Keynote Speech

By

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Good morning,,

Excellencies,
Ladies & gentlemen

I am honored to be with you at the outset of this important conference, and thanks to the Monetary Authority of Singapore for the kind invitation.

I will speak today from a UAE Perspective, and will touch upon three issues, as follows:

I- Prospects for the UAE Economy

The UAE Economy will grow in 2010 and 2011 at an expected average rate of 4%, after a reasonable performance in 2009, with a small negative GDP growth of -2.1%, at current prices. The GDP size in 2009 was AED 914.3 Billion ($248.7 Billion).

The UAE is well placed to take advantage of any growth in the economies of the countries in the region, as it has full-fledged modern infrastructure to service stronger trade and investment flows.

Also, the UAE is embarking on a few landmark projects, like the Emirates Railway, nuclear power generation project for peaceful uses, and marine transportation network, to serve the region.

These projects are expected to add value and help expand other economic sectors, which will lead to further diversification of the UAE Economy.

II- The UAE Banking System

The UAE banking system is made-up of 23 national banks, 22 foreign banks, and 6 GCC banks. This puts the total number of banks with operational presence at 53, three of them are whole sale commercial banks. In addition we have 85 bank representative offices.

The number of finance companies and investment companies stand now at 44.

Moneychangers' number is 113, as these entities service the growing tourism industry.

The UAE banking sector continued to grow in 2009, with:

- Total assets/liabilities growing at 4.2% to AED 1.5 Trillion (US$ 411.3 Billion).

- Total deposits growing at 6.4% to AED 980 Bln (US$ 266.8 Billion).
- Total loans & advances growing at 4.1% to AED 1.010 Trillion (US$ 275 Billion).

III- Islamic Banking in the UAE

Islamic Banking started in the UAE with the incorporation of Dubai Islamic Bank, back in 1975.

Dubai Islamic Bank was the only Islamic bank for many years until the incorporation of Abu Dhabi Islamic Bank in 1998.

Since the year 2000 new Islamic banks were created through conversion from conversional to Islamic, or through incorporation of new banks.

The number of Islamic banks stand now at 8 with 219 branches and assets/liabilities of AED 242 Billion (US$ 65.8 Billion) as at the end of 2009, which represents 16% of total assets/liabilities of the banking system.

Deposits at Islamic banks are AED 183 Billion (US$ 49.8 Billion) as at 31/12/2009, which represents 18.7% of total deposits of the banking system.

Loans & Advances are 159 billion (US$ 43.3 Billion) as at the end of 2009, which represents 15.8% of total loans & advances of the banking system.

The growth of assets/liabilities of Islamic banks was at 6.5% in 2009, deposits grew at an impressive rate of 9.5%, and so did loans and advances, which grew at the rate of 5.5%, in rather a difficult year.

Figures of Islamic banks are impressive, but there are some challenges that would need the focused attention of the scholars.

The first such challenge is the rulings by the various Shari'ah boards of Islamic banks, which should be better coordinated and harmonized. This will satisfy an important requirement, i.e, setting of credible standards for Islamic banks.

Another challenge is the short-term liquidity management at Islamic banks and other financial institutions. This is not a straight forward issue and has been under discussion between Islamic banks and Central Bank of the UAE. There is now a reasonable proposal to advance a solution for this issue.

The third challenge is the distinction been Profit to shareholders and Profit to investors / depositors, which is not a clear–cut issue at the moment. We need a standard formula to calculate profit in an equitable and fair way at all Islamic banks.

Excellencies
Ladies & gentlemen

With this I come to the end of my speech, but before I close, I would like to thank MAS for inviting me and Mega Events for the excellent arrangements.

Thank you for your attention…