



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

United Arab Emirates
Monetary, Banking & Financial Markets Developments

2021 – 3rd Quarter Report
October 2021

Introduction

As part of its commitment to promote monetary and financial stability and growth in the UAE, the Central Bank of the UAE actively fosters a stable and efficient financial system through supervision and 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 third quarter of 2021. The report also reviews ratios of annual change over the period from September 2020 to September 2021.

Monetary Developments

Money Supply **M₁**, which comprises Currency in Circulation outside Banks (Currency Issued - Cash at banks) plus Monetary Deposits, increased by 1.4% (q-o-q) during the third quarter of 2021.

On an annual basis, there was 17.7% (y-o-y) hike in the monetary aggregate **M₁**, reaching AED 668.5 billion at the end of September 2021.

Money Supply **M₂** (**M₁** plus Quasi Monetary Deposits (Resident Time and Savings Deposits in Dirham, plus Resident Deposits in Foreign Currencies)), decreased by 0.2% (q-o-q) during the third quarter of 2021.

On an annual basis, there was 1.2% (y-o-y) increase in Money Supply **M₂**, reaching AED 1,485.9 billion at the end of the third quarter of 2021.

Money Supply **M₃** (**M₂** plus government deposits at banks and at the Central Bank) rose by 0.8% (q-o-q) during the third quarter of 2021.

On an annual basis, there was a 1.0% (y-o-y) reduction in Money Supply **M₃**, reaching AED 1,786.9 billion at the end of September 2021.

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Table 1 - Monetary Developments in the UAE

(In Billions Dirhams - End of Period)

	2020								2021						
	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		First Quarter		Second Quarter		Third Quarter*		
	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Change (%)	
														Quarterly	Annual
Money Supply (M₁)	542.7	5.4%	557.4	2.7%	568.0	1.9%	600.0	5.6%	642.3	7.1%	659.5	2.7%	668.5	1.4%	17.7%
Money Supply (M₂)	1454.9	3.0%	1458.0	0.2%	1468.7	0.7%	1478.5	0.7%	1487.5	0.6%	1488.5	0.1%	1485.9	-0.2%	1.2%
Money Supply (M₃)	1714.1	-0.2%	1752.3	2.2%	1805.7	3.0%	1769.3	-2.0%	1766.4	-0.2%	1772.6	0.4%	1786.9	0.8%	-1.0%

Source- Data received from banks operating in the UAE M_1 = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits M_2 = M_1 + Quasi-Monetary Deposits M_3 = M_2 + Government Deposits

*Estimates, subject to revision

Banking Sector Development

1- Banks Operating in the UAE

The number of locally incorporated banks remained constant at 21 banks at the end of the third quarter of 2021. The branches of these locally incorporated banks decreased to 521 branches at the end of September 2021. The number of electronic banking service units of these banks increased to 42 units at the end of the third quarter of 2021. The number of Cash Offices decreased to 20 Cash Offices at the end of September 2021.

The number of GCC banks continue to remain steady at the end of third quarter of 2021 at 6 banks. The branches of these banks also remained constant at 6 branches at the end of September 2021. The number of other foreign banks also remains unchanged at 21 banks with 68 branches. The number of electronic banking service units of these banks fell to 20 units at the end of the third quarter of 2021. The number of cash offices of these banks remains consistent at one cash office during the third quarter of 2021.

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 third quarter of 2021, 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 10, 76, 19, 89 and 10, respectively.

The total number of ATM of banks operating in the UAE reached 4,345 by the end of September 2021.

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Table-2 Banks, Other Financial Institutions & ATM									
2019 - 2021									
	2019		2020				2021		
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep*
Locally Incorporated Banks									
Main Branches	21	21	21	21	21	21	21	21	21
Additional Branches	664	656	640	611	559	541	534	522	521
Electronic Banking Service Units	33	33	34	33	32	34	35	40	42
Cash Offices	31	31	31	31	26	23	22	22	20
GCC Banks (Excluding Wholesale Banks)									
Main Branches	6	6	6	6	6	6	6	6	6
Additional Branches	4	4	4	4	5	5	5	6	6
Other Foreign Banks									
Main Branches	21	21	21	21	21	21	21	21	21
Additional Branches	75	75	74	74	73	68	68	68	68
Electronic Banking Service Units	21	22	22	22	23	23	23	22	21
Cash Offices	1	1	1	1	1	1	1	1	1
Wholesale Banks	11	11	11	11	11	10	10	10	10
- Of which GCC Banks	1	1	1	1	1	1	1	1	1
Representative Offices	87	87	87	86	86	86	83	83	76
Finance Companies	23	23	23	22	22	22	21	21	19
Moneychangers	123	104	102	100	97	97	94	93	89
Offices for Intermediating in Currency Trading & Money Market Operations	9	11	11	11	11	11	11	10	10
ATM	5,187	5,076	4,937	4,685	4,542	4,422	4,343	4,311	4,345

