



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

United Arab Emirates
Monetary, Banking & Financial Markets Developments

2021 – 4th Quarter Report

March 2022

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 2021. The report also reviews ratios of annual change over the period from December 2020 to December 2021.

Monetary Developments

Money Supply M_1 , which comprises Currency in Circulation outside Banks (Currency Issued - Cash at banks) plus Monetary Deposits, increased by 5.0% (q-o-q) during the fourth quarter of 2021.

On an annual basis, there was 17.0% (y-o-y) hike in the monetary aggregate M_1 , reaching AED 701.9 billion at the end of December 2021.

Money Supply M_2 (M_1 plus Quasi Monetary Deposits (Resident Time and Savings Deposits in Dirham, plus Resident Deposits in Foreign Currencies)), grew by 5.2% (q-o-q) during the fourth quarter of 2021.

On an annual basis, there was 5.7% (y-o-y) increase in Money Supply M_2 , reaching AED 1,563.1 billion at the end of the fourth quarter of 2021.

Money Supply M_3 (M_2 plus government deposits at banks and at the Central Bank) also rose by 3.9% (q-o-q) during the fourth quarter of 2021.

On an annual basis, there was a 4.9% (y-o-y) rise in Money Supply M_3 , reaching AED 1,856.7 billion at the end of December 2021.

Table 1 - Monetary Developments in the UAE													
(In Billions Dirhams - End of Period)													
	2020				2021								
	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	Change (%)	
												Quarterly	Annual
Money Supply (M ₁)	568.0	1.9%	600.0	5.6%	642.3	7.1%	659.5	2.7%	668.5	1.4%	701.9	5.0%	17.0%
Money Supply (M ₂)	1,468.7	0.7%	1,478.5	0.7%	1,487.5	0.6%	1,488.5	0.1%	1,485.9	-0.2%	1,563.1	5.2%	5.7%
Money Supply (M ₃)	1,805.7	3.0%	1,769.3	-2.0%	1,766.4	-0.2%	1,772.6	0.4%	1,786.9	0.8%	1,856.7	3.9%	4.9%

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 2021, the number of locally incorporated banks increased to 22 banks with the addition of a bank, the first of its kind in the region that serves the local community and deals with the UAE Dirham only. The branches of these locally incorporated banks decreased to 513 branches at the end of December 2021. The number of electronic banking service units of these banks fell to 41 units at the end of the fourth quarter of 2021. The number of Cash Offices remain constant at 20 Cash Offices at the end of December 2021.

The number of GCC banks continue to remain steady at the end of fourth quarter of 2021 at 6 banks, and one wholesale GCC Bank. The branches of these banks also remained constant at 6 branches at the end of December 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 remain 21 units at the end of the fourth quarter of 2021. The number of cash offices of these banks also remains consistent at one cash office during the fourth 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 fourth 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, 78, 19, 89 and 10, respectively.

The total number of ATM of banks operating in the UAE reached 4,396 by the end of December 2021.

Table-2 Banks, Other Financial Institutions & ATM									
2019 – 2021									
	2019	2020			2021				
	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec*
Locally Incorporated Banks									
Main Branches	21	21	21	21	21	21	21	21	22
Additional Branches	656	640	611	559	541	534	522	521	513
Electronic Banking Service Units	33	34	33	32	34	35	40	42	41
Cash Offices	31	31	31	26	23	22	22	20	20
GCC Banks (Excluding Wholesale Banks)									
Main Branches	6	6	6	6	6	6	6	6	6
Additional Branches	4	4	4	5	5	5	6	6	6
Other Foreign Banks									
Main Branches	21	21	21	21	21	21	21	21	21
Additional Branches	75	74	74	73	68	68	68	68	68
Electronic Banking Service Units	22	22	22	23	23	23	22	21	21
Cash Offices	1	1	1	1	1	1	1	1	1
Wholesale Banks	11	11	11	11	10	10	10	10	10
of which GCC Banks	1	1	1	1	1	1	1	1	1
Representative Offices	87	87	86	86	86	83	83	81	78
Finance Companies	23	23	22	22	22	21	21	19	19
Moneychangers	104	102	100	97	97	94	93	89	89
Offices for Intermediating in Currency Trading & Money Market Operations	11	11	11	11	11	11	10	10	10
ATM	5,076	4,937	4,685	4,542	4,422	4,343	4,311	4,345	4,396

Source: *Banking Supervision Department and UAESWITCH*

**Estimates, subject to revision*

2- Bank Assets and Loans

At the end of the fourth quarter of 2021 total assets of banks operating in the UAE increased by 2.3% (q-o-q), reaching AED 3,321.5 billion. During the period between December 2020 and December 2021, the total assets of banks operating in the UAE increased by 4.2% (y-o-y).

Gross credit increased by 1.0% (q-o-q), reaching 1,794.0 billion at the end of December 2021. On an annual basis, gross credit increased by 0.8%.

3- Customer Deposits

At the end of December 2021, total deposits of resident and non-resident customers with banks operating in the UAE rose by 2.8% (q-o-q) and annually by 5.9% (y-o-y), reaching AED 1,996.5 billion. Resident deposits increased by 3.9% (q-o-q), reaching AED 1,765.5 billion at the end of the fourth quarter of 2021. Non-resident deposits fell by 5.0% (q-o-q), reached to AED 231.0 billion by the end of December 2021.

