



مصرف الإمارات العربية المتحدة المركزي
CENTRAL BANK OF THE U.A.E.

United Arab Emirates
Monetary, Banking & Financial Markets Developments

2022 – 4th Quarter Report
February 2023

Introduction

As part of its commitment to promote economic and financial stability and growth in the UAE, the Central Bank of the UAE actively fosters a stable and efficient financial system by providing effective central banking services. The *United Arab Emirates Monetary, Banking and Financial Markets Developments Report* is one of the many avenues through which the Central Bank seeks to keep its stakeholders informed.

This report discusses the monetary and banking activities as well as developments in the UAE financial markets during the fourth quarter of 2022. The report also reviews ratios of annual change over the period from December 2021 to December 2022.

Monetary Developments

Money Supply **M₁**, which comprises Currency in Circulation outside Banks (Currency Issued - Cash at banks) plus Monetary Deposits, increased by 2.0% (q-o-q) during the fourth quarter of 2022.

On an annual basis, there was 5.1% (y-o-y) hike in the monetary aggregate **M₁**, reaching AED 737.4 billion at the end of December 2022.

Money Supply **M₂** (**M₁** plus Quasi Monetary Deposits (Resident Time and Savings Deposits in Dirham, plus Resident Deposits in Foreign Currencies)), grew by 3.5% (q-o-q) during the fourth quarter of 2022.

On an annual basis, there was 9.0% (y-o-y) increase in Money Supply **M₂**, reaching AED 1,703.0 billion at the end of December 2022.

Money Supply **M₃** (**M₂** plus government deposits at banks and at the Central Bank) also rose by 2.5% (q-o-q) during the fourth quarter of 2022.

On an annual basis, there was a 13.1% (y-o-y) rise in Money Supply **M₃**, reaching AED 2,100.1 billion at the end of December 2022.

Table 1 - Monetary Developments in the UAE											
(In Billions Dirhams - End of Period)											
	2021		2022								
	Fourth Quarter		First Quarter		Second Quarter		Third Quarter		Fourth Quarter*		
	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Change (%)
Quarterly											Annual
Money Supply (M₁)	701.9	5.0%	728.2	3.7%	726.2	-0.3%	723.0	-0.4%	737.4	2.0%	5.1%
Money Supply (M₂)	1,563.1	5.2%	1,593.4	1.9%	1,622.2	1.8%	1,645.6	1.4%	1,703.0	3.5%	9.0%
Money Supply (M₃)	1,856.7	3.9%	1,885.3	1.5%	1,939.9	2.9%	2,048.1	5.6%	2,100.1	2.5%	13.1%

Source- Data received from banks operating in the UAE

M₁ = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits

M₂ = M₁ + Quasi-Monetary Deposits

M₃ = M₂ + Government Deposits

*Estimates, subject to revision

Banking Sector Development

1- Banks Operating in the UAE

At the end of the fourth quarter of 2022, the number of locally incorporated banks decreased to 22 banks. The branches of these locally incorporated banks decreased to 498 branches at the end of December 2022. The number of electronic banking service units of these banks rose to 45 units at the end of the fourth quarter of 2022. The number of Cash Offices also remained constant at 21 Cash Offices at the end of December 2022.

The number of GCC banks continue to remain steady at the end of fourth quarter of 2022 at 6 banks, and one wholesale GCC Bank. The branches of these banks also remains constant at 6 branches at the end of December 2022. The number of other foreign banks increased to 22 banks with 67 branches. The number of electronic banking service units of these banks decreased to 21 units at the end of the fourth quarter of 2022. The number of cash offices of these banks remains consistent at one cash office during the fourth quarter of 2022.

The technological and structural advancements in the UAE financial sector has resulted in increased accessibility of mobile banking applications, online banking and ease in the use of automated teller machines (ATM) for the past several years. These improvements continue to pay off by enhancing smooth operations of the banking system.

At the end of the fourth quarter of 2022, the number of financial institutions licensed by the Central Bank, i.e., Wholesale Banks, Representative Offices, Finance Companies, Moneychangers and Offices for Intermediating in Currency Trading & Money Market Operations reached 11, 72, 16, 86 and 3, correspondingly.

The total number of ATM of banks operating in the UAE reached 4,426 by the end of December 2022.

