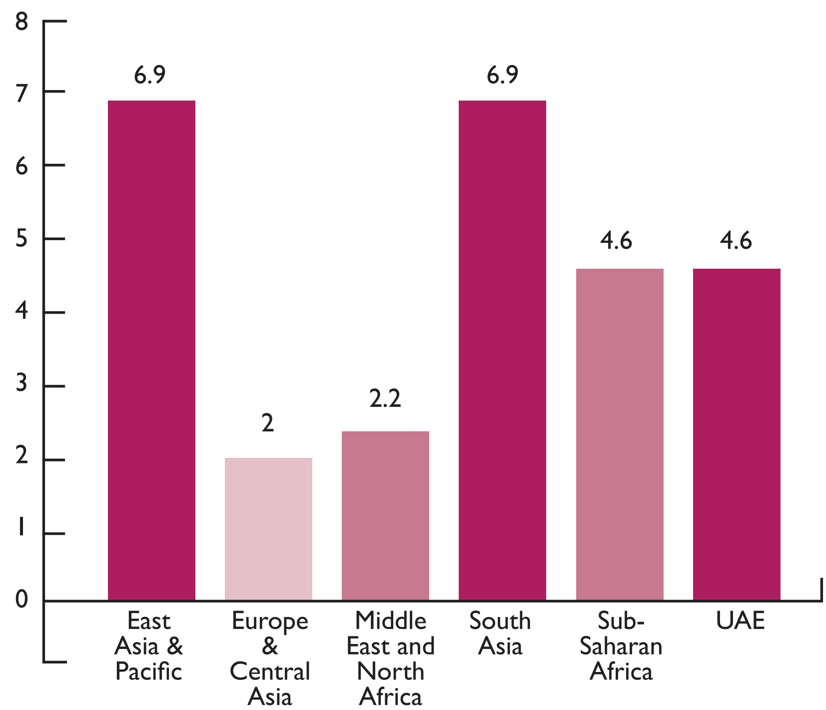
Since the overall pace of adjustment is measured, the IMF expects that countries will be able to avoid a very sharp negative effect on growth. The IMF expect growth in the region's oil exporters to reach 3 percent this year, somewhat higher than last year but still nearly one percentage point lower than we projected last October.

UAE: Successfully Weathering the Oil Price Slump

Despite of the sharp decline in the oil prices, the recent International Monetary Fund (IMF) mission to the United Arab Emirates said, "The UAE has benefitted from building up large external and fiscal buffers over the years thanks to its hydrocarbon wealth. The UAE is one of the most diversified economies of the region and ranks favorably on competitiveness indicators."

The outlook for economic activity is expected to moderate with non- hydrocarbon growth projected at 3.4 percent in 2015 amid lower oil prices and an appreciation of the real effective exchange rate. Sales prices in the real estate market have stabilized, but increases in rents more than offset the dampening effect of US Dollar appreciation on imported prices, pushing up inflation, which is expected to reach 3.8 percent on average in 2015.

GDP in 2014 (%)



The mission said, "The banking sector is resilient and has enough capital and liquidity buffers to withstand an adverse shock. It is also well prepared for the ongoing transition toward Basel III capital and liquidity requirements, which need to be timely implemented along with strengthening risk-based supervision and enforcing existing concentration limits. Sectorial macro prudential measures helped address real estate market risks, and illustrate the importance of establishing a full-fledged macro prudential policy framework."

According to a recent report issued by The Institute of International Finance (IIF) the UAE looks resilient to the drop in oil prices, given a relatively diversified economy, excellent infrastructure, a more transparent and better regulated banking system, political stability, ample foreign assets, and a culture that is more open to the outside world than other GCC countries.

Leading recent indicators show a mixed picture for early 2015, the PMI for the first four months of the year has remained at high levels. Trade and logistics in Dubai are still performing well. Earnings reports for banks and key real estate development companies indicated continued strong growth in profits in Q1.

Tourist arrivals in Dubai also continued to grow strongly, as the decline in the number of Russian tourists was more than offset by growth from China, India and the Euro zone.

Real GDP is estimated to have grown by 4.6 percent in 2014, helped by robust government spending on infrastructure and a further increase in private capital inflows. FDI inflows increased for the fifth consecutive year to AED 52.5 billion ($14.3 billion) in 2014, equivalent to 3.5 percent of GDP.

The IIF expects growth to edge down to 3.6 percent in 2015 and to 3.8 percent in 2016. While the authorities in Abu Dhabi are being more prudent and are prioritizing spending on infrastructure, the slowdown in spending should be contained. The private confidence is expected to recover in the second half of 2015, as oil prices remain around $65. Major projects and preparations to host the World Expo 2020 should help to maintain strong growth of 4.8 percent in Dubai. Also, Abu Dhabi plans to invest over $25 billion in the next five years in offshore oil fields to boost oil production capacity to 3.5mbd by 2018 (current production is 2.8mbd).

UAE BANKS – THE BACKBONE OF A BURGEONING ECONOMY

IN the year 2014, the UAE banking sector continued its steady performance where all banking activity witnessed a real and strong recovery.

Measured by total assets of banks operating in UAE, the total banking activity grew by a healthy 9.7 percent reaching AED 2.31 trillion by the end of December 2014. All major indicators in the sector recorded strong growth and experienced a good year. Deposits continued to register healthy growth rates that strengthened the sector's liquidity and helped boost lending activity. This resulted in strong profit growth, even as banks continued to clean up their balance sheets by making adequate provisions with the support and guidance of the UAE Central Bank.

