



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

**United Arab Emirates**  
**Monetary, Banking & Financial Markets Developments**

**2016 - 4<sup>th</sup> Quarter Report**  
**February 2017**

## 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 2016, in comparison to the fourth quarter of the previous year. The report also reviews ratios of annual change over the period from December 2015 to December 2016.

## Monetary Developments

Money Supply  $M_1$ , which comprises Currency in Circulation outside Banks (Currency Issued - Cash at banks) plus Monetary Deposits, increased by 0.3% during the fourth quarter of 2016, compared to a 0.7% increase during the same period last year. On an annual basis, the monetary aggregate  $M_1$  increased by 3.7% reaching AED 474 billion.

Money Supply  $M_2$  ( $M_1$  plus Quasi Monetary Deposits (Resident Time and Savings Deposits in Dirham plus Resident Deposits in Foreign Currencies)), increased by 2.1% during the fourth quarter of 2016, compared to a 2.5% increase during the same period last year. On an annual basis,  $M_2$  increased by 3.3% reaching AED 1225.5 billion.

Consequently, Money Supply  $M_3$  ( $M_2$  plus government deposits at banks and at the Central Bank) also increased by 3.1% during the fourth quarter of 2016 as compared to a 1.6% increase during the fourth quarter of 2015. On an annual basis, Money Supply  $M_3$  increased by 5.1% reaching AED 1411.4 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 all the resident sectors except the government sector in the UAE. Statistical data show that at the end of the fourth quarter of 2016,  $M_2$  increased relatively slower in comparison to its position at the end of the fourth quarter of 2015. The increase in  $M_2$  during the fourth quarter of 2016 was mainly due to an increase in non-government resident deposits by 2.2% (an increase of AED 24.8 billion) reaching 1,163.2 billion.

Table 1 - Monetary Developments in the UAE

(In Billions Dirhams - End of Period)

	2014		2015		2016									
	Fourth Quarter		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 (%)	Amount	Quarterly Change (%)	Change (%)	
													Quarterly	Annual
<b>Money Supply (M<sub>1</sub>)</b>	436.1	1.2%	456.9	0.7%	490.3	7.3%	481.0	-1.9%	472.5	-1.8%	474.0	0.3%	3.7%	
<b>Money Supply (M<sub>2</sub>)</b>	1125.4	0.5%	1186.8	2.5%	1218.4	2.7%	1180.4	-3.1%	1200.2	1.7%	1225.5	2.1%	3.3%	
<b>Money Supply (M<sub>3</sub>)</b>	1314.5	-0.9%	1342.8	1.6%	1373.8	2.3%	1364.8	-0.7%	1368.6	0.3%	1411.4	3.1%	5.1%	

*Source- Data received from banks operating in the UAE*

**M<sub>1</sub>** = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits

**M<sub>2</sub>** = M<sub>1</sub> + Quasi-Monetary Deposits

**M<sub>3</sub>** = M<sub>2</sub> + Government Deposits

\*Estimates, subject to revision

## **Banking Sector Development**

### **1- Banks Operating in the UAE**

The number of locally incorporated banks remains at 23 banks by the end of the fourth quarter of 2016, while their branches decreased from 874 at the end of the fourth quarter of 2015 to 846 at the end of the same period of 2016. The number of electronic services units of these banks decreased at the end of fourth quarter of 2016 to 33 from 37 at the end of December 2015. The number of Cash Offices decreased from 90 offices by the end of December 2015 to 76 offices by the end of December 2016.

The number of GCC banks remains constant during the fourth quarter of 2016 at 6 banks, with 4 branches. The number of other foreign banks also remains unchanged at 20 banks, while their branches decreased from 82 at the end of the fourth quarter of 2015 to 81 at the end of the same period of 2016. The number of electronic services units of these banks decreased from 40 units at the end of December 2015 to 31 units at the end of December 2016.

At the end of the fourth quarter of 2016, the number of financial institutions licensed by the Central Bank i.e., Wholesale Banks, Representative Offices, Finance Companies, Financial Investment Companies, Moneychangers and Offices for Intermediating in Currency Trading & Money Market Operations reached 11, 114, 27, 25, 140 and 11, respectively.

The total number of ATM of banks operating in the UAE reached 5,243 by the end of December 2016, compared to 5,119 at the end of December 2015 (see table 2 for more details).

