



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

United Arab Emirates Monetary, Banking & Financial Markets Developments

4th Quarter 2015

February 2016

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 2015, in comparison to the fourth quarter of the previous year. The report also reviews ratios of annual change over the period from December 2014 to December 2015.

Monetary Developments

Money Supply M_1 , which comprises Currency in Circulation outside Banks (Currency Issued - Cash at banks) plus Monetary Deposits, increased by 0.7% during the fourth quarter of 2015, compared to a 1.2% increase during the same period last year. On an annual basis, the monetary aggregate M_1 increased by 4.8%, reaching AED 457.0 billion.

Money Supply M_2 (M_1 plus Quasi Monetary Deposits (saving accounts, time deposits, and all deposits in foreign currencies), also increased by 2.4% during the fourth quarter of 2015, compared to a 0.4% increase during the same period last year. On an annual basis, M_2 increased by 5.5% reaching AED 1,204.4 billion.

Consequently, Money Supply M_3 (M_2 plus government deposits at banks and at the Central Bank) also increased by 1.6% during the fourth quarter of 2015 as compared to a 0.9% decrease during the fourth quarter of 2014. On an annual basis, Money Supply M_3 increased by 2.4 % to reach 1,363.6 billion.

On an annual basis, the growth of M_1 , M_2 and M_3 was 4.8 %, 5.5% and 2.4%, respectively. 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 M_2 increased at the end of the fourth quarter of 2015 in comparison to the position at the end of fourth quarter of 2014, which was mainly due to the increase of resident non -government deposits by 5.9% (increase of AED 63.9 billion) to reach AED 1146 billion.

Table 1 - Monetary Developments in the UAE

(In Billions Dirhams - End of Period)

	2014								2015								
	First Quarter		Second Quarter		Third 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 (%)	Amount	Quarterly Change (%)	Amount	Change (%)	
																Quarterly	Annual
Money Supply (M₁)	412	8.5%	434.3	5.4%	431.1	-0.7%	436.1	1.2%	456.9	4.8%	464.1	1.6%	453.6	-2.3%	457.0	0.7%	4.8%
Money Supply (M₂)	1,124.3	6.4%	1,142.6	1.6%	1,136.1	-0.6%	1,141.1	0.4%	1,178.8	3.3%	1,190.0	1.0%	1,176.4	-1.1%	1,204.4	2.4%	5.5%
Money Supply (M₃)	1,280.2	4.9%	1,328.4	3.8%	1,344.2	1.2%	1,332.0	-0.9%	1,364.1	2.4%	1,355.1	-0.7%	1,341.9	-1.0%	1,363.6	1.6%	2.4%

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

The number of locally incorporated banks remained consistent at 23 banks by the end of the fourth quarter of 2015, while their branches increased from 869 at the end of the fourth quarter of 2014 to 874 at the end of the same period of 2015. The number of electronic services units of these banks increased at the end of fourth quarter of 2015 to 37 from 34 at the end of December 2014. The number of Cash Offices remained constant at 90 offices by the end of December 2015.

The number of GCC banks continued to remain constant during the fourth quarter of 2015 at 6 banks, with 4 branches. Similarly, the number of foreign banks also remained unchanged at 20 banks with a total of 82 branches. The number of electronic services units of these banks decreased from 48 units at the end of December 2014 to 40 units at the end of December 2015.

At the end of the fourth quarter of 2015, the number of financial institutions licensed by the Central Bank, i.e., finance companies, financial investment companies, and offices for intermediation in currency trading and money market operations remained constant at 26, 25 and 12, respectively. Whereas, from the fourth quarter of 2014 to the fourth quarter of 2015, the number of wholesale banks and money changers increased from 7 to 8 and from 140 to 143 respectively while the number of representative offices decreased from 121 to 115.

The total number of ATMs of banks operating in the UAE reached 5,119 by the end of December 2015, compared to 4,847 at the end of December 2014 (see table 2 for more details).