Thanks to the country's steady economic growth that continued to fuel growth in the sector, the UAE's non-oil GDP registered a growth of 5.1 percent in 2014, and is now forecast to grow at 4.4 percent in 2015 according to the International Monetary Fund (IMF). It is likely to move up to 4.5 percent in 2016, as cited in its latest regional outlook report. The non-oil economy is projected to expand by over 4 percent per annum in the coming years on the back of Dubai's strong core services sectors and Abu Dhabi's diversification efforts. All these factors supported the banking system to experience record profits in 2014 that reached around AED 39 billion, which equals 1.7 percent of the total assets.

Amidst ample liquidity at hand for UAE banks as a result of 11.1 percent growth in deposits and higher capital adequacy ratio that stood above 18.2 percent, lending activity has continued to ameliorate, with loans and advances recording a 8 percent rise by the end of the year.

"The banking sector in UAE is resilient and has enough capital and liquidity buffers to withstand an adverse shock. It is also well prepared for the ongoing transition toward Basel III capital and liquidity requirements, which need to be timely implemented along with strengthening risk-based supervision and enforcing existing concentration limits," noted the IMF mission to the UAE in May 2015. "Sector-wise macro-prudential measures helped address real estate market risks and illustrate the importance of establishing a full-fledged macro-prudential policy framework. Continued repair of GREs (government-related entities) balance sheets is also important to contain systemic risks, and further deepening of the domestic debt market could help reduce GREs' reliance on external funding and bank lending."

The UAE banking sector benefited from the recovery in the property market in 2013-14, surge in business confidence, safe haven flows, rising population, the successful debt restructuring of quasi-government companies, the Expo-2020 bid and construction boom. The collapse in oil prices will dampen but not derail UAE economic growth in 2015. The UAE has emerged as the best managed, most globally integrated, most diversified, and best regulated economy in the Arab world and UAE banking assets are the largest in the GCC.

IIF, the Washington-based global association of financial institutions, recently stated that UAE banks remain well capitalized and profitable. Financial stability risks arising from domestic vulnerabilities in the real estate market as well as from lower oil prices appear contained, given the adequate liquidity, high provisions on NPLs (non-performing loans) and prudent regulation by the Central Bank in recent years.

Assets

According to figures released by the Central Bank, the total assets of banks operating in the UAE increased by 9.7 percent to reach AED 2.31 trillion by December 2014 compared to AED 2.10 trillion in 2013. This hike was mainly brought about by 8 percent increase in credit, reaching AED 1.38 trillion.

Total assets of banks include total banks' reserves at the Central Bank, gross credit, total investments by banks and other assets. Figures from December 2013 to December 2014 demonstrate the realistically managed and conservative nature of the banking sector in the UAE.

Total banks reserves constituting reserve requirements, current accounts of banks and certificates of deposits including Islamic certificates of deposits held by banks increased by 9 percent to AED 234 billion in December 2014 compared with 2013.

Gross Credit, which constitutes of domestic and foreign credit, grew from

> Asset quality, liquidity, and capital adequacy of UAE banks remained strong during 2014 despite the challenging environment. UAE banking sector is reported to have been the best performing in the GCC.

AED 1.27 trillion in December 2013 to AED 1.38 trillion in December 2014 with a change of 8 percent.

Total investments by banks made up of debt securities, equities, held to maturity securities and other investments decreased by 22.5 percent to AED 228 billion from AED 186.7 billion in December 2013 .

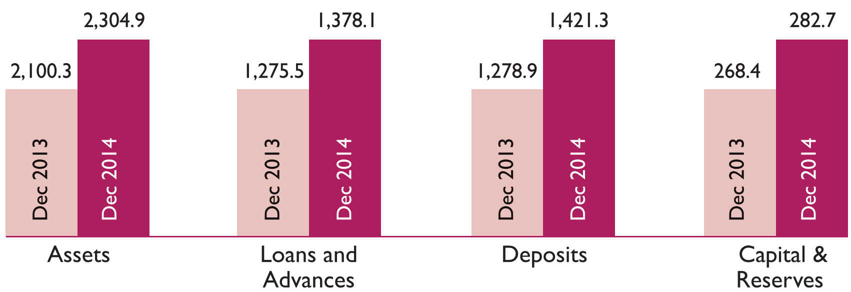
Deposits

By the 2014 year end, total deposits increased by 11.1 percent to reach AED 1.42 trillion compared to AED 1.28 trillion in 2013. Resident deposits increased by 8.9 percent, reaching AED 1.27 trillion, compared to AED 1.16 trillion at the end of 2013. Non-resident deposits increased by 33.9 percent, reaching AED 154 billion, compared to the AED 115 billion at the end of 2013. Government deposits grow by around AED 28 billion (+17 percent) yet remained almost within the proportionate range of 13 percent from total deposits, while time deposits exhibited a drop of 2 percent to AED 379 billion representing around 28 percent of total deposits.