Source: Banking Supervision Department and UAESWITCH

**Estimates, subject to revision*

2- Bank Assets and Loans

At the end of the third quarter of 2021 total assets of banks operating in the UAE increased by 1.2% (q-o-q), reaching AED 3,247.1 billion. During the period between September 2020 and September 2021, the total assets of banks operating in the UAE decreased by 0.2% (y-o-y).

Gross credit increased by 0.4% (q-o-q), reaching 1,776.5 billion at the end of September 2021. On an annual basis, gross credit decreased by 1.6%.

3- Customer Deposits

At the end of the third quarter of 2021, total deposits of resident and non-resident customers with banks operating in the UAE rose by 1.8% (q-o-q), reaching AED 1,942.3 billion. Resident deposits increased by 1.0% (q-o-q), reaching AED 1,699.1 billion at the end of the third quarter of 2021. Non-resident deposits rose by 7.8% (q-o-q), reaching AED 243.2 billion by the end of September 2021.

On an annual basis, Resident deposits decreased by 1.0%, whereas, Non-resident deposits increased by 27.1%.

4- Capital and Reserves

Aggregate Capital and Reserves of banks operating in the UAE increased by 2.4% (q-o-q), reaching AED 393.7 billion at the end of the third quarter of 2021. At the end of the third quarter of 2021, Total Capital Adequacy Ratio stood at 17.7%, 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.

Although the Capital Conservation Buffer remains at 2.5%, banks may tap into the capital conservation buffer up to a maximum of 60% without supervisory consequences, effective 15 March 2020. The Domestic Systemically Important Banks' (D-SIBs) buffer remains the same; however, they may use 100% of their D-SIB buffer without supervisory consequences, effective 15 March 2020.

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 Guidelines issued by the Central Bank.

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Table- 3: Banking Indicators

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

	2020				2021						% Annual Change
	Sep	Quarterly Change (%)	Dec	Quarterly Change (%)	Mar	Quarterly Change (%)	Jun	Quarterly Change (%)	Sep*	Quarterly Change (%)	
Total Assets	3252.5	2.0%	3188.0	-2.0%	3175.9	-0.4%	3208.8	1.0%	3247.1	1.2%	-0.2%
Banks' Investments in Central Bank CDs	151.3	-15.2%	129.3	-14.5%	147.4	14.0%	150.6	2.2%	163.9	8.8%	8.3%
Shariah Compliant Certificates of Deposits	53.1	14.4%	45.3	-14.7%	50.3	11.0%	58.9	17.1%	55.1	-6.5%	3.8%
Gross Credit ⁽¹⁾	1804.6	0.8%	1779.0	-1.4%	1754.4	-1.4%	1769.4	0.9%	1776.5	0.4%	-1.6%
Personal Loans to Residents	326.7	0.6%	329.5	0.9%	330.9	0.4%	336.5	1.7%	343.8	2.2%	5.2%
Total Deposits ⁽²⁾	1907.2	2.2%	1884.5	-1.2%	1881.3	-0.2%	1908.6	1.5%	1942.3	1.8%	1.8%
Capital & Reserves ⁽³⁾	389.8	1.9%	392.8	0.8%	378.1	-3.7%	384.5	1.7%	393.7	2.4%	1.00%
Capital Adequacy Ratio ⁽⁴⁾	18.0%	2.3%	18.2%	1.1%	17.9%	-1.6%	17.5%	-2.2%	17.7%	1.1%	-1.7%
Tier-1 Ratio	16.9%	3.0%	17.1%	1.2%	16.7%	-2.3%	16.3%	-2.4%	16.5%	1.2%	-2.4%
Common Equity Tier 1 (CET 1) Capital Ratio	15.1%	2.7%	14.9%	-1.3%	14.7%	-1.3%	14.5%	-1.4%	14.7%	1.4%	-2.6%