Table-2 Banks, Other Financial Institutions & ATMs													
2013 - 2016													
	2013	2014				2015				2016			
	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec*
<b>Locally Incorporated Banks</b>													
Main Branches	23	23	23	23	23	23	23	23	23	23	23	23	23
Additional Branches	841	843	858	866	869	871	873	875	874	874	862	857	846
Electronic Banking Service Units	29	29	33	33	34	31	32	34	37	39	33	32	33
Cash Offices	89	89	89	89	90	90	90	90	90	90	86	85	76
<b>GCC Banks</b>													
Main Branches	6	6	6	6	6	6	6	6	6	6	6	6	6
Additional Branches	4	4	4	4	4	4	4	4	4	4	4	4	4
<b>Foreign Banks</b>													
Main Branches	22	22	22	22	20	20	20	20	20	20	20	20	20
Additional Branches	83	83	83	83	82	82	82	82	82	81	82	81	81
Electronic Banking Service Units	52	53	53	54	48	48	48	45	40	41	42	41	31
Cash Offices	1	1	1	1	1	1	1	1	1	1	1	1	1
Wholesale Banks	4	4	5	5	7	8	8	8	8	9	9	10	11
Representative Offices	120	120	122	121	121	122	122	121	115	114	114	114	114
Finance Companies	25	25	26	26	26	26	26	26	27	27	27	27	27
Financial Investment companies	25	25	25	25	25	25	25	25	25	25	25	25	25
Moneychangers	134	134	137	138	140	140	141	142	140	139	139	139	140
Offices for Intermediating in Currency Trading & Money Market Operations	12	12	12	12	12	12	12	12	12	12	11	11	11
<b>ATMs</b>	4,664	4,642	4,646	4,740	4,847	4,879	4,920	5,003	5,119	5,144	5,118	5,170	5,243

Source: Banking Supervision Department and UAESWITCH

\*Estimates, subject to revision

## 2- Bank Assets and Loans

Between the end of the fourth quarter of 2015 and the end of the fourth quarter of 2016, total assets of banks operating in the UAE increased by 5.4%, reaching AED 2,610.8 billion by the end of December 2016.

This hike was mainly brought about by 6% increase in credit, reaching AED 1,574 billion by the end of December 2016.

## 3- Customer Deposits

By the end of the fourth quarter of 2016, total deposits of resident and non-resident customers with banks operating in the UAE also increased by 6.2%, reaching AED 1,562.9 billion, compared to AED 1,471.6 billion at the end of the fourth quarter of 2015. Resident deposits increased by 4.9%, reaching AED 1363.9 billion at the end of the fourth quarter of 2016, compared to AED 1300.1 billion at the end of the fourth quarter of 2015. Non-resident deposits also increased by 16%, reaching AED 199 billion by the end of December 2016, compared to AED 171.5 billion at the end of the same period of 2015.

## 4- Capital and Reserves

Aggregate Capital and Reserves of banks operating in the UAE increased by 6.8% rising from AED 324.8 billion at the end of the fourth quarter of 2015 to AED 346.9 billion at the end of the same period of 2016. Compared to the last quarter of 2015, the total Capital Adequacy Ratios improved during the last quarter of 2016, remaining well above the 12% Capital Adequacy and 8% Tier1 ratios prescribed by the Central Bank regulations.

Capital adequacy ratios measure the amount of a bank's capital expressed as a percentage of its risk weighted credit exposures. A high capital adequacy ratio provides protection to depositors and promotes the stability and efficiency of the financial system of an economy.

**Table- 3: Banking Indicators**

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

	2014		2015			2016						% Annual Change	
	Dec	Quarterly Change (%)	Dec	Quarterly Change (%)	Mar	Quarterly Change (%)	Jun	Quarterly Change (%)	Sep	Quarterly Change (%)	Dec*		Quarterly Change (%)
<b>Total Assets</b>	2304.9	-0.3%	2478.2	2.3%	2491.1	0.5%	2518.5	1.1%	2550.1	1.3%	2610.8	2.4%	5.4%
Banks' Investments in Central Bank CDs	99.5	-15.8%	139.8	43.5%	115.4	-17.5%	109.1	-5.5%	103.8	-4.9%	108.2	4.2%	-22.6%
Shariah Compliant Certificates of Deposits	19.8	-24.4%	20.9	2.2%	27.1	29.7%	21.9	-19.2%	16.7	-23.7%	20.1	20.4%	-3.8%
Gross Credit <sup>(1)</sup>	1378.1	-0.3%	1485.0	0.4%	1517.5	2.2%	1543.4	1.7%	1566.0	1.5%	1574.0	0.5%	6.0%
Personal Loans to Residents	299.8	-2.3%	330.7	0.3%	336.1	1.6%	341.9	1.7%	345.8	1.1%	348.2	0.7%	5.3%
Total Deposits <sup>(2)</sup>	1421.3	0.5%	1471.6	2.4%	1502.6	2.1%	1493.0	-0.6%	1508.7	1.1%	1562.9	3.6%	6.2%
Capital & Reserves <sup>(3)</sup>	299.1	3.0%	324.8	3.1%	316.6	-2.5%	330.5	4.4%	339.4	2.7%	346.9	2.2%	6.8%
Capital Adequacy Ratio	18.2%	-0.5%	18.3%	0.0%	18.0%	-1.6%	18.4%	2.2%	18.6%	1.1%	19.0%	2.2%	3.8%
Tier-I Ratio	16.2%	-0.6%	16.6%	0.6%	16.3%	-1.8%	16.8%	3.1%	16.9%	0.6%	17.3%	2.4%	4.2%