Loans and Advances

Total loans and advances realized a growth of AED 103 billion to reach the level of AED 1.38 trillion in 2014 with 8 percent change compared with 2013 counter period. While growth touched all sectors yet can be seen mostly in credit sanctioned to private sector, business and industrial, witnessing an

Assets, Loans and Advances, Deposits, Capital & Reserves



(Note: All figures in billions of Dirhams)

Ratios	DECEMBER 2013	DECEMBER 2014
Loans/Deposits	99%	96%
Capital Adequacy	19.3%	18.2%
Net Return on Assets	1.5%	1.7%

Source: Central Bank

increase of 43 percent to reach AED 901 billion representing around 65 percent of total portfolio. Major economic sectors targeted were construction and real estate and trade. During 2014 personal loans to residents also increased to AED 300 billion compared to AED 279 billion in 2013 (+7.5 percent). Credit extended to government and public sector exhibited a growth of 8.9 percent to reach AED 318 billion in 2014.

Provisions for non-performing loans witnessed a drop of 7.6 percent to reach AED 71.6 billion in 2014 which covers about 85 percent of the non-performing portfolio. While non performing loans are reported to constitute around 7 percent of total lending and advances by the end of 2014.

Capital and Reserves

Aggregate capital and reserves of banks increased by 5.3 percent from AED 268.4 billion at the end of the fourth quarter of 2013 to AED 282.7 billion at the end of the same period of 2014. Although capital adequacy ratio declined modestly to 18.2 percent in 2014 (tier-1 ratio 16.2 percent) compared to 19.3 percent in 2013 (tier-1 ratio 16.9 percent), it far exceeds regulatory requirements and considered good enough to meet probable expansion and any provisions.

Banking Indicators

(End of Month, Figures in billions of Dirhams unless otherwise indicated)

	2013	2014								% Change During The Year
	December	March	Quarterly Change (%)	June	Quarterly Change (%)	September	Quarterly Change (%)	December	Quarterly Change (%)	
Total Assets	2,100.3	2,180.4	3.8%	2,236.9	2.6%	2,311.3	3.3%	2,304.9	-0.3%	9.7%
Loans and Advances	1,275.5	1,303.4	2.2%	1,329.7	2.0%	1,381.9	3.9%	1,378.1	-0.3%	8.0%
Total Deposits	1,278.9	1,331.7	4.1%	1,400.2	5.1%	1,414.5	1.0%	1,421.3	0.5%	11.1%
Capital & Reserves	268.4	288.4	7.5%	287.2	-0.4%	283.8	-1.2%	282.7	-0.4%	5.3%
Capital Adequacy Ratio	19.3%	18.5%	-4.1%	18.2%	-1.6%	18.3%	0.5%	18.2%	-0.5%	-5.7%
Tier-1 Ratio	16.9%	16.2%	-	16.0%	-1.2%	16.3 %	1.9 %	16.2%	-0.6%	-4.1 %

Source: Central Bank

Money Supply

By the end of 2014, which has been adjudged a spectacular year of growth for banks, the consensus was that the growth path is steady and looks to continue to steadily improve. The money supply figures of the fourth quarter of 2014 compared with those of 2013 show an encouraging picture of a healthy economy growing well especially because it shows the liquidity in the economy.

Money Supply M_0 (currency in circulation plus total cash held at banks, i.e., total money issued by the Central Bank), increased by 5.2 percent during the fourth quarter of 2014, compared to an increase by 5.6 percent during the same period last year. On an annual basis, Money Supply M_0 increased by 16.6 percent reaching AED 74.5 billion.

Money Supply M_1 (currency in circulation plus balances of current and call accounts of commercial banks at the Central Bank) increased by 1.2 percent during the fourth quarter of 2014, compared to an increase by 7.1 percent during the same period last year. On an annual basis, Money Supply M_1 increased by 14.9 percent, to reach AED 436.1 billion.

Money Supply M_2 (M_1 plus quasi monetary deposits (saving accounts, time deposits, and all deposits in foreign currencies) increased by 0.4 percent during the fourth quarter of 2014, compared to an increase by 10.7 percent during the same period last year, increasing on an annual basis by 8 percent reaching AED 1,141.1 billion.

Money Supply M_3 (M_2 plus government deposits at banks and at the Central Bank), decreased by 0.9 percent during the fourth quarter of 2014, as compared to an increase by 1.7 percent during the same period last year. However, on an annual basis Money Supply M_3 increased by 9.2 percent and reached AED 1,332 billion.

Generally, the median money supply M_2 is considered the best indicator for the availability of liquidity in the economy, as it comprises currency in circulation outside banks, in addition to various deposits of the resident private sector in the UAE. Statistical data show that this indicator increased by 8 percent during 2014, brought about by an increase of AED 103.4 billion in residents deposits and non-residents by AED 39 billion.

Monetary Developments in the UAE

(In Billion Dirhams - End of Period)

	2013					2014									
	Third Quarter		Fourth Quarter			First Quarter		Second Quarter		Third Quarter		Fourth Quarter		
				Change (%)									Change (%)	
	Amount	Change (%)	Amount	Quarterly	Annual	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Quarterly	Annual
Money Supply (M_0)	60.5	1.9%	63.9	5.6%	10.6%	65.3	2.2%	67.8	3.8%	70.8	4.4%	74.5	5.2%	16.6%
Money Supply (M_1)	354.4	2.2%	379.6	7.1%	26.9%	412.0	8.5%	434.3	5.4%	431.1	-0.7%	436.1	1.2%	14.9%
Money Supply (M_2)	955.0	2.7%	1,056.8	10.7%	22.5%	1,124.3	6.4%	1,142.6	1.6%	1,136.1	-0.6%	1,141.1	0.4%	8.0%
Money Supply (M_3)	1,199.6	1.4%	1,219.9	1.7%	12.6%	1,280.2	4.9%	1,328.4	3.8%	1,344.2	1.2%	1,332.0	-0.9%	9.2%

Source: Central Bank

The number of GCC banks continued to remain constant during the fourth quarter of 2014 at 6 banks with 4 branches. However, the number of foreign banks fell to 20 banks with a total of 82 branches. The number of electronic services units of these banks also decreased from 52 units at the end of December 2013 to 48 units at the end of December 2014.