⁽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 third quarter of 2021, the Central Bank's foreign assets increased by 3.5% (q-o-q), reaching AED 417.2 billion. This increase was mainly ascribed to quarterly increases in Current Account Balances & Deposits with banks abroad by 7.2% (a quarterly increase of AED 16.6 billion) and in Other Foreign Assets by 9.2% (a quarterly increase of AED 3.8 billion), overshadowing the reduction in Foreign Securities by 4.9% (a quarterly decrease of AED 6.3 billion).

From September 2020 to September 2021, Central Bank Foreign Assets increased by 17.0% (y-o-y).

6- Abu Dhabi and Dubai Financial Markets Values

Abu Dhabi's quarterly average Financial Market Index rose by 16.8% (q-o-q) during the third quarter of 2021. The quarterly average Market Capitalization of companies listed at the Abu Dhabi Securities Exchange (ADX) increased by AED 366.8 billion reaching AED 1368.8 billion at the end of the third quarter of 2021. The Quarterly Traded Value decreased by 1.9% (q-o-q) during the third quarter of 2021 reaching AED 86.0 billion.

On an annual basis, the Abu Dhabi Financial Market Index rose by 34.5%.

Dubai's quarterly average Financial Market Index showed an increase by 2.0% (q-o-q) during the third quarter of 2021. The quarterly average Market Capitalization of companies listed on the Dubai Financial Market (DFM) increased by AED 8.1 billion reaching AED 387.1 billion at the end of the third quarter of 2021. Quarterly Traded Value fell by 24.6% (q-o-q) during the third quarter of 2021 reaching AED 9.8 billion.

On an annual basis, the Dubai Financial Market Index increased by 13.0% (y-o-y).

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Table 4: Abu Dhabi Securities Exchange (ADX) Indicators

	2019				2020				2021		
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep
Number of listed Companies	70	70	70	70	69	69	69	73	74	76	81
General Share Price Index**	5085.8	5080.5	5180.3	5071.4	4597.4	4219.3	4447.4	4890.1	5723.2	6480.3	7567.2
<i>Quarterly Variation (%)</i>	4.6%	-0.1%	2.0%	-2.1%	-9.3%	-8.2%	5.4%	10.0%	17.0%	13.2%	16.8%
<i>Annual Variation Y-o-Y (%)</i>	9.2%	10.9%	9.5%	7.5%	2.3%	-4.4%	-9.3%	-11.1%	-3.3%	13.0%	34.5%
Market Capitalization (Billion AED)**	520.0	527.9	538.6	528.6	497.5	483.9	672.7	725.7	826.7	1002.0	1368.8
Quarterly Traded Values (Billion AED)	10.9	12.7	11.2	9.9	10.1	9.5	17.0	28.8	50.3	87.7	86.0

Source: Abu Dhabi Securities Exchange (ADX)

Table 5: Dubai Financial Markets (DFM) Indicators

	2019				2020				2021		
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep
Number of listed Companies*	67	67	67	66	66	67	65	65	64	64	64
General Share Price Index**	2612.7	2682.0	2819.4	2730.2	2383.9	1975.6	2189.9	2366.5	2585.3	2737.8	2792.3
<i>Quarterly Variation (%)</i>	-1.8%	2.7%	5.1%	-3.2%	-12.7%	-17.1%	10.8%	8.1%	9.2%	5.9%	2.0%
<i>Annual Variation Y-o-Y (%)</i>	-19.1%	-18.5%	-14.2%	-7.6%	-4.4%	-8.5%	-13.9%	-17.8%	-14.1%	-0.3%	13.0%
Market Capitalization (Billion AED)**	347.4	355.2	368.2	371.3	338.9	289.2	307.6	328.7	353.9	379.0	387.1
Quarterly Traded Values (Billion AED)	11.3	12.8	13.9	13.5	14.2	16.9	19.3	14.7	15.4	13.0	9.8

includes foreign companiesSource: 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.