<sup>(1)</sup> 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.

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

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

\*Estimates, subject to revision

## 5- Foreign Assets of the Central Bank

The Central Bank's foreign assets decreased by 8.9% from AED 341.1 billion at the end of the fourth quarter of 2015 to AED 310.9 billion at the end of the fourth quarter of 2016. This fall was mainly attributed to a decrease in Current Account Balances & Deposits with banks abroad by 13.9% (a reduction of AED 23.9 billion) and a decrease in Held-to-Maturity Foreign Securities by 9.2% (a reduction of AED 15.2 billion), overshadowing an increase in Other Foreign Assets by 184.6% (an increase of AED 8.9 billion).

## 6- Values in Abu Dhabi and Dubai Financial Markets

Abu Dhabi's quarterly average Financial Market Index decreased by 2.7% during the fourth quarter of 2016 compared to a 7% fall in the fourth quarter of 2015, although registering an overall annual increase by 2.3%. The quarterly average Market Capitalization of companies listed at the Abu Dhabi Securities Exchange (ADX) increased by AED 24.2 billion from AED 436.9 billion at the end of the fourth quarter of 2015 to AED 461.1 billion at the end of the fourth quarter of 2016 (an annual increase by 5.5%). However, quarterly Trading Value fell from AED 13.7 billion during the fourth quarter of 2015 to AED 11.3 billion during the fourth quarter of 2016 (an annual reduction by 17.2%).

Dubai's quarterly average Financial Market Index only decreased by 2.3% during the fourth quarter of 2016 compared to a 13.5% reduction during the same period in 2015, although registering an annual increase of 3.7%. The quarterly average Market Capitalization of companies listed at the Dubai Financial Market (DFM) increased by AED 2.5 billion from AED 323.3 billion at the end of the fourth quarter of 2015 to AED 325.8 billion at the end of the fourth quarter of 2016 (an annual increase by 0.8%). Similarly, quarterly Trading Value also increased from AED 19.1 billion during the fourth quarter of 2015 to AED 42 billion during the fourth quarter of 2016 (an annual increase by 119.7%).



	2015				2016			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
<b>Number of listed Companies</b>	69	69	69	70	69	69	69	69
<b>General Share Price Index*</b>	4,537.0	4,632.7	4,610.3	4,288.6	4,265.4	4,430.5	4,507.6	4,385.1
<b>Quarterly Variation (%)</b>	-3.2%	2.1%	-0.5%	-7.0%	-0.5%	3.9%	1.7%	-2.7%
<b>Market Capitalization (Billion AED)*</b>	423.7	433.2	443.0	436.9	441.1	449.4	475.5	461.1
<b>Quarterly Traded Values (Billion AED)</b>	13.4	16.3	13.3	13.7	14.8	10.7	8.5	11.3

*Source: Abu Dhabi Securities Exchange (ADX)*

	2015				2016			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
<b>Number of listed Companies</b>	59	59	59	60	60	60	60	61
<b>General Share Price Index*</b>	3,684.5	4,079.7	3,799.7	3,286.3	3,197.7	3,372.2	3,487.7	3,408.1
<b>Quarterly Variation (%)</b>	-	10.7%	-6.9%	-13.5%	-2.7%	5.5%	3.4%	-2.3%
<b>Market Capitalization (Billion AED)*</b>	331.7	366.2	360.4	323.3	312.4	332.4	337.0	325.8
<b>Quarterly Traded Values (Billion AED)</b>	38.2	65.2	28.9	19.1	40.6	28.9	21.7	42.0

*Source: Dubai Financial Markets (DFM)*

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