Banks, Other Financial Institutions & ATMs

2013 - 2014

	2013				2014			
	March	June	Sept.	Dec.	March	June	Sept.	Dec.
Locally Incorporated Banks								
Main Branches	23	23	23	23	23	23	23	23
Additional Branches	810	824	832	841	843	858	866	869
Electronic Banking Service Units	28	28	29	29	29	33	33	34
Cash Offices	89	89	89	89	89	89	89	90
GCC Banks								
Main Branches	6	6	6	6	6	6	6	6
Additional Branches	3	3	3	4	4	4	4	4
Foreign Banks								
Main Branches	22	22	22	22	22	22	22	20
Additional Branches	83	83	83	83	83	83	83	82
Electronic Banking Service Units	54	54	54	52	53	53	54	48
Cash Offices	1	1	1	1	1	1	1	1
Wholesale Banks	4	4	4	4	4	5	5	7
Representative Offices	120	120	117	120	120	122	121	121
Finance Companies	25	25	25	25	25	26	26	26
Financial Investment companies	23	23	23	25	25	25	25	25
Moneychangers	124	128	131	134	134	137	138	140
Offices for Intermediating in Currency Trading & Money Market Operations	12	12	12	12	12	12	12	12
ATMs	4,555	4,582	4,642	4,664	4,642	4,674	4,740	4,847

Source: Central Bank

Banking System Developments

In addition to experiencing a robust 2014 financially, the banking sector in the UAE witnessed development in their reach to customers too. The number of locally incorporated banks remained consistent at 23 banks by the end of the fourth quarter of 2014, while their branches increased from 841 at the end of the fourth quarter of 2013 to 869 at the end of the same period of 2014.

The number of electronic services units increased in the last quarter of 2014 to 34 from 29 and cash offices of these banks rose to 90 from 89 compared to the same period of 2013.

The number of GCC banks continued to remain constant during the fourth quarter of 2014 at 6 banks with 4 branches. However, the number of foreign banks fell to 20 banks with a total of 82 branches. The number of electronic services units of these banks also decreased from 52 units at the end of December 2013 to 48 units at the end of December 2014.

The total number of ATMs of banks operating in the UAE reached 4,847 by the end of December 2014, compared to 4,664 at the end of December 2013.

The above figures explains clearly that the physical distribution and branch banking in the UAE continue to be critical elements in successfully attracting new customers and fostering increased engagement to improve customer experience and loyalty. While it is undeniable that financial transactions are increasingly moving to online and mobile banking channels, the branch and its employees still remains an important part of the 'local bank' culture.

Outlook

2014 was a year of double-digit loan growth and record profitability in the UAE banking sector even though world trade volume growth was mediocre and oil prices fell in the second half of the year. The decline in provisions, a robust UAE economy and the end of the post 2008 balance sheet deleveraging cycle played a major role in the profitability and asset quality gains in 2014. Banks, which were inactive in the lending market in 2009-12, have increased loan growth and improved their liquidity and funding profiles. Despite the historically low US dollar and UAE dirham interest rates, UAE banks have maintained exceptional earnings growth and returns on shareholder equity. Also in spite of the oil price fall, the diversified nature of the UAE economy and strong consumer confidence and business activity

The World Bank report noted that the UAE was the only Arab country in 10 economies which have introduced quality regulatory improvements in the ease of doing business. The report singled out three sectors; registering property, getting credit and protecting minority investors, which the UAE has reformed significantly.

metrics are bullish for the growth and profitability of the UAE banking sector in 2015.

In recent reports Standard & Poor's has reported that UAE banks are considered to be the best performers GCC wide, while Boston Consulting Group concluded that operating profits of UAE banking sector grew by 26 percent during 2014 compared to the GCC banking sectors average of 15 percent.

In the latest report of the World Bank's 'Doing Business 2015', the UAE advanced three ranks to settle at 22 compared to last year's rankings, maintaining its lead in the Arab Region and beating a few advanced European and Asian economies.

The new World Bank report finds that in the past year, governments around the world continued to implement a broad range of reforms aimed at improving the regulatory environment for local entrepreneurs. Economies that both improve the efficiency of regulatory procedures and strengthen the legal institutions that support enterprise, trade, and exchange are better able to facilitate growth and development.

The World Bank report noted that the UAE was the only Arab country among 10 economies, which has introduced quality regulatory improvements in the ease of doing business. The report singled out three sectors; registering property, getting credit and protecting minority investors, which the UAE has reformed significantly.

The Central Bank, Al Etihad Credit Bureau and UBF are the main organizations directly responsible for bringing about the reformation in the latter two sectors. With the support of the UAE government, these organizations have succeeded in establishing and implementing different policies and systems aimed at facilitating growth and development. Indeed the UBF has a dedicated SMEs committee to study and resolve the various issues of concern for minority investors and is continually working hand in hand with the Central Bank in setting up the definition of SME and various regulations that help both banks and customers when giving and getting credit.