Table-2 Banks, Other Financial Institutions & ATM									
2020 - 2022									
	2020	2021			2022				
	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec*
Locally Incorporated Banks									
Main Branches	21	21	21	21	22	22	23	23	22
Additional Branches	541	534	522	521	513	511	508	506	498
Electronic Banking Service Units	34	35	40	42	41	42	43	44	45
Cash Offices	23	22	22	20	20	20	21	21	21
GCC Banks (Excluding Wholesale Banks)									
Main Branches	6	6	6	6	6	6	6	6	6
Additional Branches	5	5	6	6	6	6	6	6	6
Other Foreign Banks									
Main Branches	21	21	21	21	21	21	21	21	22
Additional Branches	68	68	68	68	68	68	68	68	67
Electronic Banking Service Units	23	23	22	21	21	21	21	22	21
Cash Offices	1	1	1	1	1	1	1	1	1
Wholesale Banks	10	11							
of which GCC Banks	1	1	1	1	1	1	1	1	1
Representative Offices	86	83	83	81	78	77	76	73	72
Finance Companies	22	21	21	19	19	19	19	18	16
Moneychangers	97	94	93	89	89	87	86	86	86
Offices for Intermediating in Currency Trading & Money Market Operations	11	11	10	10	10	6	4	3	3
ATM	4,422	4,343	4,311	4,345	4,396	4,400	4,389	4,376	4,426

Source: Banking Supervision Department and UAESWITCH

**Estimates, subject to revision*

2- Bank Assets and Loans

At the end of the fourth quarter of 2022, total assets of banks operating in the UAE increased by 2.4% (q-o-q), reaching AED 3,669.7 billion. During the period between December 2021 and December 2022, the total assets of banks operating in the UAE increased by 10.5% (y-o-y).

Gross credit increased by 0.4% (q-o-q), reaching 1,881.1 billion at the end of December 2022. On an annual basis, gross credit increased by 4.9%.

3- Customer Deposits

At the end of December 2022, total deposits of resident and non-resident customers with banks operating in the UAE rose by 1.6% (q-o-q) and annually by 11.3% (y-o-y), reaching AED 2,222.1 billion. Resident deposits increased by 2.6% (q-o-q), reaching AED 2,009.1 billion at the end of the fourth quarter of 2022. Non-resident deposits decreased by 6.8% (q-o-q), settling at AED 213.0 billion by the end of December 2022.

On an annual basis, Resident deposits increased by 13.8%, whereas, Non-resident deposits fell by 7.8%.

4- Capital and Reserves

Capital adequacy ratios measure the amount of a bank's capital expressed as a percentage of its risk weighted exposures. A high capital adequacy ratio provides protection to depositors and promotes the stability and efficiency of the financial system of an economy. Effective December 2017, banks in the UAE follow Basel III principles for calculating the Capital Adequacy Ratios in line with the Regulation and Standards issued by the Central Bank.

Aggregate Capital and Reserves of banks operating in the UAE increased by 4.0% (q-o-q), reaching AED 429.7 billion at the end of the fourth quarter of 2022. At the end of the fourth quarter of 2022, Total Capital Adequacy Ratio stood at 17.3%, remaining well above the 13.0% Capital Adequacy Ratio, including the 2.5% Capital Conservation Buffer requirement and the 8.5% Tier1 Ratio, prescribed by the Central Bank regulations in compliance with the Basel III guidelines.

Table- 3: Banking Indicators											
(End of Month, Figures in billions of Dirhams unless otherwise indicated)											
	2021		2022								% Annual Change
	Dec	Quarterly Change (%)	Mar	Quarterly Change (%)	Jun	Quarterly Change (%)	Sep*	Quarterly Change (%)	Dec*	Quarterly Change (%)	
Total Assets	3,321.5	2.3%	3,336.4	0.4%	3,449.2	3.4%	3,583.0	3.9%	3,669.7	2.4%	10.5%
Banks' Investments in Monetary Bills & Islamic Certificates of Deposit	164.7	0.5%	163.4	-0.8%	150.9	-7.6%	145.7	-3.4%	164.7	13.0%	0.0%
Of which: Shariah Compliant Certificates of Deposit	49.1	-10.9%	44.8	-8.8%	39.0	-12.9%	25.3	-35.1%	52.5	107.5%	6.9%
Gross Credit ⁽¹⁾	1,794.0	1.0%	1,831.9	2.1%	1,866.1	1.9%	1,873.4	0.4%	1881.1	0.4%	4.9%
Personal Loans to Residents	347.6	1.1%	356.8	2.6%	361.2	1.2%	368.6	2.0%	374.8	1.7%	7.8%
Total Deposits ⁽²⁾	1,996.5	2.8%	2,006.2	0.5%	2,091.9	4.3%	2,186.9	4.5%	2222.1	1.6%	11.3%
Capital & Reserves ⁽³⁾	402.5	2.2%	395.5	-1.7%	399.3	1.0%	413.3	3.5%	429.7	4.0%	6.8%
Capital Adequacy Ratio ⁽⁴⁾	17.2%	-2.8%	17.1%	-0.6%	16.9%	-1.2%	17.5%	3.6%	17.3%	-1.1%	0.6%
Tier-1 Ratio	16.1%	-2.4%	16.0%	-0.6%	15.8%	-1.3%	16.3%	3.2%	16.1%	-1.2%	0.0%
Common Equity Tier 1(CET 1) Capital Ratio	14.2%	-3.4%	14.2%	0.0%	14.0%	-1.4%	14.5%	3.6%	14.4%	-0.7%	1.4%

⁽¹⁾ Includes credit to residents and non-residents: loans to non-banking financial institutions, Trade Bills Discounted and Loans and Advances to the Government and Public Sector, Private sector (corporates and individuals) in local and foreign currencies.