**Table-2 Banks, Other Financial Institutions & ATMs
2013 - 2015**

	2013				2014				2015			
	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.*
Locally Incorporated Banks												
Main Branches	23	23	23	23	23	23	23	23	23	23	23	23
Additional Branches	810	824	832	841	843	858	866	869	871	873	875	874
Electronic Banking Service Units	28	28	29	29	29	33	33	34	31	32	34	37
Cash Offices	89	89	89	89	89	89	89	90	90	90	90	90
GCC Banks												
Main Branches	6	6	6	6	6	6	6	6	6	6	6	6
Additional Branches	3	3	3	4	4	4	4	4	4	4	4	4
Foreign Banks												
Main Branches	22	22	22	22	22	22	22	20	20	20	20	20
Additional Branches	83	83	83	83	83	83	83	82	82	82	82	82
Electronic Banking Service Units	54	54	54	52	53	53	54	48	48	48	45	40
Cash Offices	1	1	1	1	1	1	1	1	1	1	1	1
Wholesale Banks	4	4	4	4	4	5	5	7	8	8	8	8
Representative Offices	120	120	117	120	120	122	121	121	122	122	121	115
Finance Companies	25	25	25	25	25	26	26	26	26	26	26	26
Financial Investment companies	23	23	23	25	25	25	25	25	25	25	25	25
Moneychangers	124	128	131	134	134	137	138	140	140	141	142	143
Offices for Intermediating in Currency Trading & Money Market Operations	12	12	12	12	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	4,879	4,921	5,003	5,119

Source: Banking Supervision Department and UAESWITCH

*Estimates, subject to revision

2- Bank Assets and Loans

Between the end of the fourth quarter of 2014 and the end of the fourth quarter of 2015, total assets of banks operating in the UAE increased by 7.4%, reaching AED 2.47 trillion by the end of December 2015.

This hike was mainly brought about by 7.8% increase in credit, reaching AED 1.49 trillion by the end of December 2015.

3- Customer Deposits

By the end of the fourth quarter of 2015, total deposits of resident and non-resident customers with banks operating in the UAE also increased by 3.5%, reaching AED 1.47 trillion, compared to the AED 1.42 trillion at the end of the fourth quarter of 2014. Resident deposits increased by 2.6%, reaching AED 1.30 trillion, compared to the AED 1.27 trillion at the end of the fourth quarter of 2014. Non-resident deposits also increased by 11.4%, reaching AED 171.5 billion, compared to the AED 154 billion at the end of the fourth quarter of 2014.