2015 prospects

2014 was a hugely profitable year for UAE banking, even if the oil price crash led to a deceleration in loan growth amid lower liquidity as banks tightened credit underwriting protocols with softer credit demand, lower trade finance, securities brokerage, wealth management, syndications and remittances fee income. 2015 is expected to be a year of revenue consolidation in UAE banking.

The UAE is forecasted to witness credit expansion at around 7.8 percent in 2015. Leading industry experts believe that the banking sector credit growth will be about 10 percent in 2015. According to the international rating agency Moody's Investor Service, healthy economic growth, combined with increasing confidence, will support credit growth of 7 percent to 10 percent annually for the banking system, while inflation levels are expected to hover in the 2.5 percent to 3 percent range.

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Moody's maintained that it has a stable outlook on the banking system in the UAE. The outlook is based on the agency's expectation of continued improvements in the operating environment, driven by high government spending, despite recent oil price declines, and continued recovery in core economic sectors.

The Moody's report hinted increased profitability of the UAE banking sector amid decline in problem loans, which are expected to continue to decline further as the year progresses and profitability increases modestly. High liquidity and capital buffers will be maintained. These positive developments will remain balanced against downside risks of further declines in oil prices and high lending concentrations.

The problem loans have been hitting the UAE banks hard in the past few years but the Moody's saw decrease in the NPL by year-end 2015. Banks are expected increase their NPL coverage ratios and raise the banking system's cost of risk in 2015. The largest UAE banks will increase their reliance on cheap retail deposits and continue to invest in branches,

ATMs and technology infrastructure with IT system upgrades. The UAE banking system's NPL coverage ratio was a solid 85 percent in 2014. The UAE banking system will remain dependent on government and public sector deposits for 30 percent of balance sheet funding.

Apart from the above-mentioned operating environment improvements; tighter underwriting during the downturn period leading to lower new problem loan formation; a reduction in the stock of problem loans from continued settlements, recoveries and commercial restructuring; and an expected loan growth of 7 percent to 10 percent would also contribute to the banking system's strength. The collapse in oil prices will dampen but not derail UAE economic growth in 2015. The UAE economy has emerged as the most globally integrated, most diversified, and best-managed and regulated economy in the Arab world and UAE banking assets are inarguably the largest in the GCC.

The continued public sector spending, particularly in Abu Dhabi and strong growth in Dubai's more diversified private sector (particularly in the trade, transport and tourism sectors) will support the overall economy. This has enabled Moody's to predict that the UAE's GDP rate will remain around 4 percent in 2015.

According to banking experts and industry leaders, the banking sector of the UAE is indeed looking at an optimistic year ahead.

In the near to medium terms, banks in the UAE are looking forward to healthy growth resulting from non-oil sector growth and low interest rates. Furthermore the growth will continue as banks now have enough capital to meet further economic requirements, where comfortable liquidity, growth in assets and profitability are expected to continue over the next few years.

The strong emphasis on compliance, increased regulation and more conservative guidelines will encourage responsible lending in the country while the advent of new digital technology will benefit customers in terms of better products with competitive pricing. 2015 will see the use of smart banking tools, mobile payments and an increasing use of social media to create brand advocacy.

It is an exciting growth period ahead for the banking sector and the UAE economy in 2015.

DELIVERING SUPERIOR VALUE & BENEFITS TO THE UAE BANKING INDUSTRY

DURING 2014 the UAE Banks Federation (UBF) witnessed the welcome fruition of significant schemes aimed at making the banking industry pro-customer, pro-banks and pro-economy, which have resulted in a resurgence of customer confidence in member banks who have been able to sustain another impressive year of growth and profitability. Thanks to the tireless efforts of the Federation through its committees and its close and valuable cooperation with the Central Bank, member banks have been able to serve customers better and reap their just rewards. The Federation successfully concentrated on its core activities of further developing its major initiatives and taking forward all other activities that immensely benefit the banking industry of the UAE and increase its esteem in the regional and international banking arena.

Interim Marginal Lending Facility (IMLF): Boosting Confidence in the Financial System

A UBF initiative for which the Federation worked closely and constantly with the Central Bank, IMLF has now become a trusted facility for all banks to draw upon when they need help in liquidity management. Interim Marginal Lending Facility (IMLF), launched in April 2014, is a liquidity management facility provided by the Central Bank to all banks including Islamic banks in the UAE.

IMLF is introduced to further strengthen and consolidate the banking sector as a whole. Mutual committees in the UAE Central Bank and UBF had engaged in regular meetings and subsequent intensive discussions, which focused on the depth of the functional requirements of the banks and the infrastructure to be put in place to manage the new facility by the Central Bank.

IMLF has been designed as a mechanism allowing the banks to borrow funds from it overnight, to help manage their liquidity. It is the borrowing facility, where eligible banks can access Central Bank UAE funds (marginal loans) for overnight settlement by pledging securities as collateral via a Triparty Repo Agreement.

All eligible banks can access IMLF funds. The Central Bank at its sole discretion, accepts straight bonds, covered bonds, Sukuk, notes and short-term securities from UAE and foreign issuers as collateral for IMLF funds on condition that these securities are rated (except for securities issued directly by UAE local Governments) and tradable, issued and denominated in UAE Dirham, the US Dollar or any other acceptable currencies.

Though it is primarily a prudential measure, the IMLF is an important additional buffer to help UAE banks manage future financial shocks or funding shortfalls. Although the facility is drawn upon only rarely, the fact that such a system exists, helps boost confidence in the banks and those who place their trust in them and in the financial system in the UAE as a whole.