⁽²⁾ Net of inter-bank deposits and bank drafts, including commercial prepayments.

⁽³⁾ Excluding subordinated borrowings/deposits, but including current year profit.

⁽⁴⁾ Total Capital Ratio, Tier 1 Ratio and CET 1 Ratio for the period starting from Dec 2017 are calculated according to the Basel III Guidelines issued by CBUAE vide Circular 52/2017. Whereas CAR for period prior to Dec 2017 are according to Basel II Guidelines.

*Estimates, subject to revision

5- Foreign Assets of the Central Bank

At the end of the fourth quarter of 2022, the Central Bank's foreign assets increased by 16.4% (q-o-q), reaching AED 493.9 billion. This rise was because of quarterly increases in Current Account Balances & Deposits with banks abroad by 30.1% (a quarterly expansion of AED 72.7 billion) and in Foreign Securities by 12.3% (a quarterly rise of AED 14.8 billion), overshadowing the reduction in Other Foreign Assets by 28.2% (a quarterly fall of AED 17.9 billion).

From December 2021 to December 2022, central bank foreign assets increased by 5.9% (y-o-y).

6- Abu Dhabi and Dubai Financial Markets Values

Abu Dhabi's quarterly average Financial Market Index rose by 6.4% (q-o-q) during the fourth quarter of 2022. The quarterly average Market Capitalization of companies listed at the Abu Dhabi Securities Exchange (ADX) increased by AED 470.0 billion reaching AED 2,574.1 billion at the end of the fourth quarter of 2022. The Quarterly Traded Value increased by 5.2% (q-o-q) during the fourth quarter of 2022 settling at AED 92.6 billion.

On an annual basis, the Abu Dhabi Financial Market Index rose by 40.5%.

Dubai's quarterly average Financial Market Index decreased by 1.3% (q-o-q) during the fourth quarter of 2022. The quarterly average Market Capitalization of companies listed on the Dubai Financial Market (DFM) increased by AED 10.7 billion reaching AED 577.6 billion at the end of the fourth quarter of 2022. Quarterly Traded Value picked up by 2.9% (q-o-q) during the fourth quarter of 2022 leveling at AED 20.4 billion.

On an annual basis, the Dubai Financial Market Index increased by 20.9% (y-o-y).

	2020				2021				2022			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Number of listed Companies	69	69	69	73	74	76	80	82	83	86	86	89
General Share Price Index**	4,597.4	4,219.3	4,447.4	4,890.1	5,723.2	6,480.3	7,567.2	8,300.0	9,324.1	9,968.4	9,762.9	10,391.9
<i>Quarterly Variation (%)</i>	-9.3%	-8.2%	5.4%	10.0%	17.0%	13.2%	16.8%	9.7%	12.3%	6.9%	-2.1%	6.4%
<i>Annual Variation Y-o-Y (%)</i>	2.3%	-4.4%	-9.3%	-11.1%	-3.3%	13.0%	34.5%	54.6%	64.3%	63.2%	51.5%	40.5%
Market Capitalization (Billion AED)**	497.5	483.9	672.7	725.7	826.7	1,002.0	1,368.8	1,572.0	1,753.6	1,963.4	2,104.1	2,574.1
Quarterly Traded Values (Billion AED)	10.1	9.5	17.0	28.8	50.3	87.7	86.0	118.2	100.9	98.8	88.0	92.6

Source: Abu Dhabi Securities Exchange (ADX)

	2020				2021				2022			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Number of listed Companies*	66	67	65	65	64	64	64	62	62	63	65	67
General Share Price Index**	2,383.9	1,975.6	2,189.9	2,366.5	2,585.3	2,737.8	2,792.3	3,044.3	3,361.4	3,430.1	3,373.4	3,330.6
<i>Quarterly Variation (%)</i>	-12.7%	-17.1%	10.8%	8.1%	9.2%	5.9%	2.0%	9.0%	10.4%	2.0%	-1.7%	-1.3%
<i>Annual Variation Y-o-Y (%)</i>	-4.4%	-8.5%	-13.9%	-17.8%	-14.1%	-0.3%	13.0%	25.2%	30.9%	27.8%	26.0%	20.9%
Market Capitalization (Billion AED)**	338.9	289.2	307.6	328.7	353.9	379.0	387.1	399.2	421.6	554.2	566.9	577.6
Quarterly Traded Values (Billion AED)	14.2	16.9	19.3	14.7	15.4	13.0	9.8	32.2	22.8	26.6	19.8	20.4

**includes foreign companies*

Source: Dubai Financial Markets (DFM)

**The Quarterly Share Price Index and the Quarterly Market Capitalization are measured as the quarterly average of monthly observations.

***The annual variation of the Share Price Indices are measured as the yearly averages of monthly observations.