4- Capital and Reserves

Aggregate capital and reserves of banks operating in the UAE increased from AED 282.7 billion at the end of the fourth quarter of 2014 to AED 308.1 billion at the end of the same period of 2015. Capital and reserves increased by 9% during 2015. The total capital adequacy ratios remained 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								% Annual Change
	March	Quarterly Change (%)	June	Quarterly Change (%)	Sep.	Quarterly Change (%)	Dec.	Quarterly Change (%)	March	Quarterly Change (%)	June	Quarterly Change (%)	Sep.	Quarterly Change (%)	Dec.*	Quarterly Change (%)	
Total Assets⁽¹⁾	2,180.4	3.8%	2,236.9	2.6%	2,311.3	3.3%	2,304.9	-0.3%	2,379.9	3.3%	2,419.5	1.7%	2,422.2	0.1%	2,474.4	2.2%	7.4%
Banks' Investments in Central Bank CDs	119.1	10.4%	125.8	5.6%	118.3	-6.0%	99.5	-15.9%	111.7	12.3%	101.3	-9.3%	97.4	-3.8%	139.8	43.5%	40.5%
Shariah Compliant Certificates of Deposits	33.5	-1.8%	32.9	-1.8%	26.2	-20.4%	19.8	-24.4%	22.1	11.6%	21.2	-4.1%	20.5	-3.5%	20.9	2.2%	5.6%
Gross Credit ⁽¹⁾	1,303.4	2.2%	1,329.7	2.0%	1,381.9	3.9%	1,378.1	-0.3%	1,410.2	2.3%	1,446.7	2.6%	1,478.5	2.2%	1,485.5	0.5%	7.8%
Personal Loans to Residents	286.7	2.3%	295.5	3.1%	306.8	3.8%	299.8	-2.3%	309.8	3.3%	319.3	3.1%	329.7	3.3%	331.6	0.6%	10.6%
Total Deposits ⁽²⁾	1,331.7	4.1%	1,400.2	5.1%	1,414.5	1.0%	1,421.3	0.5%	1,449.3	2.0%	1,444.3	-0.3%	1,436.8	-0.5%	1,471.6	2.4%	3.5%
Capital & Reserves ⁽³⁾	288.4	7.5%	287.2	-0.4%	283.8	-1.2%	282.7	-0.4%	311.1	10.0%	311.0	0.0%	307.5	-1.1%	308.1	0.2%	9.0%
Capital Adequacy Ratio	18.5%	-4.1%	18.2%	-1.6%	18.3%	0.5%	18.2%	-0.5%	18.2%	0.0%	18.3%	0.5%	18.3%	0.0%	18.3%	0.0%	0.5%
Tier-1 Ratio	16.2%	-4.1%	16.0%	-1.2%	16.3%	1.9%	16.2%	-0.6%	16.2%	0.0%	16.5%	1.9%	16.5%	0.0%	16.6%	0.6%	1.9%

⁽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 current year profit & including subordinated borrowings/deposits

*Estimates, subject to revision

5- Foreign Assets of Central Bank

Central Bank's foreign assets increased by 20.1% from AED 283.9 billion at the end of the fourth quarter of 2014 to AED 341.1 billion at the end of the fourth quarter of 2015. This increase was mainly attributed to an increase in Cash, Bank Balances & Deposits with Banks Abroad by 48.8% (increase of AED 56.31 billion) and in Held-to-Maturity Foreign Securities by 4.3% (increase of AED 6.75 billion). However, there was a decrease in Other Foreign Assets by 54.8% (decrease of AED 5.86 billion).

6- Values in UAE Financial Markets

The UAE financial markets general index fell by 6.6% from the fourth quarter of 2014 to the fourth quarter of 2015. Market capitalization of companies listed on financial markets also decreased from AED 728.4 billion at the end of December 2014 to AED 693.9 billion at the end of December of 2015. Similarly, quarterly trading value fell from AED 86.7 billion at the end of the fourth quarter of 2014 to AED 33.1 billion at the end of the corresponding quarter of 2015.

Table 4: UAE Financial Markets Indicators

	2012				2013				2014				2015			
	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.
Number of listed Companies	127	127	125	123	123	121	120	120	120	120	121	125	126	126	127	128
General Share Price Index	2,541.9	2,370.3	2,529.3	2,561.2	2,925.6	3,402.8	3,817.0	4,313.6	5,083.6	4,657.8	5,378.0	4,580.1	4,479.9	4,927.3	4,611.4	4,279.8
Quarterly Variation (%)	--	-6.8%	6.7%	1.3%	14.2%	16.3%	12.2%	13.0%	17.9%	-8.4%	15.5%	-14.8%	-2.2%	10.0%	-6.4%	-7.2%
Market Capitalization (Billion AED)	375.8	350.8	374.3	379.1	434.8	509.9	571.9	646.3	763.1	699.2	808.3	728.4	726.2	798.7	747.6	693.9
Quarterly Traded Values (Billion AED)	12.5	3.1	12.7	13.4	33.4	59.9	70.7	80.4	162.1	180.0	97.0	86.7	51.8	81.8	42.7	33.1

Source: UAE Securities & Commodities Authority