Al Etihad Credit Bureau (AECB): Clear Line of Sight for the Banks

AL ETIHAD Credit Bureau (AECB) is the federal government company mandated to implement and operate a credit reporting system across the UAE and allows banks and financial institutions to access existing and potential customers' credit reports electronically. Officially launched in September 2014, AECB is the result of many months of planning and data collection. It brings together, for the very first time in one place, two years' worth of information about the credit history and repayment record of each individual with a bank account in the UAE.

The UBF played an active role in this process through the banks working groups' direct involvement with the bureau. It had encouraged member banks to co-operate with the Credit Bureau and to discuss and resolve issues that had emerged just before the initial phase of the project reached completion.

With the support of the UBF and banks in the country, AECB started releasing its credit reports on consumers from September 2014. Then on, banks have a much clearer line of sight about the creditworthiness and repayment performance of their customers because of the background information they can now access. This means that they are more confident about the ability of their customers to fulfill their repayment obligations. Bank customers also benefit because this should make borrowing cheaper in the longer run, priced according to their creditworthiness. The economy benefits because if banks do not have to write down as many bad loans their shareholders will benefit, and their customers will have more money to spend on goods and services rather than on bank fees.

The AECB credit reports include consumers' debt obligations and payment behaviour patterns for the past 24 months. These reports play an important role in the assessment and management of credit and possible losses resulting from non-performing loans for banks. Individuals will, in turn, be able to have a comprehensive overview of their current financial obligations and debt payment frequency and consistency over the past two years.

In addition to banks and financial institutions, individual customers are able to request their credit reports through the bureau's customer service centres in Abu Dhabi and Dubai. Availability of credit data improves transparency and credit quality in the banking system. Credit reports also help banks get a better understanding of their customers while it will also assist customers with strong credit history to get a better pricing on their loans.

Like other credit bureaus in the Gulf region, the beneficial impact of AECB is expected to be felt in a year's time on average across the UAE economy. In the long run, it will benefit the industry, the consumer and the economy immensely with better credit behaviour, managed interest costs, faster turnaround times, lesser documentation requirements and greater credit inclusion for all categories of customers. It will definitely improve portfolio quality for the banks and ensure responsible lending to customers by preventing them from getting into debt that they cannot afford.

Mobile Wallet Project: Supporting the Smart Government Initiative

THE digital revolution has changed the world around us. It has impacted people's behaviour in all respects from the social interaction to news broadcast purchasing behaviour and doing financial transactions. The roles and boundaries of different players within the commercial and economic space are changing.

On one hand, banks are losing the traditional stronghold to new innovative non-banking digital players and, on the other hand, digital revolution has opened up a new world of opportunities to banks that are innovative and willing to experiment.

Recognising that change will come, the UBF has been working hard and tirelessly to create the Mobile Wallet, supporting the UAE Government's Smart Government Initiative by enabling payments through mobile devices nation-wide and increasing financial inclusion in the economy. The Mobile Wallet project is one of the major initiatives of UBF and once implemented will be a significant achievement of the Federation. The project is the contribution of the banking sector of the UAE to the Smart Government Initiative launched in 2013.

The Mobile Wallet Project is fast approaching completion and will soon be ready for implementation thanks to the dedicated time and efforts of the UBF steering committee. Progress made on the Mobile Wallet is regularly reviewed by the board of Directors of UBF, who commended the committee for its work and for setting an example for this unique experience, where banks under the umbrella of UBF have joined to conclude this project, which will revolutionise payment services in the country. Payments and remittances will be possible through mobile devices, which will then become the electronic equivalent of the traditional wallet, allowing people to store, transfer money and pay for goods from a common platform.

The UBF has been actively involved in the project and the steering committee has had extensive meetings including seminar sessions, workshops, symposiums and presentations towards the completion of the design and pre-implementation phase. Regular coordination meetings have been held with the stakeholders, particularly the Central Bank and the Telecommunications Regulatory Authority and UAE smart Government Team keeping in mind the project's relevance in the implementation of the Smart Government Initiative. When implemented, the new technology will take the UAE closer to becoming a digitally progressive and advanced nation. It has the potential to make the UAE a truly digital economy where both smart phones and feature phones can be used to access banking services. It will also make the UAE on par with developed financial markets such as Austria, Canada, USA, UK and Japan.

A CONSTRUCTIVE APPROACH

ENCOURAGED by the fruitful consultative approach and synergy with Central Bank, UBF has put forward its proposals and initiatives like Data Pooling, Close-Out Netting of derivatives contracts, Definition of SME and Islamic Governance Unit to the Central Bank.

National Corporate Data Pooling: Accurate and Relevant Data

THE UBF has put forward its proposal for National Data Pooling to the Central Bank. The Federation has proposed that the Central Bank considers initiating a data pooling at the national level. This countrywide data pool will help the banks in the UAE with a country specific PD (probability of default) and LGD (Loss Given Default) view, which would be statistically accurate and relevant versus each bank trying to use their limited default data pool in determining their own PD and LGD.

This kind of data pooling is beneficial to banks as they can use the benchmark data to present comparative analysis to external parties, such as regulators or rating agencies, assess the performance of their own banks against high management benchmarks, and benchmark their internal credit ratings and master rating scale.