On an annual basis, Resident deposits increased by 5.0%, whereas, Non-resident deposits increased by 14.1%.

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 2.2% (q-o-q), reaching AED 402.5 billion at the end of the fourth quarter of 2021. At the end of the fourth quarter of 2021, Total Capital Adequacy Ratio stood at 17.2%, remaining well above the 13.0% minimum Capital Adequacy Ratio, (which includes the 2.5% Capital Conservation Buffer requirement) and the 8.5% Tier1 Ratio, prescribed by the Central Bank regulations based on the Basel III capital guidelines.

As part of the Central Bank's response to the covid pandemic, banks may temporarily 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, DSIBS may use 100% of their D-SIB buffer without supervisory consequences, effective 15 March 2020.

	2020		2021							% Annual Change	
	Dec	Quarterly Change (%)	Mar	Quarterly Change (%)	Jun	Quarterly Change (%)	Sep	Quarterly Change (%)	Dec*		Quarterly Change (%)
Total Assets	3,188.0	-2.0%	3,175.9	-0.4%	3,208.8	1.0%	3,247.1	1.2%	3,321.5	2.3%	4.2%
Banks' Investments in Central Bank CDs	129.3	-14.5%	147.4	14.0%	150.6	2.2%	163.9	8.8%	164.7	0.5%	27.4%
Shariah Compliant Certificates of Deposits	45.3	-14.7%	50.3	11.0%	58.9	17.1%	55.1	-6.5%	49.1	-10.9%	8.4%
Gross Credit ⁽¹⁾	1,779.0	-1.4%	1,754.4	-1.4%	1,769.4	0.9%	1,776.5	0.4%	1,794.0	1.0%	0.8%
Personal Loans to Residents	329.5	0.9%	330.9	0.4%	336.5	1.7%	343.8	2.2%	347.6	1.1%	5.5%
Total Deposits ⁽²⁾	1,884.5	-1.2%	1,881.3	-0.2%	1,908.6	1.5%	1,942.3	1.8%	1,996.5	2.8%	5.9%
Capital & Reserves ⁽³⁾	392.8	0.8%	378.1	-3.7%	384.5	1.7%	393.7	2.4%	402.5	2.2%	2.5%
Capital Adequacy Ratio ⁽⁴⁾	18.2%	1.1%	17.9%	-1.6%	17.5%	-2.2%	17.7%	1.1%	17.2%	-2.8%	-5.5%
Tier-1 Ratio	17.1%	1.2%	16.7%	-2.3%	16.3%	-2.4%	16.5%	1.2%	16.1%	-2.4%	-5.8%
Common Equity Tier 1 (CET 1) Capital Ratio	14.9%	-1.3%	14.7%	-1.3%	14.5%	-1.4%	14.7%	1.4%	14.2%	-3.4%	-4.7%

⁽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 2021, the Central Bank's foreign assets increased by 11.8% (q-o-q), reaching AED 466.4 billion. This increase was because of quarterly increases in Current Account Balances & Deposits with banks abroad by 13.6% (a quarterly increase of AED 33.6 billion), in Foreign Securities by 8.7% (a quarterly increase of AED 10.9 billion) and in Other Foreign Assets by 10.5% (a quarterly increase of AED 4.8 billion).

From December 2020 to December 2021, Central Bank Foreign Assets increased by 20.2% (y-o-y).

6- Abu Dhabi and Dubai Financial Markets Values

Abu Dhabi's quarterly average Financial Market Index rose by 9.7% (q-o-q) during the fourth quarter of 2021. The quarterly average Market Capitalization of companies listed at the Abu Dhabi Securities Exchange (ADX) increased by AED 203.2 billion reaching AED 1,572.0 billion at the end of the fourth quarter of 2021. The Quarterly Traded Value also increased by 37.4% (q-o-q) during the fourth quarter of 2021 reaching AED 118.2 billion.

On an annual basis, the Abu Dhabi Financial Market Index rose by 54.6%.

Dubai's quarterly average Financial Market Index showed an increase by 9.0% (q-o-q) during the fourth quarter of 2021. The quarterly average Market Capitalization of companies listed on the Dubai Financial Market (DFM) increased by AED 12.1 billion reaching AED 399.2 billion at the end of the fourth quarter of 2021. Quarterly Traded Value increased by 228.5% (q-o-q) during the fourth quarter of 2021 reaching AED 32.2 billion.

On an annual basis, the Dubai Financial Market Index increased by 25.2% (y-o-y).

Table 4: Abu Dhabi Securities Exchange (ADX) Indicators

	2019				2020				2021			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Number of listed Companies	70	70	70	70	69	69	69	73	74	76	80	82
General Share Price Index**	5,085.8	5,080.5	5,180.3	5,071.4	4,597.4	4,219.3	4,447.4	4,890.1	5,723.2	6,480.3	7,567.2	8,300.0
<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%	9.7%
<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%	54.6%
Market Capitalization (Billion AED)**	520.0	527.9	538.6	528.6	497.5	483.9	672.7	725.7	826.7	1,002.0	1,368.8	1,572.0
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	118.2

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	Dec
Number of listed Companies*	67	67	67	66	66	67	65	65	64	64	64	62
General Share Price Index**	2,612.7	2,682.0	2,819.4	2,730.2	2,383.9	1,975.6	2,189.9	2,366.5	2,585.3	2,737.8	2,792.3	3,044.3
<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%	9.0%
<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%	25.2%
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	399.2
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	32.2

**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.