Banks are also able to receive input for stress testing and scenario analysis, as well as manage their portfolio effectively based on pooled data with respect to default and recovery. Most importantly, this results in overall improvement in the quality of Risk Management throughout the banking industry.

Close-Out Netting (Derivatives): Increasing the Efficiency of Financial Markets

UBF has been working to bring home the benefits of close-out netting to the Central Bank and have put forth several recommendations such as: permit UAE banks to net derivatives transactions for regulatory capital purposes; for the purposes of any parties regulated by the Central Bank and notwithstanding any contrary law or regulation, close-out netting is recommended to be enforceable in the UAE with respect to bank counterparties, including in the event of insolvency. Extend payment netting and close-out netting to include clients besides interbank counterparties. Recognize and enforce foreign decisions given in relation to ISDA Master Agreements to the extent that these are not contrary to public interest or public policy; achieve netting directly by having a netting law in place instead of having legislative changes.

All the above actions would assist in the UAE being deemed a "netting jurisdiction" and therefore would allow UAE based counterparties to obtain the credit mitigation benefits and the regulatory capital benefits of such a designation.

Netting agreements increase the efficiency of financial markets, creating a more stable and predictable legal environment, through improved credit risk management, ease of operations, more efficient use of capital and better pricing both for local banks dealing with international counterparties, and their customers.

UBF Specialized Committees – Legal and Risk Management - had many meetings with the concerned committee at the Central Bank to discuss the recommendations of UBF and find ways to leverage UAE as a netting jurisdiction. UBF is continuing the discussions and deliberations in coordination with ISDA (International Swaps and Derivatives Association) and DIFC (Dubai International Financial Centre) on the subject.

Small and Medium Enterprises (SMEs): Defining the SME space in the UAE

ENCOURAGING SME activity by financing them sufficiently is becoming increasingly important for a burgeoning economy like the UAE. Therefore the Federation is working with the Central Bank to facilitate common understanding of an SME definition which can clearly indicate the size and scope of SME lending in the UAE, ensure an efficient execution of the new proposed definition amongst all banks in the UAE and maintain consistency of the implementation for the proposed definition through an ongoing monitoring process to be developed in due course. The overall objective of the definition is to define clearly the SME space in the UAE and hence help the regulators to arrive at a functional regulatory framework, which in turn will help all stakeholders address their relation to SMEs. A common definition serves as a reliable tangible tool to measure the performance of the SME sector within the overall economy over a period of time. Additionally, it serves as a baseline and framework for streamlining multiple initiatives aimed at and directed towards the development of SMEs as an engine for economic growth. The proposed definition is to become the basis of a unified SME definition to be used amongst the banks operating in the UAE.

Among the benefits envisaged through a clear definition of SMEs is that it would enable greater efficiency and effectiveness in banks policies, advocacy and execution through competitive and reliable SME banking. It will open new vistas for the government to initiate programs and policies for the good of UAE's economic development. It will also facilitate benchmarking with other global economies on the performance and contributions of the SME sector; and enable the growth potential of SMEs to corporate status.

The UBF SMEs Committee has been rallying support and suggestions from member banks to prop up the SME sector. The Committee continues to discuss all its recommendations on definition of SMEs with concerned officers of Central Bank.

Islamic Governance Unit (IGU): Formulating Guidelines, Policies and Regulations

AS an initiative for effective supervision and governance of Islamic Financial Institutions (IFIs) in the UAE in order to ensure a conducive regulatory environment for the growth of Islamic Banking and Finance Industry in the UAE. The Islamic Banking Committee has put forward its proposal to setup a Shari'ah Compliant Governance Unit (IGU) at the Central Bank to support the Islamic Banking and Finance from a regulatory supervision perspective.

The main objective of an IGU at CBUAE shall be to formulate guidelines, policies and regulations specific for IFIs to support the growth of Islamic Banking and Finance Industry in UAE.The guidelines and policies to be issued by IGU should be uniformly applicable to all types of Islamic Financial Institutions including but not limited to Islamic Banks, Islamic Windows, Islamic Finance Companies, Islamic Investment Companies, Islamic Brokerage Companies, etc.

The main characteristic of the IGU shall be its regulatory and supervisory role for IFIs in the UAE and as such shall maintain complete independence from IFIs operating in the UAE.

Customer Rights Charter: Providing Clear Guidelines on Standards of Service

DRAFT of the UBF Customer Rights Charter was approved by UBF Legal and Consumer Banking Committees and thereafter cleared by UBF CEOs Advisory Council. The Charter is scheduled to be launched in 2015.

The Customer Charter is a voluntary Code of Conduct adopted by members of the Federation to provide bank customers in the UAE with clear guidelines about the standards of service they can expect from their banks. It also contains details of the responsibilities of customers to ensure that their own behaviour does not prevent banks from providing secure and appropriate products and services to them. Through this Charter the UBF encourages all member banks to deliver the highest standards of customer service across their distribution channels and provide high quality and value added financial products and services to customers.

Swift Users Group hold Ordinary General Assembly

BESIDES the other initiatives, UBF committees have been involved intensively with the concerned committees in the Central Bank on other different topics.

Compliance Committee has been active with discussions with Central Bank on Anti-Money Laundering, Counter Terrorism Financing, Sanctions and Financial Crime.

Financial Markets Committee had several meetings with the concerned committee in Central Bank and discussed the draft of liquidity regulation. It had an in depth look at the proposed recommendations on the regulation especially the liquidity coverage ratio to comply with Basel III. The same committee and EIBOR (Emirates Interbank Offered Rate) panel continued their discussions in meetings with the Central Bank concerning the definition of EIBOR.

Legal Committee concluded its deliberations with Al Etihad Credit Bureau on the subscription agreement to pave the way for banks to start accessing credit reports.

Human Resources Committee has finalized its paper on Emiratization enhancement after consultation with all concerned stakeholders.

Islamic Banking Committee continued its discussions with the Central Bank on their proposal to establish a Sharia'h Compliant Governance Unit. It further stepped-up work to conclude standardization of contracts and documentation.

Swift Users Group, operating under the umbrella of UBF, held their Ordinary General Assembly and discussed the topics on the agenda including approval of the report of the managing committee of the group and the financial statements of 2013 and the budget of 2014. SWIFT Regional Office in Dubai delivered a presentation to the group on the topics such as Alliance Remote Gateway (ARG) service, SWIFT compliance roadmap and SWIFT Ref reference data, Hardware Security Module (HSM) Replacement, MQSA to MQHA certifications, Web Platform, SEPA routing directory and Bank Payment Obligation (BPO) rules.

Globally the UAE ranks 31 in sending and receiving messages through SWIFT service. Within Europe, Middle East and Africa, the UAE holds the 19th rank and among GCC states the UAE holds the number one position. When compared to all the GCC states during 2013-2014, the total messages sent via SWIFT from the UAE grew by 37.85 percent and 37.63 percent respectively and the sum of messages received jumped 42.85 percent and 41.63 percent respectively.

Volume of messages via SWIFT Service in UAE (comparative) (2013-2014)

TOTAL MESSAGES SENT				
	2013	2014	Growth	
Total GCC	48,079,271	57,660,917	19,93%	Total GCC
Total UAE	18,200,392	21,695,030	19,20%	Total UAE
UAE %	37,85%	37,63%	UAE %	

TOTAL MESSAGES RECEIVED				
	2013	2014	Growth	
Total GCC	35,303,555	44,241,270	31,25%	Total GCC
Total UAE	15,127,630	18,419,015	21,76%	Total UAE
UAE %	42,85%	41,63%	UAE %	

Source : SWIFT

Swift Users Group, operating under the umbrella of UBF, held their Ordinary General Assembly and discussed the topics on the agenda including approval of the report of the managing committee of the group and the financial statements of 2013 and the budget of 2014.

UAE Banks Federation hosts the second Middle East Banking Forum

UAE banks have always had to be creative to succeed, but in today's digital environment innovation is more important than ever. Branches are still popular, and customers like to talk to their bankers face-to-face or by telephone. But people and businesses are increasingly conducting their transactions and seeking advice through computers and mobile devices.

The UAE Banks Federation in partnership with *The Banker* hosted for the second time the annual Middle East Banking Forum 2014 with the title "Innovation in a Digitally Connected World", a one-day event addressing a number of concerns.

Some of these include: How are banks in the Middle East adapting to these global trends? How are they developing multi-channel strategies to meet their customers' changing needs? Are banks making a success out of social media, or is it a disaster waiting to happen? Are they able to compete against new entrants – not only start-up banks and foreign institutions looking for new markets, but non-banking organisations such as mobile phone companies? And with all of the new pressures they are facing, how do banks ensure their corporate governance frameworks are still fit for purpose and that management and staff continue to adhere to the highest ethical standards? Through a series of presentations, panel sessions and on-stage interviews, chief executives and other senior leaders from regional and international banks, experts and consultants put forth their thoughts on innovation in delivery channel strategy, governance and ethics, as well as new developments in financial regulation, SME finance and Islamic banking.

UBF CEOs Advisory Council Meets

UBF CEOs Advisory Council has been a proactive council meeting to discuss several issues. The Council allows CEOs to debate issues, which affect the effective operation of the banking industry in the UAE, its relations with key institutions such as the UAE Central Bank, and to agree priorities for the Federation's work programme. Throughout 2014, it met at different times to hold discussions on Customer Charter, Mobile Wallet, Al Etihad Credit Bureau, Cost Benchmarking in the Banking sector, UBF Technical Committees and the Annual Conference of the UBF. In its latest meeting, the Council reviewed the strong performance of the banking sector in the past year and discussed current key issues of concern to the banking industry.

The UBF honoured His Excellency Sultan Nasser Al Suwaidi, the former Governor of the Central Bank, who had held the office since 1991 in the presence of the new Governor, and Chairman of UBF, H.E Abdul Aziz Al Ghurair and His Excellency Mubarak Rashid Khamis Al Mansouri and the CEOs of member banks and heads of technical committees. The UBF also honoured the heads of UBF nine specialized committees for their efforts and valuable contributions.

H.E Abdul Aziz Al Ghurair, Chairman of the UAE Banks Federation, honored Mr. Marcus Hurry, former Deputy CEO of HSBC for his significant contribution and support to the federation over the past years.

The UAE Banks Federation's nine specialised Committees were commended for the valuable contribution and significant progress they have made on projects and overall co-ordination during 2014 at a ceremony of appreciation hosted by the Federation in Dubai. During the ceremony, H.E Abdul Aziz Al Ghurair presented Certificates of Appreciation to Chairmen of Committees, praising their outstanding performance, intensive efforts, and achievements done on different banking topics and related issues; stressing on their vital role in studying, preparing proposals and recommendations, and getting best solutions on time.